Global Markets Research

Weekly Market Highlights

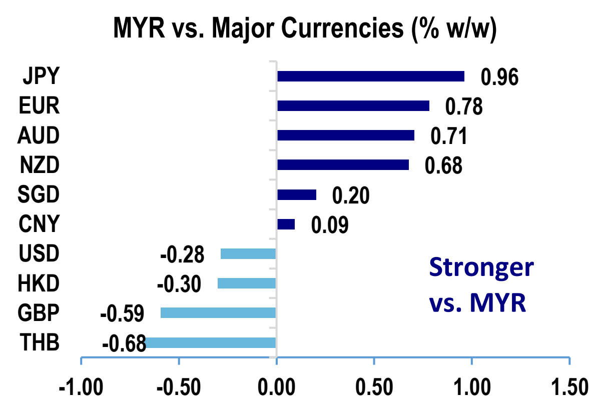
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	33,503.57	1.06	9.47
S&P 500	4,097.17	1.92	9.08
FTSE 100	6,942.22	3.04	7.46
Hang Seng	29,008.07	0.24	6.53
KLCI	1,602.40	1.25	-1.52
STI	3,186.40	0.15	12.05
Dollar Index	92.06	-0.94	2.36
WTI oil ($/bbl)	59.60	-3.01	22.84
Brent oil ($/bbl)	63.20	-2.56	22.01
Gold (S/oz)	1,756.80	1.75	-7.30

Source: Bloomberg

- US stocks rallied post-Easter holiday, setting the second quarter for a strong start as the robust economic narratives continued to play out. The dollar weakened this week, as treasury yields retreated, allowing gold prices to rebound. The Federal Reserve's minutes reaffirmed the central bank's commitment to maintain its accomodative policy. Officials downplayed the risks of surging inflation and viewed the recent rise in yields as signs of firmer growth outlook.
- US data were mixed but generally point to a rebound in March after the weather-related disruption in February. Next week, we look forward to the release of the March CPI inflation data as well as a series of top-tiered readings such as retail sales, industrial production and housing starts. China's 1Q GDP growth rate is expected to be inflated by the pandemic-related low base effect.

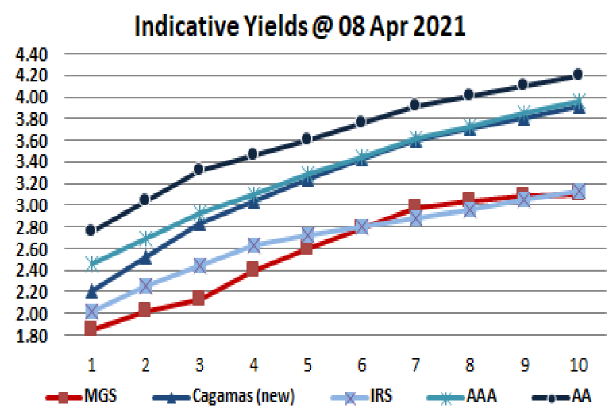
Forex



Source: Bloomberg

- **MYR:** Bigger than expected correction in the USD over the week led USD/MYR to trade lower at 4.1220-4.1435, before closing at 4.1360 yesterday, down 0.3% w/w. We are ***neutral to slightly bearish on USD/MYR*** in the week ahead. The pair looks poised for further down move now that bearishness has picked up, potentially breaking the 4.12 big figure. 4.1180 serves as a major support whilst immediate resistance sits at 4.1400. Risk to our view will be renewed USD strength after recent consolidation, which could cap trading in a 4.12-4.1450 range should it materialize.
- **USD**: The USD has broadly weakened over the past week, with DXY down by 0.94% over the past 5 sessions. This was helped by lower long-term US yields, with 10-year UST down by 10-12bps since its peak around 1 week ago. ISM services was positive. Fed stance stayed on the same beat, highlighting at continued accommodation ahead. We are ***Neutral-to-Bearish*** on the USD for the week ahead, examining a range of 91.00-92.50. Data focus is on PPI, CPI, industrial production and retail sales data, among others.

