Global Markets Research

Weekly Market Highlights

Markets

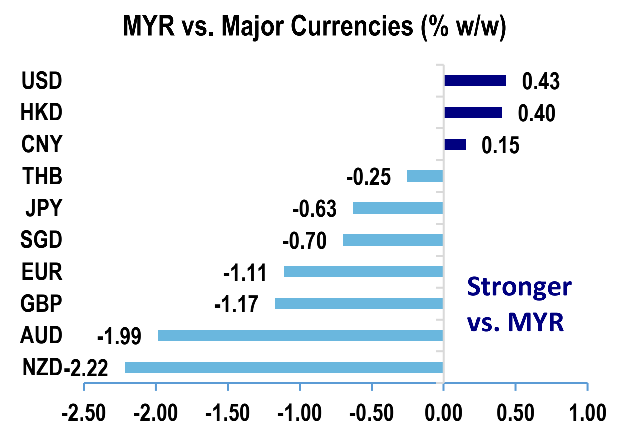
	Last Closing	WOW%	YTD %
Dow Jones Ind.	30,924.14	-1.5	1.0
S&P 500	3,768.47	-1.6	0.3
FTSE 100	6,650.88	0.0	2.9
Hang Seng	29,236.79	-2.8	7.4
KLCI	1,581.26	0.0	-2.8
STI	3,014.78	1.4	6.0
Dollar Index	91.63	1.7	1.9
WTI oil ($/bbl)	63.83	0.5	31.6
Brent oil ($/bbl)	66.74	-0.2	28.8
Gold (S/oz)	1,700.70	-4.2	-10.7

Source: Bloomberg

- US stocks extended decline this week as investors continued to rotate out of the tech sector, leading the major benchmarks to shed 1.5 to 3.0% w/w as of Thursday's closings. The bond market rout continues as investors predicted stronger economic growth and higher inflation in the months ahead. Despite surging bond yields, Fed Chair Jerome Powell continued to reaffirm the Fed's dovish policy stance. Gold prices tumbled by more than 4.0% this weak amid a stronger USD. OPEC+ sent a shockwave to the oil market with decision to keep output unchanged sending crude oil prices up by more than 4.0% in a single day.

- The number of new filings for unemployment benefits rose by 9k last week to 745k after having fallen for two consecutive weeks while the ADP private payroll also suggests a softer job market. Tonight's job report is expected to shed more light on the state of the labour market. Overall manufacturing indicators mostly displayed bullish uptrend across major economies. BNM stood pat and struck a neutral policy stance. In the week ahead, focus remains on the US stimulus plan. The ECB's policy decision is due Thursday.

Forex

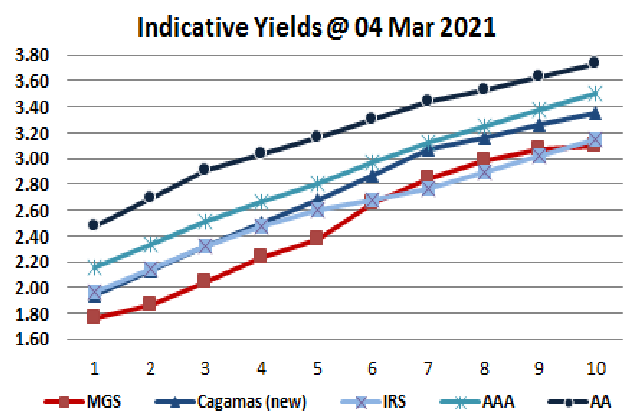


Source: Bloomberg

- **MYR:** USD/MYR turned slightly bullish over the week, as the USD broadly stayed firm despite correction in the earlier part of the week. Meanwhile, MYR also stayed largely subdued ahead of BNM MPC announcement, which did not spring any surprises. The pair traded in a range of 4.04-4.06, from 4.03-4.05 the prior week, before closing at 4.0575 yesterday. We are turning ***bullish on USD/MYR***, expecting a range of 4.05-4.09 in the week ahead. Lingering market jitters over higher inflation and rising bond yields are expected to keep USD biddish. Technically, positive momentum in USD/MYR is picking up, paving the way for further upmove.

