

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets remained risk-off** under the rippling effects of Fed Chair Powell hawkish speaks, sidelining softer economic releases and to some extent, the reemergence of Brexit-related risks as UK Prime Minister Theresa May rejected a draft proposal by EU on Brexit Treaty.
- **Second estimate of US 4Q GDP showed a slightly bigger moderation to 2.5% QOQ** as expected, down from 3Q's 3.2% QOQ increase as a result of a bigger drag from inventories. Chicago PMI also disappointed with a bigger than expected pullback to 61.9 in February, as a result of broadly slower expansion spanning from new orders to employment and production. The rebound in weekly mortgage applications was the only bright spot.
- **Further moderation in CPI in the Eurozone was also in the spotlight as it raised concerns this would derail the ECB's policy normalization effort.** Data flow from Asia was also soft. **China PMI manufacturing and services indices pulled back more than expected** to 50.3 and 54.4 respectively in February, suggesting slower expansion in 1Q18. **Hong Kong economy grew at a slower pace of 3.4% YOY in 4Q** (3Q: +3.7%) bringing full year growth to 3.8% in 2017 (2016: 2.1%). Growth outlook is expected to sustain at 3-4% this year with external demand being a key influence. In Vietnam, data bag signaled **continuous expansion in the Vietnamese economy albeit at more moderate pace.** Malaysia CPI tapered off to 2.7% YOY in January, setting the stage for a softer price outlook in 2018.
- **USD strengthened against 9 G10s**, extending its rebound on recent positive comments from the Fed Chair while the DXY climbed 0.29% to 90.61. **USD is slightly bullish** in our view but caution on potential downsides in US data to spark a modest sell-off, more so after recent gains. DXY continues to trend within a minor bullish pattern, but risk of a rejection has emerged as it negotiates an extended close above reversion level at 90.55. Success will mean likelihood of a test at 90.93 next, otherwise, a drop to 89.69 is likely.
- **MYR weakened 0.23% to 3.9170 against a firm USD** but managed to advance against 8 G10s that also fell to the greenback's strength. **MYR remains bearish against a firm USD**, further pressured by risk-off in the regional markets as well as a soft Malaysia PMI. USDMYR is on track to test 3.9278, and a break here exposes a move to 3.9400, which in our view completes a bullish pattern that could trigger further gains.
- **SGD slipped 0.04% to 1.3248 against USD** but was supported by rising refuge demand to beat 9 G10s. **We stay bearish on SGD against a firm USD**, further weighed down by retreating equities. A mild bullish bias has emerged, further tilting USDSGD upward. We opine that the pair continues to set sights on 1.3303, but caution that this strong resistance could end the rebound.

Overnight Economic Data

Malaysia	↓
US	→
EU	↓
Japan	↓
China	↓
Hong Kong	↓

What's Coming Up Next

Major Data

- US PMI & ISM manufacturing, personal income & spending, core PCE, initial jobless claims
- EU PMI manufacturing, jobless rate
- UK PMI manufacturing, Nationwide house prices, mortgage approvals, net consumer credit
- Japan Nikkei PMI, consumer confidence
- China Caixin PMI manufacturing
- Malaysia and Vietnam Nikkei PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2136	1.2155	1.2188	1.2200	1.2242	↘
USDJPY	106.38	106.53	106.61	107.00	107.27	↘
GBPUSD	1.3700	1.3738	1.3748	1.3783	1.3800	↘
AUDUSD	0.7700	0.7739	0.7748	0.7759	0.7796	↘
EURGBP	0.8846	0.8850	0.8864	0.8875	0.8890	↗
USDMYR	3.9215	3.9250	3.9270	3.9283	3.9315	↗
EURMYR	4.7800	4.7850	4.7854	4.7880	4.7900	↘
JPYMYR	3.6765	3.6800	3.6844	3.6881	3.6900	↗
GBPMYR	5.3900	5.3950	5.3984	5.4000	5.4050	↘
SGDMYR	2.9525	2.9582	2.9605	2.9630	2.9640	↘
AUDMYR	3.0320	3.0358	3.0385	3.0400	3.0441	↘
NZDMYR	2.8235	2.8250	2.8267	2.8291	2.8354	↘
USDSGD	1.3246	1.3357	1.3261	1.3275	1.3303	↗
EURSGD	1.6137	1.6150	1.6161	1.6166	1.6185	↘
GBPSGD	1.8200	1.8220	1.8233	1.8237	1.8267	↘
AUDSGD	1.0220	1.0250	1.0265	1.0276	1.0290	↘

