30 April, 2021

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US equities started the day on a positive note following upbeat data that showed US real GDP growth quickened to 6.4% q/q in 1Q21 and initial jobless claims dipped further to 553k, a fresh pandemic low.** The Dow and S&P500 ended the day 0.7% higher while the NASDAQ clocked in a more modest 0.2% gain, all bouncing back from intraday losses after a day of volatile trade amid mixed corporate earnings. We saw the case of a **relief rally post event risks which reaffirmed that both monetary and fiscal policies will remain supportive of economic recovery.** A day earlier, the Fed reassured markets that it will keep rates near zero despite assessment of a strengthening economy citing transitory inflation. President Biden's maiden speech to Congress outlined a massive $4 trillion infrastructure and social spending plans to revive the US economy.

- **US treasuries came under pressure and the USD traded firmer as risk sentiments soared**. UST yields climbed higher by 1-3bps across the mid-to-long end of the curve as the front end stayed little changed. Meanwhile, the Dollar Index was seen trading relatively firm in the 90.40-90.80 region before closing the day near the 90.60 level, outperforming most G10s. In the commodity sector, **gold retreated** to $1768.30/oz on paring of haven demand while **crude oil rallied** on growth optimism and demand outlook. Both the Brent and WTI rose for the 3rd straight day to above $68/ barrel and $65/ barrel respectively, highest in six weeks. **Futures indicate that stocks are set to open lower in Australia, Hong Kong and Japan. Focus will shift to China PMIs and US core PCE readings tonight, on top of Eurozone GDP and CPI.**

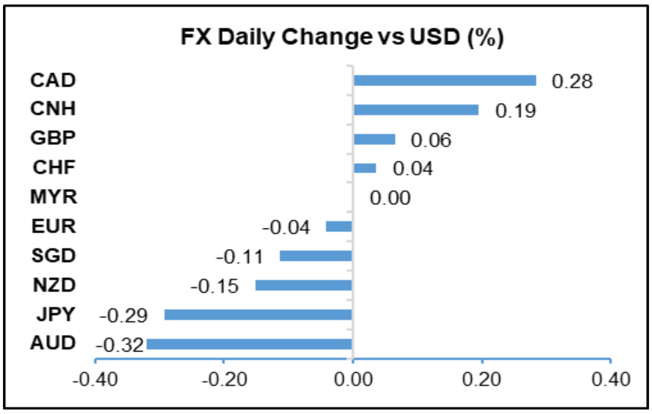
- **On the data front, releases were largely positive.** US 1Q GDP bounced back to a positive print of 0.4% y/y for the first time in a year (4Q: -2.4% y/y) as recovery quickened to 6.4% q/q on an annualized rate. Continuous decline in initial jobless claims shows further recovery in the labour market while firm demand capped home sales. Confidence rallied in the Eurozone amid some stabilization in the pandemic situation although consumers remained pessimistic. Industrial production surprisingly bounced back in Japan while jobless rate fell to its lowest since last April. Inflation remains weak in Japan.

- The USD was roughly flat on Thursday's session, closing at 90.61 after an intraday range of 90.42 to 90.79. This came amid some profit taking in markets, even as 1Q GDP was stronger than expected. We still look towards limited downsides, within a range of 90.20 and 91.70.

- The USD/MYR bounced back after briefly dipping below the 4.10 handle for two consecutive days. The pair last traded at 4.1040 on Wednesday as investors stayed cautious ahead of the FOMC meeting and Malaysian market closure yesterday. We are **neutral on MYR** today. Demand stemming from risk on market sentiments will likely be cushioned by a firmer overnight USD and the usual weakness ahead of the weekend.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,060.36	0.71	11.28
S&P 500	4,211.47	0.68	12.12
FTSE 100	6,961.48	-0.03	7.75
Hang Seng	29,303.26	0.80	7.61
KLCI*	1,608.50	0.11	-1.15
STI	3,221.58	0.06	13.28
Dollar Index	90.61	0.01	0.75
WTI oil ($/bbl)	65.01	1.80	33.99
Brent oil ($/bbl)	68.56	1.92	41.51
Gold (S/oz)	1,768.30	-0.32	-6.77
CPO (RM/tonne)	4,415.00	-0.26	16.55



*Source: Bloomberg *KLCI as at 28-April close*

Overnight Economic Data			
US	→	EU	↑
Japan	↑		

Up Next

Date	Events	Prior
30/4	JN Jibun Bank Japan PMI Mfg (Apr F)	53.3
	CH Non-manufacturing PMI (Apr)	56.3
	CH Manufacturing PMI (Apr)	51.9
	EC Unemployment Rate (Mar)	8.30%
	EC CPI Estimate YoY (Apr)	1.30%
	EC GDP SA QoQ (1Q A)	-0.70%
	US Personal Income (Mar)	-7.10%
	US Personal Spending (Mar)	-1.00%
	US PCE Core Deflator YoY (Mar)	1.40%
	US MNI Chicago PMI (Apr)	66.3
	US U. of Mich. Sentiment (Apr F)	86.5
3/5	MA Markit Malaysia PMI Mfg (Apr)	49.9
	EC Markit Eurozone Manufacturing PMI	63.3
	HK GDP YoY (1Q A)	-3.00%
	SI Purchasing Managers Index (Apr)	50.8
	US Markit US Manufacturing PMI (Apr F)	60.6
	US Construction Spending MoM (Mar)	-0.80%
	US ISM Manufacturing (Apr)	64.7

