Global Markets Research

Weekly Market Highlights

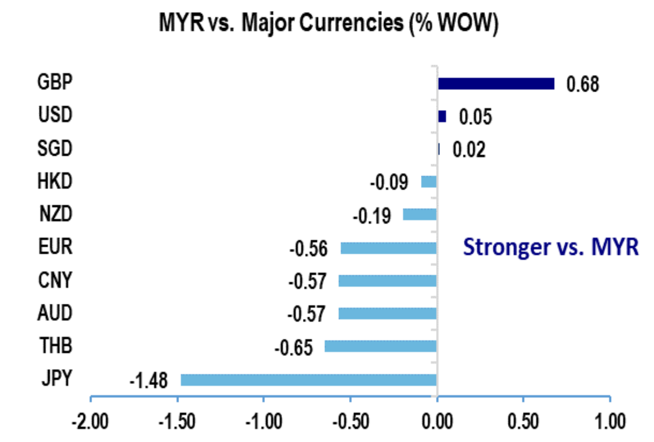
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	33,153.21	**1.64**	**8.32**
S&P 500	4,019.87	**2.82**	**7.02**
FTSE 100	6,737.30	**0.94**	**4.28**
Hang Seng	28,938.74	**3.72**	**6.27**
KLCI	1,582.64	**-0.94**	**-2.74**
STI	3,181.68	**1.27**	**11.88**
Dollar Index	92.93	**0.09**	**3.33**
WTI oil ($/bbl)	61.45	**4.94**	**26.65**
Brent oil ($/bbl)	64.86	**4.70**	**25.21**
Gold (S/oz)	1,726.50	**0.08**	**-8.90**

Source: Bloomberg

- US stocks rallied this week as the promising vaccination rate alongside fiscal injection are in favour of a robust economic growth outlook in the second quarter. Notably, the S&P 500 crossed the 4,000 mark on Thursday, propelled by demand in tech stocks. President Biden unveiled his ambitious $2.3trillion infrastructure plan. This week, OPEC+ has also agreed to raising output gradually in May-July, sending oil prices higher.
- US' leading indicators are strong where the ISM Manufacturing Index rose to a 38-year high. Consumer confidence rose substantially as well. The ADP private payroll came in at an impressive 517k gain. Initial jobless claims rose 61k last week but the 4-week average remained on a downtrend. The manufacturing PMIs for other key economies strengthened too, supported by the rise in global demand. Focus shifts to tonight's US NFP job data.

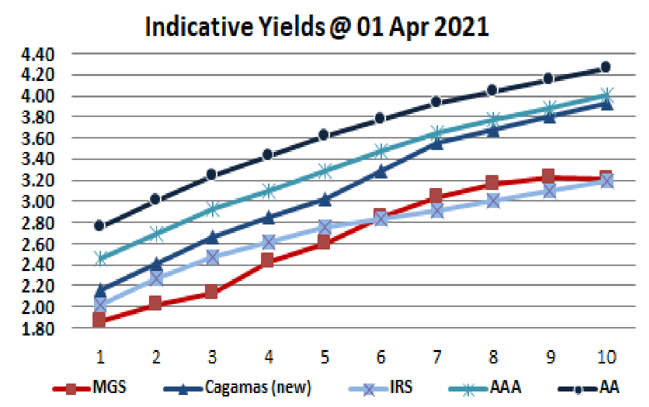
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded sideways around the 4.14 big figure for the larger part of the week in review, despite the occasional intraday spike above 4.15 touching a high of 4.1590 on Wednesday. There was some market uneasiness over the high headline inflation forecast released by BNM but comfort lies in still subdued core inflation and pledge to maintain accommodative policy stance. We expect a ***Neutral*** MYR next week as the USD outlook, while remain bullish, will likely turn more muted. Will go with a range of 4.13-4.17 for the week ahead.
- **USD**: The Dollar Index strengthened modestly over the past week, breaking the 93.0 resistance on 30-March to a high of 93.44, but retreated to close just shy of the 93.0 level at 92.93 yesterday, up only 0.09% w/w. USD remains bullish but positive momentum indicators are softening and DXY is seen flirting with the upper Bollinger band, paving the way for some consolidation before further climb higher in our view. We remain ***Neutral-to-Slightly Bullish*** USD next week, eyeing a range of 92.50-93.50 amid a lighter but nonetheless crucial calendar. FOMC minutes, ISM services index and the usual weekly jobless claims data bear watching.

