

Global Markets Research

Weekly Market Highlights

Markets

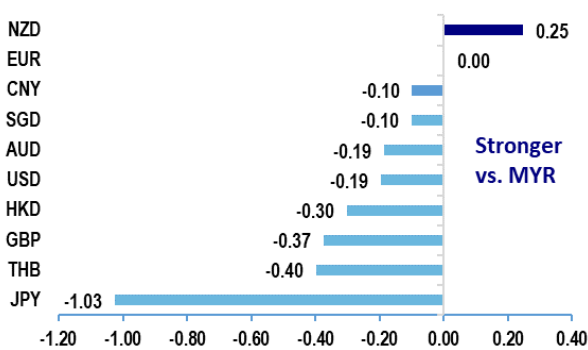
	Last Price	WOW%	YTD %
Dow Jones Ind.	34,060.36	0.72	11.28
S&P 500	4,211.47	1.85	12.12
FTSE 100	6,961.48	0.33	7.75
Hang Seng	29,303.26	1.91	7.61
KLCI	1,608.50	0.05	-1.15
STI	3,221.58	1.06	13.28
Dollar Index	90.61	-0.79	0.75
WTI oil (\$/bbl)	65.01	5.83	33.99
Brent oil (\$/bbl)	68.56	4.83	41.51
Gold (\$/oz)	1,768.30	-0.77	-6.77

Source: Bloomberg

- Markets regained some grounds from early week selloffs post event risks which reaffirmed that both monetary and fiscal policies will remain supportive of economic recovery, in addition to upbeat economic data and corporate earnings. The Dow closed out the week 0.7% w/w higher whilst the S&P500 were up 0.9%. UST yields climbed across the curve amid risk-on sentiments while the Dollar Index fell. Gold and Brent crude oil also turned in weaker on the week, down by 0.8% and 4.8% respectively.
- Key events next week include BOE, RBA and BMM policy meetings. RBA will also release its closely watched quarterly monetary statement on Friday. No policy shifts and surprises are expected. Besides, focus will be on US job reports. More PMI readings are also on the cards which we expect to add to signs of a strengthening global manufacturing sector. Services sector readings will remain mixed in lieu of some form of restrictions in most countries. China trade numbers are expected to normalize.

Forex

MYR vs. Major Currencies (% WOW)

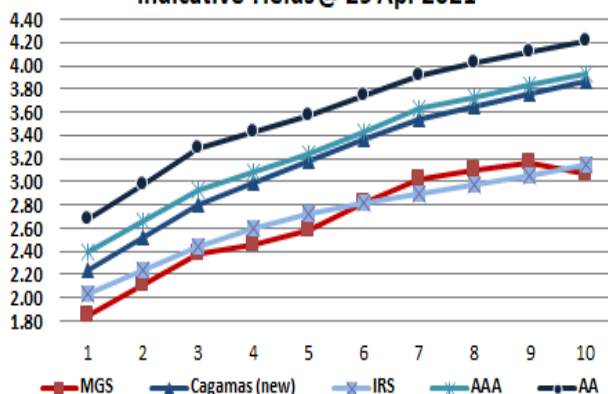


Source: Bloomberg

- MYR:** USD/MYR briefly broken the 4.10 key support, hitting a low of 4.0945 this week before bouncing back up to a close of 4.1040 on Wednesday, off a week-high of 4.1155. This marked a 0.2% w/w gain in the MYR as the USD attempted to pare losses. We maintain a **Neutral to Slightly Bullish** view on the MYR, anticipating slight downside in the USD while a neutral BNM rhetoric at next week's MPC meeting will likely be supportive of the MYR. We maintain a range of 4.09-4.12 in the week ahead.
- USD:** The USD progressively weakened over the past week, with the DXY down 0.79% w/w. Only the JPY weakened against the dollar, with commodity-related currencies outperforming. Market sentiments were bullish, buoyed by economic data and positive corporate earnings' surprises. Meanwhile, the Fed sees "transitory" inflation, as it upgraded its economic view. We are **Neutral-to-Bearish** on the USD for the week ahead. We see the positivity persisting in ISM and non-farm payrolls data for the week ahead. However, a resurgence of the Covid-19 outbreak may pose a risk for some volatility.

