Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks broadly pulled back overnight** as investors sold technology and communications shares despite strong corporate earnings results. **The greenback strengthened modestly alongside higher treasury yields**. The Dow and S&P 500 struggled to find directions throughout the session, both closing little changed at the end of the day while the tech-focus NASDAQ index ended 0.3% lower. **Investors await the FOMC meeting and President Biden's joint address to the US Congress, his first such event after taking office.** Microsoft and Googles' parent company, Alphabet and Microsoft both reported upbeat earnings; shares of Alphabet surged in after-hour trading on news of a $50b stock buyback while that of Microsoft retreated.

- Treasury yields rose 1 to 5.5bps across the curve ahead of the FOMC. Yield on the benchmark 10Y UST picked up 5.5bps to 1.62%. **In the commodity sector, gold futures were flat** (-0.07%) at $1778/oz. **Crude oil prices jumped on renewed optimism for demand.** OPEC+ reaffirmed its plan to gradually increase oil production despite India's pandemic deterioration. Brent crude gained 1.2% to $66.42/barrel and WTI surged by 1.7% to $62.94/barrel. **The BOJ kept its policy intact and upgraded its forecasts. Futures indicate that stocks are set to open on a flat note in Hong Kong and Japan. The data docket is light, limited to Australia's CPI and the US' trade report as well as Malaysia's exports.**

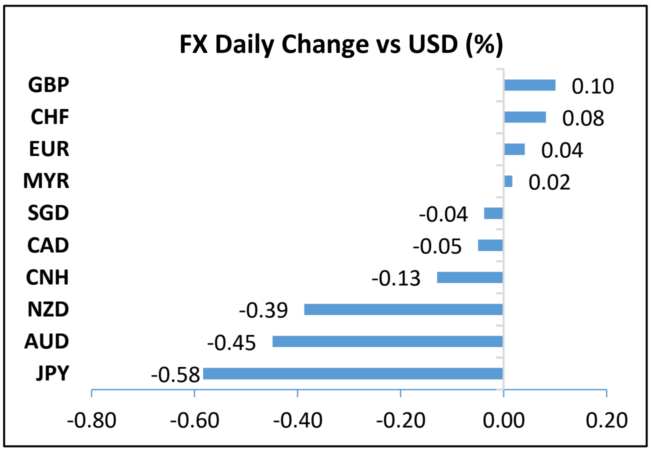
- **The Conference Board Consumer confidence surged in the US** this month thanks to an upbeat assessment of present situation. **Home prices in the US extended gain** into February but at smaller magnitudes, reflecting impact of higher rates and weather disruptions. **Japan's retail sales rose more than expected** in March. **China's industrial profits were distorted by low base** while **Hong Kong's exports remained supported by Chinese demand.**

- The USD strengthened on Tuesday, as UST 10 year yields climbed by more than 5bps. DXY rose by 0.11%, up to a close of 90.81. Attention is on FOMC decision and key US data (e.g. GDP) that is going to be announced/released. For the week ahead, we are **neutral on USD** outlook and eye a range of 90.40 to 92.30. USD may be supported from some market volatility, especially if Covid-19 outbreak escalates in certain parts of the world.

- USD/MYR closed on a flat note at 4.0970 as it consolidated recent declines. We expect **USD/MYR to stabilise** ahead of the FOMC meeting but weekly outlook has turned slightly bearish after the pair breached 4.10 recently, with support now at 4.07 in the more medium term.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,984.93	0.01	11.04
S&P 500	4,186.72	-0.02	11.47
FTSE 100	6,944.97	-0.26	7.50
Hang Seng	28,941.54	-0.04	6.28
KLCI	1,606.68	-1.03	-1.26
STI	3,214.43	0.30	13.03
Dollar Index	90.91	0.11	1.15
WTI oil ($/bbl)	62.94	1.66	29.72
Brent oil ($/bbl)	66.42	1.17	28.55
Gold (S/oz)	1,778.00	-0.07	-6.18
CPO (RM/tonne)	4,400.00	1.16	16.16



Source: Bloomberg

Overnight Economic Data			
US	→	JP	↑
CN	↑	HK	↑

Up Next

Date	Events	Prior
28/04	AU CPI YoY (1Q)	0.9%
	MA Exports YoY (Mar)	17.6%
	US MBA Mortgage Applications	8.6%
	US Advance Goods Trade Balance (Mar)	-$86.7b
29/04	US FOMC Rate Decision	0-0.25%
	NZ Trade Balance 12 Mth YTD NZD (Mar)	2364m
	NZ ANZ Business Confidence (Apr F)	-8.4
	EU Economic Confidence (Apr)	100.9
	EU Consumer Confidence (Apr F)	--
	US Initial Jobless Claims (24 April)	--
	US GDP Annualized QoQ (1Q A)	4.3%
	US Pending Home Sales MoM (Mar)	-10.6%

Source: Bloomberg

Macroeconomics

Consumer confidence rose sharply in the US:

- The Conference Board Consumer Confidence Index jumped to 121.7 in April, from 109.0 in March, lifted by the nearly 30-point gain in the Present Situation Index, as consumers turned extremely upbeat over the current business and labour market conditions in the US.
- The Expectation gauge picked up only a little (+1.5pts), indicating consumers' more modest assessment of the short-term outlook for income, business, and labour market conditions. The US businesses are currently in a hiring spree amid the quick vaccination rollout and easing restrictions, while the effect of stimulus injections rippled across the economy.

