

Global Markets Research

Daily Market Highlights

Key Takeaways

- **The Fed kept rates unchanged yesterday but its slightly hawkish policy tone not only heightened expectations that the Fed is on track to hike again in March**, the first FOMC meeting to be chaired by Jerome Powell, **but also spurred speculations that the Fed could be paving the way for more than three rate hikes** projected in its dot plot earlier. The Fed said it foresees inflation rising this year and further gradual rate hikes will be warranted as US data spanning from jobs to manufacturing continued to reaffirm healthy recovery in the US economy.
- Economic data flow was neutral to positive. **PMI prints turned out mixed; settling on the softer side in EU and UK but better in Asia.** Manufacturing activities in the Eurozone tapered off from a record high while growth in the UK softened unexpectedly. On a less downbeat note, Caixin PMI manufacturing in China stabilized at 51.5 in January and contrasted with the official PMI index that showed a slight moderation to 51.3 in the same month. On top of the barrage of manufacturing data, **housing indicators from the UK, Australia and New Zealand were mixed as well.**
- USD weakened against most majors with the **Dollar Index falling to a fresh 3-year low, down 0.52% to 88.67**, as the lift post hawkish FOMC was shortlived. **USD remains bearish in our view** and is on track to break 88.63 but upside surprises to tonight's nonfarm data, if any, could offer the greenback a temporary boost. That said, the Dollar Index needs to close above 89.72 to reverse the current downside traction, after which 90.91 could be challenged.
- **MYR** traded on a softer note against all majors and **closed 0.43% weaker at 3.8985 against the USD** on Tuesday ahead of a two-day holidays in Malaysia financial markets. **Expect the MYR to turn slightly bullish today lifted by a much lower opening in USDMYR.** USDMYR remains technically bullish, having bounced off the lows and amid retreating downside momentum, suggest rebound could set in again. There is room for USDMYR to climb to as high as 3.9152, above which 3.9523 could be tested next.
- **SGD** was firmer against 8 G10s but **weakened 0.30% to 1.3082 despite selloffs in the USD.** We remain bearish on SGD against the USD, further pressured by retreating risk appetite in the markets. USDSGD is expected to test 1.3142, above which 1.3175 will be challenged.

Overnight Economic Data

US	↑
Eurozone	→
UK	→
Japan	↑
China	→
Australia	→

What's Coming Up Next

Major Data

- US nonfarm payroll, jobless rate, factory orders, durable goods orders and Uni Michigan consumer confidence
- EU PPI
- China Caixin PMI services
- Japan Nikkei PMI services
- Hong Kong and Singapore PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2431	1.2454	1.2508	1.2523	1.2542	↗
USDJPY	108.91	109.16	109.35	109.49	109.75	↗
GBPUSD	1.4192	1.4241	1.4267	1.4281	1.4350	↘
AUDUSD	0.8000	0.8020	0.8035	0.8062	0.8082	↘
EURGBP	0.8717	0.8746	0.8767	0.8785	0.8798	→
USDMYR	3.8766	3.8793	3.8835	3.8862	3.8985	↘
EURMYR	4.8474	4.8568	4.8588	4.8651	4.8757	↗
JPYMYR	3.5352	3.5469	3.5501	3.5645	3.5703	↘
GBPMYR	5.5357	5.5391	5.5416	5.5509	5.5557	↘
SGDMYR	2.9601	2.9620	2.9661	2.9685	2.9700	↘
AUDMYR	3.1046	3.1079	3.1179	3.1195	3.1262	↘
NZDMYR	2.8540	2.8643	2.8693	2.8737	2.8799	↗
USDSGD	1.3047	1.3072	1.3097	1.3129	1.3142	↗
EURSGD	1.6326	1.6362	1.6381	1.6407	1.6447	↗
GBPSGD	1.8616	1.8659	1.8686	1.8692	1.8732	↗
AUDSGD	1.0485	1.0497	1.0511	1.0524	1.0541	↘

*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	1868.6	-0.1	4.0	CRB Index	198.3	0.49	2.3
Dow Jones Ind.	26186.7	0.1	5.9	WTI oil (\$/bbl)	65.8	1.65	8.9
S&P 500	2822.0	-0.1	5.5	Brent oil (\$/bbl)	69.7	1.23	4.3
FTSE 100	7490.4	-0.6	-2.6	Gold (\$/oz)	1348.7	0.30	8.1
Shanghai	3447.0	-1.0	4.2	CPO (RM/tonne)	2479.0	0.85	3.7
Hang Seng	32642.1	-0.7	9.1	Copper (\$/tonne)	7118.0	0.96	-1.8
STI	3547.2	0.4	4.2	Rubber (sen/kg)	453.0	-0.44	-2.1