- **USD**: Dollar broadly strengthened over the past 5 sessions, with DXY advancing 1.66% from 25 February (to 91.63 close). Markets were expecting Fed Chair Powell to dampen the trend on Thursday, but he disappointed. Hence, attention now shifts to US FOMC meeting on 17 March, for any potential address of this situation. These came amid buoyant PMI and some lower-than-expected labour market numbers. We have a firm ***Neutral-to-Bullish*** view on the USD for the week ahead, within a range of 91.00-92.50. For the week ahead, focus is now on CPI, PPI for clues of inflationary pressures, after non-farm payrolls data.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw UST's pressured on the longer-ends as Fed Chair Powell's comments failed to reassure investors and traders as he vowed to keep monetary policy steady even as the economy improves and inflation begins to rise. Overall benchmark yields closed between -3 to +5bps across, causing the curve to steepen considerably. Expect trading next week to be largely influenced by the February jobs report tonight, CPI data next week, followed by several bond auctions including the 20Y a day before the FOMC meeting on 17th March. Nevertheless, the Fed's bond buybacks of an estimated for $3.6b next week especially in the 7-20Y sector is expected to provide some relief.

- **MGS/GII:** Local govvies saw greater volatility but ended weaker w/w with pressure mounting as BNM decided to stay pat on the OPR at 1.75%; in line with our house view. Overall benchmark MGS yields closed mixed between 6-20bps for both MGS/GII. Interest was seen mainly in the off-the-run 21's, 28's, 29's, also benchmark 5Y, 10Y MGS/GII bonds. The weekly secondary market volume however fell to RM13.1b versus prior week's solid RM17.8b. Expect yields to move in an upward-bias movement next week following BNM's assessment on improved economic outlook going forward coupled with rising US yields.

Macroeconomic Updates

- **US stocks extended decline this week as investors continued to rotate out of the tech sector,** leading the major benchmarks to shed 1.5 to 3.0% w/w as of Thursday's closings. The bond market rout continues (*see Fixed Income, page 4*) as investors predicted stronger economic growth and higher inflation in the months to come thanks to easing Covid-19 infection rate and ongoing vaccination drives. Despite surging bond yields, Fed Chair Jerome Powell continued to reaffirm the Fed's dovish policy stance, indicating that loose monetary policy is here to stay. The next FOMC meeting is less than two weeks away (16-17 March). Gold prices tumbled by more than 4% this weak amid a stronger USD *(see FX, page 3*). The bullion is trading below $1700/oz as of writing. OPEC+ sent a shockwave to the oil market with decision to keep output unchanged sending crude oil prices up by more than 4% in a single day. The RBA and BNM kept policy rates unchanged.

- **The number of new filings for unemployment benefits rose by 9k last week to 745k after having fallen for two consecutive weeks.** Despite predictions of strong recovery and higher inflation, the pandemic continues to have adverse impact on businesses. Tonight's job report is expected to shed more light on the state of the labour market. The ADP private payroll's modest 117k increase suggest that job growth may have slowed. The manufacturing indicators remained particularly solid in the US – the ISM index surged to over 60 while factory orders (+2.6% m/m) continued to record stellar growth. Construction spending, a key component of US GDP extended growth to January (+1.7% m/m). The ISM Services Index retreated from recent high as a deep freeze took over parts of the US, disrupting businesses.

- **In other parts of the world, manufacturing PMIs also displayed strong trends, signs of improving global demand.** Services indicators were rather mixed with the Eurozone and Japan witnessing further contraction in services actiivty amid extended lockdown and strict social distancing rules. The UK services sector is showing some signs of stabililty with PMI increasing to near 50 level. In the Eurozone, unemployment rate was steady at 8.1% , reaffirming the effectiveness of government's payroll protection schemes, but retail sales fared poorly in January as most consumers stayed at home to combat the pandemic. Other than that, Australia's GDP growth moderated to 3.1% q/q in 4Q, the economy shrank 2.4% in 2020.

The Week Ahead…

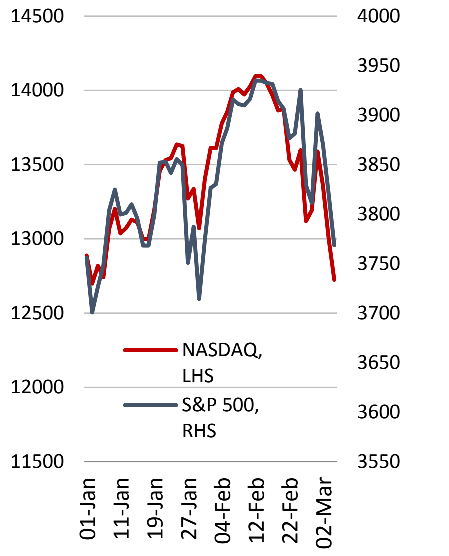
- In the week ahead, focus remains on the US stimulus plan. We are also expecting a lighter set of economic data, beginning with the Eurozone's Sentix Investor Confidence Index on Monday. Japan's final estimate for fourth quarter GDP alongside its household spending and labour cash earnings are due Tuesday's morning. These are followed by Australia and New Zealand's business confidence indexes. Later of the day, the EuroStat released the Eurozone's final report on 4Q GDP. US data is limited to the Small Business Optimism Index.