US' house prices recorded smaller gains in February:

- The FHFA House Price Index picked up 0.9% m/m in February, a tad lower compared to January 1.0% increase and marked its smallest gain in the pandemic housing boom era. Prices may have surged over 1.0% m/m every month since June last year when the first economic reopening.
- In a separate note, the S&P CoreLogic CaseShiller Index for 20 US cities rose 1.2% m/m in January, easing slightly from prior month's 1.3% increase. This also marks the index's smallest gain in seven months. The recent easing in the growth of house prices may have been a result of rising borrowing costs as well as weather related disruption in February. Compared to the previous year, the Case Shiller Index was still 12% higher.

Richmond Fed's factory gauge reflect supply chain constraint:

- The Richmond Fed Manufacturing index was unchanged at 17 in April (Mar: 17), falling short of analysts' expectation. New orders volume turned stronger this month but higher order backlogs dragged down and delayed overall shipments, capping the manufacturing sector's growth potential.

Bank of Japan kept policy unchanged:

- The BOJ kept its monetary policy intact in its latest meeting. The move was widely expected following the recent tweak to its yield curve control operation in the previous meeting. It reaffirmed its goal to ensure core inflation exceeds 2.0% in a stable manner and said it will closely monitor the impact of the Covid-19 pandemic. It repeated it would not hesitate to take additional easing measures.
- Based on the accompanying outlook assessment report, BOJ appeared to be more optimistic by upgrading the GDP forecast for fiscal year 2020 (ended Mar 21) from -5.6% to -4.9%. For fiscal year 2021, it also expects the economy to expand 4.0%, compared to initial growth forecast of 3.9%.
- However, it downgraded its inflation outlook as CPI inflation for fiscal year 2021 was cut from +0.5% to +0.1%, citing the effects of the reduction in mobile phone charges.
- BOJ stressed that the outlook for economic activity is "highly unclear", depending on the consequences of the pandemic and their impact on domestic and overseas economies. "Risks to economic activity are skewed to the downside for the time being".

Japan's retail sales rebounded more than expected in March:

- Retail sales rose 1.2% m/m in March (Feb: +3.1%), better than analysts' expectations (+0.6%). This marks its second consecutive month of gains since February, offering some positive signs that demand is slowly returning despite restrictions still being in place. Japan is still battling its fourth virus wave.

Forex

MYR (Neutral to Bullish)

- USD/MYR closed on a flat note at 4.0970 as it consolidated recent declines. We expect USD/MYR to stabilise ahead of the FOMC meeting but weekly outlook has turned slightly bearish after the pair breached 4.10 recently, with support now at 4.07 in the more medium term.

USD (Neutral Outlook over 1 Week Horizon)

- The USD strengthened on Tuesday, as UST 10 year yields climbed by more than 5bps. DXY rose by 0.11%, up to a close of 90.81. Attention is on FOMC decision and key US data (e.g. GDP) that is going to be announced/released. For the week ahead, we eye a range of 90.40 to 92.30. USD may be supported from some market volatility, especially if Covid-19 outbreak escalates in certain parts of the world.

EUR (Neutral)

- EUR/USD was up by 0.04%, to a close of 1.2091. Focus remains on the 1.2100 big figure. We continue to look at a range of 1.2010 to 1.2150, buoyed by recent improvements in Eurozone data. Momentum is on the upside but the prior rally is looking stretched. Besides, EUR may be vulnerable to a return of risk aversion.

GBP (Neutral-to-Bullish)

- GBP/USD was slightly up despite dollar strength, reaching a close of 1.3913. Technicals indicate that GBP may still have some room to strengthen, especially if USD weaken further. Still, GBP may be a casualty after prior performance, if risk aversion returns again. Support at 1.3850, with resistance at 1.4000.

JPY (Neutral-to-Bearish)

- USD/JPY headed higher to a close of 108.70 from prior day's 108.08, making yen an underperformer once again. Bank of Japan kept monetary policy unchanged but upgraded its growth outlook, without much surprises. Main conclusion was that it will maintain accommodative stance at least until April 2023, owing to subdued inflationary pressures. We had turned less optimistic on the JPY, eyeing a range of 107.50 to 109.10.

AUD (Neutral-to-Bullish)

- AUD/USD corrected after reaching a one month high of 0.7815 on 20 April. Pair was down to a close of 0.7765. We stay constructive on possible commodity market support, and see a range of 0.7700 to 0.7930 for the week ahead. Focus will likely shift to PPI data on 30 April after CPI release.

SGD (Neutral)

- USD/SGD stayed relatively stable on Tuesday, closing at 1.3262 after an intraday range of 1.3250 to 1.3276. We continue to anticipate a range of 1.3220 to 1.3340. SGD looks to be supported by further relaxation of rules regarding travel with other parts of the world. The main downside risk for SGD is if the Covid-19 escalates further, threatening lockdowns.

- Compared to the same month last year, retail sales were 5.2% y/y higher (Feb: -1.5%), thanks to lower base. The year-on-year changes are expected to be further distorted in April-May this year as sales saw double-digit plunges last year.

China's industrial profits jumped in March:

- China's industrial profits surged by 92.3% y/y in March (January and February's data were unavailable). This was supported by rising prices amid a strengthening manufacturing sector but partly inflated by the low base from last year when the country was still battling the Covid-19 pandemic.

Hong Kong's exports supported by Chinese demand:

- Hong Kong's exports rose 26.4% y/y in March, extending from the 30.4% gain in February. The reading was better than analysts' expectations (+15.8%), supported by shipments to China (+31.3%) as well as the impact of low bases in the same period last year at the start of the pandemic. Exports growth to other key partners remained positive albeit at smaller rates. Import growth also came in higher than expected at 21.7% y/y (Feb: +17.6%) as the economy recovered further.

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