Fixed Income



Source: Bloomberg

- **UST:** UST's saw slight pressure emerge again as traders and investors seemed nervous on President Biden's $2.25 trillion infrastructure-centric plans; following the earlier approval of $1.9 trillion bill. The quarter-end rebalancing flows also led to insufficient support. Overall benchmark yields rose between 2-7bps across save for the long-bond which settled 3bps lower at 2.33%. The improving outlook on growth, fostering a reflation trade coupled with inflationary pressures have seen yields rise. Expect next week's UST performance to hinge on March's monthly jobs report release tonight.
- **MGS/GII:** Local govvies ended stronger w/w, following earlier euphoria and relief from FTSE Russell's decision to maintain Malaysia in the World Government Bond Index (WGBI) whilst removing it from the watchlist first. Overall benchmark MGS/GII yields closed lower between 5-25bps save for ultra-short ends. Interest was seen mainly in the off-the-run 21-22's, 29's and also across many benchmarks i.e. 5Y, 7Y, 10Y, 20Y MGS/GII bonds. Sentiment was also boosted by the strong bidding metrics for the new issuance of 20Y benchmark and optimism by BNM's encouraging 2021 GDP forecast of 6.0-7.5%. Expect yields to range sideways-to-lower next week.

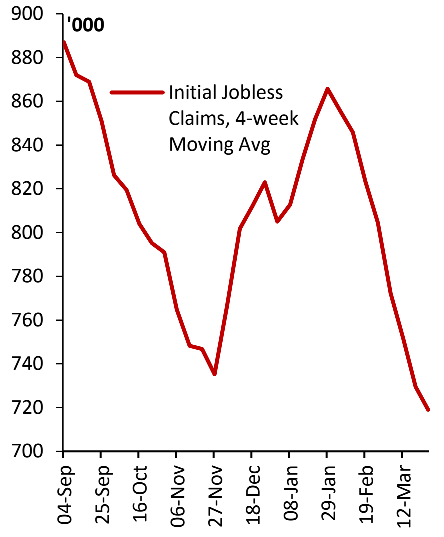
Macroeconomic Updates

- US stocks rallied this week as the promising vaccination rate alongside fiscal injection are in favour of a robus economic growth outlook in the second quarter. Notably, the S&P 500 crossed the 4,000 mark on Thursday, propelled by demand in tech stocks. President Biden unveiled his ambitious $2.3trillion infrastructure plan which is set to be his next major legislative challenge. The bill focuses on rebuilding the US' outdated infrastructure and address climate change. Notably, he called for a $2 trillion increase in corporate taxes over 15 years to fund the plan. This week, OPEC+ has also agreed to raising output gradually in May-July, sending oil prices higher.

- Initial jobless claims in the US rose 61k last week but the 4-week moving average which smooths out the volatile weekly changed continued to trend lower. The leading indicators in the US are generally strong with the Conference Board consumer confidence surging to a one-year high. The ISM Manufacturing Index jumped to the highest level since 1983. The Dallas Fed and MNI Chicago Manufacturing PMIs also surged in March, reaffirming the ongoing strength in the manufacturing industry. Meanwhile, the ADP private payrolls increase by a whopping 517k in March, led by gains in the services sector. This bodes well for tonight's official job data.

- Apart from the US, manufacturing PMIs also improved in the UK, Eurozone, Japan, China (official reading), Malaysia and Vietnam. There was also a surge in Eurozone's confidence level in March, thanks to optimism in the vaccination program. The HICP inflation rate accelerated to 1.3% y/y in March amid higher energy prices. The UK's 4Q GDP growth meanwhile was revised higher to 1.3% q/q (from 1.0%) in the final report. In Japan, while there was a retreat in industrial output (-2.1% m/m) in February, the BOJ's Tankan Survey generally points to brighter economic prospects in 2Q; the jobless rate was steady at 2.9% and retail sales rose over 3.0% m/m.