- On Wednesday, New Zealand's retail card spending is expected to provide some insights on consumer spending while Australia's Westpac Consumer Confidence gives the opportunity to gauge consumption outlook. China's CPI and PPI inflation data are due on the same day, US CPI is the highlight of the day and is expected to drive global markets.

- The ECB Governing Council meeting takes place on Thursday and President Lagarde is expected to address issues over surging bond yields. We do not foresee any major changes in policy.

- Goods producing data dominated Friday's agenda - they include Japan's BSI Large Manufacturing Index as well as industrial production numbers for Malaysia, the UK and Eurozone. The UK's monthly nominal GDP for January is an early gauge for the post-Brexit UK economy. Other key data include US PPI inflation and University of Michigan Consumer Sentiment Index. (*Please refer to appendix for next week's economic calendar).*

Tech shares selloff dragged on overall stock market



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR turned slightly bullish over the week, as the USD broadly stayed firm despite correction in the earlier part of the week. Meanwhile, MYR also stayed largely subdued ahead of BNM MPC announcement, which did not spring any surprises. The pair traded in a range of 4.04-4.06, from 4.03-4.05 the prior week, before closing at 4.0575 yesterday. We are turning ***bullish on USD/MYR***, expecting a range of 4.05-4.09 in the week ahead. Lingering market jitters over higher inflation and rising bond yields are expected to keep USD biddish. Technically, positive momentum in USD/MYR is picking up, paving the way for further upmove.

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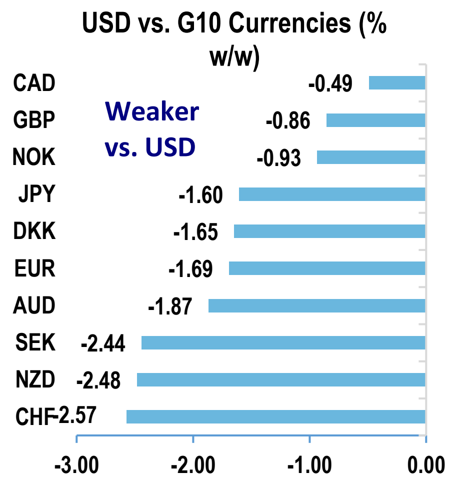
- **EUR**: EUR/USD broke 1.2000 on the downside over the past week. EUR weakness came in the light of dollar strength, despite subdued price pressures and economic data. This will likely trigger renewed momentum on the downside. We are ***Neutral-to-Bearish*** on the EUR for the week ahead, within a range of 1.1850-1.2050. Attention is on ECB meeting on 11 March and January industrial production figures.

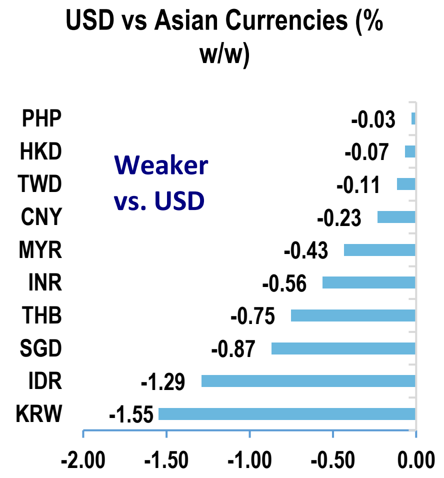
- **GBP**: GBP was resilient over the past week, but faltered on dollar strength. This shifted momentum on the downside after breaking below 1.4000 and 1.3900. We are ***Neutral-to-Bearish*** on the GBP. We now place support at 1.3740 and resistance at 1.3990 for the week ahead.