Fixed Income



Source: Bloomberg

UST: The week under review saw USTs recover from earlier slight pressure following solid NFP jobs data last Friday and ISM report. Overall benchmark yields eased between 1-5bps extending out until the 10-year tenures with the long-bond settling unchanged w/w. The improving growth outlook may yet be a major factor as accompanying vaccine rollouts are expected to accelerate inflation. We note that IRS are currently pricing in ~17bps hikes by December 2022 and ~80bps by end-2023.

- **MGS/GII:** Local govvies ended mixed-to-stronger w/w with overall benchmark MGS/GII yields closing between -23 to +4bps save for the short 3Y GII and 20Y MGS. The weekly secondary market volume however fell 16% @ RM17.6b versus prior week's RM21.0b. The 7Y MGS auction saw the lowest YTD BTC ratio of 1.59x but notched total bids amounting to a respectable RM8.05b. Sentiment was intact underpinned by reports on foreign holdings of MYR government bonds which continued to rise in March. Expect yields to range sideways next week in the absence of market-moving data.

Macroeconomic Updates

- US stocks rallied post-Easter holiday, setting the second quarter for a strong start as the robust economic narratives continued to play out. The S&P 500 hit a new record high on Thursday, bringing the week-on-week gain to nearly 2.0%. The NASDAQ outperformed amid a renewed demand for tech stocks. The dollar weakened this week, as treasury yields retreated, allowing gold prices to rebound. Crude oil benchmarks turned lower this week on the back of mixed demand outlook. The Federal Reserve's minutes reaffirmed the central bank's commitment to maintain its accomodative policy. Officials downplayed the risks of surging inflation and viewed the recent rise in yields as signs of firmer growth outlook. Chair Jerome Powell spoke at an IMF discussion panel and repeated the same message.

- US data were mixed - the March's ISM non-manufacturing index surged to a record high while initial jobless claims unexpectedly rose last week to 744k. The number of job openings rose to nearly 7.4mil in February, surging past the pre-pandemic levels. Meanwhile, February's factory orders and exports were affected by cold weather, leaving the US trade deficit at its all-time high ($71.1b). Mortgage applications fell for the fifth straight week as rising rates hamper affordability. Elsewhere, the Eurozone's services sector PMI improved but still below 50 while the UK's PMI returned to expansion level. Elsewhere, Japan's household spending recovered some ground in February (+2.4% m/m) after the sharp decline prior. Spending was still 6.6% lower y/y alongside falling wages (-0.2% y/y).

The Week Ahead…

- The week ahead sees the release of multiple top-tiered data in the US, Eurozone, UK as well as China. The US' March CPI inflation data (Feb: +1.7%) are likely inflated by low base effect as prices started to plunge in March last year thanks to the pandemic shock. Lagging services growth and still-weak labour market are likely to continue weighing on the core inflation (Feb: +1.3%). The stronger USD in March also makes it slightly trickier to assess the overall prices situation.

- Other key US data are expected to have rebounded in March, following the weather-related disruption in February. March's retail sales (Feb: -3.5% m/m) in part are likely to get a stimulus boost. A strong reversal in industrial production (Feb: -2.2% m/m) and homebuilding activity are likely. The Federal Reserve's second Beige Book of 2021 is due next week as well. Fed Chair Jerome Powell will speak at the Economic Club of Washington on Thursday.

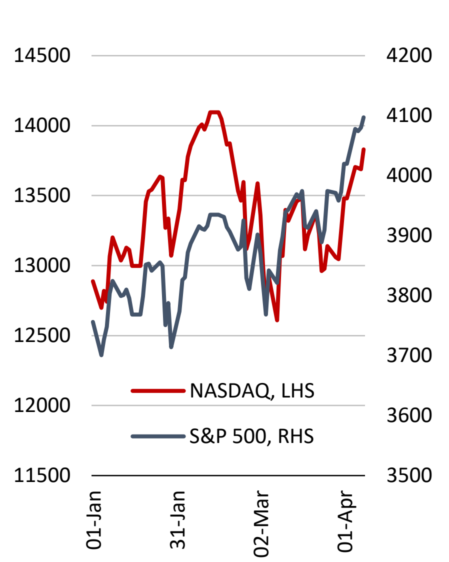
- The UK's Statistic Office publishes a series of key economic indicators for February, where the numbers are likely to remain weak given that the UK was still under a full national lockdown during that period of time. We expect some upticks in manufacturing and services data as they likely have rebounded from the trough in January.

