Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks staged a solid rebound on Friday, recovering from Thursday's tax-related shocks as investors focused on strong Markit PMI data.** The Dow Jones rose 0.7% while the S&P 500 picked up 1.1%. NASDAQ outperformed with 1.4% gain. Stocks had been falling mostly throughout last week, before a brief rebound on Wednesday. News that President Biden would double the capital gains tax rate to nearly 40% led stocks to sell off on Thursday. **For the week, all benchmarks ended in the reds, snapping the equity market's four-week winning streak since late March.** Investors exited treasuries amid higher stocks, leading yields to rose modestly across the board. The yield on 10Y UST was 2bps higher at 1.56% on Friday. On a week-on-week basis, the 10Y yield shed 2bps, marking its third consecutive weekly decline.

- **Gold futures extended decline** on Friday (-0.2%) to $1777.0/oz. On a weekly basis, the bullion shed 0.1% after rallying for two weeks. **Crude oil prices rebounded** by more than 1.0% on positive PMI data. Brent crude settled at $66.11/barrel and WTI at $62.14/barrel. However, losses earlier of the week dragged down the weekly performances of both benchmarks as Brent shed nearly 1.0% w/w and WTI suffered 1.6% decline. **The Fed and BOJ are expected to maintain their monetary policy this week. The US would also report its first estimate of 1Q GDP growth and the all-important core PCE data. The Eurozone's 1Q GDP and China's official manufacturing and non-manufacturing PMIs are also in the data docket.**

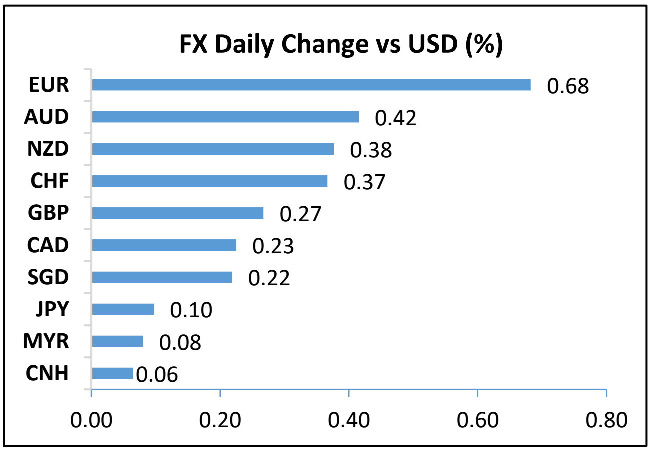
- **Preliminary PMIs showed that manufacturing activity continued to surge in developed countries. Services PMIs were mixed** with the US and UK posting strong readings; the Eurozone's PMI returned to above 50 and Japan continued to see deteriorating conditions. New home sales in the US rebounded by 20.7% m/m in March. **The UK's retail sales jumped** 5.4% m/m in March. **Hong Kong, Singapore and Malaysia all printed positive CPI readings.**

- The USD broadly weakened on Friday. DXY was down by around 0.52% d/d, as EUR, AUD and NZD advanced. This brought DXY to a close of 90.86. US PMIs (manufacturing at 60.6 and services at 63.1) improved further in April compared to March, and were highly positive. Yields also increased slightly but did not derail dollar weakness. We eye a **neutral USD** with a weekly range of 90.40 to 92.30.

- USD/MYR ended Friday's session slightly lower at 4.1085, its first closing below 4.11 since the second week of March. The pair lost 0.4% w/w and had been on a weakening streak for four consecutive weeks. **MYR outlook is turning more neutral** now but we still see room for some slight gains with support at the key 4.10 level. Would go with a range of 4.10-4.13 in the week ahead.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,043.49	0.67	11.23
S&P 500	4,180.17	1.09	11.29
FTSE 100	6,938.56	0.00	7.40
Hang Seng	29,078.75	1.12	6.78
KLCI	1,608.43	0.04	-1.15
STI	3,194.04	0.20	12.32
Dollar Index	90.86	-0.52	1.03
WTI oil ($/bbl)	62.14	1.16	28.15
Brent oil ($/bbl)	66.11	1.09	27.37
Gold (S/oz)	1,777.00	-0.24	-6.23
CPO (RM/tonne)	4,390.00	1.68	15.89



