12 March, 2021

Global Markets Research

Weekly Market Highlights

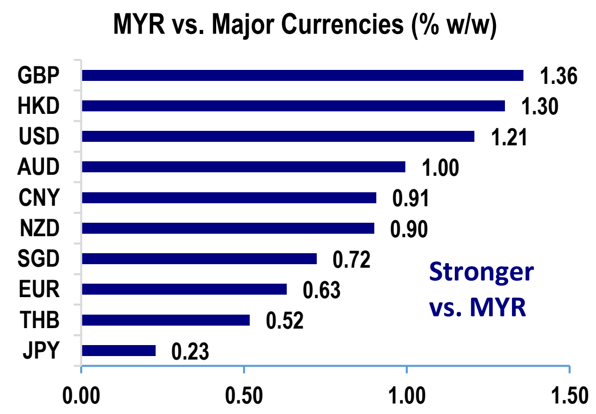
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	32,485.59	5.0	6.1
S&P 500	3,939.34	4.5	4.9
FTSE 100	6,736.96	1.3	4.3
Hang Seng	29,385.61	0.5	7.9
KLCI	1,629.41	3.0	0.1
STI	3,106.01	3.0	9.2
Dollar Index	91.42	-0.2	1.6
WTI oil ($/bbl)	66.02	3.4	36.1
Brent oil ($/bbl)	69.63	4.3	34.4
Gold ($/oz)	1,722.60	1.3	-9.2

Source: Bloomberg

- US stocks rallied this week, boosted by demand for cyclical stocks as well as the revival in tech shares when investors bargain-hunted for cheaper growth stocks. The Dow Jones and S&P 500 hit all-time highs on Thursday while NASDAQ rebounded from correction territory. Gold prices benefited this week from the weaker dollar and crude oil prices rallied too. The ECB said it would ramp up its bond purchases for the coming months to curb rising bond yields under its unchanged €1.85 trillion PEPP program. The BOC also maintained its policy lever.
- Initial jobless claims in the US fell by 42k to 712k last week, adding to positive signals of an improving labour market. Notably, US' core inflation was weaker despite a higher headline reading, taming some expectations that the Fed would tighten policy soon. In the week ahead, central bank events dominate the agenda with the highlight being the FOMC meeting. Markets are expecting the Fed to address concern over higher bond yield. The BOE and BOJ will also announce their latest policy decisions. Key data are US retail sales, industrial productions and China's monthly indicators.