Fixed Income

Indicative Yields @ 29 Apr 2021



Source: Bloomberg

- UST:** The week under review saw USTs succumb to a slew of strong economic data. Overall benchmark yields closed between 1-11bps higher across as the curve was pressured. The benchmark 2Y UST yield edged 1bps up at 0.16% whilst the much-watched 10Y spiked 11bps to 1.65%. The FOMC left rates unchanged between 0.00-0.25% as expected, in its April meeting. Meanwhile the auctions this week saw decent demand. Expect trading next week to be largely influenced by further clarification by the government on the massive \$4 trillion spending plans along with tonight's release of the Fed's preferred inflation indicator i.e. PCE for March and nonfarm data next Friday.
- MGS/GII:** Local govies ended mostly weaker w/w, save for the ultra-short GII and 30Y MGS as overall benchmark MGS/GII yields closed mostly higher between 0-12bps. Interest was seen mainly in the off-the-run 21-22's, 24's, 28's and also benchmark 10Y MGS/GII bonds amid a slightly lower average daily volume of RM2.66bn. The recent rise in COVID-19 cases and public concerns over AstraZeneca's shots may see investors seeking comfort in the safety of bonds despite earlier concerns over the perceived future lack of take-up rates for bond auctions by KWAN fund as the government taps the fund for the procurement of COVID-19 vaccines.

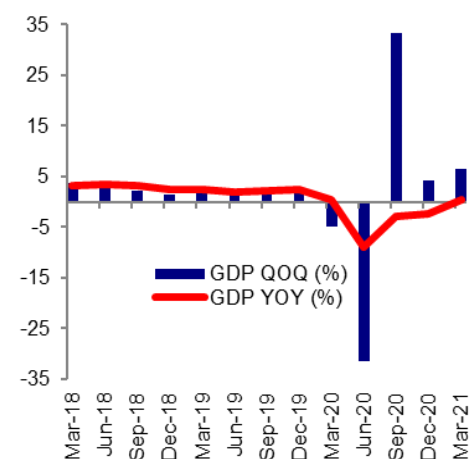
Macroeconomic Updates

- Markets regained some grounds from early week selloffs post event risks which reaffirmed that both monetary and fiscal policies will remain supportive of economic recovery, in addition to upbeat economic data and corporate earnings. The Dow closed out the week 0.7% w/w higher whilst the S&P500 were up 0.9%. UST yields climbed across the curve amid risk-on sentiments while the Dollar Index fell. Gold and Brent crude oil also turned in weaker on the week, down by 0.8% and 4.8% respectively.
- At this week's FOMC meeting, the Fed reassured markets that it will keep rates near zero despite assessment of a strengthening economy citing transitory inflation. On the fiscal front, President Biden highlighted his plan for a massive \$4 trillion infrastructure and social spending plans to revive the US economy, in his first speech to the Congress. The BOJ kept its monetary policy unchanged as widely expected after tweaking its yield curve control operation in the previous meeting. It reaffirmed its goal to ensure core inflation exceeds 2.0% in a stable manner and it would not hesitate to take additional easing measures.
- Fundamental wise, this week's releases continued to reaffirm the positive traction in global economic recovery led by the majors. Preliminary PMIs showed that manufacturing activity continued to surge in developed countries going into 2Q. However, services PMIs were mixed with improvement in the US, UK and Eurozone but pullback in Japan. Echoing our expectations that growth dynamics is shifting from Asia back to the West, China latest PMI prints weakened a tad in April.
- Meanwhile in the 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. 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. Other data including jobs, housing, consumer confidence and durable goods orders also came in positive. Retail sales also rose in both the UK and Japan, a sign of life in the consumer and retail sectors. Economic confidence jumped in the Eurozone.
- In the Asian region, China industrial profits jumped close to 100% skewed by base effect and is poised to normalize sharply going forward. Singapore's industrial production rose 7.6% y/y in March, extending from the robust growth from the previous month. In Hong Kong, exports sustained double-digit gain of 26.4% y/y in March, underpinned by Chinese demand. Malaysia exports also jumped 31.0% y/y in March, spearheaded by higher demand from all major export destinations. In line with expectations of higher inflation, Hong Kong, Singapore and Malaysia all printed positive CPI readings, largely driven by supply side factors.