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US FOMC rate decision	Jan 31	1.25-1.50%	1.25-1.50%	1.25-1.50%
US initial jobless claims	Jan 27	230k	231k	235k
US PMI manufacturing	Jan F	55.5	55.5	55.5
US ISM manufacturing	Jan	59.1	59.3	58.6
EU PMI manufacturing	Jan F	59.6	59.6	59.6
UK PMI manufacturing	Jan	55.3	56.2	56.5
UK Nationwide house prices YOY	Jan	3.2%	2.6%	2.5%
JP Nikkei PMI manufacturing	Jan F	54.8	54.4	--
CH Caixin PMI manufacturing	Jan	51.5	51.5	51.5
HK retail sales YOY	Dec	5.8%	7.6%	6.7%
AU AiG manufacturing	Jan	58.7	56.2	--
AU building approvals MOM	Dec	-20.0%	12.6%	-7.6%
NZ building permits MOM	Dec	-9.6%	9.6%	--

Source: Bloomberg

- The Fed kept rates unchanged yesterday but its slightly hawkish policy tone not only heightened expectations that the Fed is on track to hike again in March, the first FOMC meeting to be chaired by Jerome Powell, but also spurred speculations that the Fed could be paving the way for more than three rate hikes projected in its dot plot earlier. The Fed said it foresees inflation rising this year and further gradual rate hikes will be warranted.
- US data continued to reaffirm healthy recovery in the US economy. Tracking the better than expected 234k ADP employment print, initial jobless claims recorded a surprised decline to 230k in the week ended 27 Jan, reiterating continued solid recovery in the job market. Both ISM and PMI readings also pointed to continued robust expansion in the US manufacturing activities going into 2018, with the final print of PMI rising 0.4ppt to 55.5 while the official ISM reading moderated by a less than expected 0.2ppt to 59.1 in January.
- Other PMI prints turned out mixed; settling on the softer side in EU and UK but better in Asia. Manufacturing activities in the Eurozone tapered off from a record high of 60.6 to 59.6 in January while growth in the UK softened as indicated by the unexpected 2nd straight month of retreat in the PMI index to 55.3. On a less downbeat note, Caixin PMI manufacturing in China stabilized at 51.5 in January and contrasted with the official PMI index that showed a slight moderation to 51.3 in the same month. The gauge by Nikkei in Japan also ticked higher for the 3rd consecutive month to 54.8 while in Australia, AiG manufacturing index climbed higher to 58.7 in January, as a surge in new orders and exports offset decline in employment.
- On top of the barrage of manufacturing data, housing indicators from the UK, Australia and New Zealand were mixed as well. UK house prices as revealed by Nationwide showed a surprised acceleration, rising 3.2% YOY in January, its fastest in 10 months, as a result of fewer supply and not due to solid underlying demand. On the contrary, building approvals plunged more than expected by 20.0% MOM in Australia, its biggest decline since Jul-12 as a fall in private housing offset the rebound in public housing. On a similar note, New Zealand building permits fell 9.6% MOM in December, proving last month's rebound as just a blip, and reaffirming weaknesses in the housing sector.
- Over in Hong Kong, retail sales grew at a much slower than expected pace of 5.8% YOY in December (Nov: +7.6% revised) despite the year end festive seasons. Key components of food, fuels, jewelry, watches & clocks, and consumer durables all registered slower growth while sales at supermarkets saw a decline, suggesting slower increase in sales from both the domestic as well as tourism front.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	2/2	Change in nonfarm payrolls	Jan	180k	148k	--
		Jobless rate	Jan	4.1%	4.1%	--
		Factory orders MOM	Dec	1.5%	1.3%	--
	5/2	Uni Michigan consumer sentiments	Jan F	95.0	94.4	--
		Durable goods orders	Dec	--	2.9%	--
		PMI services	Jan F	--	53.3	--
Eurozone	2/2	ISM services	Jan	56.5	55.9	56.0
		PPI YOY	Dec	2.3%	2.8%	--
	5/2	PMI services	Jan F	57.6	57.6	--
		Sentix investor confidence	Feb	34.5	32.9	--
UK	2/2	Retail sales MOM	Dec	-1.0%	1.5%	--
		PMI construction	Jan	52.0	52.2	--
	5/2	PMI services	Jan	54.0	54.2	--
Japan	5/2	Nikkei PMI services	Jan	--	51.1	--
China	5/2	Caixin PMI services	Jan	53.5	53.9	--
Hong Kong	5/2	Nikkei PMI	Jan	--	51.5	--
Singapore	2/2	PMI	Jan	52.6	53.2	--
	5/2	Nikkei PMI	Jan	--	52.1	--
Australia	2/2	PPI YOY	4Q	--	1.6%	--
	5/2	AiG services	Jan	--	52.0	--