Initial jobless claims on a downtrend



Source: Bloomberg

The Week Ahead…

- Monday's data highlight is the US ISM Non-manufacturing Index for March (Feb: 55.3), the main gauge for the US' services industry growth and it is expected to offer another positive assessment of the US economy. In a separate release, factory order (Jan: +2.6% m/m) meanwhile is likely to record a negative reading in February, taking cue from the declines in the flash durable and core capital orders numbers. The cold weather condition in mid-Feb had disrupted supply chains and dragged down virtually all February data to the negative areas.

- Tuesday begins with Japan's February household spending (Jan: -6.1% y/y) and labour cash earnings data (Jan: -0.8% y/y). Spending is expected to remain weak given the little gain in wages in the previous month but is likely to have improved, judging from the gain in retail sales. The RBA is expected to maintain the cash rate at 0.1% on the same day at noon and repeat its goal to reach the inflation target on a sustainable manner. It might acknowledge the growing concerns over the current property boom as lending and home prices surged rapidly, and offer some assurances that there are macroprudential tools readily deployed if need be. Another key data of the day is the euro area's unemployment rate which is unlikely to sway much from the present level thanks to the governments' employment schemes.

- Wednesday's data flow is lighter and include the final readings for the March UK and Eurozone's Markit Services PMIs as well as the US' February trade report. On Thursday, the US Federal Reserve publishes its latest meeting minutes and markets are keen to find out more about Fed officials' discussion on rising bond yields. The Fed had left its policy intact during its 17-18 March meeting and projected interest rates to be at near zero levels. Other than that, the US' weekly jobless claims numbers are the main economic data release of Thursday.

- China's March CPI (Feb: -0.2% y/y) and PPI (Feb: +1.7% y/y) inflation data are due Friday. CPI is likely to have eased further post-Lunar-New-Year. Malaysia's February industrial production (Jan: +1.2% y/y) report is slated for noon release. We expect further recovery in industrial output, underpinned by strong global demand.

Foreign Exchange Market

- **MYR:** USD/MYR traded sideways around the 4.14 big figure for the larger part of the week in review, despite the occasional intraday spike above 4.15 touching a high of 4.1590 on Wednesday. There was some market uneasiness over the high headline inflation forecast released by BNM but comfort lies in still subdued core inflation. Markets were however quick to return to calamity as the central bank reiterated its stance to keep monetary policy accommodative and also caution against premature withdrawal of policy support. We expect a ***Neutral*** MYR next week as the USD outlook, while remain bullish, will likely turn more muted. Will go with a range of 4.13-4.17 for the week ahead.

- **USD**: The Dollar Index strengthened modestly over the past week, breaking the 93.0 resistance on 30-March to a high of 93.44, but retreated to close just shy of the 93.0 level at 92.93 yesterday, up only 0.09% w/w. Gains against JPY, SEK and CHF were mitigated by gains in other G10s notably NOK, GBP, and commodity currencies. Despite positive sentiments from improved macro data and President Biden's massive $2.25 trillion infrastructure plan, USD was supported by market jitters stemming from renewed lockdown and spike in cases in Europe. USD remains bullish but positive momentum indicators are softening and DXY is seen flirting with the upper Bollinger band, paving the way for some consolidation before further climb higher in our view. We remain ***Neutral-to-Slightly Bullish*** USD next week, eyeing a range of 92.50-93.50 amid a lighter calendar. FOMC minutes, ISM services index and the usual weekly jobless claims data bear watching.

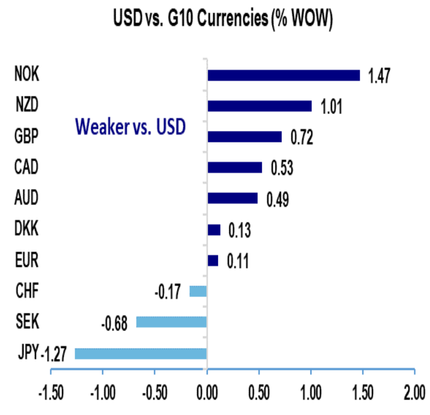
- **EUR**: EUR/USD was battered down to a low of 1.1704 this week before closing out the week slightly higher (+0.1% w/w) as concerns surrounding new wave of Covid-19 and renewed lockdowns in France exerted some selling pressure on the EUR. Germany has earlier extended its lockdown period. We expect recovery divergence between the Euro region and other majors to continue dampen the appeal of the EUR near term. We maintain our ***Neutral-to-Bearish*** stance on the EUR in the week ahead. EUR will likely test 1.1600 should 1.1714 be broken. Bearishness will only be reversed if the pair closes above 1.1800, which is unlikely in our view. Sentix investor confidence, unemployment rate and PPI are key watch.

