HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks kicked off a new week with higher closings overnight as markets looked past surging inflation for now.** Gains were broad based across sectors, leading by tech and consumer discretionary shares. The Dow Jones rose 0.5%; the S&P 500 gained 1.0% and NASDAQ outperformed at +1.4%. Shares of tech giants namely Apple, Microsoft, Tesla and Twitter were among the drivers. **Fed officials reaffirmed that the recent jump in inflation was expected to be transitory as supply chain bottlenecks coupled with pent-up demand (as a result of lifting of lockdowns/easing in restrictions) fuelled the spike in prices.**

- **US treasury yields and the dollar retreated**, reflecting investors' easing expectations on Fed's possible move to tighten earlier than expected. Yields fell 0.4 to 2.1 bps across the curve. The 10Y UST last traded at a yield of 1.60% on Monday. **Gold futures rebounded amid a weaker dollar,** last traded 0.4% higher at $1884.5/oz on Monday. **Crude oil shot up over 3.0% as concerns over the return of Iranian supply back to the international market eased** after Iran signalled that current differences with the US remain and a deal to lift US sanction seems unlikely in the near future. Brent crude settled at $68.46/barrel (+3.0%) and WTI at $66.05/barrel (+3.9%). **Futures are pointing up in Japan and Hong Kong as of writing as stocks are expected to track the rally in the US markets overnight.** In the week ahead, focus shifts to a slew of US data such as the second estimate of 1Q GDP growth (first estimate: +6.4% annualised q/q). Key central bank rate decisions include those from the Bank Indonesia, RBNZ and BOK.

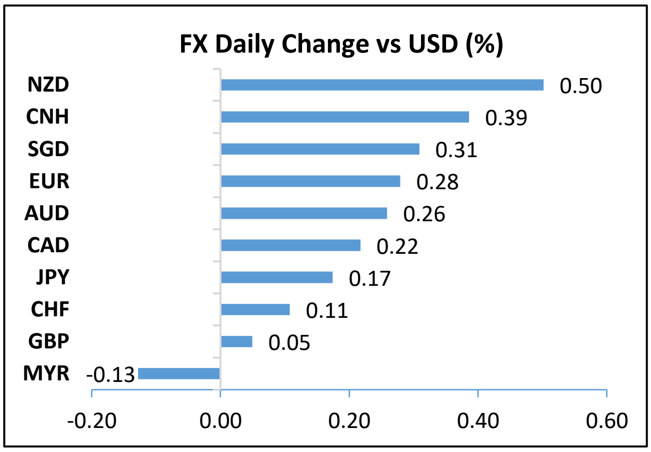
- Data were limited on Monday. **The US' Chicago Fed National Activity Index slipped to +0.24 in April, indicating moderating growth. Singapore's headline inflation jumped to a seven-year high** of 2.1% y/y in April **but we maintained our view that the MAS would not tighten policy this year. Singapore's 1Q GDP was revised higher to 1.3% y/y and 3.1% q/q** (seasonally adjusted), after advance estimates of 0.2% y/y and 2.0% q/q respectively.

- USD saw modest losses on Monday. DXY came off by 0.19% to a close of 89.84. This was helped by the Fed soothing concerns about inflation and markets rallied. For the DXY, we look for further **moves downwards** below 90 for the next few sessions. For the week ahead, initial jobless claims, PCE and U. of Michigan sentiment are the main datasets we track.

- USD/MYR closed Monday's session 0.1% higher at 4.1460. **USD/MYR may move lower today** in tandem with the weaker USD overnight, but we maintain our neutral to bullish weekly outlook for the pair as heightened concerns over surging Covid-19 cases in Malaysia could weigh on the MYR. We continue to eye a range of 4.13-4.17 this week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,393.98	0.54	12.37
S&P 500	4,197.05	0.99	11.74
FTSE 100	7,051.59	0.48	9.15
Hang Seng	28,412.26	-0.16	4.34
KLCI	1,571.82	0.62	-3.40
STI	3,123.61	0.18	9.84
Dollar Index	89.84	-0.19	-0.10
WTI oil ($/bbl)	66.05	3.88	36.44
Brent oil ($/bbl)	68.46	3.04	32.16
Gold (S/oz)	1,884.50	0.42	-0.81
CPO (RM/tonne)	4,450.00	-3.37	17.48



