HongLeong Bank

# 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 unexpecedly. 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 (S/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% | -- |
| | | Uni Michigan consumer sentiments | Jan F | 95.0 | 94.4 | -- |
| | | Durable goods orders | Dec | -- | 2.9% | -- |
| | 5/2 | PMI services | Jan F | -- | 53.3 | -- |
| | | ISM services | Jan | 56.5 | 55.9 | 56.0 |
| Eurozone | 2/2 | 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 | -- |
| | | Retail sales MOM | Dec | -1.0% | 1.5% | -- |
| UK | 2/2 | 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*

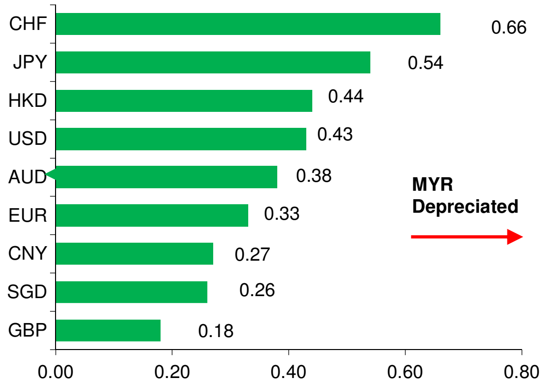
**FX Table**

| 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 vs Major Counterparts (% DOD)**




# ➢Forex

## 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. GBPUSD 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@hlbb.hongleong.com.my