



22 FEBRUARY, 2021

Market Daily



US stocks little changed amid yield concern

Wall Street closed mixed on Friday, with the S&P 500 and Nasdaq booking a losing week, as investors continue to monitor rising treasury yields while awaiting further fiscal stimulus from the Biden administration. In an interview with CNBC, Treasury Secretary Janet Yellen stated that a large stimulus package is necessary and the \$1.9 trillion plan could help the economy get back to full employment in a year. On the other hand, investors continue to worry that strong economic activity and more debt would push the inflation rate higher. Meanwhile, flash Markit PMI figures pointed to robust economic activity in both manufacturing and services sectors. Manufacturing PMI edged down to 58.5 in February of 2021 from 59.2 in January, in line with expectations, while the US services PMI grew at a 6 year high to 58.9 in February 2021, from 58.3 in the previous month. Also, existing home sales surprised on the upside, rising for the second consecutively.

Forex

The **U.S. Dollar** gave back its gains from the week as investors chose to shift focus back on riskier assets.

Equities

Asian stocks opened higher amid positive news on vaccine efficacy. US stocks finished little changed Friday.

Fixed income

UST yield curve continued to bear steepen on Friday amid growing inflation concerns.

10Y UST closed at 1.34% (+4.1bps). 2Y and 30Y yields ended 0.109% (flat) and 2.13% (+5.2bps), respectively.

Composite PMIs in February (prelim) for Eurozone was at 48.1 while US was at 58.5.

+ FIXED INCOME

UST YIELD CURVE BEAR STEEPEN AMID INFLATION CONCERNS

Government

UST yields ended higher last week amid growing concerns on rising borrowing costs and price pressures that could weigh down economic recovery.

10Y UST yield climbed to 1.34% (+4.1bps). UST 2Y and 30Y yields ended 0.109% (flat) and 2.13% (+5.2bps), respectively.

Stimulus update : According to news, US stimulus package of around \$1.9 trillion is heading for a House vote this week. President Biden's administration could also unveil a multi-trillion dollar recovery package in March.

Over in Europe, risk sentiments were mixed amid upbeat economic data and corporate earnings.

Most 10Y sovereign yields moved higher at Friday's close with the exception of Italy (0.621%, -2.5bps). German Bund yield was at -0.309% (+4bps) while 10Y UK Gilt yield ended at 0.695 (+7.5bps).

On macro data front, Eurozone's composite PMI in February was at 48.1 (prelim, market estimates: 48). Euro area's

manufacturing PMI in February beat market expectations by 3.4pts at 57.7. However, services PMI missed market estimates by 1.2pts at 44.7.

In credit markets, selective buying trend continued last Friday amid rising long-end yields. Banks/financials spreads on the short-end were largely unchanged while belly and long-end spreads closed a touch tighter. EUR IG corporates saw better buying on long-dated bonds. Meanwhile, corporate hybrids traded on a mixed tone with levels ending the day -0.25pt to +0.125pt across the board.

Economics

Markit US manufacturing PMI in February (prelim) was at 58.5, slightly below market expectations of 58.8. Composite PMI was at 58.8, 0.1 better than prior reading.

US existing home sales in January was +0.6% MoM, slower than revised prior reading of 0.9% MoM but better than market estimates of -2.4% MoM

Macro Indicators

US Services PMI (Feb p)	58.9 vs 58.0 (Mkt Est)
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Source: Bloomberg, BNPP Wealth Management

+ CREDIT MARKETS

ASIA HIGH GRADE CASH

Markets traded in narrow ranges as last week was a short week after Chinese New Year holiday. In Asia sovereigns, mostly an quiet end to what was a softer week. We were unchanged in spreads but lower in price for IG sovereign bonds, tracking UST moves closely. Chinese Financials saw small 2-way flows from clients, with HRINTH active. New issue PINGIN performed well and traded 17bp tighter than reoffer.

ASIA HIGH YIELD CASH

China HY space mostly unchanged or a touch higher. In terms of fund flows, we saw mostly 2-way flows and demand on short-tenor names from Chinese and retail accounts. Away from China, it was relatively quieter last Friday with space mostly stabilizing and trading around idiosyncratic names. LPKRIJ / LMRTSP bonds were marked up, around 0.5-0.75pt higher, after Bank of Indonesia increased LTVs for property loans temporarily. FRETAI bonds are 1pt higher on coupon payment whilst VEDLN bonds are 0.25pt further higher in spite of the sell-off in oil prices. INDTL is up 0.5pt on retail demand.