- Meanwhile, the Eurozone's February retail sales are expected to have improved as well after the steep fall (-5.9% m/m) at the start of the year when lockdowns were reintroduced or extended. Industrial output (Feb: +0.8% m/m) is likely to improve further judging from the pickup in overall PMI as well as higher Germany's factory orders.

- China's first quarter GDP (4Q: +6.5% y/y) report is due at the end of the week alongside the March readings for retail sales, industrial productions and fixed investment. There is also the March's trade report which comes out much earlier of the week. All figures are expected to be augmented by low bases.

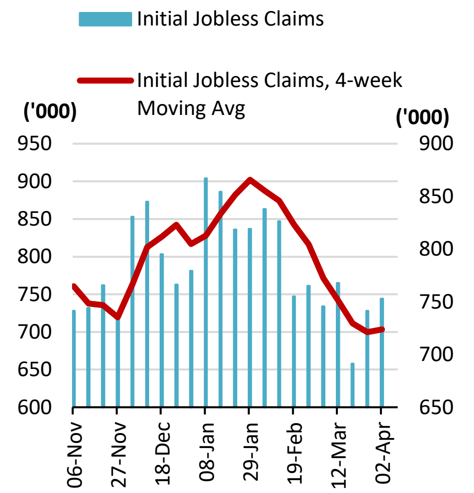
- Downunder, the RBNZ is expected to keep its official cash rate at 0.25%, as the bullish growth outlook stabilised. We also look towards any commentary regarding the current housing boom in New Zealand. Apart from that, we watch out for Australia's March job data and focus on whether the full-time job segment can maintain a sustainable growth.

US stocks started second quarter on strong footing



Source: Bloomberg

Initial jobless claims rose for the second week



Source: Bloomberg

Foreign Exchange Market

- **MYR:** Bigger than expected correction in the USD over the week led USD/MYR to trade lower at 4.1220-4.1435, before closing at 4.1360 yesterday, down 0.3% w/w. We are ***Neutral to Slightly Bearish on USD/MYR*** in the week ahead. The pair looks poised for further down move now that bearishness has picked up, potentially breaking the 4.12 big figure. 4.1180 serves as a major support whilst immediate resistance sits at 4.1400. Risk to our view will be renewed USD strength after recent consolidation, which could cap trading in a 4.12-4.1450 range should it materialise.

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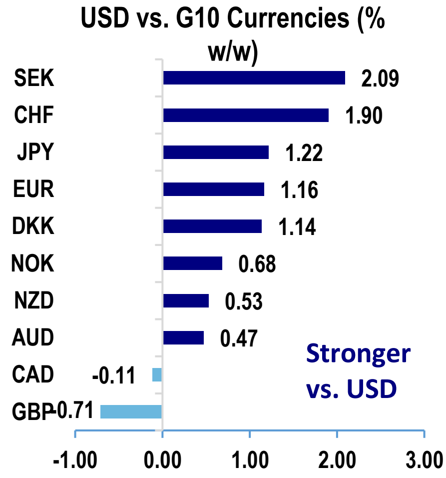
- **EUR**: EUR/USD has been grinding up after hitting previous lows of 1.1704 on 31 March. Pair broke the 1.19 big figure twice past two sessions. Markit services PMI improved in March but stayed negative. We are ***Neutral-to-Bullish*** on the EUR for the week ahead, within a range of 1.1600-1.1900 Watch retail sales, industrial production and CPI in the week ahead.