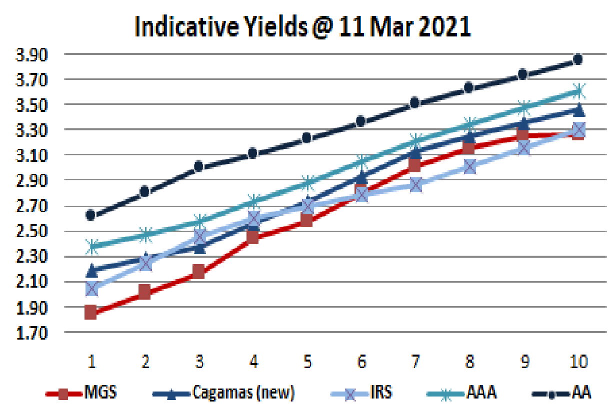
Forex



Source: Bloomberg

- **MYR:** USD/MYR continued its upward trajectory hitting a high of 4.1380 mid-week before pulling back to 4.1060 as at yesterday's close, up 1.2% w/w (Friday-Thursday). Broad USD resiliency despite some swings intertwined between rising yields and subdued US core inflation was the key influence. We remain ***bullish*** on USD/MYR, but note that the pair may consolidate after recent rally before making further climbs higher. Volatility remains but prospects of more cautious trading in the USD ahead of a closely-watched FOMC meeting next week on the Fed stance on inflation and bond yields will likely result in a somewhat more muted move overall. We are eyeing a range of 4.09-4.15 in the week ahead.
- **USD**: Dollar peaked this week, in line with our view of near-term strength. DXY touched a high of 92.50, but was last retreating to around 91.40 levels. This came as US announced that fiscal stimulus has pushed through legislation. Economic data (CPI, jobless claims) was steady without clear deviation from trend. We lean towards ***Neutral-to-Bearish*** view on the USD for the week ahead, within a range of 90.50-92.00. For the week ahead, focus is on retail sales and industrial production data for signs of February momentum. Markets will also anticipate FOMC meeting on 17 March, for signs of further policy direction against taper tantrum risks.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw UST's recover some ground, boosted by slightly softer core inflation data for February. Overall benchmark yields closed between 1-3bps lower across. Sentiment also improved based on a spate of successful auctions including the latest auctions. It is believed that the recent sell-off had been over-extended; evidenced by technicals whilst the dovish surprise from ECB which accelerated its bond-buying programme to slow the ascend in yields was another positive factor. Expect trading next week to be influenced by the FOMC rate decision on the 17th of March and also further updates on the stimulus relief bills and COVID-19 pandemic.
- **MGS/GII:** Local govvies ended weaker on volatile movements w/w as the post-MPC meeting minutes hinting at an improved economy continued to weigh on the curve. The curve generally bear-steepened as overall benchmark MGS yields closed higher between 5-23bps for MGS and 8-28bps for GII. Interest was seen mainly in the off-the-run 21-22's, 28'-29's and also benchmark 5Y, 10Y MGS/GII bonds. Sentiment was partially boosted by news of the surge in foreign holdings of overall MYR bonds by RM7.2b to RM233.9b. Expect yields to range sideways-to-lower due to recent values emerging from the recent rout next week despite BNM's improved economic outlook going forward coupled with volatile US yields.

Macroeconomic Updates

- US stocks rallied this week, boosted by demand for cyclical stocks as well as the revival in tech shares when investors bargain-hunted for cheaper growth stocks. The Dow Jones and S&P 500 hit all-time highs on Thursday, bringing the week-on-week gain to 5% and 4.5% respectively. The NASDAQ was quick to rebound from the correction territory, gaining 5.3% w/w as markets piled into tech stocks after the most recent selloff. Gold prices benefited this week from the weaker dollar while crude oil prices rallied on the back of improving global demand.

- The ECB maintained its €1.85 trillion envelope of the pandemic emergency purchase programme (PEPP) but said that it would frontload the bond purchases for the coming months in a bid to stem rising bond yields. The key ECB interest rates were all left unchanged as expected. The central bank continues to observe weakness in the euro area economy, citing the pandemic and its related containment measures. Earlier of the week, Bank of Canada had also kept its overnight policy rate steady at 0.25% and its QE programme of purchasing bonds "at least C$4bn per week".

- **Data flow is muted this week. Initial jobless claims in the US fell by 42k to 712k last week, adding to positive signals of an improving labour market.** Notably, US' headline CPI inflation was higher at 1.7% y/y but the underlying inflation rate was weaker at 1.3% y/y compared to the previous month, offering some reprieves to markets that recent economic recovery has not yet led to the rapid rise in inflation. Apart from that, the Eurozone economy contracted 0.7% q/q in the final quarter of 2020, more than initially estimated (-0.6%). The Sentix Investor Confidence Index turned around to the positive reading of 5.0 in March, from -0.2 prior.

- In Asia, Japan's 4Q GDP growth was revised lower to 2.8% q/q, from the initial estimate of 3.0%. Wages continued to fall in Japan but at smaller magnitude (-0.8% y/y) in January as the State of Emergency subdued overall economic activity hence the overtime payments. The lockdown also curtailed overall spending with household spending slumping further by 6.1% y/y in the same month. China's CPI and PPI inflation came in higher than expected at -0.2% y/y and 1.7% y/y respectively.