U.S. Treasury			USD SWAP		USD Swap Curve Spread		Generic Euro Government Bond		
TENOR	YIELD	CHANGE	TENOR	MID	SPREAD	MID	TENOR	YIELD	CHANGE
2Y	0.1048	-0.0001	2Y	0.2014	CMS 10 - CMS 2	1.222	2Y	-0.688	0.01
5Y	0.5758	0.0229	5Y	0.7061	CMS 30 - CMS 2	1.72	5Y	-0.629	0.021
10Y	1.3364	0.0408	10Y	1.4237	CMS 30 - CMS 10	0.498	10Y	-0.346	0.022
30Y	2.134	0.0518	30Y	1.9217			30Y	0.157	0.02



FOREX

The U.S. Dollar gave back its gains from the week as investors chose to shift focus back onto riskier assets.

TODAY'S FOCUS

Macro Indicators

EUR	Germany Ifo Business Climate	17:00
USD	Chicago Fed National Activity Index	21:30
EUR	ECB President Lagarde Speech	22:30

COMMENTARY

The **U.S Dollar** lost ground on Friday as market participants favored currencies associated with risk-on sentiment over the safe-haven greenback. We see the Dollar Index easing lower to test the support level of 90.00.

Sterling hit \$1.40 against the dollar for the first time in nearly three years on Friday, as analysts bet a rapid pace of vaccinations and fading Brexit woes will lead to an economic rebound from Britain's biggest economic contraction in 300 years. GBPUSD may need to see if the 1.4000 level can hold before breaking higher.

The **Australian Dollar** was aiming for a steady end to a choppy week on Friday with sharply higher bond yields and rising commodity prices keeping the currency underpinned. AUDUSD will likely test the psychological resistance / support level of 0.7800.

Gold prices edged higher on Friday, recovering from a more than seven-month low hit earlier as the U.S. dollar eased, but rising Treasury yields kept bullion on course for its biggest weekly drop since early January. Current rebound needs to extend higher to penetrate 1794 to overcome selling pressure.

LONG-TERM FORECASTS

(Updated 09FEB21)

CCY PAIR	HIGH	LOW	CURRENT	NY CLOSE	Support	Resistance	3M	12M
EURUSD	1.2143	1.2083	1.2123	1.2118	1.1995	1.2216	1.2000	1.2500
USDJPY	105.73	105.27	105.47	105.49	105.20	106.18	104.00	102.00
GBPUSD	1.4036	1.3952	1.4032	1.4001	1.3735	1.4174	1.3600	1.4500
AUDUSD	0.7877	0.7758	0.7890	0.7868	0.7669	0.8033	0.7600	0.8000
NZDUSD	0.7314	0.7206	0.7309	0.7297	0.7034	0.7318	0.7200	0.7500
USDCAD	1.2713	1.2595	1.2596	1.2619	1.2567	1.2981	1.2700	1.2500
USDCNH	6.4680	6.4426	6.4503	6.4610	6.4000	6.5200	6.5000	6.4000
XAUUSD	1791.16	1759.29	1784.44	1782.31	1750.00	1880.00	1900 - 2100	

Source: Data Stream, BNPP Wealth Management (updated on 22 February 21)

US EQUITIES

Wall Street stocks finished little changed Friday, concluding a choppy week in which optimism over vaccines and stimulus competed with inflation fears.

President Joe Biden again called for Congress to boldly boost the coronavirus-ravaged US economic and enact his \$1.9T rescue package.

Macro Indicators

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Earnings Announcements

Palo Alto, Occidental, Transocean

EU EQUITIES

EU equities rose Friday, marking a third week of gains, as data showed factory activity in Feb jumped to a three-year high, while upbeat quarterly earnings boosted confidence in a broader economic recovery.

Basic resources stocks outpaced their peers this week with a 7% jump.