*at time of writing

↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %	Name	Last Price	DoD %	YTD %
KLCI	1856.2	-0.8	3.3	CRB Index	193.9	-0.74	0.0
Dow Jones Ind.	25029.2	-1.5	1.3	WTI oil (\$/bbl)	61.6	-2.17	2.0
S&P 500	2713.8	-1.1	1.5	Brent oil (\$/bbl)	64.7	-2.69	-3.2
FTSE 100	7231.9	-0.7	-5.9	Gold (S/oz)	1318.4	0.00	1.2
Shanghai	3259.4	-1.0	-1.4	CPO (RM/tonne)	2535.5	0.08	6.1
Hang Seng	30844.7	-1.4	3.1	Copper (\$/tonne)	7021.0	-1.25	-3.1
STI	3517.9	-0.6	3.4	Rubber (sen/kg)	478.5	1.16	3.5

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
MY CPI YOY	Jan	2.7%	3.5%	2.8%
US MBA mortgage applications	Feb 23	2.7%	-6.6%	--
US GDP QOQ	4Q	2.5%	2.6%	2.5%
US Chicago PMI	Feb	61.9	65.7	64.1
EU CPI estimate YOY	Feb	1.2%	1.3%	1.2%
JP housing starts YOY	Jan	-13.2%	-2.1%	-4.7%
CH PMI services	Feb	54.4	55.3	55.0
CH PMI manufacturing	Feb	50.3	51.3	51.1
HK GDP YOY	4Q	3.4%	3.7%	3.0%
AU AiG manufacturing	Feb	57.5	58.7	--
VN CPI YOY	Feb	3.15%	2.65%	2.90%
VN exports YOY YTD	Feb	22.9%	33.1%	--
VN industrial production YOY	Feb	8.0%	20.9%	--
VN retail sales YOY YTD	Feb	10.1%	9.5%	--

Source: Bloomberg

- US data came in on the softer side. Second estimate of US 4Q GDP showed a slightly bigger moderation to 2.5% QOQ as expected, down from 3Q's 3.2% QOQ increase as a result of a bigger drag from inventories. Growth in 4Q was supported by expansion in private consumption (sustained at 3.8% as initially estimated vs 2Q's +2.2% QOQ) but was negated by slower growth in all other sectors. In separate releases, MBA mortgage applications snapped a 2-week declines to increase 2.7% WOW in the week ended Feb-23, led by a rebound in applications for new purchases as applications for refinancing continued to fall for a 3rd consecutive week. Chicago PMI also disappointed with a bigger than expected pullback to 61.9 in February, as a result of broadly slower expansion spanning from new orders to employment and production.
- EU CPI estimate moderated for the 3rd straight month to 1.2% YOY as expected in February while core CPI sustained a 1.0% YOY increase during the month, underscoring absence of inflationary pressure in the euro region that could potentially delay policy normalization by the ECB.
- In Asia, most data releases came in on the softer side. PMI manufacturing and services indices for China pulled back more than expected to 50.3 and 54.4 respectively in February, suggesting slower expansion in 1Q18. PMI manufacturing retreated to its lowest level since Jul-16 while the services gauge softened to a 3-month low led by lower new orders. Down under, AiG manufacturing index also retreated to 57.5 in February dragged by declines across all segments except employment, selling prices and capacity utilization.
- Japan housing starts extended its decline for a 7th straight month and contracted at a bigger than expected rate of 13.2% YOY in January, as all categories except for owner occupied starts, registered steeper falls, reaffirming continued sluggishness in the Japan housing market.
- Hong Kong economy moderated less than expected to 3.4% YOY in 4Q (3Q: +3.7% YOY revised), supported by sustained 6.3% YOY growth in private consumption but dampened by slower government spending and net exports drag. This brought full year growth to 3.8% in 2017, representing a marked pick-up from the 2.1% increase in 2016. External demand will be key to 2018 growth outlook and officials project that growth will be maintained within a range of 3-4% this year.
- In Vietnam, the series of economic data indicated that the Vietnamese economy continued to expand albeit at more gradual pace. Exports posted a more moderate growth of 22.9% YOY in the first two months of the year and so was imports (+15.3% vs +47.4% YOY YTD), reversing the trade position to a surplus of \$900m during the month. Industrial production growth decelerated sharply to 8.0% YOY in February, sharply lower from the 20.9% YOY increase in January dragged by slower growth across the board and decline in the mining & quarrying sector. Retail sales however picked up to increase 10.1% YOY YTD February, as faster growth in trade offset slower expansion in hotel/ restaurants, tourism, as well as services. In line with the uptrend in global inflation, CPI ticked higher for the 2nd consecutive month, to 3.15% YOY in February (Jan: +2.65%), spurred by quicker gains in most categories except housing/ construction materials, medical products/ healthcare, and communication.
- Back home, CPI grew at a slower pace of 2.7% YOY in January, pulling back below 3.0% for the first time since Dec-16 as a result of slower gains in transport and food prices. The moderation January CPI set the stage for softer price outlook in 2018 as CPI readings normalize from the higher base effect last year, softening the anticipated impact from higher crude oil prices.