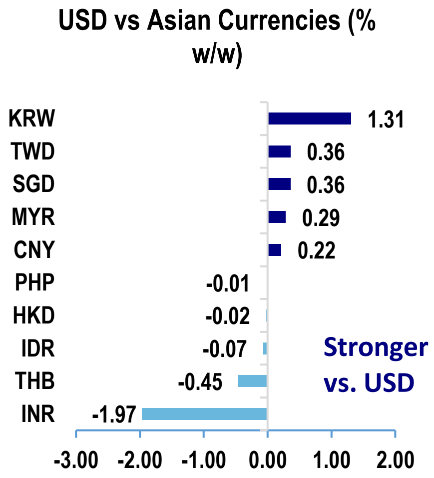
- **GBP**: GBP/USD was an underperformer in the G10 space, even as dollar weakened. This stemmed from some profit taking. Pair returned from Easter holiday reaching a low of 1.3719 on 8 April, from above 1.3900 levels. We are ***Neutral*** on the GBP, with a projected range of 1.3600-1.3770 for the week ahead. This is likely on some possible stabilisation after some zealous selling.

- **JPY**: USD/JPY has come off since peaking at 110.97 on 31 March. Pair touched a 109.00 low, with momentum still on the downside. We are ***Neutral-to-Bullish*** on the JPY for the coming week. After USD/JPY moved higher by around 7-8 big figures in 1Q, there is some room for near-term partial retreats. Watch 108.40 support, with resistance at 109.70. Data focus is on Japan's March PPI on the 12th.

- **AUD**: AUD/USD has seen modest bid tones over the past week, although experiencing some volatility along the way. Pair recovered from a low of 0.7596 on 2 April and was last around the 0.7650 level. RBA kept policy settings and stance unchanged on 6 April. We are ***Neutral*** on the AUD for the week ahead, within a range of 0.7550-0.7670. Stabilising commodity prices may dampen any possible AUD/USD rally even if the dollar softens further. The focus for the week ahead is on consumer inflation expectations and employment data, both out on the 15th.

- **SGD**: USD/SGD has been grinding downwards over the past few sessions, after a recent high of 1.3531 on 9 March. Pair hit sub-1.3400 levels past two trading sessions, last hovering around 1.3400. This has come as the SGD NEER stayed elevated at the upper half of the estimated policy band. Retail sales and PMI data were positive, supporting fundamental views. For the week ahead, we are ***Slightly Bullish*** for the SGD. Main swing factor is the MAS policy decision and 1Q GDP on 14 April, which markets and ourselves expect no changes to policy stance. A bullish MAS stance in the statement, may trigger more upsides for the SGD. We watch support of 1.3370 before focusing on 1.3300. Resistance at 1.3460.





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

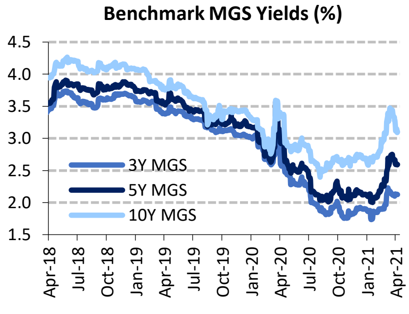
Fixed Income

UST: The week under review saw USTs recover from earlier slight pressure following solid NFP jobs data last Friday and ISM report. The conflicting choppy nature of jobs recovery coupled with Fed Chair Powell's latest message underlining that US recovery "remains uneven and incomplete"; reiterated views of continuous acommodative monetary policy going forward. Overall benchmark yields eased between 1-5bps extending out until the 10-year tenures with the long-bond settling unchanged w/w. The benchmark UST 2Y; reflective of interest rate predictions edged 1bps down at 0.15% whilst the much-watched 10Y (which traded within a tighter range this week @ 1.65%-1.72%); closed 3bps lower at 1.65%. Nevertheless, the improving outlook on growth, fostering a reflation trade coupled with inflationary pressures causing yield rises earlier may yet be a major factor as accompanying vaccine rollouts amid signs of solid economic growth are expected to accelerate inflation. We note that IRS are currently pricing in ~17bps hikes by December 2022 and ~80bps by end-2023.