Source: Bloomberg

Overnight Economic Data			
US	↑	EU	↑
UK	↑	JP	→
HK	↑	SG	↑
MA	↑		

Up Next

Date	Events	Prior
26/04	SG Industrial Production YoY (Mar)	16.4%
	US Durable Goods Orders (Mar P)	-1.2%
	US Dallas Fed Manf. Activity (Apr)	28.9
27/04	CN Industrial Profits YoY (Mar)	20.1%
	JP BOJ Policy Balance Rate	-0.1%
	HK Exports YoY (Mar)	30.4%
	US FHFA House Price Index MoM (Feb)	1.0%
	US S&P CoreLogic CS US HPI YoY NSA (Feb)	11.2%
	US Conf. Board Consumer Confidence	109.7
	US Richmond Fed Manufact. Index (Apr)	17.0

Source: Bloomberg

Macroeconomics

Strong manufacturing growth persisted in April; services activity surged in the US and UK:

- The US' Markit Manufacturing PMI rose to 60.1 in April (Mar: 59.1) while the services index gained sharply to 63.1 (Mar: 60.4), confirming the acceleration in economic activity in the US.
- The Eurozone's manufacturing PMI picked up further to 63.3 in April (Mar: 62.5). Notably, the services gauge returned to the expansion level for the first time in eight months, at 50.3 (Mar: 49.6) as companies turned more optimistic in the coming months.
- The UK's manufacturing PMI surged to 60.7 in April (Mar: 58.9). The services reading also rose sharply to 60.1 (Mar: 56.3) following the loosening of restrictions and the improvement in overall pandemic situation.
- Japan's manufacturing PMI improved to 53.3 in April (Mar: 52.7) while the services PMI was unchanged at 48.3 (Mar: 48.3) as the divergence in growth outlook for both sectors extended to this month. Japan's manufacturing industry continued to benefit from the rise in global demand while the services sector remained pressured by weak domestic spending and the absence of tourists.

US new home sales rebounded more than expected in March:

- New home sales in the US rebounded by 20.7% m/m in March, following the 16.2% decline in February when sales were affected by unfavourable weather. The reading was a positive surprise given that analysts had expected sales to rose around 14%. The demand for housing remained high in the US although was dampened somewhat by the limited supply and recently higher interest rates.

UK retail sales rebounded sharply in March:

- Retail sales jumped 5.4% m/m in March (Feb: +2.2%), better than the consensus estimate of 1.5% as consumer spending continued to recover following the easing of Covid-19 restrictions in the UK. The surge in sales volume was driven mainly by sales at non-food stores, particularly that of clothing (+17.5% m/m). Automotive fuel retailers also reported strong sales as travel restrictions were eased. Online spending rose modestly (+1.3%) but its proportion of total sales fell to 34.7% (Feb: 36.2%) as consumers returned to brick-and-mortar stores.

HK's inflation picked up in March:

- Hong Kong's CPI rose 0.5% y/y in March (Feb: +0.3%), lower than analysts' expectation of 0.8% y/y. The underlying CPI which excludes government's one-off subsidies rose 0.2% y/y (Feb: -0.1%) following two consecutive negative readings. The steeper rise in prices of food (+1.6%) alongside the rebound in clothing prices (from months of negative rates) helped drove the headline prices as some restrictions were eased in February onwards.

Singapore's inflation still on the rise:

- Singapore's headline inflation grew 1.3% y/y in March (Feb: 0.7%) while the core inflation accelerated to 0.5% y/y (Feb: 0.2%). This continues the upward trend seen since mid-2020. Private transport inflation (in headline, out of core) grew 7.2% y/y in March (Feb: 4.2%), from higher car prices and petrol costs. For core inflation components, there were some base effects in play. Last March, the impact of Covid-19 has started to place disinflationary pressures on Singapore. Services inflation went up 1.2% y/y from 0.5% prior.

