

Global Markets Research

Daily Market Highlights

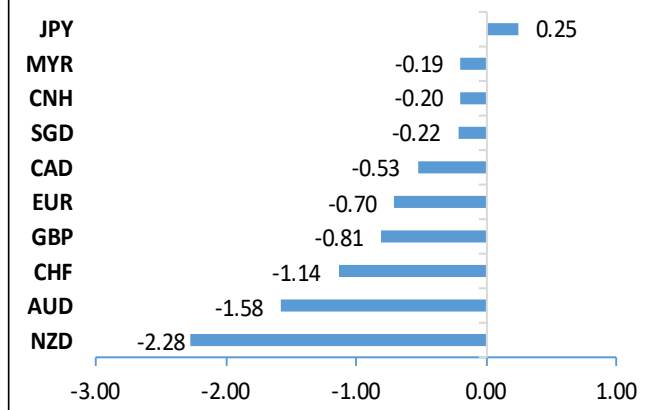
Key Takeaways

- US stocks fell overnight** as Fed Chair Jerome Powell and Treasury Secretary Janet Yellen testified before the House Financial Services Committee. **Powell maintained that the economic recovery is "far from complete"** and repeated that the \$1.9trillion stimulus bill is unlikely to fuel unwelcome inflation. Yellen pointed out that the "country is still down nearly 10mil jobs from pre-pandemic peak" and urged Congress to do more. US stock benchmarks were down by 0.8 to 1.1%, led by losses in cyclical sectors as markets digested Powell's and Yellen's remarks. Elsewhere, **stocks had mostly declined in Europe and Asia amid cautious trading**. Treasury yields extended declines to Tuesday amid a solid \$60b 2-year note auction with 2.54 BTC. Yields fell by 0.2 to 7.6bps across the board leading the curves to steepen. 10Y UST last traded at 1.62% (-7.4bps).
- The dollar rebounded alongside advance in treasuries**, supported by demand for safe haven assets. The dollar index jumped 0.7% to 92.34. Only the JPY strengthened against the USD. The rest of G10s weakened where the NZD was seen losing more than 2.0%. **Gold futures shed 0.8%** to \$1725.1/oz as the dollar strengthened. **Oil benchmarks tumbled around 6.0%, pressured by risk aversion and API's report of 2.9mil barrel inventory build-up**. Brent crude settled at \$60.79/barrel while WTI closed at \$57.76/barrel, reversing gains made since the second week of February. Powell and Yellen will testify before the Senate Banking Committee today. **Focus turns to a series of flash PMI data for the US, Eurozone, UK and Japan as well as the US government's bond sales**. Stock futures point to lower opening in Hong Kong and Japan this morning.
- US' new home sales fell** more than 18.0% in February as bad weather and rising mortgages rates hampered sales. The **UK's unemployment rate fell to 5.0%** in the three months to January despite the lockdown, as the furlough scheme continued to absorb labour market shock. **Japan's machine tool orders jumped** over 30% and **New Zealand exports rebounded**. **Singapore's core CPI turned positive in February**.
- Dollar rose throughout on Tuesday, before closing at the 92.34 region. With market volatility, we could possibly see the **dollar rise** to levels near its monthly high of 92.50. Yield movements still a risk factor for the dollar. Investors are closely watching testimony in Congress from Treasury Secretary Janet Yellen as they push out stimulus proposals. We see a range of 91.40-92.50 for the coming few sessions.
- USD/MYR rose 0.2%** to 4.1235 on Tuesday. We remain **neutral** on the pair, eyeing a range of 4.10-4.14, as the USD will likely remain supported by risk-off sentiments while markets watch out for another round of treasury auction.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	32,423.15	-0.94	5.94
S&P 500	3,910.52	-0.76	4.11
FTSE 100	6,699.19	-0.40	3.69
Hang Seng	28,497.38	-1.34	4.65
KLCI	1,595.29	-1.33	-1.96
STI	3,131.74	0.12	10.12
Dollar Index	92.34	0.65	2.67
WTI oil (\$/bbl)	57.76	-6.16	18.94
Brent oil (\$/bbl)	60.79	-5.93	17.36
Gold (\$/oz)	1,725.10	-0.75	-8.90
CPO (RM/tonne)	4,060.00	1.72	7.18

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	➔	UK	➔
JP	➡	SG	➡
NZ	➔		

Up Next

Date	Events	Prior
24/03	US, EU, UK, JP Preliminary Markit PMIs	
	MA CPI YoY (Feb)	-0.20%
	UK CPI YoY (Feb)	0.70%
	US MBA Mortgage Applications (19 Mar)	-2.20%
	US Durable Goods Orders (Feb P)	3.40%
	EC Consumer Confidence (Mar A)	-14.8
25/03	HK Exports YoY (Feb)	44.00%
	US Initial Jobless Claims (20 Mar)	--
	US GDP Annualized QoQ (4Q T)	4.10%
	US Kansas City Fed Manf. Activity (Mar)	24

Source: Bloomberg

Macroeconomics

US' new home sales fell over 18% in February:

- New home sales in the US fell sharply by 18.2% m/m in February to a seasonally adjusted annual pace of 775k units (a nine-month low), following the downwardly revised 3.2% growth in January. Consensus was expecting a much smaller 5.7% decline. The February's decline was the steepest since Jul-13, reflecting the huge impact of the deep freeze in mid-Feb and partly the rising mortgages rates and low supply that have made owning houses less affordable.
- In a separate note, the Richmond Fed Manufacturing Index rose to 17 in March, from 14 prior, adding to signs of stronger factory activities.