The Week Ahead...

- Key events next week include BOE, RBA and BMM policy meetings. RBA will also release its closely watched quarterly monetary statement on Friday. No policy shifts and surprises are expected from all the central banks but as usual, it is the language and guidance on future policy path that bears watching given the recent brightening outlook and surging inflation.
- On top of policy meets, focus will be on US job reports – private sector ADP employment change on Wednesday followed by nonfarm payroll and jobless rate on Friday. More PMI readings are also on the cards which we expect to add to signs of a strengthening global manufacturing sector. Services sector readings will remain mixed in lieu of some form of restrictions in most countries.
- In neighbouring Asia, China Caixin PMIs are expected to show continuous modest expansion while external trade numbers are expected to normalize from April's high. The data calendar in Hong Kong will be busy, starting with 1Q GDP on Monday, followed by retail sales on Tuesday. Singapore retail sales are due mid-week while Malaysia industrial production scheduled for a Thursday release will likely register another modest gain.

The US economy continues recovering in 1Q21 spurred by consumer spending

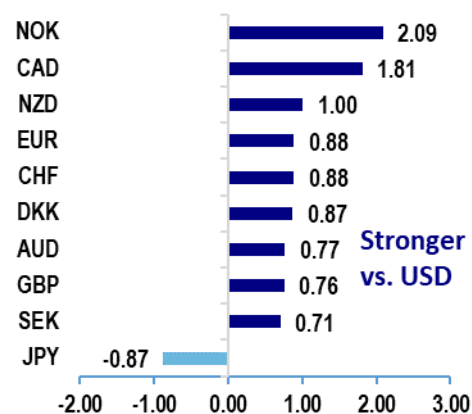


Source: Bloomberg

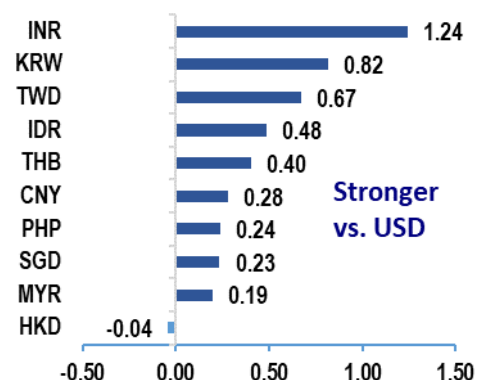
Foreign Exchange Market

- MYR:** USD/MYR briefly broken the 4.10 key support, hitting a low of 4.0945 this week before bouncing back up to a close of 4.1040 on Wednesday, off a week-high of 4.1155. This marked a 0.2% w/w gain in the MYR as the USD attempted to pare losses. We maintain a **Neutral to Slightly Bullish** view on the MYR, anticipating slight downside in the USD while a neutral BNM rhetoric at next week's MPC meeting will likely be supportive of the MYR. We maintain a range of 4.09-4.12 in the week ahead.
- USD:** The USD progressively weakened over the past week, with the DXY down 0.79% w/w. Only the JPY weakened against the dollar, with commodity-related currencies outperforming. Market sentiments were bullish, buoyed by economic data and positive corporate earnings' surprises. In particular, Markit PMIs, GDP and initial jobless claims showed significant positivity. Meanwhile, the Fed sees "transitory" inflation, as it upgraded its economic view. We are **Neutral-to-Bearish** on the USD for the week ahead. We see the positivity persisting in ISM and non-farm payrolls data for the week ahead. However, a resurgence of the Covid-19 outbreak may pose a risk for some volatility.
