February 5, 2018

Global Markets Research
Daily Market Highlights

Key Takeaways

- **It was a commendable set of US job data but markets were sold off amid concerns quicker wage gain and continued solid recovery in the US economy could prompt the Fed to normalize more aggressively.** The Dow fell over 2% and posted its biggest weekly plunge in two years while global equities all ended in the red following report that showed the US nonfarm sector added more than expected jobs of 200k in January. Unemployment rate and participation rate held steady at 4.1% and 62.7% respectively. Focus was however on the 2.9% increase in wages, its fastest in 8.5 years, on concerns it would translate into higher inflation, hence potentially prompting the Fed to deliver more than three rate hikes this year.

- **Economic releases from other regions were positive as well**, save for the softer print in PPI in the Eurozone which was led down by easier gains in energy prices underscoring subdued price outlook in the region. PMI turned out better in Singapore and Malaysia, adding to signs global demand will continue to underpin growth in this part of Asia. Quicker expansion and faster increase in PPI also signaled the Australian economy is off to a good start in 2018.

- **MYR** traded on a firmer note on Friday amid USD weakness and as pent-up demand prompted a sharply lower opening following the two-day market closure. The local unit traded within a tight range hovering in the 3.88-3.89 handles before **closing 0.33% firmer at 3.8855. Expect MYR to continue trading on a bearish bias this week** on reduced risk appetite with likelihood of selloffs in the Asian markets following Friday's global equity rout. USDMYR remains technically bullish amid retreating downside momentum. There is room for USDMYR to climb to as high as 3.9152, above which 3.9523 could be tested next.

- USD advanced against all majors, leading the **Dollar Index to rebound from a 3-year low, and gained 0.59% to 89.19,** as upbeat job readings and quicker wage gains spurred inflation and rate hike optimism. **USD is slightly bullish** underpinned by rate hike optimism following Friday's upbeat job prints and amid lingering concerns over Friday's equity selloffs globally. Failure to break 88.63 and retreating downside momentum is setting the stage for the DXY to bounce higher. Dollar Index is on track to close above 89.72 to reverse the current downside traction, after which 90.91 could be challenged.

- **SGD weakened 0.89% to 1.3198 against a rebounding USD** and traded mixed against the G10s. **We remain bearish on SGD against the USD**, further pressured by retreating risk appetite in the markets. A close above 1.3175 has strengthened the bullish bias in USDSGD, which is expected to head towards 1.3245 next.

Overnight Economic Data

Malaysia	↑
US	↑
EU	↓
Singapore	↑
Australia	↑

What's Coming Up Next

Major Data
- US ISM & PMI services
- EU PMI services, Sentix investor confidence, retail sales
- UK PMI services
- Japan Nikkei PMI services
- China Caixin PMI services
- HK and SG Nikkei PMI

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2402	1.2424	1.2453	1.2458	1.2512	↘
USDJPY	109.55	109.72	109.88	110.13	110.33	↘
GBPUSD	1.4001	1.4071	1.4118	1.4163	1.4190	↘
AUDUSD	0.7878	0.7892	0.7918	0.7930	0.7960	↘
EURGBP	0.8785	0.8803	0.8819	0.8833	0.8846	↘
USDMYR	3.8867	3.8904	3.8967	3.8985	3.9024	↗
EURMYR	4.8353	4.8415	4.8520	4.8579	4.8621	↗
JPYMYR	3.5355	3.5427	3.5479	3.5487	3.5572	↗
GBPMYR	5.4819	5.4956	5.5029	5.5100	5.5157	↘
SGDMYR	2.9256	2.9413	2.9524	2.9591	2.9613	↘
AUDMYR	3.0631	3.0719	3.0858	3.0923	3.1047	↘
NZDMYR	2.8322	2.8347	2.8448	2.8455	2.8522	↗
USDSGD	1.3152	1.3176	1.3195	1.3207	1.3241	↗
EURSGD	1.6326	1.6374	1.6435	1.6453	1.6529	↗
GBPSGD	1.8583	1.8600	1.8631	1.8647	1.8659	↗
AUDSGD	1.0422	1.0447	1.0455	1.0474	1.0505	↘

*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	1870.5	0.1	4.1	CRB Index	198.3	0.00	2.3
Dow Jones Ind.	25521.0	-2.5	3.2	WTI oil ($/bbl)	65.5	1.00	8.3
S&P 500	2762.1	-2.1	3.3	Brent oil ($/bbl)	68.2	-0.63	1.9
FTSE 100	7443.4	-0.6	-3.2	Gold (S/oz)	1332.9	-1.20	2.3
Shanghai	3462.1	0.4	4.7	CPO (RM/tonne)	2479.0	0.85	3.7
Hang Seng	32601.8	-0.1	9.0	Copper ($/tonne)	7045.0	-1.04	-2.8
STI	3529.8	-0.5	3.7	Rubber (sen/kg)	460.5	1.66	-0.4