Source: Bloomberg

Macroeconomics

US GDP and jobless claims data added to signs of continuous recovery:

- Advance estimate showed US 1Q GDP expanded at a faster pace of 6.4% q/q (4Q: +4.3%), driven by a hefty pick-up in consumer spending (+10.7% vs +2.3%), its fastest since 1960s. Government paychecks, improving labour market, rising vaccination, and lifting of some restrictions spearheaded consumer spending in 1Q and would likely be sustained going into 2Q.
- Initial jobless claims dipped further to 553k for the week ended April 24 (prior: 566k upwardly revised and 540k expected). It remained below the 600k level for the 3rd straight week hitting its lowest level since the pandemic first started, pointing to continuous recovery in the labour market as vaccination progressed and economic activities picked up. However, continuing claims for the week ended April 17 climbed slightly higher to 3.660 million vs. 3.590 million expected and a downwardly revised 3.651 million during the prior week.
- US pending home sales rebounded albeit less than expected by 1.9% m/m in March (Feb: -11.5% revised), as tight supply and higher prices kept a lid on sales. Low inventory and low borrowing costs would probably mean demand will likely continue outstrip supply in the near term.

Eurozone economic confidence improved sharply in April:

- Economic confidence reported a bigger than expected jump to 110.3 in April (Mar: 100.9 revised), its highest in 2.5 years. Confidence picked up tremendously in the manufacturing sector and turned around in the services and construction sectors as the pandemic situation stabilized in the region. Consumers remained pessimistic but showed some improvement to -8.1 nonetheless (Mar: -10.8), its best reading since Feb-2020.

Lower jobless rate and inflation in Japan; industrial production rebounded:

- Japan jobless rate unexpectedly improved to 2.6% in March (Feb: 2.9%), matching the low last seen in April-2020 as the number of unemployed decreased by 230k m/m.
- In a separate release, Tokyo CPI surprisingly fell more than expected by 0.6% y/y in April, deepening from the 0.2% decline in March. CPI ex-food and energy also tapered off to a flat reading (0%) from the 0.3% y/y increase in March, reaffirming absence of inflation in the system despite the rise in energy prices.
- Industrial production staged a surprised rebound and grew 2.2% m/m and 4.0% y/y in March (Feb: -1.3% m/m and -2.0% y/y), as output bounced back from tight supply in chips and earthquake-related disruption last month. The whipsaw pattern however offers sign of a still fragile manufacturing sector amid ongoing battle with the pandemic.

Forex

MYR (Neutral)

- The USD/MYR bounced back after briefly dipping below the 4.10 handle for two consecutive days. The pair last traded at 4.1040 on Wednesday as investors stayed cautious ahead of the FOMC meeting and Malaysian market closure yesterday. We are neutral on MYR today. Demand stemming from risk on market sentiments will likely be cushioned by a firmer overnight USD and the usual weakness ahead of the weekend.

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

- The USD was roughly flat on Thursday's session, closing at 90.61 after an intraday range of 90.42 to 90.79. This came amid some profit taking in markets, even as 1Q GDP was stronger than expected. We still look towards limited downsides, within a range of 90.20 and 91.70.

EUR (Neutral-to-Bullish)

- EUR/USD was 0.04% down d/d, closing at 1.2121 after initially being in a bid tone and reaching a high of 1.2150. Focus is on Eurozone GDP data later the day. We stay slightly bullish, although momentum has faded recently. We place resistance at 1.2200 and support at 1.2030.

GBP (Neutral-to-Bullish)

- GBP/USD was slightly up for the day by 0.06%, continuing a trend of modest gains for 5 consecutive sessions. This brought the pair to a close of 1.3944. We see some slight upsides for the pair, examining a resistance of 1.4000 and support at 1.3890.

JPY (Neutral-to-Bearish)

- USD/JPY was up to a close of 108.93, as the yen continued its weakness against G10 currencies. The intraday high of 109.22 was the highest since mid-April. Recent reversals lead us to remain relatively pessimistic on the yen, on generally positive market sentiments. Watch resistance of 109.49 before 110, with support around the 108 big figure.

AUD (Neutral-to-Bullish)

- AUD/USD pulled downwards by 0.32%, losing prior day's gains. This brought the pair to a close to 0.7766. We see slight upsides ahead particularly as commodity prices remain elevated. Watch resistance at 0.7910 and support at 0.7700.

SGD (Neutral-to-Bullish)

- USD/SGD was slightly higher, to a close of 1.3267 on Thursday. One risk to recent SGD strength is rising Covid-19 community cases in Singapore, which potentially may delay more relaxation of economic restrictions. Watch resistance of 1.3300. USD weakness may turn attention towards movements closer to the 1.3200 big figure.

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