The Week Ahead…

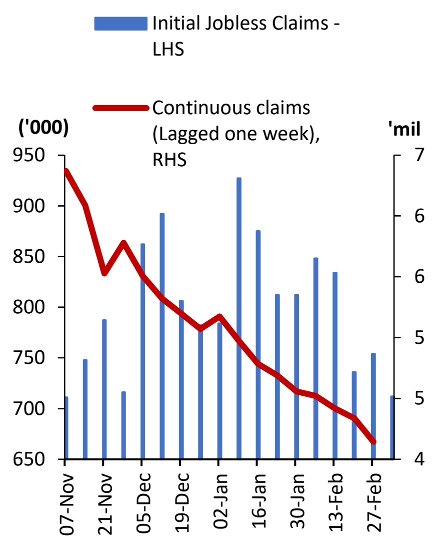
- On Monday, China's National Bureau of Statistic releases the industrial production, retail sales and fixed investment data for the cumulative period of January-February. We expect the readings to be distorted by Lunar New Year festivity related factors and also partially by the low-base effect when activity was severely curtailed in Jan-Feb 2020 when the pandemic first hit China.

- On Tuesday, the RBA publishes March meeting minutes and is unlikely to offer any added surprise. Key data are the US' retail sales, industrial production, import price inflation as well as the NAHB Housing Market indicator. This is then followed by Japan and Singapore's trade data the following morning, a useful indicator for global demand. US housing starts and building permits are due evening; we expect the winter disruption in parts of the US in February to have affected overall homebuilding activity.

- The two-day FOMC meeting takes place on 17-18 March (Thursday), culminating in Chair Jerome Powell's press conference. The meeting poses an event risk for markets as investors highly anticipate the Fed's response with regards to rising bond yields. We maintain our base scenario for the Fed to keep the fed fund rates at 0-0.25% as well as to maintain its current monthly bond purchases pace of $120b. On the same day, the Bank of England is also expected to keep its bank rate steady at 0.1% while key data include New Zealand's 4Q GDP report, Australia's job data and US' initial jobless claims.

- On Friday, Japan's CPI data are due morning followed by Australia's retail sales. The Bank of Japan's policy decision is slated for noon's release and it is expected to publish the result of its 3-month policy review where markets foresee some tweaks to its yield curve control policy. (*Please refer to appendix for next week's economic calendar).*

Downtrend in initial jobless claims



Source: Bloomberg, CEIC

Foreign Exchange Market

- **MYR:** USD/MYR continued its upward trajectory hitting a high of 4.1380 mid-week before pulling back to 4.1060 as at yesterday's close, up 1.2% w/w (Friday-Thursday). Broad USD resiliency despite some swings intertwined between rising yields and subdued US core inflation was the key influence. We remain ***bullish*** on USD/MYR, but note that the pair may consolidate after recent rally before making further climbs higher. Volatility remains but prospects of more cautious trading in the USD ahead of a closely-watched FOMC meeting next week on the Fed stance on inflation and bond yields will likely result in a somewhat more muted move overall. We are eyeing a range of 4.09-4.15 next week.

- **USD**: Dollar peaked this week, in line with our view of near-term strength. DXY touched a high of 92.50, but was last retreating to around 91.40 levels. This came as US announced that fiscal stimulus has pushed through legislation. Economic data (CPI, jobless claims) was steady without clear deviation from trend. We lean towards ***Neutral-to-Bearish*** view on the USD for the week ahead, within a range of 90.50-92.00. For the week ahead, focus is on retail sales and industrial production data for signs of February momentum. Markets will also anticipate FOMC meeting on 17 March, for signs of further policy direction against taper tantrum risks.