Mixed UK job data:

- The UK economy lost 147k jobs in the three months to January, fewer than the expected 167 losses (three months to Dec: -114k). The unemployment rate actually fell to 5.0% in the same period, from 5.1%. Again, the full effect of the national lockdown as well as the pandemic in general continued to be masked by the government's extended furlough scheme.
- However, a separate note shows that jobless claims rose 86.6k m/m in February alone (Jan: -20.8k), reflecting the impact of the January's lockdown. This suggests that the official job losses likely had been bigger in the three months to February.

Japan's machine tool orders jumped in February:

- Japan's machine tool orders jumped 19.1% m/m in February, more than making up for the 10.5% fall in the previous month, driven by both domestic and foreign orders. This translates to a sharp 36.7% y/y increase (Jan: +9.7%), marking its fourth month of consecutive growth, a positive signal that the manufacturing and exports sectors are benefiting from the pick-up in global demand.

MAS to keep policy unchanged despite rising Singapore's inflation:

- Inflationary expectations are rising in Singapore. In February, Singapore's core inflation (0.2% y/y) has turned positive for the first time since January 2020, with headline inflation (0.7% y/y) also at the highest since January 2020.
- These trends are unlikely to move the Monetary Authority of Singapore (MAS) into changing its Singapore Dollar Nominal Effective Exchange Rate (SGD NEER) policy decision, in our view. However, there is a small, but rising, risk of the MAS moving to tighten policy gradually from October 2021, or April 2022.

New Zealand's annual trade surplus narrowed in February:

- New Zealand's 12-month trade balance narrowed further to NZD2.36b in February, from NZD2.73b prior. The monthly trade balance swung to a surplus of NZD181mil, thanks to a rebound in exports (+6.5% m/m). Imports fell for the second month (-11.5%) during which Auckland remained under a lockdown to curb new Covid-19 community cases.

Forex

MYR (Neutral)

- USD/MYR rose 0.2% to 4.1235 on Tuesday. We remain neutral on the pair, eyeing a range of 4.10-4.14, as the USD will likely remain supported by risk-off sentiments while markets watch out for another round of treasury auction.

USD (Neutral-to-Bullish Outlook over 1 Week Horizon)

- Dollar rose throughout on Tuesday, before closing at the 92.34 region. With market volatility, we could possibly see the dollar rise to levels near its monthly high of 92.50. Yield movements still a risk factor for the dollar. Investors are closely watching testimony in Congress from Treasury Secretary Janet Yellen as they push out stimulus proposals. We see a range of 91.40-92.50 for the coming few sessions.

EUR (Neutral-to-Bearish)

- EUR/USD mostly fell on Tuesday, rising as high as 1.1941 at the start of the trading session before spiralling downwards to end the day at 1.1849. We see downsides ahead, with support at 1.1810 and resistance at 1.1950. Better-than-expected Markit PMI readings (markets expect deterioration) may support some EUR resilience during dollar strength. ECB publishes economic bulletin on 25 March.

GBP (Neutral-to-Bearish)

- GBP/USD remained depressed most of Tuesday, before suffering late losses to close the trading session at the 1.3780 region. The UK vaccine optimism was not able to supersede the US dollar broad strength amid risk off-off mood. A break of the prior 1.38 support now turns attention towards a support of 1.3670.

JPY (Neutral-to-Bearish)

- USD/JPY experienced a huge mid-day dip to 108.41 to end the trading session lower at 108.59. The pair falling to 108.44 was a fresh two-week low and captured the negative risk-off sentiment. A shift in range is showing some yen recovery, and now turns attention towards a 108.00-109.36 range.

AUD (Neutral-to-Bearish)

- AUD/USD plummeted by 1.6% on Tuesday from risk off moves. This negative sentiment arose from US dollar strength, Covid-19 spread and geopolitics. Australia's worst floods in nearly half a century has weighed in heavily on the mood. We maintain our bearish bias for AUD, and anticipate a support of 0.7530 and resistance of 0.7730.

SGD (Neutral)

- USD/SGD was resilient but could not withstand dollar strength. This brought USD/SGD to a close of 1.3443. Higher inflation pressures are supporting expectations of some MAS tightening early 2022. However, SGD was adversely impacted by risk off sentiments. We estimate resistance and support at 1.3531 and 1.3400 respectively.

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