

Global Markets Research

Daily Market Highlights

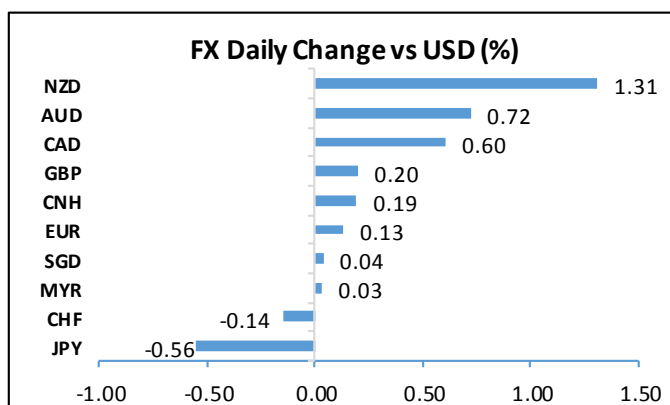
Key Takeaways

- US stocks rallied overnight as Fed Chair Jerome Powell reinforced the dovish policy stance and soothed concerns over an overheating economy that could lead policy makers to tighten monetary policy.** In a testimony before the House Financial Services Committee, Powell emphasized that the economy has a long way to go before recovery and rising prices would not necessarily lead to inflation. Vaccine optimism also boosted sentiments after Johnson and Johnson's single dose vaccine is certified to be safe and effective by US regulators.
- The Dow Jones crossed the 32,000 level for the first time before pulling back to close at 31,961.86 (+1.4%).** The S&P 500 gained 1.1% while NASDAQ picked up 1%. Earlier, stocks rose in Europe but closed in reds in most Asian markets. Investors sold US treasuries for riskier assets leading overall yields to advance by 1.4 to 5.2bps. The yield on 10Y UST last traded at 1.376%. Safe havens currencies (JPY, CHF and USD) weakened. On the commodity front, gold futures fell 0.4% to \$1796.4/oz amid risk-on sentiments. Crude oil prices rallied 2.5 to nearly 3%. Brent crude settled at \$67.31/barrel and WTI closed at \$63.22/barrel. On Wednesday, the RBNZ kept its monetary policy unchanged.
- US new home sales beat expectations at 4.3% m/m in January.** However mortgage applications fell 11.6% last week as the recent spike in treasury yields drove up mortgage rates, dampening applications for home loans. The Hong Kong economy contracted by 3.0% y/y in 4Q20 and shrank 6.1% for the full year of 2020, the worst on record. Malaysia's CPI inflation came in at -0.2% y/y in January.
- The DXY was overall flat on Wednesday, with an intraday range of 89.98-90.43. It strengthened against the JPY and CHF but weakened against commodity-related currencies like the NZD, AUD and CAD. **We anticipate some slight dollar weakness ahead.** We now eye a range of 89.40-90.60. For the week ahead, focus is on ISM and initial jobless claims data.
- USD/MYR continued to trade on a neutral note, closing little changed (-0.03%) at 4.0415. **We remain neutral** on USD/MYR, anticipating a range of 4.025-4.06 amid a lack of catalyst on the domestic front.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,961.86	1.35	4.43
S&P 500	3,925.43	1.14	4.51
FTSE 100	6,658.97	0.50	3.07
Hang Seng	29,718.24	-2.99	9.13
KLCI	1,557.55	-0.48	-4.28
STI	2,924.58	1.17	2.84
Dollar Index	90.18	0.01	0.27
WTI oil (\$/bbl)	63.22	2.51	30.21
Brent oil (\$/bbl)	67.04	2.55	29.42
Gold (\$/oz)	1,796.40	-0.44	-4.88
CPO (RM/tonne)	3,985.00	0.82	5.20

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	➔	Hong Kong	⬆️
Malaysia	⬆️		

Up Next

Date	Events	Prior
25/02	NZ ANZ Business Confidence (Feb F)	11.8
	HK Exports YoY (Jan)	11.70%
	EC Economic Confidence (Feb)	91.5
	US Durable Goods Orders (Jan P)	0.50%
	US Initial Jobless Claims (43862)	861k
	US GDP Annualized QoQ (4Q S)	4.00%
26/02	US Pending Home Sales MoM (Jan)	-0.30%
	NZ Exports NZD (Jan)	5.35b
	JN Industrial Production MoM (Jan P)	-1.00%
	JN Retail Sales MoM (Jan)	-0.70%
	MA Exports YoY (Jan)	10.80%
	SI Industrial Production YoY (Jan)	14.30%
	US Advance Goods Trade Balance (Jan)	-\$82.5b
	US Personal Spending (Jan)	-0.20%
	US PCE Core Deflator YoY (Jan)	1.50%
US U. of Mich. Sentiment (Feb F)	76.2	