- **MGS/GII:** Local govvies ended mixed-to-stronger w/w with overall benchmark MGS/GII yields closing between -23 to +4bps save for the short 3Y GII and 20Y MGS. Larger deviations were seen in the longer-ends as interest was seen mainly etched in the off-the-run 21-22's, 28's, 29's and also across the benchmark 5Y, 10Y, MGS/GII bonds. The benchmark 5Y MGS 9/25 closed unchanged at 2.58% whilst the 10Y MGS 4/31 rallied 17bps at 3.06%. The weekly secondary market volume however fell 16% @ RM17.6b versus prior week's RM21.0b. The 7Y MGS auction saw the lowest YTD BTC ratio of 1.59x but notched total bids amounting to a respectable RM8.05b. Sentiment was intact underpinned by reports on foreign holdings of MYR government bonds which continued to rise in March by RM4.5b to RM215.4b whilst overall holdings of MYR bonds inched higher by RM5.8b to RM239.7b. Expect yields to range sideways next week in the absence of market-moving data.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw improved demand in the secondary market for govt-guaranteed/corporate bonds/sukuk; taking cognizance of the better govvies performance and attractive yields especially across the GG-AA part of the curve Overall weekly secondary market volume jumped @ RM2.38b compared to prior week's RM1.88b. Topping the weekly volume was TNB 8/38 (AAA) which spiked 45bps at 4.55% compared to previous-done levels, followed by CIMB 27NC22 4/31 (AA) which rose 7bps at 2.95% levels. Third largest volume was seen for PTPTN 7/26 bonds (GG) bonds which was pressured 64bps higher at 3.12%. Higher frequency of bond trades was seen in DANAINFRA, PRASARANA, PTPTN, TNB, DANUM ANIH, SEB, and EDRA bonds whilst odd-lot transactions were noted in Eco World and YNH Properties bonds. Meanwhile the prominent issuances for the week consisted of Mercedez Benz Services (Malaysia) Sdn Bhd's (AAA) 4Y bonds totaling RM200m with a coupon of 3.29% and also Sabah Credit Corporation's (AA1) 1Y papers amounting to RM100m with a coupon of 2.75%.

- SGS (govvies) ended stronger as the curve bull-steepened; tracking UST movements. Overall benchmark yields closed between 3-11bps lower with the 10Y extending gains the most. The SGS 2Y yield edged 3bps lower at 0.47% whilst the 10Y (which traded within a narrower 12bps range), recovered prior week's losses by gaining 11bps at 1.59%. The Markit iBoxx SGD Corporates Index is up ~0.25% w/w (YTD: 0.5%) iboxx against gains of 0.4% losses of (YTD: -5.0%) for the Singapore Government Bond Index. Meanwhile MAS is expected to issue the new category of infrastructure bonds, with the 1st issuance expected only in the 4Q2021. This will be part of the Significant Government Loan Act (Singa) and will rank pari passu with the current SGS. Green bonds will also count to the above with overall borrowing limit capped at S$90b. Meanwhile, Fitch has revised the Outlook on all three lenders i.e. DBS, OCBC and UOB's Long-Term Issuer Default Ratings (IDR) to Stable from Negative whilst affirming the IDR at AA-. Expect attention to shift to the upcoming policy decision by MAS next week.



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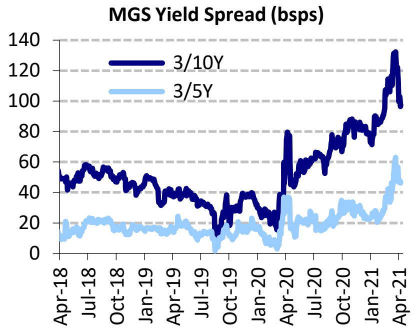

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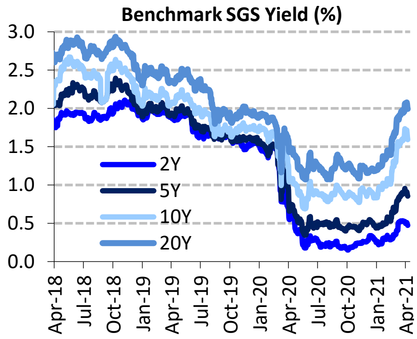