Forex

MYR (Neutral to Bullish)

- USD/MYR ended Friday's session slightly lower at 4.1085, its first closing below 4.11 since the second week of March. The pair lost 0.4% w/w and had been on a weakening streak for four consecutive weeks. MYR outlook is turning more neutral now but we still see room for some slight gains with support at the key 4.10 level. Would go with a range of 4.10-4.13 in the week ahead.

USD (Neutral Outlook over 1 Week Horizon)

- The USD broadly weakened on Friday. DXY was down by around 0.52% d/d, as EUR, AUD and NZD advanced. This brought DXY to a close of 90.86. US PMIs (manufacturing at 60.6 and services at 63.1) improved further in April compared to March, and were highly positive. Yields also increased slightly but did not derail dollar weakness. We eye weekly range of 90.40 to 92.30.

EUR (Neutral)

- EUR/USD outperformed on Friday with a 0.68% gain to a close of 1.2097. April Eurozone PMIs were positive, with services up to positive (50.3 from 49.6), while manufacturing stayed elevated (63.3). The recovery leads us to a slightly positive view of EUR, eyeing a range of 1.2010 to 1.2150. However, EUR may be vulnerable to a return of risk aversion, hence out neutral outlook.

GBP (Neutral-to-Bearish)

- GBP/USD was slightly up on Friday, to a close of 1.3876. This was helped by highly positive PMI datasets in April. Still, GBP may be a casualty after prior performance, if risk aversion returns again. Support at 1.3710, with resistance at 1.3940 for now.

JPY (Neutral-to-Bullish)

- USD/JPY saw prior momentum downwards still, despite still closing marginally lower at 107.88. We stay slightly constructive on JPY. Momentum is strong for JPY strength, even though the pace has led to some stretched levels. Attention will be on Bank of Japan's policy decision on 27 April. Retail sales, industrial production and labour market numbers are also released on 28 April.

AUD (Neutral-to-Bearish)

- AUD/USD gained 0.42% on Friday, closing higher at 0.7739 from 0.7707. This reversed prior day's losses. We see some vulnerability for AUD, if risk aversion returns again. A break of the 0.7700 big figure again, may turn attention towards a range of 0.7560 to 0.7690. Australia's 1Q CPI is released on 28 April, and will provide information on recent inflationary pressures.

SGD (Neutral)

- USD/SGD came off by 0.22%, to close at 1.3269 on Friday. We are anticipating a range of 1.3220 to 1.3340. Momentum is still biased on SGD strength, despite being at elevated levels. Industrial production data the focus for Singapore data ahead. The main downside risk for SGD is if the Covid-19 escalates further, threatening lockdowns.

- The MAS maintained its outlook on inflation since MAS meeting. It has already priced in low base effects, higher private transport and accommodation costs. It expects muted wage growth, contained business cost pressures and business market slack. Our current view is for MAS to move towards appreciating SGD NEER in April 2022, although some analysts are expecting earlier moves.

Malaysia's CPI inflation accelerated in March; core CPI steadied:

- Headline Consumer Price Index (CPI) increased at its fastest pace since Jun-2018, by 1.7% y/y in March, largely within ours (+1.8%) as well as market (+1.6%) expectations. The hefty jump from February's +0.1% y/y was driven by a turnaround in prices in the transport category due to the low base effect in March last year, when global crude oil prices plummeted to $33-34/ barrel.
- On the contrary, core CPI stabilized and remained very benign at 0.7% y/y (Feb: +0.7%) for a 5th straight month. Prices of food and utilities, the other two big bucket items in the CPI basket, also remained relatively steady at 1.5% y/y and -0.8% y/y respectively in March (Feb: +1.4% and -0.8%). This confirmed that the pick-up in inflation was primarily driven by the recent rebound in crude oil prices, and there was no broad-based increases in inflation in the system.

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