Source: Bloomberg

Macroeconomics

- **RBNZ kept monetary policy unchanged:**
 - The RBNZ kept its Official Cash Rate (OCR) at 0.25%, as well as the Large Scale Asset Purchase (LSAP) Programme of up to \$100 billion and the Funding for Lending Programme (FLP) operation unchanged.
 - It said that the initiation of global COVID-19 vaccination programmes is positive for future health and economic activity but economic uncertainty will remain heightened as international border restrictions continue. This ongoing uncertainty is expected to constrain business investment and household spending growth.
 - The Committee agreed to maintain its current stimulatory monetary settings until “it is confident that consumer price inflation will be sustained at the 2 % per annum target midpoint, and that employment is at or above its maximum sustainable level”.
- **US new home sales surged in January but signs of fizzling demand emerged amid higher rates:**
 - New home sales beat expectations in January, picking up 4.3% m/m to an annualized pace of 923k units, better than the consensus forecast of 1.7% growth. Notably, December’s sales were also revised sharply to 5.5% (from 1.6%). The strong sales readings reflect buyers’ taking advantage of the historically low mortgages rates as Americans sought for bigger space amid the pandemic.
 - However in a separate note, mortgage applications fell 11.6% last week (prior: -5.1%) as the recent spike in treasury yields drove up mortgages rates, dampening applications for home loans. The 30-year fixed rates loans were priced higher at 3.08% (compared to 2.98% a week before).
- **Hong Kong’s GDP shrank 6.1% in 2020:**
 - The Hong Kong economy contracted by 3.0% y/y in the final quarter of 2020, an improvement from the 3.6% decline in the third quarter thanks to improvement in domestic and external demand. On a seasonally adjusted quarter-on-quarter basis, GDP posted a minor 0.2% expansion, compared to the 2.7% q/q growth prior, reflecting the economic impact of Covid-19 restrictions placed on 10 December.
 - For the full year of 2020, the economy shrank by 6.1% (2019: -1.2%), marking its second year of downturn and also its largest ever contraction.
 - The government announced this morning that it has pledged over HKD 120b (\$15.5b) worth of funds for counter cyclical measures designed to combat the pandemic-related downturn. This is part of a HKD727.8b spending plan for the financial year 2021-22. The overall budget is expected to have a stimulus effect of around 2.0% of GDP. The government estimated that the economy would grow 3.5 to 5.5% in 2021.

Forex

MYR (Neutral)

- USD/MYR continued to trade on a neutral note, closing little changed (-0.03%) at 4.0415. We remain neutral on USD/MYR, anticipating a range of 4.025-4.06 amid a lack of catalyst on the domestic front.

USD (Neutral-to-Bearish over 1-Week Horizon)

- DXY was overall flat on Wednesday, with an intraday range of 89.98-90.43. It strengthened against the JPY but weakened against commodity-related currencies like the NZD, AUD and CAD. We anticipate some slight dollar weakness ahead. We now eye a range of 89.40-90.60. For the week ahead, focus is on ISM and initial jobless claims data.

EUR (Neutral-to-Bullish)

- EUR/USD advanced slightly on Wednesday, up by around 0.13% after a high of 1.2175 for the day. We are slightly constrictive on EUR/USD, placing resistance at 1.2280 and support at 1.2050. Eurozone releases confidence data this week.

GBP (Neutral-to-Bullish)

- GBP/USD saw gains stabilising after prior gains above 1.4000. Pair reached a high of 1.4237, but retreated to 1.4141 at close. We anticipate modest gains for the pound for the week ahead. This is helped by leading vaccination rates, compared to other major economies. Focus is on the 2018 high of 1.4377. Only a correction to 1.4000 may turn momentum away from current uptrend.

JPY (Neutral-to-Bearish)

- Improving market sentiments continued to dampen on haven currencies like the yen. Pair hit a high of 106.11 before a pullback to close around 105.87. We turn biased against the yen, examining a range of 105.00-107.50. There is a possibility of range movements instead. CPI, retail sales and IP data are due for release in the coming days.

AUD (Neutral-to-Bullish)

- AUD/USD benefitted once again from commodity price rallies. Pair touched a high of 0.7973 on Wednesday before a slight retreat, compared to the 0.7911 close the day before. We are slightly optimistic on AUD, after recent volatility. We see upside momentum, with resistance at 0.8000. Only a pull back to 0.7850 will signal at some consolidation.

SGD (Neutral-to-Bullish)

- USD/SGD saw little movements as commodity-related currencies rallied. Pair stayed inside a range of 1.3180-1.3233 intraday. Over the coming week, we expect USD/SGD to stay within a range of 1.3157-1.3390. We expect the SGD to benefit from dollar weakness, although it may underperform other currencies’ rallies. Industrial production is the key data left for this week to watch.

- **Malaysia recorded smallest negative CPI print since Mar-20:**
 - Headline Consumer Price Index (CPI) continued to see negative print for the 11th straight month in January, at 0.2% y/y (Dec: -1.4% y/y), higher than our expectation due to smaller declines in transport and utilities prices. Core CPI stabilized at 0.7% y/y in January (Dec: +0.7%) for the 2nd month in a row, while services inflation moderated to 0.8% y/y (Dec: +0.9%), reaffirming well-contained price pressure as overall demand condition remained soft especially as the government reintroduced movement control measures in January.
 - We expect inflation to trend higher in tandem with the recovery in global oil prices, translating into dissipating drags from the decline in transport prices. CPI is on track to turn positive in March/April, heading back above the 3.0% level in 2Q and pulled back to the more subdued level of 2.0% again in the second half of 2021, resulting in a full year average CPI of 2.2% y/y

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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