

## Markets take a breather in face of earnings, inflation data

### THE DAY AHEAD

- The US prints March's m/m and y/y core inflation rate.
- South Korea releases March's m/m and y/y import and export prices.

### OVERVIEW

- US stocks drop from record highs; yields edge higher.
- Europe stocks pause record rally as focus shifts to earnings.
- Record Alibaba fine shows China's big tech cannot fight back.
- US oil output nears levels not seen since the pandemic.
- Rupee tumbles as virus cases in India hit record.

### DEVELOPED MARKETS EQUITIES

#### US

US stocks slipped from record highs while investors weighed the start of corporate earnings season and an influx of bond supply that loom as speedbumps to a roaring rally.

Intel Corporation led tech shares lower after Nvidia Corporation said it is offering the company's first server microprocessors, extending a push into Intel's most lucrative market. The S&P 500 Index dipped into negative territory Monday (12 April) – slipping 0.02% to 4,127.99 – in the wake of a third straight week of gains for the benchmark index.

Yields were mostly higher as the US Treasury auctioned three- and 10-year notes at slightly lower demand than the previous sales of the securities. The government will offer 30-year bonds tomorrow.

While the US recovery is accelerating, parts of Europe and South America are beset by rising COVID-19 cases and troubled vaccination rollouts. The rotation toward cyclical and small-cap stocks appears to have stalled as well, prompting worry about the strength of the US economic comeback at the start of earnings season.

At the same time, massive government spending and central-bank stimulus could stoke excessive inflation. In an interview aired Sunday with CBS's 60 Minutes, Federal Reserve Chair Jerome Powell sought to provide reassurance that any surge in price pressures would not last. – **Bloomberg News.**

The Dow Jones Industrial Average dipped 0.16% to 33,745.40 and the Nasdaq Composite Index fell 0.36% to 13,850.00.

#### EUROPE

Europe stocks retreated from a record high as investors eyed the upcoming earnings season for signs of the strength of economic growth, while merger and acquisition news supported individual shares.

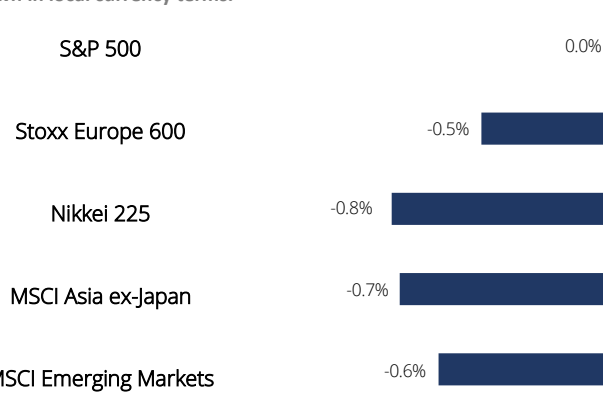
The Stoxx 600 Index closed down 0.46% to 435.24 in London, with the UK's FTSE 100 Index falling 0.4%, even as lockdown measures eased in England. Technology, travel, and miners were among the biggest decliners.

Deals were in focus, with Suez SA up 7.7% and Veolia Environnement SA gaining 9.7% after agreeing to acquire its rival, ending a bitter takeover battle. DiaSorin SpA was also a standout, jumping 9.6% after agreeing to buy COVID-19 test maker Luminex Corporation for about USD1.8b.

Europe stocks have made fresh headway in April, touching a series of record highs as investors bet on an economic recovery, for which the upcoming earnings season will prove to be a crucial test. At the same time, investors are mulling whether the relatively slow vaccine push in continental Europe and

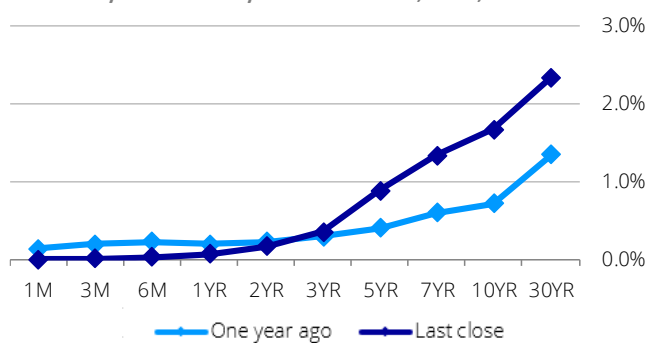
### Equity markets

Shown in local currency terms.



