

Global Markets Research

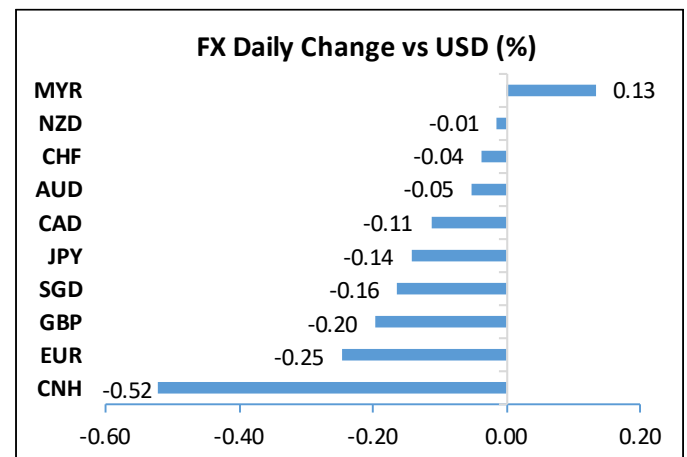
Daily Market Highlights

Key Takeaways

- **US stock benchmarks saw mixed performances** in the first trading session of the week as investors sold energy, financials and tech shares. The Dow Jones rose 0.3% to an all-time-high; the S&P 500 was flat (-0.09%) and NASDAQ fell 0.6%. Bank stocks were down after the fire sale of equities by a US hedge fund triggered loss warnings from Credit Suisse and Nomura. **Treasury yields were higher** by 0.2 to 3.2bps. 10Y UST last traded with a yield of 1.71% (+3.2bps) at the end of Monday's session. Tracking higher yields, **the USD strengthened modestly against nearly all G10 currencies**. CHF, AUD and NZD were flat. On the commodity front, gold futures fell 1.2% to \$1712.2/oz. Brent crude extended last Friday's gain, adding 0.6% to \$64.98/barrel.
- President Biden said that 90% of US adults will be eligible for Covid-19 vaccine next month. The Evergreen container ship stuck at the Suez Canal has been dislodged, allowing traffic to resume. **Malaysia retained its membership in FTSE Russell's World Government Bond Index** with a slightly reduced weighing of 0.37% (-0.02ppt). **Most importantly, it has been removed from the watch list for potential reclassification**, putting concerns of a potential exclusion to rest. **Chinese government bonds will be included in the index with a massive 5.25% weightage**, after the US, Japan, France, Italy and Germany.
- On the data front, **US Dallas Fed's manufacturing index recorded its best reading since Aug-18**, consistent with the robust results of other regional manufacturing surveys. **Japan's jobless rate was unchanged at 2.9% while retail sales jumped 3.1% m/m**. **Malaysia's exports picked up more than expected by 17.6% y/y**. **Vietnam's GDP growth missed expectations**, holding steadily at 4.5% y/y in the first quarter.
- USD gained at the start of the week, up 0.19% to almost a close of 93.00. Dollar gained the most against the CNH, with EUR and GBP also notable casualties. We are **Neutral-to-Bullish on the USD** for the week ahead, examining a range of 91.80-93.50. This is despite some improvements in market sentiment from Biden's raised vaccination goal. We watch ISM and non-farm payrolls data for the week.
- USD/MYR closed 0.1% lower at 4.1415 on Monday. We continue to expect **bearishness in the MYR** supported by a bullish USD outlook, eyeing a range of 4.13-4.18. The pair is still hovering near overbought level suggesting some consolidation remains possible. Meanwhile, positive momentum indicators signal there is still room for the pair to climb higher.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,171.37	0.30	8.38
S&P 500	3,971.09	-0.09	5.72
FTSE 100	6,736.17	-0.07	4.27
Hang Seng	28,338.30	0.01	4.07
KLCI	1,611.28	0.62	-0.98
STI	3,175.57	0.56	11.67
Dollar Index	92.94	0.19	3.34
WTI oil (\$/bbl)	61.56	0.97	26.88
Brent oil (\$/bbl)	64.98	0.63	25.44
Gold (\$/oz)	1,712.20	-1.16	-9.79
CPO (RM/tonne)	4,018.00	-3.94	6.07



Source: Bloomberg

Overnight Economic Data

US	↑	Japan	↑
Vietnam	→	Malaysia	↑

Up Next

Date	Events	Prior
30/03	HK Retail Sales Value YoY (Feb)	-13.60%
	EC Economic Confidence (Mar)	93.4
	US FHFA House Price Index MoM (Jan)	1.10%
	US Conf. Board Consumer Confidence	91.3
31/03	JN Industrial Production MoM (Feb P)	4.30%
	NZ ANZ Business Confidence (Mar F)	0
	CH Non-manufacturing PMI (Mar)	51.4
	CH Manufacturing PMI (Mar)	50.6
	UK Nationwide House Px NSA YoY (Mar)	6.90%
	UK GDP QoQ (4Q F)	1.00%
	EC CPI Estimate YoY (Mar)	0.90%
	US ADP Employment Change (Mar)	117k
	US MNI Chicago PMI (Mar)	59.5
	US Pending Home Sales MoM (Feb)	-2.80%

Source: Bloomberg

Macroeconomics

Dallas Fed Manufacturing Index jumped to nearly 3-year high:

- The Dallas Fed's Manufacturing Index jumped to 28.9 in March, its best reading since Aug-18, from 17.2 in February. This is driven by strong gains across all its sub-indicators, reflecting the robust growth in manufacturing activity that is consistent with other regional manufacturing gauges in the US.