Source: Bloomberg

Overnight Economic Data			
US	↓	Singapore	↑

Up Next

Date	Events	Prior
25/05	SG GDP YoY (1Q F)	0.20%
	SG Industrial Production YoY (Apr)	7.60%
	JP Machine Tool Orders YoY (Apr F)	120.80%
	US FHFA House Price Index MoM (Mar)	0.90%
	US S&P CoreLogic CS 20-City YoY NSA	11.94%
	US New Home Sales MoM (Apr)	20.70%
	US Conf. Board Consumer Confidence	121.7
	US Richmond Fed Manufact. Index (May)	17
26/06	NZ Trade Balance 12 Mth YTD NZD (Apr)	1688m
	AU Westpac Leading Index MoM (Apr)	0.38%
	NZ RBNZ Official Cash Rate (26 May)	0.25%
	JP Leading Index CI (Mar F)	103.2
	US MBA Mortgage Applications (21 May)	1.20%

Source: Bloomberg

Macroeconomics

US' Chicago Fed National Activity Index points to moderating growth:

- The Chicago Fed National Activity Index slipped to +0.24 in April, from the multi-month high of +1.71 in March, suggesting that growth has moderated in the US from the stimulus driven/post lockdown surge in March. Three of the four broad categories made positive contributions to the index, only the personal consumption and housing category deducted -0.06 pts from the index.

Some diverging trends in Singapore's inflation:

- Headline inflation climbed to a seven-year high of 2.1% y/y in April, much higher than 1.3% in March as some base effects magnified the increase. Underlying inflation continued to inch up in April, compared to March.
- Core inflation (which excludes accommodation & private road transport) was slightly higher at 0.6% y/y from 0.5% a month ago. Core inflation was dragged down by lower food (non-cooked) and services inflation. Private road transport was up by 12.9% y/y in April, from 7.2% in March. This was caused by car prices, and resumption of certain ERP gentries. Electricity and gas also fell by only 2.4% y/y, compared to a bigger drop of 9.7% a month ago. This was driven by higher energy costs.
- MAS maintained its view that external inflation will ease in 2H-2021. It also noted that the recently implemented Phase 2 (Heightened Alert) will dampen underlying inflation in May. We share similar views with them. In our view, recent developments are favourable along with our view that MAS will not tighten monetary policy this year. This is despite some market participants previously pricing in October tightening.

Singapore grew faster than initially estimated, by 1.3% y/y in 1Q:

- Singapore's 1Q GDP was revised higher to 1.3% y/y and 3.1% q/q (seasonally adjusted), after advance estimates of 0.2% y/y and 2.0% q/q respectively. Manufacturing and services numbers were revised higher, as the construction sector remains weighed down by restrictions.

Forex

MYR (Neutral to Bullish)

- USD/MYR closed Monday's session 0.1% higher at 4.1460. USD/MYR may move lower today in tandem with the weaker USD overnight, but we maintain our neutral to bullish weekly outlook for the pair as heightened concerns over surging Covid-19 cases in Malaysia could weigh on the MYR. We continue to eye a range of 4.13-4.17 this week.

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

- USD saw modest losses on Monday. DXY came off by 0.19% to a close of 89.84. This was helped by the Fed soothing concerns about inflation and markets rallied. For the DXY, we look for further moves downwards below 90 for the next few sessions. For the week ahead, initial jobless claims, PCE and U. of Michigan sentiment are the main datasets we track.

EUR (Neutral-to-Bullish)

- EUR/USD moved in a bid to a high of 1.2230, before closing slightly lower at 1.2216. We stay slightly constructive on the currency on market positivity. Upside momentum stayed high despite levels looking elevated. Resistance at 1.2349 while support at 1.2040. Eurozone releases confidence indexes over the coming period.

GBP (Neutral-to-Bullish)

- GBP/USD lacked upward momentum despite hitting a 1.4172 high. A subsequent low of 1.4112 led to a recovery back to 1.4157, staying near the previous close. For the week ahead, we look for further bids in the pair. Momentum is still upwardly biased at elevated levels. Resistance at 1.4237 while support lies at 1.4000.

JPY (Neutral)

- USD/JPY was slightly down (by 0.17%) to a close of 108.75 on Monday. This comes as the US discouraged travel to Japan's upcoming Olympics event. We see range movements for the pair over the coming week, within a range of 108.00 to 109.80. Momentum looks subdued as Covid-19 cases are elevated. Week ahead data includes jobless rate and leading index.

AUD (Neutral)

- AUD/USD climbed by 0.26%, partly recovering from Friday's losses. This brought the pair to a close of 0.7752. Recent trends reinforce our conviction that the pair may move mostly horizontally for the coming sessions, examining a range of 0.7660 to 0.7820. Momentum is low at evenly balanced levels. Risk sentiments regarding commodity prices and inflation may shape the pair's movements.

SGD (Neutral)

- USD/SGD came off by 0.31% on dollar weakness, down to a close of 1.3279. This came as Covid-19 cases stayed relatively stable and did not deteriorate further after the authorities' Phase 2 (Heightened Alert) measures. We look towards a range of 1.3220 to 1.3380 for the week ahead. Singapore's data releases may be looking at the rear mirror, and have little impact on currency movements.

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