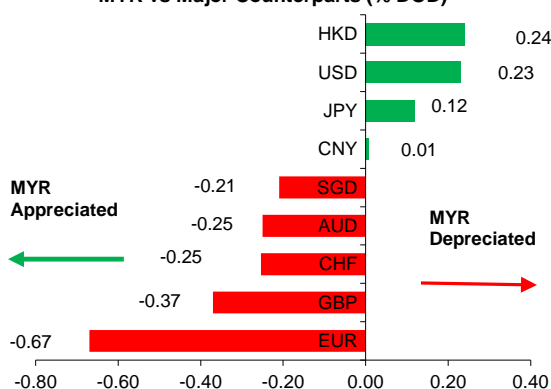
Economic Calendar Release Date							
Country	Date	Event	Reporting Period	Survey	Prior	Revised	
Malaysia	1/3	Nikkei Malaysia PMI	Feb	--	50.5	--	
US	1/3	PCE core YOY	Jan	1.5%	1.5%	--	
		Personal income	Jan	0.3%	0.4%	--	
		Personal spending	Jan	0.2%	0.4%	--	
		Initial jobless claims	Feb 24	225k	222k	--	
		PMI manufacturing	Feb F	55.9	55.9	--	
		ISM manufacturing	Feb	58.6	59.1	--	
		2/3	Uni Michigan consumer sentiments	Feb F	99.5	99.9	--
		Eurozone	1/3	PMI manufacturing	Feb F	58.5	58.5
Unemployment rate	Jan			8.6%	8.7%	--	
UK	2/3	PPI YOY	Jan	1.6%	2.2%	--	
	1/3	Nationwide house price YOY	Feb	2.6%	3.2%	--	
		Net consumer credit	Jan	£1.4b	£1.5b	--	
		Mortgage approvals	Feb	62.0k	61.0k	61.0k	
Japan	2/3	PMI manufacturing	Feb	55.0	55.3	--	
		PMI construction	Feb	50.5	50.2	--	
		1/3	Nikkei PMI	Feb F	--	54.0	--
China	2/3	Consumer confidence	Feb	44.8	44.7	--	
		1/3	Jobless rate	Jan	2.8%	2.8%	--
Hong Kong	1/3	Caixin PMI manufacturing	Feb	51.3	51.5	--	
Hong Kong	2/3	Retail sales value YOY	Jan	5.2%	5.8%	--	
Singapore	2/3	PMI	Feb	53.1	53.1	--	
New Zealand	2/3	Building permits MOM	Jan	--	-9.6%	--	
Vietnam	1/3	Nikkei PMI manufacturing	Feb	--	53.4	--	