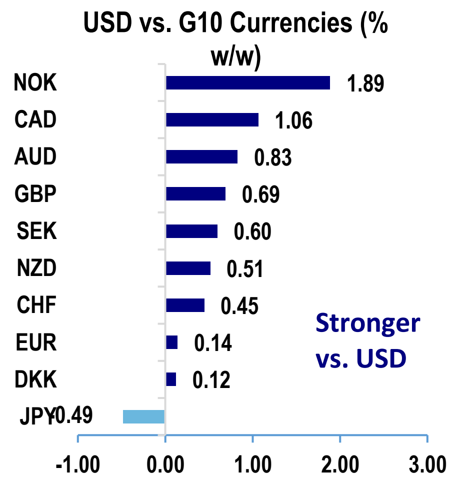
- **EUR**: EUR/USD reached a low of 1.1836 over the past week, amid concerns of higher US yields. However, it recovered and focus is now fixed on the 1.2000 psychological big figure. ECB's front loading of bond purchases helped improve market sentiment. We now turn ***Neutral-to-Bullish*** on the EUR for the week ahead, within a range of 1.1900-1.2100.

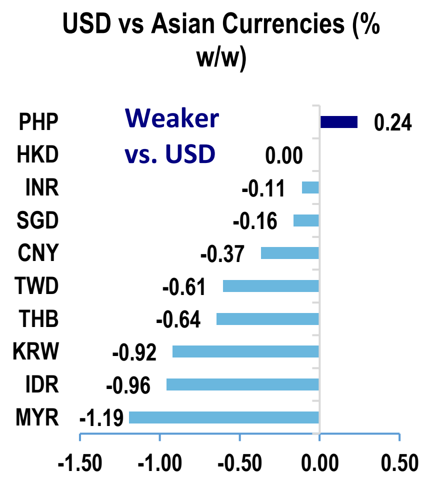
- **GBP**: GBP/USD gained over the past 5 sessions, but had to endure some downsides to 1.3800. Pair is now recovering towards the 1.4000 psychological big figure. We are ***Neutral-to-Bullish*** on GBP. We now place support at 1.3900 and resistance at 1.4070 for the week ahead. Bank of England announces policy decision on 18 March, and markets expect no changes to policy rate and bond targets. If so, it will be GBP-neutral.

- **JPY**: USD/JPY touched a high of 109.23 on 9 March, amid general yen underperformance in the G10 space. Yen did not respond favourably to risk off conditions and also when market sentiment rebounded. Hence, we are ***Neutral-to-Bearish*** on the JPY for the coming week. We see some scope for the yen to weaken further, with first resistance at 109.50 (before 110) and support at 108.10 for the week ahead. Trade and CPI data the focus for week ahead. Bank of Japan also announces policy decision on 19 March, whereby they may be considering ditching the JPY 6trn ETF target.

- **AUD**: AUD/USD regained its upward trajectory after the 0.7621 low on 9 March. Pair is now looking towards 0.78 big figure towards returning to late February ranges of 0.7850-0.8000. We are ***Neutral-to-Bullish*** on the AUD for the week ahead. Support close to 0.77 big figure, while resistance at 0.7920. Market sentiments and commodity price movements the main focus, alongside Australia employment data, RBA minutes and retail sales.

- **SGD**: USD/SGD has come off after peaking on 9 March, at 1.3531. Concerns on rising yields started to fade. Markets were buoyed by US stimulus and ECB's pledge to front load bond purchases. This meant that global monetary conditions will likely stay accommodative, against any potential taper tantrum for now. We turn ***Neutral-to-Bullish*** on SGD for the week ahead, anticipating some possible correction after previous highs. We watch a support of 1.3360, before possible moves down to the 1.33 big figure. Resistance estimated at 1.3450.