### US Treasury Yield Curve

Shows the yield to maturity of current US bills, notes, and bonds.



Source: DBS, Bloomberg, as of the last business day.

Visit the Markets Movers page for more insights:



DBS TREASURES PRIVATE CLIENT

星展丰盛私人客户

DBS PRIVATE BANK

星展私人银行

Get research on the go, 24/7 on the iWealth app:



prolonged lockdowns risk becoming an obstacle for the market rally. – **Bloomberg News.**

## JAPAN

Japan's vaccination drive finally kicks into gear Monday (12 April) around four months after the start of inoculations in the US and the UK, a slow rollout that has generated further criticism of Prime Minister Yoshihide Suga's handling of the pandemic.

The doses for people 65 and over are the first vaccinations for members of the public in Japan after priority was given to inoculating frontline medical staff first.

Japan has so far weathered the coronavirus pandemic relatively well, with infection numbers and deaths just a fraction of many Western countries. But the slow vaccination plan means struggling businesses and fearful shoppers will have to hold out for longer as the recovery of the economy is delayed by as much as two years compared with global peers.

The tardy start comes as stricter measures were reinstated today to quell an uptick in virus cases in the capital, fuelling discontent with Suga in an election year, as the government, like many around the world, lurches between tightening and loosening guidelines on activity. It also adds to smouldering doubts over Tokyo's readiness to host the Olympics in July with no timeline for when most people will be inoculated.

With no domestically developed COVID vaccine of its own, Japan's late rollout stems from a dependence on imported shots that were initially in limited supply. Another factor was a strict approval process that required local clinical trials for foreign vaccines. So far, Japan has only given the green light to Pfizer-BioNTech's jabs.

Taro Kono, Japan's vaccine point man and a possible successor to Suga, told Bloomberg that the rate of COVID-19 inoculations is unlikely to pick up speed until May. And the government has so far declined to set any schedule or long-term targets for getting shots into arms.

Still, that will leave Japan recovering at a slower pace than its peers and it will still take until 2023 before Japan's annual output regains its 2019 pre-pandemic level, compared with this year for the US and 2022 for the eurozone, an analyst said. – **Bloomberg News.**

The Nikkei 225 Index rose 0.20% to 29,608.39 at the open on Tuesday, after falling 0.77% to 29,538.73 the previous session.

## ASIA EQUITIES

### MAINLAND CHINA & HONG KONG

After China imposed a record antitrust fine on Alibaba Group Holding Ltd, the e-Commerce giant did an unusual thing: It thanked regulators.

It is a sign of how odd China's crackdown on the power of big tech has been compared with the rest of the world. Mark Zuckerberg and Tim Cook would likely not express such public gratitude if the US government were to hit Facebook Inc or Apple Inc with record antitrust fines.

Almost everything about China's regulatory push is out of the ordinary. Beijing regulators wrapped up their landmark probe in just four months, compared with the years that such investigations take in the US or Europe. They sent a clear message to the country's largest corporations and their leaders that anti-competitive behaviour will have consequences.

For Alibaba, the USD2.8b fine was less severe than many feared and helps lift a cloud of uncertainty hanging over founder Jack Ma's Internet empire. The CNY18.2b penalty was based on just 4% of the Internet giant's 2019 domestic revenue, regulators said. While that is triple the previous high of almost USD1b that US chipmaker Qualcomm Inc handed over in 2015, it is far less than the maximum 10% allowed under Chinese law. Alibaba's shares rose more than 8% Monday (12 April) in Hong Kong.

