

Global Markets Research

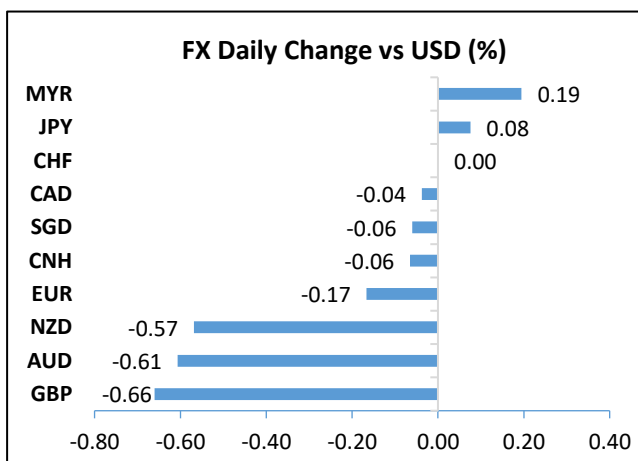
Daily Market Highlights

Key Takeaways

- **US stocks resumed their declines on Thursday** after news broke that President Biden may impose a capital gains tax rate as high as 39.6% on the wealthiest Americans, almost double of the current 20%. Bloomberg reported that this marginal rate, on top of the existing surtax on investment income means that individuals earning \$1mil and above may need to pay federal taxes as high as 43.4%. Major US stock benchmarks started Thursday's session on solid footing, supported by the robust jobless claims, only to plunge from intraday highs. The Dow, S&P 500 and NASDAQ all shed over 0.9%.
- **Treasuries rose as stocks faltered**, leading yields to broadly fall. Yields at the front end fell less than 1bp while the longer-dated yields edged lower by 1.7 to 3.3bps. The 10Y UST yielded 1.54% at closing. **The dollar staged a rebound on strong US data as well as the demand for safe havens.** EUR weakened slightly post-ECB meeting. President Lagarde said that the ECB did not discuss phasing out of its PEPP program. Gold futures snapped two-day winning streak to close 0.6% lower at \$1781.2/oz as the dollar rebounded. Crude oil prices stabilised after the recent selloff- Brent crude and WTI both rose 0.1% to settle at \$65.40/barrel and \$61.43/barrel. **Stock futures pointed down in Asia, as equities are expected to track the US' overnight losses.**
- **US' initial jobless claims fell to fresh pandemic era low of 547k last week** while a series of leading indicators pointed to robust economic growth in March onwards. The existing home sales however fell for the second month by 3.7% m/m. The Eurozone's consumer confidence unexpectedly turned less gloomy in April. Japan's CPI ex-fresh food fell slower by 0.1% y/y in March, supported by higher energy prices. Malaysia's foreign reserves edged up to \$108.6b. **Key economic data today include a series of flash PMI readings for developed economies as well as inflation reports from Singapore, Malaysia and Hong Kong.**
- DXY gained by 0.20%, closing around 91.33 during the last session. We observed some stabilisation in dollar weakness since 19 April, hovering just above the 91.00 support. This comes as US yields continues to come down. Data focus is on Markit PMIs for April, after extremely high levels in March (59.1 to 60.4). **USD outlook is now neutral** and we eye a weekly range of 90.40 to 92.30.
- USD/MYR fell 0.19% to 4.1120 on Thursday. We are **neutral to bullish on USD/MYR** after the broad USD rebounded against major currencies. We now eye a range of 4.1050-4.1300, expecting risk aversion to dominate the market ahead of the weekend.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,815.90	-0.94	10.49
S&P 500	4,134.98	-0.92	10.09
FTSE 100	6,938.24	0.62	7.39
Hang Seng	28,755.34	0.47	5.60
KLCI	1,607.73	0.70	-1.20
STI	3,187.78	1.04	12.10
Dollar Index	91.33	0.20	1.55
WTI oil (\$/bbl)	61.43	0.13	26.67
Brent oil (\$/bbl)	65.40	0.12	26.25
Gold (\$/oz)	1,781.20	-0.62	-6.01
CPO (RM/tonne)	4,290.00	2.42	13.25



Source: Bloomberg

Overnight Economic Data

US	→	EU	↑
JP	↑	MA	↑

Up Next

Date	Events	Prior
23/04	US, EU, UK, JP Flash Markit PMIs (Apr)	
	MA CPI YoY (Mar)	0.1%
	SI CPI YoY (Mar)	0.7%
	UK Retail Sales Inc Auto Fuel MoM (Mar)	2.1%
	HK CPI Composite YoY (Mar)	0.3%
	US New Home Sales MoM (Mar)	-18.2%
26/04	SI Industrial Production YoY (Mar)	16.40%
	US Durable Goods Orders (Mar P)	-1.20%
	US Dallas Fed Manf. Activity (Apr)	28.9

Source: Bloomberg

Macroeconomics

ECB kept policy intact as expected:

- The ECB maintained its monetary policy as widely expected and “reconfirm its very accommodative monetary policy stance”. All key interest rates are kept at their present levels and the Pandemic Emergency Purchase Program (PEPP)’s envelope was unchanged at €1850b “until at least the end of March 2022”.
- As per last meeting, it said that purchases under the PEPP this quarter will be conducted at a “significantly higher pace”, in response to the higher bond yields. It repeated that the envelope need not be used in full and can be recalibrated if required. It stands ready to adjust all instruments as appropriate.
- ECB also said that the near-term economic outlook remains clouded by uncertainty over resurgence of the pandemic and the related restrictions that would constrain economic activity. The Eurozone economy “may have contracted again in the first quarter of this year, but point to a resumption of growth in the second quarter”. Risks surrounding growth outlook over the near term continued to be on the downside but medium-term risks remain more balanced.
- It expects headline inflation to increase further in the coming months but will be volatile. Core inflation will increase somewhat this year due to short-term supply chain constraints and recovery in demand, but subdued by low wages.