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

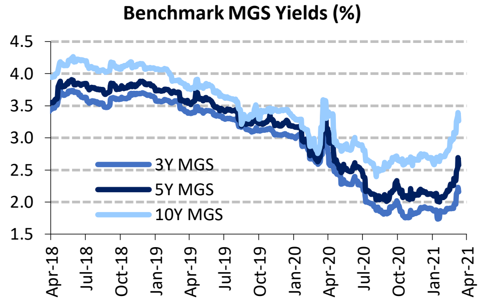
Fixed Income

- **UST:** The week under review saw UST's recover some ground, boosted by slightly softer core inflation data for February. Overall benchmark yields closed between 1-3bps lower across, causing the curve to shift slightly lower. The benchmark UST 2Y; reflective of interest rate predictions edged 1bps lower at 0.14% whilst the much-watched 10Y (which traded within a tighter range of 1.52%-1.59%); closed 3bps lower at 1.54%. Sentiment also improved based on a spate of successful auctions including the latest $24b 30Y bonds, $38b 10Y and also the $58b 3Y notes. It is believed that the recent sell-off had been over-extended; evidenced by technicals whilst the dovish surprise from ECB which accelerated its bond-buying programme to slow the ascend in yields was another positive factor. Expect trading next week to be influenced by the FOMC rate decision on the 17th of March and also further updates on the stimulus relief bills and COVID-19 pandemic.

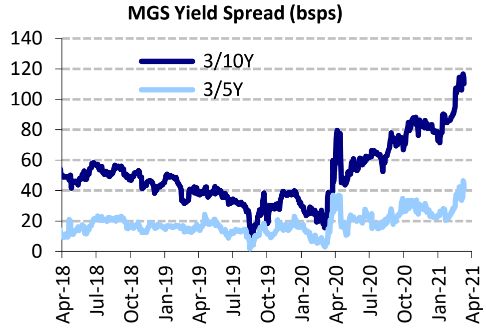
- **MGS/GII:** Local govvies ended weaker on volatile movements w/w as the post-MPC meeting minutes hinting at an improved economy continued to weigh on the curve. The curve generally bear-steepened as overall benchmark MGS yields closed higher between 5-23bps for MGS and 8-28bps for GII. Interest was seen mainly in the off-the-run 21-22's, 28'-29's and also benchmark 5Y, 10Y MGS/GII bonds. The benchmark 5Y MGS 9/25 yield spiked 20bps at 2.56% whilst the 10Y MGS 4/31 rose 5bps at 3.16% levels. The weekly secondary market volume jumped 72% @ RM22.5b versus prior week's solid RM13.1b. Nevertheless, sentiment on Wednesday and Thursday was partially boosted by news of the surge in foreign holdings of overall MYR bonds by RM7.2b or 3.2% to RM233.9b for the 10th consecutive month. Expect yields to range sideways-to-lower due to recent values emerging from the recent rout next week despite BNM's improved economic outlook going forward coupled with volatile US yields.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw activity for govt-guaranteed/corporate bonds/sukuk mainly centered across the AAA-AA part of the curve as yields closed mostly mixed-to-higher amid an increase in volume of RM1.94b compared to prior week's RM1.61b. Topping the weekly volume was KLK 9/34 (AA1) from the plantation sector which rose 23bps at 4.45% compared to previous-done levels, followed by DANAINFRA 2/28 (GG) which closed 12bps higher at 3.28% levels. Third largest volume was seen for DANUM 5/23 (AAA) bonds which spiked 34bps at 2.71%. Higher frequency of bond trades was seen in DANA and PASB and AFFIN-related names whilst odd-lot transactions were noted in ECO-world and CIMB perps, with most transactions evenly spread out among various names. Meanwhile the prominent issuances for the week consisted of PTPTN's (GG) 6-15Y bonds totaling RM1.0b with coupons ranging between 3.03-4.17%; followed by UITM Solar Power Dua Sdn Bhd's 1-9Y bonds amounting to RM97m with coupons between of 3.30-4.45%.