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2194	-0.32	1.2242	1.2188	-1.6
USDJPY	106.68	-0.61	107.53	106.57	-5.4
GBPUSD	1.3760	-1.07	1.3916	1.3757	-1.8
AUDUSD	0.7762	-0.35	0.7819	0.7761	-0.6
EURGBP	0.8862	-0.76	0.8867	0.8779	-0.2
USDMYR	3.9170	-0.23	3.9272	3.9137	-3.0
EURMYR	4.7867	-0.67	4.8060	4.7761	-1.3
JPYMYR	3.6586	-0.12	3.6680	3.6419	-2.4
GBPMYR	5.4491	-0.37	5.4646	5.4329	-1.2
SGDMYR	2.9606	-0.21	2.9651	2.9504	-2.3
AUDMYR	3.0610	-0.25	3.0654	3.0441	-3.7
NZDMYR	2.8366	-0.47	2.8432	2.8235	-1.9

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR weakened 0.23% to 3.9170 against a firm USD** but managed to advance against 8 G10s that also fell to the greenback's strength.
- **MYR remains bearish against a firm USD**, further pressured by risk-off in the regional markets as well as a soft Malaysia PMI. USDMYR is on track to test 3.9278, and a break here exposes a move to 3.9400, which in our view completes a bullish pattern that could trigger further gains.

USD

- **USD strengthened against 9 G10s**, extending its rebound on recent positive comments from the Fed Chair while the DXY climbed 0.29% to 90.61.
- **USD is slightly bullish** in our view but caution on potential downsides in US data to spark a modest sell-off, more so after recent gains. DXY continues to trend within a minor bullish pattern, but risk of a rejection has emerged as it negotiates an extended close above reversion level at 90.55. Success will mean likelihood of a test at 90.93 next, otherwise, a drop to 89.69 is likely.

EUR

- **EUR weakened 0.32% to 1.2194 against a firm USD** but advanced against 7 G10s.
- **Expect a slightly bearish EUR against a still firm USD**; downsides are expected to accelerate if Eurozone data disappoints. Bearish bias has emerged, tilting EURUSD further to the downsides. Closing below 1.2203 yesterday has increased chances of EURUSD sliding to 1.2136 in the next leg lower.

GBP

- **GBP plunged 1.07% to 1.3760 against USD** and tumbled against all G10s after UK PM Theresa May rejected the EU's draft proposal on Brexit Treaty.
- **Keep a bearish view on GBP against a firm USD**, pressured by detrimental Brexit developments. Bearish bias has emerged, further pressuring GBPUSD going forward. A close below 1.3738 will accelerate the bears, sparking a potential drop to 1.3571 in the coming weeks.

JPY

- **JPY advanced against all G10s and strengthened 0.61% to 106.68 against USD** as demand for refuge surged overnight amid losses in equities, commodities and GBP.
- **We turn slightly bullish on JPY against USD** as rising risk-off sentiment in the markets continues to support refuge demand. USDJPY failed to push higher as it remains to be dominated by deep bearish bias. The pair is now inclined to the downsides, with scope to test 106.00 in the next leg lower.

AUD

- **AUD fell 0.35% to 0.7762 against USD** on downsides in risk appetite but managed to beat 5 G10s.
- **Continue to expect a bearish AUD against a firm USD**, further weighed down by weakness in equities and commodities. Further losses in AUDUSD is expected going forward. Caution that a break below 0.7740 would likely ignite a drop to 0.7652 next.

SGD

- **SGD slipped 0.04% to 1.3248 against USD** but was supported by rising refuge demand to beat 9 G10s.
- **We stay bearish on SGD against a firm USD**, further weighed down by retreating equities. A mild bullish bias has emerged, further tilting USDSGD upward. We opine that the pair continues to set sights on 1.3303, but caution that this strong resistance could end the rebound.

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