- **JPY**: USD/JPY has now hovered close to the 108 big figure after recent dollar strength. We are ***Bearish*** on the JPY for the coming week. We see some scope for the yen to weaken further, after recent weaknesses to CHF. Resistance is at 108.90 and support at 107.15 for the week ahead.

- **AUD**: AUD/USD was down by almost 2.0% over the past 5 sessions, despite high commodity prices. This was brought about by steepening yield curves in Australia. RBA maintained its policy stance on 3 March, but perhaps failed to push back expectations of rising interest and inflation rates. We are ***Neutral-to-Bearish*** on the AUD for the week ahead. Support close to 0.76 big figure, while resistance at 0.7810.

- **SGD**: USD/SGD has climbed from a low of 1.3165 on 25 February to a high of 1.3389 on 5 March open. Rising yield concerns are quite prevalent, translating to Singapore longer-term yield gains. We are ***Neutral-to-Bearish*** on the SGD for the week ahead. If 1.3400 is broken, expect attention to shift towards 1.3490 resistance, and support at 1.3270. Momentum is biased on the upside, from dollar strength and rising yield concerns. However, SGD may be more resilient in current environment, compared to other currencies that had rallied more previously.





Source: Bloomberg

Forecasts

	Q1-21	Q2-21	Q3-21	Q4-21
DXY	90.00	89.75	89.25	89.00
EUR/USD	1.2100	1.2150	1.2200	1.2250
GBP/USD	1.4100	1.4200	1.4300	1.4400
AUD/USD	0.8000	0.8000	0.8050	0.8100
USD/JPY	106.50	106.50	106.00	105.00
USD/MYR	4.0200	4.0000	3.9700	3.9500
USD/SGD	1.3250	1.3200	1.3100	1.3000

	Q1-21	Q2-21	Q3-21	Q4-21
EUR/MYR	4.86	4.86	4.84	4.84
GBP/MYR	5.67	5.68	5.68	5.69
AUD/MYR	3.22	3.20	3.20	3.20
SGD/MYR	3.03	3.03	3.03	3.04

Source: HLBB Global Markets

Fixed Income

- **UST:** The week under review saw UST's pressured on the longer-ends as Fed Chair Powell's comments failed to reassure investors and traders as he vowed to keep monetary policy steady even as the economy improves and inflation begins to rise. Overall benchmark yields closed between -3 to +5bps across, causing the curve to steepen considerably. The benchmark UST 2Y; reflective of interest rate predictions edged 2bps lower at 0.15% whilst the much-watched 10Y (which traded within a wide range of 1.39%-1.57%); rose 5bps to 1.57%. Expect trading next week to be largely influenced by the February jobs report tonight, CPI data next week, followed by several bond auctions including the 20Y a day before the FOMC meeting on 17th March. Nevertheless, the Fed's bond buybacks of an estimated for $3.6b next week especially in the 7-20Y sector is expected to provide some relief.

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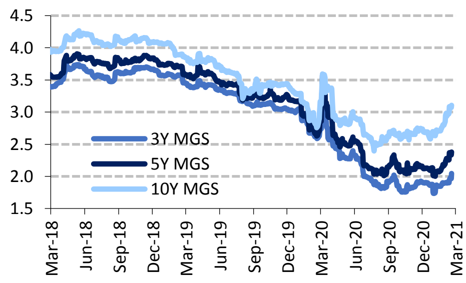
- **MYR Corporate Bonds/ Sukuk:** The week under review saw investor interest in the secondary market dip for corporate bonds/Sukuk/govt-guaranteed bonds; influenced by weaker govvies. Activity was mainly centered across the GG-AA part of the curve as yields closed mostly mixed-to-higher amid the sharp drop in weekly market volume of RM1.61b compared to prior week's RM2.34b. Topping the weekly volume was BPMB 3/22 (AAA) from the banking sector which closed unchanged at 2.29% compared to previous done levels, followed by TNB 8/33 (AAA) which spiked a massive 45bps at 3.90% levels. Third largest volume was seen for PTP 8/25 (AA3) bonds which rose 5bps at 3.09%. Higher frequency of bond trades were seen in only DANA and PASB and odd-lot transactions in CIMB perps, with most transactions spread out among various names. Meanwhile the prominent issuances for the week consisted of GLEANEALY plantations Sdn Bhd unrated 4-7Y papers totaling RM210m with a coupon of 2.1%; followed by MAXIS Broadband Sdn Bhd's 7Y bonds amounting to RM300m with coupon of 3.45%.