The fine came with a plethora of "rectifications" that Alibaba will have to put in place – such as curtailing the practice of forcing merchants to choose between Alibaba or a competing platform – many of which the company had already

## Equity Markets

Returns of equity indices around the world, in local currency terms.

|             | Index            | Close    | Overnight | YTD    |
|-------------|------------------|----------|-----------|--------|
| US          | DJIA             | 33745.40 | -0.16%    | 10.26% |
|             | S&P 500          | 4127.99  | -0.02%    | 9.90%  |
|             | NASDAQ           | 13850.00 | -0.36%    | 7.46%  |
| Europe      | Stoxx Europe 600 | 435.24   | -0.46%    | 9.07%  |
| Germany     | DAX              | 15215.00 | -0.13%    | 10.91% |
| France      | CAC 40           | 6161.68  | -0.13%    | 10.99% |
| UK          | FTSE 100         | 6889.12  | -0.39%    | 6.63%  |
| Asia        | MSCI AxJ         | 867.68   | -0.74%    | 2.94%  |
| Japan       | Nikkei 225       | 29538.73 | -0.77%    | 7.63%  |
| China       | SHCOMP           | 3412.95  | -1.09%    | -1.73% |
| Hong Kong   | Hang Seng        | 28453.28 | -0.86%    | 4.49%  |
| Taiwan      | TWSE             | 16859.70 | 0.03%     | 14.44% |
| South Korea | Kospi            | 3135.59  | 0.12%     | 9.12%  |
| Indonesia   | JCI              | 5948.57  | -2.00%    | -0.51% |
| Malaysia    | KLCI             | 1608.42  | -0.24%    | -1.15% |
| Singapore   | STI              | 3173.93  | -0.33%    | 11.61% |
| India       | Sensex           | 47883.38 | -3.44%    | 0.28%  |
| Emerg. Mkt  | MSCI EM          | 1322.32  | -0.60%    | 2.41%  |

## Government Bonds

Benchmark yields of major 10-year government bonds.

|             | Latest yield | Previous yield | Change (bps) |
|-------------|--------------|----------------|--------------|
| US          | 1.67%        | 1.66%          | 0.72         |
| Germany     | -0.29%       | -0.30%         | 1.00         |
| Japan       | 0.11%        | 0.11%          | -0.20        |
| China       | 3.19%        | 3.21%          | -1.90        |
| Taiwan      | 0.39%        | 0.41%          | -1.05        |
| South Korea | 2.00%        | 2.03%          | -2.80        |
| Indonesia   | 6.53%        | 6.46%          | 7.30         |
| Singapore   | 1.60%        | 1.61%          | -0.96        |
| India       | 6.01%        | 6.02%          | -0.60        |

## Commodity futures

Prices of one-month futures contracts, grouped by commodity type.

|                     | Close   | 1-day change | 1-yr high | 1-yr low |
|---------------------|---------|--------------|-----------|----------|
| WTI crude (\$/bbl)  | 59.70   | 0.64%        | 67.98     | -40.32   |
| Gold (\$/oz.)       | 1731.20 | -0.69%       | 2063.00   | 1659.90  |
| Copper (\$/ton)     | 8865.25 | -0.78%       | 9675.00   | 5928.12  |
| Corn (cents/bu.)    | 569.00  | -1.43%       | 595.00    | 300.25   |
| Soybean (cents/bu.) | 1382.00 | -1.50%       | 1456.25   | 808.25   |
| Wheat (cents/bu.)   | 628.00  | -1.68%       | 693.00    | 468.25   |
| Coffee (cents/lb)   | 130.00  | 0.66%        | 142.20    | 102.00   |
| Sugar (cents/lb)    | 428.30  | -1.06%       | 469.60    | 320.00   |

Source: Bloomberg, as at the close of the last business day.

YTD refers to year-to-date returns.

pledged to establish. But co-founder and vice chairman Joseph Tsai said regulators will not impose radical changes to its e-Commerce strategy. Instead, he and other executives pledged to open up Alibaba's marketplaces more, lower costs for merchants while spending "billions of yuan" to help its clients handle e-Commerce.

Tsai said the company is unaware of any other antitrust investigations into the company, except for a previously discussed probe into acquisitions and investments by Alibaba and other tech giants. – **Bloomberg News.**

The Shanghai Composite Index lost 1.09% to 3,412.95 on Monday and the Hang Seng Index declined 0.86% to 28,453.28.

## **REST OF ASIA**

The allure of Asian stocks is fading after beating global peers last year.