US’ first-time jobless claims dropped to new pandemic low; existing home sales fell for second month:

- US initial jobless claims fell to another pandemic low of 547k for the week ended 17 Apr, from 586k last week. This brought down the four-week moving average to 651k, from 678.8k, a reaffirming sign of a recovering labour market as the economy saw fewer job losses amid strong hiring intentions.
- Existing home sales dropped 3.7% m/m in March from February (-6.3%), the second straight month of declines. Sales fell to an annualised rate of 6.0 million, a seven-month low, reflecting the surging home prices amid the tight supply market. The median prices of existing homes surged 17.2% y/y to a fresh record of \$329,100 in March.
- The Kansas City Fed’s manufacturing index rose to 31 in April (Mar: 26), pointing to continuous expansion in factory activity.
- The Chicago Fed Nat Activity Index rose to +1.71 in March, from -1.2 in February, suggesting that economic growth had rebounded last month. All broad categories of indicators made positive contributions to the index; the production; personal consumption and housing related indicators were the main driver.
- The Conference Board’s Leading Index turned around to increase 1.3% m/m in March (Feb: -0.1%), as broad economic indicators all suggested robust economic growth.

Less gloomy Eurozone’s consumer sentiment:

- Eurozone’s consumer confidence improved to -8.1 in April, from -10.8 in March, according to a preliminary report by the European Commission. The reading was a positive surprise as consensus called for a slight deterioration of consumer sentiment to -11.0. Consumers may have shifted their focus to the anticipated recovery in the economy amid the vaccine rollout despite the raging pandemic, now in its third wave in Europe.

Forex

MYR (Neutral to Bearish)

- USD/MYR fell 0.19% to 4.1120 on Thursday. We are neutral to bullish on USD/MYR after the broad USD rebounded against major currencies. We now eye a range of 4.1050-4.1300, expecting risk aversion to dominate the market ahead of the weekend.

USD (Neutral Outlook over 1 Week Horizon)

- DXY gained by 0.20%, closing around 91.33 during the last session. We observed some stabilisation in dollar weakness since 19 April, hovering just above the 91.00 support. This comes as US yields continues to come down. Data focus is on Markit PMIs for April, after extremely high levels in March (59.1 to 60.4). We eye weekly range of 90.40 to 92.30.

EUR (Neutral)

- EUR/USD was slightly down by 0.17% after recent consolidation, closing at 1.2050. We maintain our view of a weekly range of 1.1900 to 1.2100. Rising global Covid-19 cases may dampen on the recent EUR recovery and dollar weakness. This comes as ECB maintained its policy settings, without any consideration and forward guidance on tapering.

GBP (Neutral-to-Bearish)

- GBP/USD fell by 0.66% on Thursday’s session, down to a close of 1.3839 after the high of 1.4009 on 20 April. The pullback was triggered by some risk aversion. We see limited room for some further losses, given the GBP’s prior outperformance. Support at 1.3710, with resistance at 1.3940 for now.

JPY (Neutral-to-Bullish)

- USD/JPY continued to grind lower, albeit more gradual since 19 April. This comes as risk aversion started to creep into markets in recent days. Pair closed around 0.1% lower, at 107.97. The break of 108 now gives attention to 106.90 to 108.50 range. The recent pullback since 1 April is starting to look stretched, though.

AUD (Neutral-to-Bearish)

- AUD/USD was down by 0.61% to close at 0.7707 on Thursday. We see a head-and-shoulder formation forming over the pair, indicating a possible turn downwards. A break of the 0.7700 big figure again, may turn attention towards a range of 0.7560 to 0.7690.

SGD (Neutral)

- USD/SGD was seen pulling higher slightly on Thursday, closing at 1.3298 after an intraday range of 1.3265 to 1.3307. We still see some SGD outperformance but if dollar strength returns, pair may see a range of 1.3260 to 1.3380. We see room for horizontal movements, with bias on the upside.

Japan's inflation turned less negative in March:

- The CPI- ex-fresh food index, the BOJ's main inflation gauge, turned less negative to -0.1% y/y in March, from -0.4% prior. This was better than consensus estimate of -0.2% y/y. The narrower decline reflects higher energy prices and some rebound in domestic demand that supported the prices of household goods. Prices of clothing continued to increase but at smaller magnitude.

Malaysia's foreign reserves increased to \$109.3b:

- Malaysia's foreign reserves rose to \$109.3b as at 15 April, from \$108.6b prior. This is sufficient to finance 8.8 months of retained imports and is 1.2 times short-term external debt.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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