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Kedah Cement Sdn Bhd	RM500 mil Sukuk Wakalah Programme (2017/2024)	From A1/Positive to AA3/Stable	Upgraded
YTL Power International Berhad	RM5 bil Medium-Term Notes (MTN) Programme (2011/2036) RM2.5 bil Sukuk Murabahah facility (2017/2027)	From AA1/Stable to AA1/Negative	Outlook revised
YTL Corporation Berhad	RM2 bil Medium-Term Notes (MTN) Programme (2013/2038) RM5 bil Commercial Papers Programme and MTN Programme (2019/2044)	From AA1/P1/Stable to AA1/P1/Negative	Outlook revised
Senai-Desaru Expressway Berhad's (SDEB)	RM1.89 billion Islamic Medium-Term Notes Programme (Restructured Sukuk)	From BBB-IS/Stable to BBB-IS/Negative	Reaffirmed
Midciti Sukuk Berhad	RM3.0 bil Sukuk Murabahah Programme (2014/2044)	AAA/Stable	Reaffirmed
Eternal Icon Sdn Bhd	RM87.00 mil Senior Medium-Term Notes (MTN)	AAA/Stable	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
12/04	14:00	UK	Industrial Production MoM	Feb	-1.5%
	14:00	UK	Visible Trade Balance GBP/Mn	Feb	-£9826m
	14:00	UK	Monthly GDP (MoM)	Feb	-2.9%
	14:00	JN	Machine Tool Orders YoY	Mar P	36.7%
	17:00	EC	Retail Sales MoM	Feb	-5.9%
13/04	06:45	NZ	Card Spending Retail MoM	Mar	-2.5%
	09:30	AU	NAB Business Confidence	Mar	16.0
	17:00	EC	ZEW Survey Expectations	Apr	74.0
	18:00	US	NFIB Small Business Optimism	Mar	95.8
	20:30	US	CPI YoY	Mar	1.7%
	00:00	CH	Exports YoY	Mar	18.1%
14/04	07:50	JN	Core Machine Orders MoM	Feb	-4.5%
	08:00	SI	GDP YoY	1Q A	-2.4%
	10:00	NZ	RBNZ Official Cash Rate	Apr-14	0.25%
	17:00	EC	Industrial Production SA MoM	Feb	0.8%
	19:00	US	MBA Mortgage Applications	Apr-09	-5.1%
	20:30	US	Import Price Index YoY	Mar	3.0%
15/04	02:00	US	U.S. Federal Reserve Releases Beige Book		
	09:30	AU	Employment Change	Mar	88.7k
	09:30	AU	Unemployment Rate	Mar	5.8%
	20:30	US	Initial Jobless Claims	Apr-10	744k
	20:30	US	Retail Sales Advance MoM	Mar	-3.0%
	20:30	US	Empire Manufacturing	Apr	17.4
	20:30	US	Retail Sales Control Group	Mar	-3.5%
	20:30	US	Philadelphia Fed Business Outlook	Apr	51.8
	21:15	US	Industrial Production MoM	Mar	-2.2%
	22:00	US	NAHB Housing Market Index	Apr	82.0
16/04	06:30	NZ	BusinessNZ Manufacturing PMI	Mar	53.4
	08:30	SI	Non-oil Domestic Exports YoY	Mar	4.2%
	10:00	CH	GDP YoY	1Q	6.5%
	10:00	CH	Fixed Assets Ex Rural YTD YoY	Mar	35.0%
	10:00	CH	Retail Sales YoY	Mar	--
	10:00	CH	Industrial Production YoY	Mar	--
	17:00	EC	Trade Balance SA	Feb	24.2b
	17:00	EC	CPI YoY	Mar F	0.9%
	20:30	US	Building Permits MoM	Mar	-8.8%
	20:30	US	Housing Starts MoM	Mar	-10.3%
	22:00	US	U. of Mich. Sentiment	Apr P	84.9

Source: Bloomberg

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