While 2021 began with investors expecting regional stocks to continue leading the global equity rebound as vaccine rollouts gather pace, that conviction now seems to be in short supply owing to a selloff in Chinese shares and concerns over dollar strength. The MSCI Asia Pacific Index is up just 3.1% year-to-date, compared with a gain of almost 10% each for equity benchmarks in the US and Europe.

The recent jump in real US Treasury yields has put a squeeze on risk assets and prompted money managers to rethink geographic and cyclical exposure in their portfolios. Higher yields are also raising the odds of a stronger dollar – a traditional negative for emerging Asia investors – just when the worst rout in years in China, the world's second biggest stock market, has soured sentiment.

Investors are already shying away from making big bets, with intraday swings in the Asian index slipping to the lowest since the start of 2021. China's CSI 300 Index is down more than 13% from a 13-year high reached in February amid concerns over valuations and potential liquidity tightening in the nation.

Much of the growth recovery in Asia has been priced in, said a strategist from an asset management firm. It downgraded emerging Asia to neutral from overweight "driven mostly by a less bullish view on Chinese equities", he said.

The MSCI Asia Pacific Index was down 0.2% as of 9:42 am in Singapore on Monday (12 April).

Also hurting Asia's prospects is a resurgence in virus cases and vaccine shortages in some countries. While investors lauded the region for its progress in containing the pandemic last year, the recent jump in infections in Japan, India, Thailand, and the Philippines has weighed on their equity performance.

In comparison, nations like the US and the UK are much further ahead with their vaccination campaign. Plus, some investors see shares in the US and Europe remaining bigger beneficiaries of government stimulus in the near term.

Still, some are more optimistic on Asian equities. That is due to attractive valuations, strong growth prospects, and expectations that regional manufacturers will benefit from a potential rebound in US consumer spending. – **Bloomberg News.**

Australia's S&P/200 Index was little changed at 6,977.80 on Tuesday morning. The benchmark closed 0.30% lower at 6,996.70 on Monday.

South Korea's Kospi Index opened 0.12% higher at 3,139.26 in early-Tuesday trading. It gained 0.12% to 3,135.59 the previous session.

The Taiwan Stock Exchange Weighted Index was little changed at 16,859.70.

## **COMMODITIES**

The Permian Basin, the US's most prolific shale patch, will produce crude oil at levels not seen since the start of the pandemic in the latest sign the global economy is heating back up.

Higher prices are buoying drillers' confidence. Benchmark Nymex oil gained nearly 35% in the past four months after the Organization of the Petroleum Exporting Countries and its alliance cut production to strike a balance between demand and supply. The fossil fuel is also getting a bump as COVID-19 vaccinations progress and Americans travel again, boosting gasoline consumption.

Output in the basin will reach 4.466m barrels a day in May, the most in a year, and rig counts have touched a one-year high, according to the latest data from the Energy Information Administration. By comparison, production peaked at over 13m barrels a day last year before the global pandemic crushed oil prices, forcing scores of drillers to file for bankruptcy and shutter wells.

Before the interruptions in February, output in the Permian was recovering, with drillers finishing wells at 57% of their pre-pandemic speed, or about 250 a month. The patch should return to a path of increasing output if producers can sustain the current momentum, said a market analyst.

But growth across the US shale patches will likely be kept in check by producers seeking to limit spending in tune with promises to shareholders to boost dividends instead of supply. – **Bloomberg News.**

West Texas Intermediate crude for May delivery climbed 0.64% to USD59.70 while Brent for June settlement added 0.52% to USD63.28 a barrel.

## **CURRENCIES**

India's deepening coronavirus crisis slammed the nation's stocks and currency on concern it will deliver a fresh blow to an economy that is only just recovering from the worst contraction in nearly seven decades.

The Indian rupee dropped past 75 to a dollar for the first time since August 2020, while the benchmark S&P BSE Sensex Index declined 3.4%, the most in almost two months. India reported a record 168,912 new infections for a day, taking the tally to 13.53m cases, the government said Monday (12 April).

Many provinces across the nation, from the financial hub Mumbai to capital New Delhi, are bringing back stricter restrictions on movement of people to curb the surge in cases. Reports are emerging of hospital beds running short and immunisation centres turning away people as they run out of vaccines.