Source: Bloomberg

➢ Macroeconomics

Economic Data

	For	Actual	Last	Survey
MY Nikkei PMI	Jan	50.5	49.9	--
US nonfarm payroll	Jan	200k	160k	180k
US jobless rate	Jan	4.1%	4.1%	4.1%
US factory orders	Dec	1.7%	1.7%	1.5%
US durable goods orders	Dec	2.8%	2.9%	--
US Uni Michigan consumer sentiments	Jan F	95.7	94.4	95.0
EU PPI	Dec	2.2%	2.8%	2.3%
SG PMI	Jan	53.1	52.8	52.6
AU PPI YOY	4Q	1.7%	1.6%	--
AU AiG services	Jan	54.9	52.0	--

Source: Bloomberg

- It was a commendable set of US job data but markets were sold off amid concerns quicker wage gain and continued solid recovery in the US economy could prompt the Fed to normalize more aggressively. The Dow fell over 2% and posted its biggest weekly plunge in two years while global equities all ended in the red following report that showed the US nonfarm sector added more than expected jobs of 200k in January. Unemployment rate and participation rate held steady at 4.1% and 62.7% respectively. Focus was however on the 2.9% increase in wages, its fastest in 8.5 years, on concerns it would translate into higher inflation, hence potentially prompting the Fed to deliver more than three rate hikes this year.

- Other releases from the US were upbeat too. University of Michigan consumer sentiments was revised higher by more than expected to 95.7 in January final print, marking a much softer pullback from December's 95.9 as consumers turned more optimistic over jobs and income outlook. Friday's data also signaled continued expansion in underlying demand. Factory orders beat expectations to increase 1.7% MOM in December (Nov: +1.7% upwardly revised from +1.3%) but orders ex-transportation rose at a slower pace of 0.7% MOM (Nov: +1.1%). Meanwhile, final reading showed durable goods orders grew 2.8% MOM in December (Nov: +1.7%), and orders ex-transportation rose 0.7% MOM, affirming a pick-up in business investment.

- EU PPI tapered off more than expected to increase 2.2% YOY in December (Nov: +2.8%) while witnessing a bigger pullback to 0.2% MOM (Nov: +0.6%). The slowest YOY gain in five months was dampened by easier price gains across most categories led by energy, intermediate goods and non-durable goods, underscoring still subdued price pressure in the euro region.

- Back home, Malaysia Niikkei PMI climbed above the 50 threshold again to 50.5 in January (Dec: 49.9), suggesting manufacturing activities were back in expansion mode. A rise in new orders offset decline in output offering hopes continuous recovery in the global economy will spur demand for Malaysian goods.

- In neighbouring Singapore, PMI also surprised on the upside, ticking up unexpectedly an 8-year high at 53.1 in January as other sectors offset a softer reading in the electronics sector. Higher new orders and output offset a pullback in employment.

- Down under, PPI increased at a slightly faster pace of 1.7% YOY in 4Q and prices quickened to 0.6% QOQ (3Q: 1.6% YOY and 0.2% QOQ), spurred by a sharp turnaround in import costs and sustained gain in domestic prices. This, coupled with turnarounds in import and export prices in addition to quicker CPI gain, added to signs inflation is gradually on the mend in Australia. This morning, AiG services index also turned in positive, ticking higher to a 6-month high of 54.9 in January, even though it contrasted with the retreat in PMI services surveyed by CBA. Quicker expansions in both the manufacturing and services sector signaled the Australian economy is off to a firm start in 2018.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
US	5/2	PMI services	Jan F	53.3	53.3	--
		ISM services	Jan	56.7	55.9	56.0
	6/2	Trade balance	Dec	-$52.0b	-$50.5b	--
Eurozone	5/2	PMI services	Jan F	57.6	57.6	--
		Sentix investor confidence	Feb	33.2	32.9	--
		Retail sales MOM	Dec	-1.0%	1.5%	--
	6/2	PMI retail	Jan	--	53.0	--
UK	5/2	PMI services	Jan	54.1	54.2	--
Japan	5/2	Nikkei PMI services	Jan	--	51.1	--
	6/2	Leading index	Dec P	108.1	108.3	--
		Coincident index	Dec P	120.5	117.9	--
China	5/2	Caixin PMI services	Jan	53.5	53.9	--
Hong Kong	5/2	Nikkei PMI	Jan	--	51.5	--
Singapore	5/2	Nikkei PMI	Jan	--	52.1	--
Australia	6/2	Trade balance	Dec	A$200m	-A$628m	--
		Retail sales	Dec	-0.2%	1.2%	--
		RBA cash target rate	Feb 6	1.50%	1.50%	--