- SGS (govvies) ended weaker w/w across the curve with overall benchmark yields rising less furiously i.e. between 3-5bps; compared to prior week. The curve shifted higher with the SGS 2Y up 4bps at 0.51% levels whilst the 10Y (which traded within a tighter 10bps range), ended 5bps higher at 1.51%. Meanwhile easing UST yields saw the republic's IRS curve bull-flatten. The republic is expected to benefit from President Biden's USD1.9 trillion stimulus bill by boosting exports due to its externally-orientated economy. MAS has yet to affirm the dates for the year-end proposed issuance of infrastructure-related green bonds together with government bonds to meet market demand. Separately, Fitch Ratings has affirmed Singapore-based Starhill Global Real Estate Investment Trust's Long-Term Issuer Default Rating (IDR) at 'BBB'/Stable. Also, the agency has affirmed the 'BBB' long-term ratings on SGREIT's medium-term notes and debt issuance programmes, issued by its wholly owned subsidiary - Starhill Global REIT MTN Pte. Ltd - including the SGD125m unsecured notes due in May 2023 and SGD70m notes due in October 2026.



Source: Bloomberg



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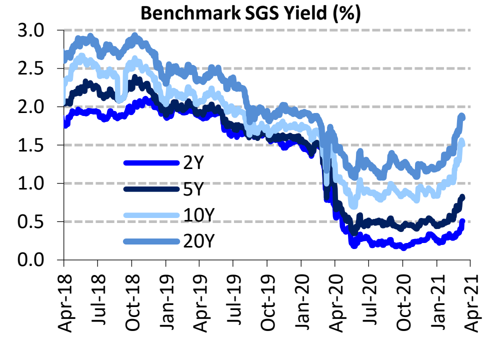

Source: Bloomberg

Hong Leong Bank

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Tropicana Corporation Berhad	RM1.5 billion Islamic Medium-Term Notes Programme (Sukuk Wakalah)	A+IS/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
15/03	05:30	NZ	Performance Services Index	Feb	47.9
	07:50	JN	Core Machine Orders MoM	Jan	5.20%
	10:00	CH	Industrial Production YTD YoY	Feb	--
	10:00	CH	Fixed Assets Ex Rural YTD YoY	Feb	--
	10:00	CH	Retail Sales YTD YoY	Feb	--
	20:30	US	Empire Manufacturing	Mar	12.1
16/03	08:30	AU	RBA Minutes of March Policy Meeting		
	12:30	JN	Industrial Production MoM	Jan F	4.20%
	18:00	EC	ZEW Survey Expectations	Mar	69.6
	20:30	US	Import Price Index YoY	Feb	0.90%
	20:30	US	Retail Sales Advance MoM	Feb	5.30%
	21:15	US	Industrial Production MoM	Feb	0.90%
	22:00	US	NAHB Housing Market Index	Mar	84
17/03	07:30	AU	Westpac Leading Index MoM	Feb	0.26%
	07:50	JN	Trade Balance	Feb	-¥325.4b
	07:50	JN	Exports YoY	Feb	6.40%
	08:30	SI	Non-oil Domestic Exports YoY	Feb	12.80%
	18:00	EC	CPI YoY	Feb F	0.90%
	19:00	US	MBA Mortgage Applications	Mar-12	-1.30%
	20:30	US	Building Permits MoM	Feb	10.70%
	20:30	US	Housing Starts MoM	Feb	-6.00%
18/03	02:00	US	FOMC Rate Decision (Upper Bound)	Mar-17	0.25%
	05:45	NZ	GDP SA QoQ	4Q	14.00%
	08:30	AU	Employment Change	Feb	29.1k
	08:30	AU	Unemployment Rate	Feb	6.40%
	18:00	EC	Trade Balance SA	Jan	27.5b
	20:00	UK	Bank of England Bank Rate	Mar-18	0.10%
	20:30	US	Initial Jobless Claims	Mar-13	--
	20:30	US	Philadelphia Fed Business Outlook	Mar	23.1
	22:00	US	Leading Index	Feb	0.50%
19/03	07:30	JN	Natl CPI Ex Fresh Food YoY	Feb	-0.60%
	08:01	UK	GfK Consumer Confidence	Mar	-23
	08:30	AU	Retail Sales MoM	Feb P	0.50%
	00:00	JN	BOJ Policy Balance Rate	Mar-19	-0.10%

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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