The NSE Nifty 50 Index dropped 3.5%, making India's key stock indices the worst performers in Asia on Monday. All 19 sector sub-indices compiled by BSE Ltd slipped, led by a gauge of property and industrial shares.

Not everyone is pessimistic. India's long-term outlook remains strong and any decline in equities due to infections should be used as an entry point by investors, according to some market watchers. India's gross domestic product is forecast to grow by as much as 12.5% this fiscal year, which would make it the world's fastest growing major economy. — **Bloomberg News.**

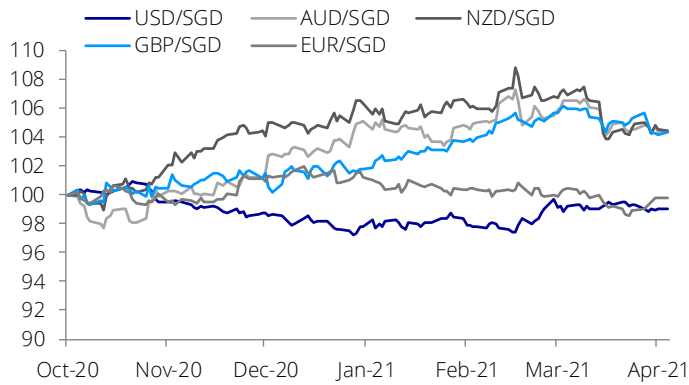
On Monday (12 April), the US Dollar Index was 0.03% lower at 92.138, the euro strengthened 0.10% to USD1.1911, the pound gained 0.25% to USD1.3741, and the yen added 0.26% to 109.38 per dollar.

FX Round-up (as of New York close)

|         | Last    | Overnight change | Day high | Day low |
|---------|---------|------------------|----------|---------|
| EUR/USD | 1.1911  | 0.10%            | 1.1919   | 1.1871  |
| GBP/USD | 1.3741  | 0.25%            | 1.3777   | 1.3669  |
| USD/JPY | 109.38  | -0.26%           | 109.77   | 109.25  |
| AUD/USD | 0.7623  | 0.00%            | 0.7636   | 0.7595  |
| NZD/USD | 0.7030  | -0.04%           | 0.7049   | 0.7014  |
| USD/CAD | 1.2563  | 0.26%            | 1.2574   | 1.2528  |
| USD/SGD | 1.3411  | -0.03%           | 1.3433   | 1.3401  |
| AUD/SGD | 1.0224  | 0.02%            | 1.0264   | 1.0170  |
| NZD/SGD | 0.9427  | -0.06%           | 0.9450   | 0.9416  |
| GBP/SGD | 1.8428  | 0.22%            | 1.8466   | 1.8358  |
| EUR/SGD | 1.5973  | 0.03%            | 1.5980   | 1.5935  |
| AUD/NZD | 1.0844  | 0.09%            | 1.0851   | 1.0815  |
| USD/IDR | 14595   | 0.21%            | 14620    | 14575   |
| USD/INR | 75.0550 | 0.41%            | 75.1438  | 74.7462 |
| XAU/USD | 1732.76 | -0.64%           | 1745.07  | 1727.48 |

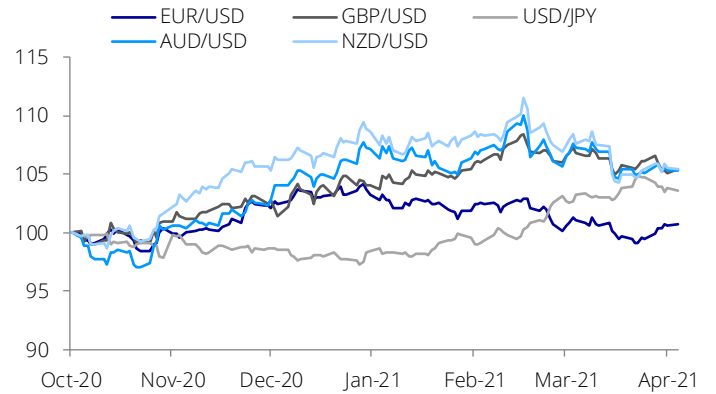
Source: Bloomberg, as of last business day.

