

## Global Markets Research

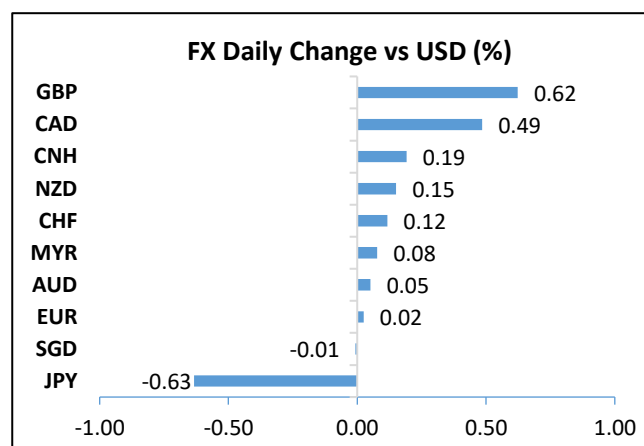
### Daily Market Highlights

#### Key Takeaways

- US stocks broadly gained on Thursday as upbeat US data and expectations for President Biden's new \$6 trillion budget plan prompted a rally in cyclical shares** such as industrials and financials but weighed on the info tech and consumer staple sectors. Markets also appeared to have looked past the recent inflation concerns which may have led the Fed to raise rates sooner after several officials signalled that the central bank was in no hurry to withdraw monetary support. The Dow Jones (+0.4%) outperformed, the S&P 500 edged up slightly by 0.1% while NASDAQ was little changed (-0.01%). Stock benchmarks are now on track to close out this week with their second weekly gain. Investors sold long dated treasuries as markets weighed data and said budget plan. Yields were little changed at the front end but gained on the medium to long end of the curve. The yield on 10Y UST rose 3.1bps to 1.61%.
- The greenback fell on the back of firmer risk sentiment.** All G10 currencies strengthened except the JPY (-0.6%). **GBP was lifted (+0.6%) by a BOE policy maker's comment on a potential rate hike in the first half of next year.** Gold prices continued to hover below the \$1900 mark. Futures lost 0.3% on Thursday to \$1895.7/oz but have rebounded to \$1897.1 this morning. **The crude oil market retained the bullish sentiment and traded higher for the fifth session on the back of a stronger outlook for oil consumption.** Brent crude closed out Thursday at \$69.46/barrel (+0.9%) and US WTI settled at \$66.85/barrel (+1.0%).
- The US' Initial jobless claims fell to 406k last week, another fresh pandemic low. 1Q GDP growth was unrevised at annualised 6.4% q/q. The durable goods orders unexpectedly declined by 1.3% m/m in April mainly because of the volatile transportation sector. Pending home sales fell 4.4% m/m. Japan's jobless rate rose to 2.8% in April. China's industrial profits rose 57% y/y. Hong Kong's exports gained 24.4% y/y.
- The **DX** stayed in a narrow range of 89.97 to 91.18 on Thursday. DXY eventually closed 0.08% lower d/d. Data continued to look positive with lower initial jobless claims, even as durable goods orders fell. We continue to look for **further moves lower** to sub-90 levels.
- USD/MYR edged down slightly (-0.1%) to 4.1405 on Thursday, as 4.14 remained a stronghold. We maintain our **neutral to bullish USD/MYR** outlook as heightened concerns over surging Covid-19 cases in Malaysia and some pre-weekend risk aversion may weigh on the MYR.

#### Market Snapshots

|                    | Last Price | DoD % | YTD % |
|--------------------|------------|-------|-------|
| Dow Jones Ind.     | 34,464.64  | 0.41  | 12.61 |
| S&P 500            | 4,200.88   | 0.12  | 11.84 |
| FTSE 100           | 7,019.67   | -0.10 | 8.65  |
| Hang Seng          | 29,113.20  | -0.18 | 6.91  |
| KLCI               | 1,593.90   | 1.02  | -2.05 |
| STI                | 3,164.82   | 0.60  | 11.29 |
| Dollar Index       | 89.97      | -0.08 | 0.04  |
| WTI oil (\$/bbl)   | 66.85      | 0.97  | 37.78 |
| Brent oil (\$/bbl) | 69.46      | 0.86  | 34.09 |
| Gold (\$/oz)       | 1,895.70   | -0.29 | 0.09  |
| CPO (RM/tonne)     | 4,340.00   | 0.25  | 14.57 |



Source: Bloomberg

#### Overnight Economic Data

|    |   |    |   |
|----|---|----|---|
| US | → | JP | ↓ |
| CN | ↓ | HK | ↑ |
| NZ | ↓ |    |   |

#### Up Next

| Date  | Events                               | Prior    |
|-------|--------------------------------------|----------|
| 28/05 | MA Exports YoY (Apr)                 | 31.0%    |
|       | EZ Economic Confidence (May)         | 110.3    |
|       | US Advance Goods Trade Balance (Apr) | -\$90.6b |
|       | US Personal Income (Apr)             | 21.1%    |
|       | US Personal Spending (Apr)           | 4.2%     |
|       | US PCE Core Deflator YoY (Apr)       | 1.8%     |
|       | US MNI Chicago PMI (May)             | 72.1     |
| 31/05 | JP Industrial Production MoM (Apr P) | 1.7%     |
|       | JP Retail Sales MoM (Apr)            | 1.2%     |
|       | NZ ANZ Business Confidence (May F)   | 7.0      |
|       | CN Non-manufacturing PMI (May)       | 54.9     |
|       | CN Manufacturing PMI (May)           | 51.1     |