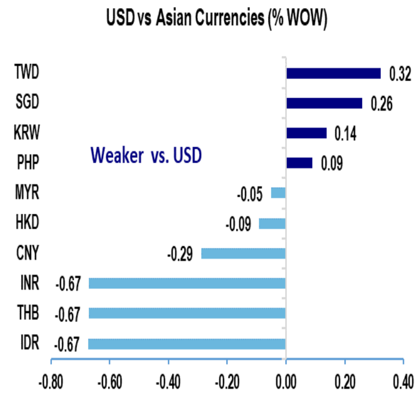
- **GBP**: GBP/USD stayed resilient despite USD strength, holding up well around the 1.37 big figure and above the 1.3600 key support. The pair traded within a range of 1.3706-1.3847 amid some volatility before closing the week 0.7% stronger, supported by upward revision in UK 4Q GDP and robust PMI data. The pair will likely stay ***Neutral*** and be primarily USD-driven amid lack of market-moving data and events in the UK. We maintain a range of 1.3600-1.3800 for the week ahead.

- **JPY**: USD/JPY continued its steady advance and chart new highs, hitting 110.97 during intraday trading on 31 March, just a tad shy of our 2Q forecast. Improvement in risk sentiments continued to dampen the safe haven appeal of the JPY, pushing it to become the biggest loser this week (-1.3%). Having broken the 110.00 resistance, the pair is now in overbought position. We expect some near term consolidation and expect USD/JPY to retreat to 110.30-110.50, after which the pair could be heading back down to 110.00. We therefore turn ***Neutral*** on JPY for the coming week. 110.00 serves as a major support for now. Data docket is mainly second tier and will unlikely have any major impact on the pair.

- **AUD**: AUD/USD (alongside other commodity related currencies) staged a turnaround and strengthened against the USD this week (+0.5%). The pair touch a low of 0.7532 yesterday before rebounding strongly to 0.7617 at close. We are ***Neutral-to-Slightly Bearish*** on the AUD for the week ahead but we believe downside is limited given that the pair is approaching oversold position. Support close to 0.7420, while resistance at 0.7730. RBA policy meeting will be key watch.

- **SGD**: USD/SGD went through a volatile week albeit within a tight range of 1.3428 and 1.3494 before settling at 1.3452 as at yesterday's close, up 0.3% w/w. We remain ***Neutral-to-Bearish*** on the SGD versus the USD. 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. Markets view MAS as less dovish than other major central banks, with markets now anticipating some tightening in early 2022. This should spur some SGD outperformance.





Source: Bloomberg

Forecasts

	Q2-21	Q3-21	Q4-21	Q1-22
DXY	92.50	92.00	91.50	90.75
EUR/USD	1.1850	1.1900	1.2000	1.2100
GBP/USD	1.3850	1.3950	1.4000	1.4100
AUD/USD	0.76	0.77	0.78	0.79
USD/JPY	111	110	109	108
USD/MYR	4.15	4.10	4.08	4.05
USD/SGD	1.36	1.35	1.33	1.32
	Q2-21	**Q3-21**	**Q4-21**	**Q1-22**
EUR/MYR	4.92	4.88	4.90	4.90
GBP/MYR	5.75	5.72	5.71	5.71
AUD/MYR	3.15	3.16	3.18	3.20
SGD/MYR	3.05	3.04	3.07	3.07