SGD Against Major Currencies



Source: Bloomberg, as of last business day.

USD Against Major Currencies



## Disclaimers and Important Notice

This information herein is published by DBS Bank Ltd. ("DBS Bank") and is for information only. This publication is intended for DBS Bank and its subsidiaries or affiliates (collectively "DBS") and clients to whom it has been delivered and may not be reproduced, transmitted or communicated to any other person without the prior written permission of DBS Bank.

This publication is not and does not constitute or form part of any offer, recommendation, invitation or solicitation to you to subscribe to or to enter into any transaction as described, nor is it calculated to invite or permit the making of offers to the public to subscribe to or enter into any transaction for cash or other consideration and should not be viewed as such.

The information herein may be incomplete or condensed and it may not include a number of terms and provisions nor does it identify or define all or any of the risks associated to any actual transaction. Any terms, conditions and opinions contained herein may have been obtained from various sources and neither DBS nor any of their respective directors or employees (collectively the "DBS Group") make any warranty, expressed or implied, as to its accuracy or completeness and thus assume no responsibility of it. The information herein may be subject to further revision, verification and updating and DBS Group undertakes no responsibility thereof.

All figures and amounts stated are for illustration purposes only and shall not bind DBS Group. This publication does not have regard to the specific investment objectives, financial situation or particular needs of any specific person. Before entering into any transaction to purchase any product mentioned in this publication, you should take steps to ensure that you understand the transaction and has made an independent assessment of the appropriateness of the transaction in light of your own objectives and circumstances. In particular, you should read all the relevant documentation pertaining to the product and may wish to seek advice from a financial or other professional adviser or make such independent investigations as you consider necessary or appropriate for such purposes. If you choose not to do so, you should consider carefully whether any product mentioned in this publication is suitable for you. DBS Group does not act as an adviser and assumes no fiduciary responsibility or liability for any consequences, financial or otherwise, arising from any arrangement or entrance into any transaction in reliance on the information contained herein. In order to build your own independent analysis of any transaction and its consequences, you should consult your own independent financial, accounting, tax, legal or other competent professional advisors as you deem appropriate to ensure that any assessment you make is suitable for you in light of your own financial, accounting, tax, and legal constraints and objectives without relying in any way on DBS Group or any position which DBS Group might have expressed in this document or orally to you in the discussion.

If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of the information, which may arise as a result of electronic transmission. If verification is required, please request for a hard-copy version.

This publication is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

### Dubai International Financial Centre

This publication is distributed by the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Vickers Securities (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates. DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see <http://www.dbs.com/ae/our-network/default.page>.

If you have received this communication by email, please do not distribute or copy this email. If you believe that you have received this e-mail in error, please inform the sender or contact us immediately. DBS DIFC reserves the right to monitor and record electronic and telephone communications made by or to its personnel for regulatory or operational purposes. The security, accuracy and timeliness of electronic communications cannot be assured. While DBS DIFC implements precautions against viruses, DBS DIFC does not accept any liability for any virus, malware or similar in this email or any attachment.

This publication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon by any client which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules.

### Hong Kong

This publication is distributed by DBS Bank (Hong Kong) Limited (CE Number: AAL664) ("DBSHK") which is regulated by the Hong Kong Monetary Authority (the "HKMA") and the Securities and Futures Commission. In Hong Kong, DBS Private Bank is the private banking division of DBS Bank (Hong Kong) Limited.

DBSHK is not the issuer of the research report unless otherwise stated therein. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBSHK.

### Singapore

This publication is distributed by DBS Bank Ltd (Company Regn. No. 196800306E) ("DBS") which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore (the "MAS").

### Thailand

This publication is distributed by DBS Vickers Securities (Thailand) Co., Ltd. ("DBSVT").

### United Kingdom

This publication is distributed by DBS Vickers Securities (UK) Ltd of Paternoster House, 4th Floor, 65 St Paul's Churchyard, London EC4M 8AB. ("DBS Vickers UK") which is authorised and regulated by the Financial Conduct Authority (the "FCA").