- EUR:** EUR/USD has progressively headed higher over the past week, reaching a high of 1.2150 on 29 April. This was supported by buoyant Markit PMI data and confidence indices. We are **Neutral-to-Bullish** on the EUR for the week ahead. Upside momentum stayed strong even at stretched levels. Hence resistance is at 1.22 and 1.23 big figures respectively. After the GDP and CPI release on 30 April, attention is on ECB Economic Bulletin and retail sales figures on 6 May.
- GBP:** GBP/USD has been stabilising around the 1.3950 mark after prior rallies earlier the week, from sub-1.3850 levels. This was helped by dollar weakness and a rebound effect. We are **Neutral-to-Bullish** on the GBP. Technicals are fairly balanced. 1.4000 remains a critical resistance level towards more gains, while we peg downside support at 1.3810. Focus for the week ahead is on Bank of England's policy announcement on 6 May, where rhetoric may move the pair.
- JPY:** USD/JPY has met some resistance around the 109 mark since weakening from the 107.48 low on 23 April. The yen has been a casualty of positive risk sentiments. Inflation continued to look muted, and the Bank of Japan acknowledged it will take time for inflation to increase in its monetary policy announcement. We are **Neutral-to-Bearish** on the JPY. Technicals are showing rebounds after being stretched at low levels. We watch resistance of 109.80 and support of 108.40.
- AUD:** AUD/USD was relatively choppy although it is moving on the uptrend. There were some setbacks from below-expected inflation and PPI figures. We are **Neutral-to-Bullish** on the AUD, possibly from slight dollar weakness. Momentum is slightly biased on the upside even as it is looking stretched. For the week ahead, watch RBA's policy announcement on 4 May, and trade numbers. We eye resistance of 0.7820 and 0.7900, and support of 0.7560 if there is some risk aversion pullback.
- SGD:** USD/SGD has been relatively range bound over the past five sessions, since moving slightly downwards on 23 April. Pair reached a low of 1.3234 on 29 April. Inflation was on the uptrend in March, although partly from base effects. We are **Neutral-to-Bullish** on the SGD, and see limited downsides to USD/SGD. At this stage, we see a relatively firm support of 1.3220. A pullback can test 1.3350 first before resistance of 1.3380. Singapore's PMI and retail sales will be released the coming week. We expect stable trends compared to a month ago.

USD vs. G10 Currencies (% WOW)



USD vs Asian Currencies (% WOW)



Source: Bloomberg

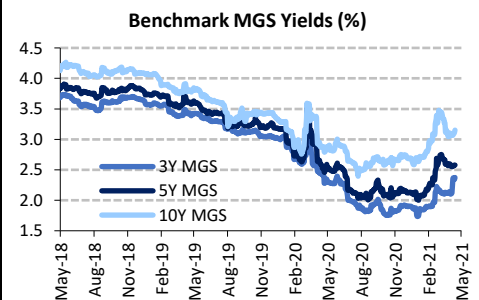
Forecasts

	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
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