Source: HLBB Global Markets

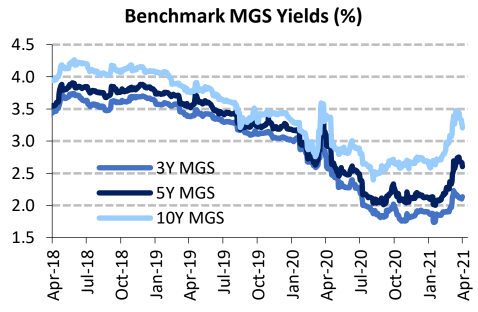
Fixed Income

- **UST:** UST's saw slight pressure emerge again as traders and investors seemed nervous on President Biden's $2.25 trillion infrastructure-centric plans; following the earlier approval of $1.9 trillion bill. The quarter-end rebalancing flows also led to insufficient support. Overall benchmark yields rose between 2-7bps across save for the long-bond which settled 3bps lower at 2.33%. The benchmark UST 2Y; reflective of interest rate predictions edged 2bps up at 0.16% whilst the much-watched 10Y (which traded within a wide range this week @ 1.63%-1.74%); closed 3bps higher at 1.67%. The improving outlook on growth, fostering a reflation trade coupled with inflationary pressures have seen yields rise. Reports from ADP which noted increase in private sector employment was also slightly negative for bonds. The divergence between UST's and bunds widened more than 50 bps, matching moves seen in 4Q2016. Expect next week's UST performance to hinge on March's monthly jobs report release tonight.

- **MGS/GII:** Local govvies ended stronger w/w, following earlier euphoria and relief from FTSE Russell's decision to maintain Malaysia in the World Government Bond Index (WGBI) whilst removing it from the watchlist first accorded in April 2019. Overall benchmark MGS/GII yields closed lower between 5-25bps save for ultra-short ends. Interest was seen mainly in the off-the-run 21-22's, 29's and also across many benchmarks i.e. 5Y, 7Y, 10Y, 20Y MGS/GII bonds. Both the benchmark 5Y MGS 9/25 and 10Y MGS 4/31 rallied 11-12bps at 2.58% and 3.23% respectively. The weekly secondary market volume jumped 22.1% @ RM21.0b versus prior week's RM17.2b. Sentiment was also boosted by the strong bidding metrics for the new issuance of 20Y benchmark @ BTC ratio of 2.575x whilst awarded at 4.417% and optimism by BNM's encouraging 2021 GDP forecast of 6.0-7.5%. It pledged to maintain monetary policy support; softening views of potential rate hikes going forward. Expect yields to range sideways-to-lower next week.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw tepid demand in the secondary market for govt-guaranteed/corporate bonds/sukuk which resulting in consistent daily spike in yields especially across the GG-AA part of the curve. Overall weekly secondary market volume tanked @ RM1.88b compared to prior week's RM3.83b. Topping the weekly volume was DANA 5/42 (GG) which spiked 87bps at 4.74% compared to previous-done levels, followed by last week's actives i.e. SEB 4/31 (AAA) which eased 3bps at 4.18% levels. Third largest volume was seen for AmIslamic 28NC23 bonds (A1) bonds which was pressured 104bps higher at 3.80%. Higher frequency of bond trades was seen in DANAINFRA, PRASARANA, ANIH, CCB, PROHAWK, PASB, TSH, Southern Power, AmBank and AmIslamic names whilst odd-lot transactions were noted in Eco World bonds. Meanwhile the prominent issuances for the week consisted of TG BIN ENERGY's (AA3) 1-11Y bonds totaling RM2.97b with coupons ranging between 5.13-6.20% and also AmBank Bhd's (A1) 10NC5Y bonds amounting to RM400m with a coupon of 4.18%.

- **SGS:** Singapore government bonds ended mixed with the longer-ends pressured w/w as the curve steepened sharply tracking UST movements. Overall benchmark yields closed within a wide range i.e. between -2 to +12bps; pivoted along the 5Y with the SGS 2Y yield edging 2bps lower at 0.50% whilst the 10Y (which traded within a wide 14bps range), spiked 11bps at 1.70%. The S$2.6b 10Y auction on 29th March drew tepid demand on a BTC ratio of 1.69x (previous: BTC ratio:1.76x) whilst awarded at 1.71% versus 1.63% the prior day. Overall SGS underperformed, losing ~2.0% in March~ the biggest drop among 24 developed market peers. Year-to-date sovereign bond issues/sales grew ~13% @ $26.2b in dollar equivalents; capturing about 28% of last year's issuances totaling $94.9b. Meanwhile, MAS may be expected to maintain its accommodative stance at its upcoming April review. They were no new rating updates for the week under review.