Japan's jobless rate unchanged in February; retail sales rose over 3.0%:

- Jobless rate in Japan held steady at 2.9% in February (Jan: 2.9%), reflecting higher employment (+30k) and higher labour participation rate (61.9% vs 61.8% in Jan), a positive sign for the economy. The job-to-applicant ratio fell to 1.09 in the same month, from 1.1 amid a fall in job offers (-1.5% m/m) after previous month's increase.
- In a separate note, retail sales jumped by 3.1% m/m in February. January's sales were revised down to represent a 1.7% m/m decline (from the initial -0.5%). Year-on-year, retail sales were still 1.5% lower but are expected to turn around in March onwards, inflated by low base effects.

Vietnam's GDP growth stabilised:

- Vietnam's GDP growth stabilised at 4.5% y/y in the first quarter of 2021 (4Q20: +4.5%), below consensus forecast for a 5.7% growth as economic activity was disrupted by a new Covid-19 wave in late January through early March.
- Industrial production recovered partially by 3.9% y/y in March after the 7.2% decline in February. On a month-on-month basis though, industrial production (+22.1% m/m) managed to recover February's losses (-21.1% m/m) which had been attributed to the Lunar New Year or Tet celebration.
- Retail sales rose 5.1% y/y for the period of January-March, a bigger gain compared to the 4.7% growth observed in the same period last year just ahead of the pandemic lockdown.
- CPI inflation accelerated to 1.2% y/y in March after the lacklustre increase in February (+0.7%). On a monthly basis, consumer prices pulled back by 0.3% m/m (Feb: +1.5%) from the festivity-related increases. Prices of food/foodstuffs as well as that of beverages and tobacco decreased sharply after the steep gains in February.
- Exports jumped by 19.2% y/y in March (Feb: -4.7%), more than making up from the small festivity-related fall. Imports also recorded a steep 27.7% y/y increase (Feb: +10.5%), both data were partially inflated by the favourably low bases from last year when international trade was severely disrupted by the pandemic in China.

Upside surprise in Malaysia's exports:

- Exports picked up more than expected to expand 17.6% y/y in February (Jan: +6.6% y/y), marking its fastest growth since Oct-18. Impressive growth from all the key major trading partners, smaller than expected m/m decline (-2.3%) despite a shorter month and movement restrictions, as well as a low base from last February, prompted the jump in exports.
- Meanwhile, imports also grew at a faster pace of 12.7% y/y in February (Jan: +1.4% y/y), leading to only a slightly higher trade surplus of RM17.9bn (Jan: RM16.6bn). This reaffirmed our view that net exports will remain the main pillar of growth for 2021 while the tentative signs of improving domestic demand as reflected in consumption and capital goods imports also brought some cheer.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR closed 0.1% lower at 4.1415 on Monday. We continue to expect bearishness in the MYR supported by a bullish USD outlook, eyeing a range of 4.13-4.18. The pair is still hovering near overbought level suggesting some consolidation remains possible. Meanwhile, positive momentum indicators signal there is still room for the pair to climb higher.

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

- USD gained at the start of the week, up 0.19% to almost a close of 93.00. Dollar gained the most against the CNH, with EUR and GBP also notable casualties. We are **Neutral-to-Bullish** on the USD for the week ahead, examining a range of 91.80-93.50. This is despite some improvements in market sentiment from Biden's raised vaccination goal. We watch ISM and non-farm payrolls data for the week.

EUR (Neutral-to-Bearish)

- EUR/USD was down by 0.25% after a bearish past week. Momentum guided the pair to hit a low of 1.1761, closing nearby. We see EUR/USD with a bearish bias for the week, within a range of 1.1600-1.1900. Watch confidence indices on 30 March and CPI data on 31 March.

GBP (Neutral-to-Bearish)

- GBP/USD was down by 0.2% to a close of 1.3762 on Monday. We watch a range of 1.3600-1.3800 for the week ahead. GBP may stay more resilient in dollar strength, due to less accommodative moves from the BOE compared to the ECB in the near-term.

JPY (Neutral-to-Bearish)

- USD/JPY moved touched a high of 109.85, closing at 109.81. Pair is seeing some resistance around the 110 mark, as other G10 pairs moved more. We still see some scope for the yen to weaken further, with resistance at 110.00 and support at 108.50 for the week ahead. If that is broken, watch 111 as next psychological resistance level. Tankan data will be eyed later the week.

AUD (Neutral-to-Bearish)

- The AUD benefited from some sentimental recovery but failed to stand firm against the dollar. AUD/USD reached a low of 0.7615, closing around 0.7633. We anticipate some downsides for AUD. Support close to 0.7420, while resistance at 0.7730. This is weighed down by falling commodity prices from peaks, alongside rising yields and dollar strength.

SGD (Neutral-to-Bearish)

- USD/SGD moved on a bid tone on Monday, up to a close of 1.3478. We see pair testing 1.3531 over the coming week, towards psychological resistance of 1.3600. Support is at 1.3400 should there be some reversal. Still, the SGD should perform better than other currencies.

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