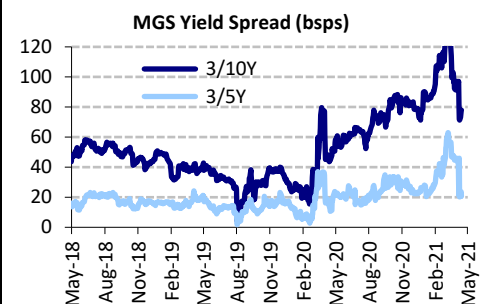
Source: HLBB Global Markets

Fixed Income

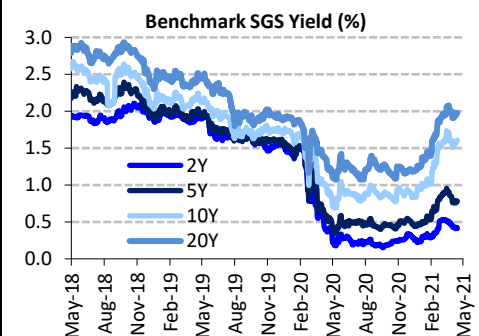
- UST:** The week under review saw USTs succumb to a slew of strong economic data that included a sharp increase in the 1st reading of 1Q2021 GDP growth and also the bounce in pending home sales coupled with the slide in initial jobless claims for period ending 24th April. Overall benchmark yields closed between 1-11bps higher across as the curve was pressured. The benchmark UST 2Y; reflective of interest rate predictions edged 1bps up at 0.16% whilst the much-watched 10Y (which traded within a wider range of 1.56%-1.65%); spiked 11bps to 1.65%. The FOMC left rates unchanged between 0.00-0.25% as expected, in its April meeting. Meanwhile the \$62b auction of 7Y notes saw decent bidding metrics with BTC ratio @ 2.31x (previous auction: 2.23x) and awarded at 1.306%. Both the \$60b 2Y and \$61b 5Y UST notes saw solid demand as well. Meanwhile President Biden unveiled spending plans of up to \$4.0 trillion in infrastructure and other priorities. Expect trading next week to be largely influenced by further clarification by the government on the above along with tonight's release of the Fed's preferred inflation indicator i.e. PCE for March.
- MGS/GII:** Local govies ended mostly weaker w/w, save for the ultra-short GII and 30Y MGS as overall benchmark MGS yields closed mostly higher between 0-12bps for both MGS/GII. Interest was seen mainly in the off-the-run 21-22's, 24's, 28's and also benchmark 10Y MGS/GII bonds. The benchmark 5Y MGS 9/25 rose 3bps at 2.58% whilst the 10Y MGS 4/31 benchmarks spiked 12bps at 3.19% levels. The average daily secondary market volume however eased ~10% @ RM2.66b versus prior week's solid RM2.96b. The recent media conference by the Finance Minister on Monday reaffirmed that the fiscal deficit for 2021 is expected at 6.0% versus the 6.2% in 2020. Meantime the recent rise in COVID-19 cases and public concerns over AstraZeneca's shots may see investors seeking comfort in the safety of bonds despite earlier concerns over the perceived future lack of take-up rates for bond auctions by KWAN fund as the government taps the fund for the procurement of COVID-19 vaccines.
- MYR Corporate Bonds/ Sukuk:** The week under review saw strong investor interest sustained in the secondary market for corporate bonds/sukuk/govt-guaranteed bonds. Activity was mainly spread across the GG-AA part of the curve as yields closed mostly mixed-to-higher amid the decline in average daily market volume of RM588m compared to prior week's RM706m. Topping the weekly volume was the PRASARANA 9/27 (GG) which declined 6bps at 3.18% compared to previous-done levels, followed by both the 2/50 and 12/33 tranches which spiked between 45-48bps at 4.67% and 4.00%. Third largest volume was seen for SABAHDEV 8/25 (AA1) bonds which rallied 12bps at 3.43%. Higher frequency of bond trades was seen in DANA, PRASA, Genting-related names, EDRA and also SEB. Meanwhile the prominent issuances for the week consisted of the bonds from the finance sector i.e. RHB Bank Bhd's AA-3 rated 10NC5 papers totaling RM500m with a coupon of 3.65%; followed by Sabah Credit Corporation's AA1-rated 1Y papers amounting to RM200m with a coupon of 2.95%.