Source: Bloomberg

## Macroeconomics

### US' initial jobless claims continued to trend lower; 1Q GDP growth unrevised:

- Initial jobless claims came in at 406k last week (prior: 444k), setting another new pandemic era record low. The four-week moving average which smooths out the volatility of the headline data, continued to trend down as well to 458.75k (prior: 504.75k), as the rebound in economic activity in a stabilising pandemic situation resulted in fewer layoffs.
- In a separate report, the US' first quarter GDP growth was unrevised at an annualised 6.4% q/q (4Q20: +4.3%), marking its third consecutive quarterly expansion following the sharp downturn in 2Q last year.
- In another note, the durable goods orders unexpectedly declined by 1.3% m/m in April, following the upwardly revised gain (+1.3% m/m) in the previous month, mainly weighed down by the vehicles and parts segment, and to a small extent, the electrical equipment segments. Orders of other categories all enjoyed decent gains, adding to signs of solid demand. The core capital orders managed to rise for the second month (+0.9% m/m).
- Pending home sales, an indicator that tracked the signed real estate contracts for existing homes, were down by 4.4% m/m in April (Mar: +1.7%), compared to the expected 0.4% gain, as the limited home supply dragged on sales.
- The Kansas City Fed's manufacturing index slipped to 26 in May (Apr: 31), to indicate moderating factory activity.

### Japan's jobless rate ticked up in April:

- Jobless rate in Japan rose to 2.8% in April, after having fallen to 2.6% in March. This was higher compared to the expected gain to 2.7%. The job-to-applicant ratio slipped to 1.09 in the same month, from 1.1 prior. Rising Covid-19 cases in the country at that point of time may have already weighed on the services sector's employment, before the government reimposed a third State of Emergency in certain regions namely Tokyo, Osaka, Hyogo and Kyoto.

### China's industrial profits rose 57% y/y in April:

- Industrial profits continued to increase but the growth rate eased substantially to 57% y/y in April, from 92.3% prior, reflecting the drag in industrial production growth in the same month. For the first four months of 2021, industrial profits grew 106.1%, supported by the recent surge in commodity prices amid the strong domestic and global demand.

### Hong Kong's export growth still at double-digit level:

- Hong Kong continued to report double-digit export and import growths in April, inflated by the low base from last year. Export growth slowed for the third month to 24.4% y/y in April (Mar: +26.4%) as lower shipments to China and a couple of Asian countries, negated the surge in exports to the US. Imports meanwhile gained 25.2% y/y (Mar: +21.7%), offering additional signs of firmer domestic demand.

### Consumer sentiment in New Zealand remained stable:

- The ANZ Consumer Confidence Index retreated by 1.2% m/m to 114 in May (Apr: 115.4), after the sharper upturn in the previous month, as consumers turned slightly cautious over the one-year outlook, but had more optimistic expectations over the longer term i.e., the five-year growth outlook. The index that gauges the climate to purchase major household items remained steady.

## Forex

### MYR (Neutral-to-Bearish)

- USD/MYR edged down slightly (-0.1%) to 4.1405 on Thursday, as 4.14 remained a stronghold. We maintain our neutral to bullish outlook for the pair as heightened concerns over surging Covid-19 cases in Malaysia and some pre-weekend risk aversion may weigh on the MYR.

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

- The DXY stayed in a narrow range of 89.97 to 91.18 on Thursday. DXY eventually closed 0.08% lower d/d. Data continued to look positive with lower initial jobless claims, even as durable goods orders fell. We continue to look for further moves lower to sub-90 levels.

### EUR (Neutral-to-Bullish)

- EUR/USD stayed relatively flat on Thursday's session, closing at 1.2195. We stay slightly constructive on the currency on market positivity. Resistance at 1.2349 while support at 1.2140. Eurozone releases confidence indexes on 28 May.

### GBP (Neutral-to-Bullish)

- GBP/USD outperformed and rose by 0.62%. This brought pair to a close of 1.4207 after a high of 1.4219. For the week ahead, we look for further bids in the pair. Momentum is still upwardly biased at elevated levels. Resistance at 1.4237 (before 1.4300) while support lies at 1.4000.

### JPY (Neutral-to-Bearish)

- USD/JPY was up by 0.63% d/d, with the yen underperforming. Pair closed at 109.81 in the process. This comes as the Japanese government sought to extend the virus emergency in Tokyo and other areas. With 110 now in sight, we turn more bearish on the JPY and now shift resistance to 110.97, 31 March high. Support is at 108.80.

### AUD (Neutral)

- AUD/USD was up by 0.05% to a close of 0.7747. This comes as Victoria implemented a fourth lockdown, in lieu of rising Covid-19 cases once again. We still see the pair moving horizontally for the coming sessions, within a range of 0.7660 to 0.7820. Momentum is low at evenly balanced levels.

### SGD (Neutral-to-Bullish)

- USD/SGD stayed relatively range bound, closing at 1.3243 after a tight 1.3225 to 1.3262 range. Focus turns to Singapore PMIs as the local Covid-19 situation did not deteriorate further. 1.3220 is the support to watch before 1.3157, while resistance is at 1.3320.

**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](mailto:HLMarkets@hlbb.hongleong.com.my)

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