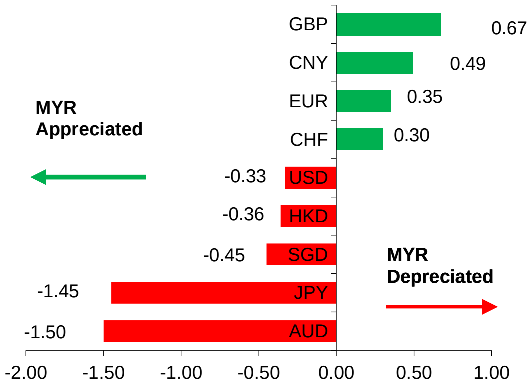
Source: Bloomberg

➢Forex

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2463	-0.38	1.2518	1.2410	3.7
USDJPY	110.17	0.70	110.48	109.28	-2.3
GBPUSD	1.4118	-1.02	1.4278	1.4102	4.4
AUDUSD	0.7931	-1.34	0.8044	0.7919	1.2
EURGBP	0.8823	0.63	0.8825	0.8757	-0.6
USDMYR	3.8855	-0.33	3.8997	3.8805	-4.0
EURMYR	4.8516	0.35	4.8380	4.8066	0.1
JPYMYR	3.5363	-1.45	3.5905	3.5651	-1.6
GBPMYR	5.5238	0.67	5.4889	5.4515	1.1
SGDMYR	2.9589	-0.45	2.9741	2.9616	-2.3
AUDMYR	3.1047	-1.50	3.1560	3.1361	-1.8
NZDMYR	2.8573	0.16	2.8383	2.8586	-0.8

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

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- **Expect MYR to continue trading on a bearish bias this week** on reduced risk appetite with likelihood of selloffs in the Asian markets following Friday's global equity rout. USDMYR remains technically bullish amid retreating downside momentum. There is room for USDMYR to climb to as high as 3.9152, above which 3.9523 could be tested next.

USD

- USD advanced against all majors, leading the **Dollar Index to rebound from a 3-year low, and gained 0.59% to 89.19,** as upbeat job readings and quicker wage gains spurred inflation and rate hike optimism.
- **USD is slightly bullish** underpinned by rate hike optimism following Friday's upbeat job prints and amid lingering concerns over Friday's equity selloffs globally. Failure to break 88.63 and retreating downside momentum is setting the stage for the DXY to bounce higher. Dollar Index is on track to close above 89.72 to reverse the current downside traction, after which 90.91 could be challenged.

EUR

- **EUR fell 0.38% to 1.2463 against a rebounding USD** but gained against other G10s on extended optimism on the region's economic outlook even though PPI turned in on the softer side.
- **We are slightly bearish on EUR against a firmer USD** and continued to warn of risks of a technical correction as the EUR appears toppish after recent gains, more so on revived USD strength after Friday's upbeat US data. Positive momentum in EURUSD is softening and we now expect the pair to dip to 1.2410 before any move higher again.

GBP

- **GBP plunged 1.02% to 1.4118 against a stronger USD** and was mixed against other majors.
- **GBP remains slightly bearish against a firmer USD**. GBPUSD remains exposed to further retracements amid continued retreat in upside momentum to near neutral; caution that losing 1.4057 exposes a drop to 1.3967 next.

JPY

- **JPY weakened for the 3rd straight day, by 0.70% to 110.17 against the USD** but strengthened against 6 G10s.
- **JPY is expected to recoup some lost ground against USD today supported by refuge demand**. Despite this, momentum indicator in USDJPY has turned positive and a close above 109.78 is paving the way for the pair to test 110.33 next.

AUD

- **AUD** fell against all G10s and closed **1.34% lower against the USD at 0.7931,** below the 0.80 level for the first time in two weeks.
- **We continue to expect a bearish AUD against USD**, pressured by risk aversion in the markets on concerns over more rapid policy normalization by the Fed. Negative momentum indicators are gaining traction following the close below 0.7959. The pair is expected to test 0.7888 next.

SGD

- **SGD weakened 0.89% to 1.3198 against a rebounding USD** and traded mixed against the G10s.
- **We remain bearish on SGD against the USD**, further pressured by retreating risk appetite in the markets. A close above 1.3175 has strengthened the bullish bias in USDSGD, which is expected to head towards 1.3245 next.

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