- SGS:** SGS (govvies) were seen resuming their influence to UST movements and ended weaker w/w across the curve with overall benchmark yields rising between 2-4bps, save for the short-end. The curve shifted slightly higher with the 2Y edging 1bps lower instead at 0.41% levels whilst the 10Y (which traded within a tighter 5bps range), rose 4bps at 1.61%. The recent auction for the reopened SGD1.7b 15Y SGS 8/36 on 28th of April saw solid BTC ratio of 2.71x and awarded at 1.95%. Nevertheless, investors are mulling over the current yields of SGS in view of their less attractive levels following recent strength. Meanwhile MAS has sold \$35.8b worth of bonds YTD as of 29th April; a rise of 22% compared to the same period last year (total issuance for 2020 was \$94.9b). It also said that economic growth could top the previous upper-end of between 4-6%, if global demand held steady and if there is less likelihood of resurgence of COVID-19 infections. Elsewhere the republic saw its long-term foreign currency debt rating affirmed at AAA by S&P with a Stable Outlook.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Exsim Capital Resources Berhad	Proposed RM323 mil second issuance (Tranche 2 IMTN)	AA3/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
03/05	08:30	MA	Markit Malaysia PMI Mfg	Apr	49.9
	16:00	EC	Markit Eurozone Manufacturing PMI	Apr F	63.3
	16:30	HK	GDP YoY	1Q A	-3.00%
	21:00	SI	Purchasing Managers Index	Apr	50.8
	21:45	US	Markit US Manufacturing PMI	Apr F	60.6
	22:00	US	Construction Spending MoM	Mar	-0.80%
	22:00	US	ISM Manufacturing	Apr	64.7
04/05	08:30	VN	Markit Vietnam PMI Mfg	Apr	53.6
	09:30	AU	Exports MoM	Mar	-1%
	12:30	AU	RBA Cash Rate Target	04 May	0.10%
	16:30	HK	Retail Sales Value YoY	Mar	30.00%
	16:30	UK	Markit UK PMI Manufacturing SA	Apr F	60.7
	20:30	US	Trade Balance	Mar	-\$71.1b
	22:00	US	Factory Orders	Mar	-0.80%
	22:00	US	Durable Goods Orders	Mar F	0.50%
	22:00	US	Cap Goods Orders Nondef Ex Air	Mar F	0.90%
05/05	06:45	NZ	Pvt Wages Inc Overtime QoQ	1Q	0.50%
	06:45	NZ	Employment Change QoQ	1Q	0.60%
	06:45	NZ	Unemployment Rate	1Q	4.90%
	08:30	SI	Markit Singapore PMI	Apr	53.5
	08:30	HK	Markit Hong Kong PMI	Apr	50.5
	13:00	SI	Retail Sales YoY	Mar	5.20%
	16:00	EC	Markit Eurozone Services PMI	Apr F	50.3
	17:00	EC	PPI YoY	Mar	1.50%
	19:00	US	MBA Mortgage Applications	30 Apr	--
	20:15	US	ADP Employment Change	Apr	517k
	21:45	US	Markit US Services PMI	Apr F	63.1
	22:00	US	ISM Services Index	Apr	63.7
	06/05	09:00	NZ	ANZ Business Confidence	May P
12:00		MA	Industrial Production YoY	Mar	1.50%
15:00		MA	BNM Overnight Policy Rate	06 May	1.75%
16:30		UK	Markit/CIPS UK Services PMI	Apr F	60.1
17:00		EC	Retail Sales MoM	Mar	3.00%
19:00		UK	Bank of England Bank Rate	06 May	0.10%
20:30		US	Initial Jobless Claims	01 May	--
07/05	06:30	AU	AiG Perf of Services Index	Apr	58.7
	07:30	JN	Labor Cash Earnings YoY	Mar	-0.20%
	08:30	JN	Jibun Bank Japan PMI Services	Apr F	48.3
	09:30	AU	RBA Statement on Monetary Policy		
	09:45	CH	Caixin China PMI Services	Apr	54.3
	15:00	MA	Foreign Reserves	30 Apr	\$109.3b
	20:30	US	Change in Nonfarm Payrolls	Apr	916k
	20:30	US	Unemployment Rate	Apr	6.00%
	20:30	US	Average Hourly Earnings YoY	Apr	4.20%
	00:00	CH	Exports YoY	Apr	30.60%
	00:00	CH	Imports YoY	Apr	38.10%

Source: Bloomberg

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