Source: Bloomberg

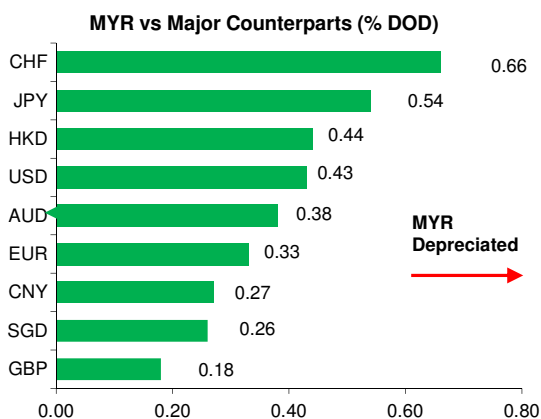
Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2510	0.77	1.2522	1.2385	4.2
USDJPY	109.40	0.19	109.75	109.10	-2.9
GBPUSD	1.4264	0.51	1.4278	1.4160	5.5
AUDUSD	0.8039	-0.20	0.8067	0.7988	2.9
EURGBP	0.8767	0.23	0.8774	0.8716	-1.3
USDMYR	3.8985	0.43	3.8997	3.8805	-3.7
EURMYR	4.8345	0.33	4.8380	4.8066	-0.3
JPYMYR	3.5883	0.54	3.5905	3.5651	-0.2
GBPMYR	5.4868	0.18	5.4889	5.4515	0.4
SGDMYR	2.9723	0.26	2.9741	2.9616	-1.9
AUDMYR	3.1521	0.38	3.1560	3.1361	-0.3
NZDMYR	2.8527	0.35	2.8383	2.8586	-0.9

Source: Bloomberg

Note: MYR crosses as at 30-Jan close



MYR

➤ **MYR** traded on a softer note against all majors and **closed 0.43% weaker at 3.8985 against the USD** on Tuesday ahead of a two-day holidays in Malaysia financial markets.

➤ **Expect the MYR to turn slightly bullish today lifted by a much lower opening in USDMYR.** USDMYR remains technically bullish, having bounced off the lows and amid retreating downside momentum, suggest rebound could set in again. There is room for USDMYR to climb to as high as 3.9152, above which 3.9523 could be tested next.

USD

- USD weakened against most majors with the **Dollar Index falling to a fresh 3-year low, down 0.52% to 88.67**, as the lift post hawkish FOMC was shortlived.
- **USD remains bearish in our view** and is on track to break 88.63 but upside surprises to tonight's nonfarm data, if any, could offer the greenback a temporary boost. That said, the Dollar Index needs to close above 89.72 to reverse the current downside traction, after which 90.91 could be challenged.

EUR

- **EUR advanced 0.77% to 1.2510 against the USD** and gained against 9 G10s on extended optimism on the region's growth prospects.
- **We are bullish on EUR against a softer USD** but caution against a technical correction in the EUR after recent gains, and should the USD reverse following job data upside. EURUSD is now showing signs of further upside strength after yesterday's closing above 1.2427, which could pave the way for the pair to test 1.2541 next.

GBP

- **GBP strengthened 0.51% to 1.4264 against a battered down USD** and was stronger against other majors except the Nordics, supported by positive UK data flow.
- **GBP remains slightly bearish against USD** amid lingering political concerns in the UK. GBPUUSD remains exposed to further retracements amid continued retreat in upside momentum; caution that losing 1.4057 exposes a drop to 1.3967 next.

JPY

- **JPY weakened 0.19% to 109.40 against the USD** and slipped against all G10s save for the AUD amid paring of safety demand.
- **JPY is now slightly bearish against USD.** Downside momentum in USDJPY is softening and a close above 109.22 has negated the bearish bias in the pair, setting the stage for the pair to test 109.78.

AUD

- **AUD** fell against all G10s and closed **0.20% lower against the USD at 0.8039**.
- **We continue to expect a bearish AUD against USD**, pressured by risk aversion in the markets heading into US job data. Momentum indicators have turned negative and a closing below 0.8072 will intensify losses going forward, with room to slide to 0.7959 in the coming weeks.

SGD

- **SGD** was firmer against 8 G10s but **weakened 0.30% to 1.3082 despite selloffs in the USD**.
- **We remain bearish on SGD against the USD**, further pressured by retreating risk appetite in the markets. USDSGD is expected to test 1.3142, above which 1.3175 will be challenged.

Hong Leong Bank Berhad

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report 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 state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.