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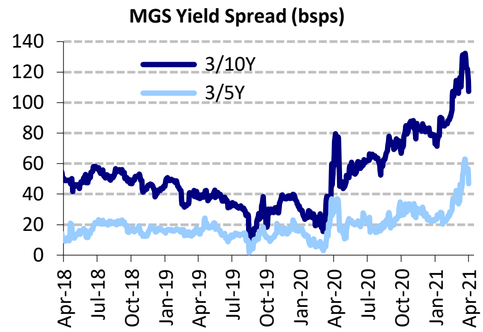

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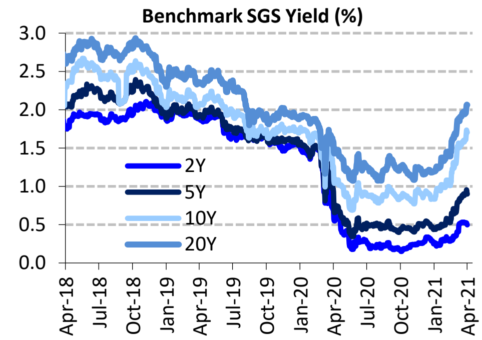

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
MEX II Sdn Bhd's (MEX II)	RM1.3 billion Sukuk Murabahah Programme and RM150.0 million Junior Bonds	From BB-IS/Negative and B to C-IS/C/Negative	Downgraded
Tanjung Bin Energy Sdn Bhd	RM4.5 bil Islamic MTN Programme (2021/2041)	AA3/Stable	Assigned
Special Coral Sdn Bhd	RM250.0 million Senior Class A Medium-Term Notes (MTN), RM50.0 million Senior Class B MTN and RM800.0 million Subordinated Class MTN under the existing RM1.1 billion MTN programme	AAA, AA and B-	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
05/04	08:30	JN	Jibun Bank Japan PMI Services	Mar F	46.5
	13:00	SI	Retail Sales YoY	Feb	-6.1%
	21:00	SI	Purchasing Managers Index	Mar	50.5
	21:45	US	Markit US Services PMI	Mar F	60.0
	22:00	US	ISM Services Index	Mar	55.3
	22:00	US	Factory Orders	Feb	2.6%
	22:00	US	Durable Goods Orders	Feb F	-1.1%
	22:00	US	Cap Goods Orders Nondef Ex Air	Feb F	-0.8%
06/04	07:30	JN	Labor Cash Earnings YoY	Feb	-0.8%
	07:30	JN	Household Spending YoY	Feb	-6.1%
	08:30	SI	Markit Singapore PMI	Mar	54.9
	09:45	CH	Caixin China PMI Services	Mar	51.5
	12:30	AU	RBA Cash Rate Target	06 Apr	0.1%
	16:30	EC	Sentix Investor Confidence	Apr	5.0
	17:00	EC	Unemployment Rate	Feb	8.1%
07/04	16:00	EC	Markit Eurozone Services PMI	Mar F	48.8
	16:30	UK	Markit/CIPS UK Services PMI	Mar F	56.8
	19:00	US	MBA Mortgage Applications	02 Apr	-2.2%
	20:30	US	Trade Balance	Feb	-$68.2b
07-14/04	00:00	SI	GDP YoY	1Q A	-2.4%
	02:00	US	FOMC Meeting Minutes	17 Mar	--
	07:01	UK	RICS House Price Balance	Mar	52%
	08:30	HK	Markit Hong Kong PMI	Mar	50.2
	17:00	EC	PPI YoY	Feb	0.0%
	20:30	US	Initial Jobless Claims	03 Apr	--
09/04	06:30	AU	AiG Perf of Services Index	Mar	55.8
	09:30	CH	CPI YoY	Mar	-0.2%
	09:30	CH	PPI YoY	Mar	1.7%
	12:00	MA	Industrial Production YoY	Feb	1.2%
	20:30	US	PPI Final Demand YoY	Mar	2.8%

Source: Bloomberg

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