Macro Indicators

GE IFO Expectations

Earnings Announcements

Faurecia, ICADE

US INDEX CHANGES (%)

As of Feb, 19	Index	% Chg	YTD %
DOW JONES INDUS. AVG	31,494.32	0.0%	2.9%
S&P 500 INDEX	3906.71	-0.2%	4.0%
NASDAQ COMPOSITE	13,874.46	0.1%	7.7%
Best performers		Worst performers	
CATERPILLAR INC	5.0%	VISA INC-CLASS A	-2.2%
DOW INC	4.9%	NIKE INC -CL B	-2.1%
BOEING CO/THE	4.3%	PROCTER & GAMBLE	-1.9%
AMERICAN EXPRESS	2.5%	JOHNSON&JOHNSON	-1.7%
INTEL CORP	2.3%	3M CO	-1.6%

Source: Bloomberg, BNPP WM

EU INDEX CHANGES (%)

As of Feb, 19	Index	% Chg	YTD %
STXE 600 (EUR) Pr	414.9	0.5%	4.0%
DAX INDEX	13,993.2	0.8%	2.0%
FTSE 100 INDEX	6,624.0	0.1%	2.5%
Best performers		Worst performers	
LEONARDO SPA	10.1%	ICADE	-5.5%
KINGSPAN GROUP	9.2%	DIASORIN SPA	-5.2%
SINCH AB	8.4%	BIOMERIEUX	-4.8%
ANTOFAGASTA PLC	7.2%	RENAULT SA	-4.4%
CARNIVAL PLC	6.4%	SARTORIUS STEDIM	-4.3%

Source: Bloomberg, BNPP WM

NEWS

US EQUITIES

IBM (IBM US, HOLD, TP USD129) reportedly mulls health unit exit

IBM is exploring a potential sale of its IBM Watson Health business, according to people familiar with the matter, as executives move to streamline the company and become more competitive in cloud computing.

The unit, which employs artificial intelligence to help hospitals, insurers and drugmakers manage their data, has roughly \$1B in annual revenue and isn't currently profitable, the people said.

MARKET CONSENSUS: 5 BUYS, 11 HOLDS, 2 SELLS, AVERAGE TP USD132.4

Microsoft (MSFT US, BUY, TP USD280) reportedly may bid for TikTok

Microsoft is discussing the possibility of making another bid to acquire video-sharing app TikTok from ByteDance if the Chinese company's agreement with Oracle falls through, Fox Business reported on Friday citing banking sources.

Last week, the sale to Oracle was reportedly postponed indefinitely as the companies wait for the Biden administration to review Trump's policies on security risks from Chinese firms.

MARKET CONSENSUS: 36 BUYS, 4 HOLDS, AVERAGE TP USD278.65

EUROPEAN EQUITIES

Credit Suisse (CSGN SW, BUY, TP CHF17) pushing for full control of China venture

Credit Suisse is seeking to gain full control over its securities venture in China amid plans to double its headcount and revenue in the world's fastest growing major economy.

The Swiss firm last year gained majority control over the venture and has been working to upgrade its infrastructure as well as moved more bankers into China, the firm's APAC CEO said in an interview on Friday.

MARKET CONSENSUS: 15 BUYS, 12 HOLDS, AVERAGE TP CHF14.22

Allianz (ALV GY, BUY, TP EUR194) FY20 results

Allianz full-year revenue annually declined by 3% to land at €140.5B in 2020. The company's operating profit stood at €10.75B in the same period, while its net income plunged 14.1% to €7.13B. Diluted EPS decreased 13.4% to €16.32.

"Our capital position has remained strong throughout the pandemic. This is why we look towards 2021 with confidence," the firm said.

MARKET CONSENSUS: 20 BUYS, 8 HOLDS, 1 SELL, AVERAGE TP EUR216.76



HK CHINA EQUITIES

China imposes further caps on online lending platforms amid clampdown.

China may ban rare-earths tech exports due to security concerns, according to a person familiar with the matter.

China mulls easing capital controls on offshore investments in order to facilitate a two-way capital flows.