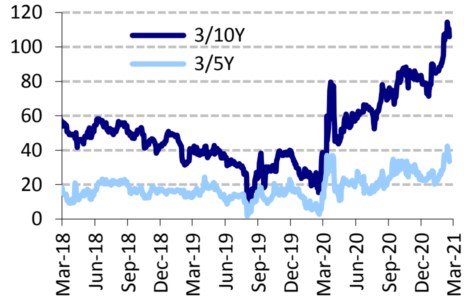
- **SGS:** SGS (govvies) mirrored movements in UST's and ended weaker w/w across the curve with overall benchmark yields rising substantially between 7-18bps. The curve continued to bear-steepen with the 2Y rising 7bps at 0.41% levels whilst the 10Y (which traded within a wide 13bps range), spiked 18bps at 1.46%. The republic is not expected to see tremendous pressure on its sovereign bond as supply pressure is not significant coupled with abundant liquidity. MAS has indicated the combined issuance of both infrastructure-related green bonds together with government bonds to meet market demand before the year-end. Meanwhile PMI data covering manufacturing, construction, wholesale, retail and services shows resilience of the republic's private sector as it climbed to ~55 last month. Separately, Fitch Ratings has affirmed Las Vegas Sands Corp's subsidiary i.e. Marina Bay Sands Pte Ltd's Long term Issuer Default Rating at BBB- and its senior credit facility at BBB with a rating Outlook of Negative.

Benchmark MGS Yields (%)



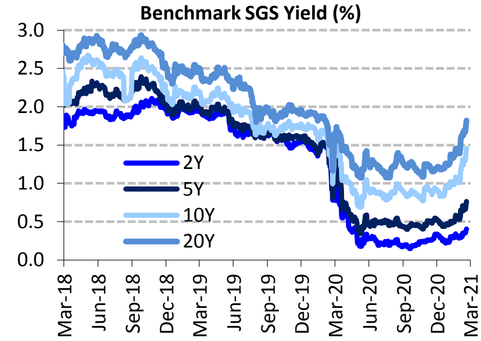
Source: Bloomberg

MGS Yield Spread (bsps)



Source: Bloomberg

Benchmark SGS Yield (%)



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Pelabuhan Tanjung Pelepas Sdn Bhd	Islamic Medium-Term Notes (Sukuk Murabahah Programme increase from RM1.9b to RM2.15b	AA-IS/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
08/03	17:30	EC	Sentix Investor Confidence	Mar	-0.2
09/03	07:30	JN	Labor Cash Earnings YoY	Jan	-3.20%
	07:30	JN	Household Spending YoY	Jan	-0.60%
	07:50	JN	GDP SA QoQ	4Q F	3.00%
	08:00	NZ	ANZ Business Confidence	Mar P	7
	08:30	AU	NAB Business Confidence	Feb	10
	14:00	JN	Machine Tool Orders YoY	Feb P	9.70%
	18:00	EC	GDP SA QoQ	4Q F	-0.60%
	19:00	US	NFIB Small Business Optimism	Feb	95
10/03	05:45	NZ	Card Spending Retail MoM	Feb	-0.40%
	07:30	AU	Westpac Consumer Conf Index	Mar	109.1
	09:30	CH	CPI YoY	Feb	-0.30%
	09:30	CH	PPI YoY	Feb	0.30%
	20:00	US	MBA Mortgage Applications	05 Mar	0.50%
	21:30	US	CPI YoY	Feb	1.40%
11/03	08:01	UK	RICS House Price Balance	Feb	50%
	20:45	EC	ECB Deposit Facility Rate	11 Mar	-0.50%
	21:30	US	Initial Jobless Claims	06 Mar	--
12/03	05:30	NZ	BusinessNZ Manufacturing PMI	Feb	57.5
	07:50	JN	BSI Large Manufacturing QoQ	1Q	21.6
	12:00	MA	Industrial Production YoY	Jan	1.70%
	15:00	UK	Industrial Production MoM	Jan	0.20%
	15:00	UK	Visible Trade Balance GBP/Mn	Jan	-£14315m
	15:00	UK	Monthly GDP (MoM)	Jan	1.20%
	18:00	EC	Industrial Production SA MoM	Jan	-1.60%
	21:30	US	PPI Final Demand YoY	Feb	1.70%
	23:00	US	U. of Mich. Sentiment	Mar P	76.8

Source: Bloomberg

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