TODAY'S FOCUS

Macro Indicators

HK CPI Composite YoY
(22 Feb)

HK GDP YoY
(24 Feb)

HK Trade Balance
(25 Feb)

Earnings Announcements

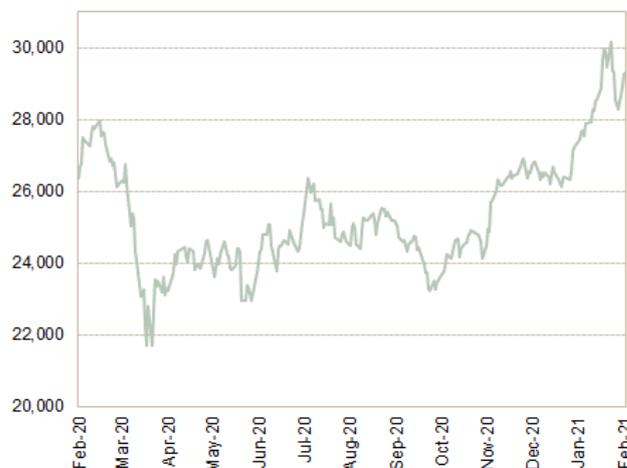
22 Feb: CLP Holdings, Nine Dragons
23 Feb: Hang Seng Bank
24 Feb: HKEx

INDEX CHANGES (%) & HIS MOVERS (%)

As of Feb, 19	Index	% Chg	YTD %
HANG SENG INDEX	30,644.73	0.2%	12.5%
HANG SENG CHINA ENT INDX	12,106.77	0.5%	12.7%
HSTECH	10,560.97	-0.3%	25.3%
SHANGHAI SE COMPOSITE	3,696.17	0.6%	6.4%
CSI 300 INDEX	5,778.84	0.2%	10.9%
Best performers		Worst performers	
CHINA UNICOM	6.9%	SINOPEC CORP-H	-2.5%
CHINA MOBILE	6.4%	CNOOC	-2.1%
XIAOMI CORP-B	6.4%	GALAXY ENTERTAIN	-2.0%
CSPC PHARMACEUTI	4.5%	HSBC HOLDINGS PL	-1.8%
MENGIU DAIRY	3.7%	SANDS CHINA LTD	-1.5%

Source: Bloomberg, BNPP WM

HSI INDEX (1-YEAR CHART)



Source: Bloomberg, BNPP WM

NEWS

Xiaomi (1810 HK, HOLD, TP HKD32) Replies it's Studying the EV Industry to Car-making Rumour

Xiaomi responded Sunday that it's initiated no formal project and has been studying developments in the EV sector. The rumour said the company had purportedly nailed to make cars as part of its strategic policy and the project may be led by founder Lei Jun. The stock once bounced 12% on the news to peak at HKD32.3 towards the market end.

MARKET CONSENSUS: 36 BUYS, 6 HOLDS, 5 SELLS, AVERAGE TP HKD30.19

Kuaishou (1024 HK, Unrated) to Ban Serious Violator's A/C under Crackdown on Irregular Marketing Content

Kuaishou's marketing platform (磁力聚星) declared a start of commercial content ecosystem rectification on 19 February, where it will focus on the crackdown on irregular marketing content and incentives to high-quality content. The company will ealise the crackdown on a dual "algorithm + manual review" approach and ramp up its penalty efforts, under which serious violators will get their accounts banned.

MARKET CONSENSUS: 7 BUYS, 0 HOLD, 0 SELL, AVERAGE TP HKD341.33

Tencent (700 HK, BUY, TP HKD775) Secures USD8.3 bn Syndicated Loan from 12 Banks: Rumour

Tencent has secured USD8.3 bn in syndicated loan, far exceeding the initial target of USD6 bn, a Chinese media citing insiders. Twelve banks partook in the financing deal which is purportedly used for general economic purposes.

MARKET CONSENSUS: 59 BUYS, 4 HOLDS, 1 SELL, AVERAGE TP HKD782.96

Geely Automobile (175 HK, BUY, TP HKD38) to Set Up New Company on EV Planning and Marketing

Geely Automobile is seeking to create a new company to explore product planning, marketing and sales of EVs, a step to depart from the industry convention that EVs are marketed and sold alongside traditional vehicles, Reuters cited from inside sources.

MARKET CONSENSUS: 38 BUYS, 2 HOLDS, 2 SELLS, AVERAGE TP HKD35.54

NEA EQUITIES

Tokyo stocks opened higher on Monday as investors adjusted positions following three days of rout and after Wall Street shares finished flat.

Korean shares ended higher Friday, recouping early losses, though investors were cautious due to recovery doubts and worries about Covid.

Macro Indicators

JP PPI (22 Feb)

Earnings Announcements

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SEA EQUITIES

STI ended Friday lower, culminating in a 1.5% drop over the entire trading week and tracking a dip in US stocks on Thursday after Treasury yields edged higher as investors assessed how rising borrowing costs could impact the equity rally.

Macro Indicators

SG CPI (23 Feb)

Earnings Announcements

Wilmar

NEA INDEX CHANGES (%)

As of Feb, 19	Index	% Chg	YTD %
NIKKEI 225	30,017.92	-0.7%	9.4%
TOPIX INDEX (TOKYO)	1,928.95	-0.7%	6.9%
JASDAQ: STOCK INDEX	187.14	-0.7%	3.0%
TAIWAN TAIEX INDEX	16,341.38	-0.5%	10.9%
KOSPI INDEX	3,107.62	0.7%	8.1%
Best performers		Worst performers	
NISSAN CHEMICAL	4.1%	SHARP CORP	-7.0%
TAIHEIYO CEMENT	3.7%	ODAKYU ELEC RAIL	-5.3%
TAIYO YUDEN CO	3.4%	KEISEI ELEC RAIL	-4.2%
ADVANTEST CORP	3.3%	INPEX CORP	-4.2%
HITACHI ZOSEN	3.0%	FANUC CORP	-4.1%

Source: Bloomberg, BNPP WM

SEA INDEX CHANGES (%)

As of Feb, 19	Index	% Chg	YTD %
Straits Times Index STI	2,880.64	-1.0%	1.3%
FTSE Bursa Malaysia KLCI	1,584.93	0.6%	-2.6%
STOCK EXCH OF THAI INDEX	1,500.51	-0.7%	3.5%
JAKARTA COMPOSITE INDEX	6,231.93	0.5%	4.2%
S&P BSE SENSEX INDEX	50,889.76	-0.8%	6.6%
Best performers		Worst performers	
WILMAR INTERNATI	1.1%	JARDINE MATHESON	-3.9%
GENTING SINGAPOR	0.6%	MAPLETREE COMMER	-2.5%
SINGAP TECH ENG	0.3%	CAPITALAND INTEG	-2.4%
CITY DEVELOPS	0.1%	KEPPEL DC REIT	-2.0%
HONGKONG LAND	0.0%	THAI BEVERAGE	-2.0%

Source: Bloomberg, BNPP WM

NEWS**NEA EQUITIES****Samsung Electronics (005930 KS, BUY, TP KRW100000) accounts for 43.1% share of Global DRAM last year**

Samsung Electronics estimated its share of last year's DRAM semiconductor market at 43.1%, with a 16.2% share of the market in cell phones and other mobile devices.

The firm shared an overview of its 2020 performance in recommended reference material for proxy decision-making issued ahead of a regular shareholders' meeting next month.

MARKET CONSENSUS: 43 BUYS, 2 HOLDS, 1 SELL, AVERAGE TP KRW103500

SK Hynix (000660 KS, BUY, TP KRW145000) reportedly sees 70% surge in Q1 profit

SK hynix's 1Q operating profit is expected to hit KRW1.36T, up 70.6% on-year, a broker reported.

With an improved global demand for DRAM products for mobile devices and computers, the overall price for DRAM products is likely to rise by around 7% in the first quarter, the report added.

MARKET CONSENSUS: 37 BUYS, 2 HOLDS, AVERAGE TP KRW155812.5



BNP PARIBAS
WEALTH MANAGEMENT

SEA EQUITIES**ST Engineering (STE SP, HOLD, TP SGD3.76) post 14% fall in 2H profit**

STE on Friday posted a 14% fall yoy in net profit for the half year ended Dec 31 to S\$264.4M. The firm said this was largely due to Covid-19, which led to a reduction in customer demand, supply chain challenges and workforce disruption.

A final dividend of S\$0.10 per share was declared for the half year. Combined with an interim dividend of five cents, this brings the full-year dividend to S\$0.15. The final dividend will be paid out on May 7, after books closure on April 29.

MARKET CONSENSUS: 10 BUYS, 1 HOLD, 2 SELLS, AVERAGE TP SGD4.12

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