

Global Markets Research

Daily Market Highlights

Key Takeaways

- Lingering jitters over Trump's trade protectionism and Italian political development aside, focus was on the series of services readings overnight. **Data showed mixed performance in the services sector worldwide going into February.** While we continue to see expansion, the pace of increases was notably different.
- In the US, the official reading from ISM showed the services sector expanded at a slower pace in February, contrary to the faster growth suggested by Markit PMI. Services activities were softer in the EU, China, and Japan but firmer in the UK (surprisingly), Hong Kong, and Singapore.**
- At the local front, Malaysia's exports growth quickened to 17.9% YOY in Jan,** up from a 14-month low of 4.7% previously. The strong growth was attributed to seasonal distortion from low-base effect in Jan last year. Imports growth also accelerated, rising 11.6% YOY in Jan from 7.9% in Dec, led by a rebound in consumption goods imports. Meanwhile, trade surplus widened to RM 9.71bn from an excess of RM7.25bn previously. **Despite the seasonal distortion, the better traction seen across most product categories and major export destinations was rather encouraging signaling underlying soundness in trade that will continue to underpin continuous economic growth this year.**
- USD strengthened against 6 G10s** as softer sentiment pressured risk-sensitive majors while the DXY climbed 0.16% to 90.08, supported by refuge demand. **We keep a slightly bullish view on USD** as we anticipate still-firm buying interest amid lingering political concerns in Italy; surprise upsides in US data will further rally the greenback. DXY remains supported by 89.83 and thus still takes aim at 90.58 meantime. Losing 89.83 will trigger a drop to 89.10 in the next leg lower.
- MYR overturned early gains into losses against USD, down 0.08% to 3.9065** amid rising risk-off sentiment but managed to advance against 5 G10s. **Expect a slightly bullish MYR against USD,** supported by recovery in overnight risk appetite that is likely to spill over into Asian trade. A minor bearish trend continues to prevail but its sustainability remains doubtful unless USDMYR manages to close below 3.8885.
- SGD** was also buoyed by improved risk appetite as well as firmer Singapore data to beat 7 G10s and **strengthen 0.13% to 1.3183 against USD.** **We stay slightly bullish on SGD against USD,** supported by firmer refuge demand. USDSGD closing below 1.3189 introduces additional bearish bias; the pair is likely to target 1.3147 in the next leg lower, below which further losses to 1.3092 is expected.

Overnight Economic Data

| | |
|-----------|---|
| Malaysia | ↑ |
| US | → |
| EU | ↓ |
| UK | ↑ |
| Japan | ↓ |
| China | ↓ |
| Hong Kong | ↑ |
| Singapore | ↑ |
| Australia | ↑ |

What's Coming Up Next

Major Data

- US factory orders, durable goods orders
- Australia retail sales

Major Events

- RBA monetary policy decision

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.2312 | 1.2321 | 1.2337 | 1.2355 | 1.2371 | ↓ |
| USDJPY | 106.00 | 106.17 | 106.33 | 106.51 | 106.70 | ↓ |
| GBPUSD | 1.3809 | 1.3824 | 1.3849 | 1.3858 | 1.3891 | ↓ |
| AUDUSD | 0.7716 | 0.7744 | 0.7768 | 0.7774 | 0.7803 | ↓ |
| EURGBP | 0.8896 | 0.8900 | 0.8909 | 0.8919 | 0.8936 | ↗ |
| USDMYR | 3.8852 | 3.8900 | 3.8945 | 3.8995 | 3.9047 | ↓ |
| EURMYR | 4.8024 | 4.8046 | 4.8082 | 4.8100 | 4.8146 | ↓ |
| JPYMYR | 3.6554 | 3.6600 | 3.6625 | 3.6779 | 3.6881 | ↓ |
| GBPMYR | 5.3900 | 5.3932 | 5.3966 | 5.3985 | 5.4000 | ↓ |
| SGDMYR | 2.9529 | 2.9556 | 2.9565 | 2.9574 | 2.9606 | ↓ |
| AUDMYR | 3.0268 | 3.0285 | 3.0322 | 3.0350 | 3.0385 | ↓ |
| NZDMYR | 2.8120 | 2.8150 | 2.8174 | 2.8186 | 2.8200 | ↓ |
| USDSGD | 1.3147 | 1.3167 | 1.3176 | 1.3185 | 1.3202 | ↓ |
| EURSGD | 1.6243 | 1.6250 | 1.6260 | 1.6266 | 1.6293 | ↓ |
| GBPSGD | 1.8222 | 1.8237 | 1.8250 | 1.8280 | 1.8317 | ↓ |
| AUDSGD | 1.0228 | 1.0237 | 1.0252 | 1.0258 | 1.0272 | ↓ |

*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 | 1842.6 | -0.7 | 2.5 | CRB Index | 196.7 | 1.31 | 1.4 |
| Dow Jones Ind. | 24874.8 | 1.4 | 0.6 | WTI oil (\$/bbl) | 62.6 | 2.16 | 3.6 |
| S&P 500 | 2720.9 | 1.1 | 1.8 | Brent oil (\$/bbl) | 65.5 | 1.82 | -0.2 |
| FTSE 100 | 7116.0 | 0.7 | -7.4 | Gold (\$/oz) | 1320.1 | -0.20 | 1.4 |
| Shanghai | 3256.9 | 0.1 | -1.5 | CPO (RM/tonne) | 2496.5 | -2.44 | 4.5 |
| Hang Seng | 29886.4 | -2.3 | -0.1 | Copper (\$/tonne) | 6898.0 | -0.35 | -4.8 |
| STI | 3438.6 | -1.2 | 1.0 | Rubber (sen/kg) | 488.5 | 0.41 | 5.6 |

Source: Bloomberg

➤ Macroeconomics

Economic Data

| | For | Actual | Last | Survey |
|-------------------------------|-------|--------|--------|--------|
| MY exports | Jan | 17.9% | 4.7% | 15.2% |
| US PMI services | Feb F | 55.9 | 55.9 | 55.9 |
| US ISM services | Feb | 59.5 | 59.9 | 59.0 |
| EU PMI services | Feb F | 56.2 | 56.7 | 56.7 |
| EU Sentix investor confidence | Mar | 24.0 | 31.9 | 30.9 |
| EU retail sales MOM | Jan | -0.1% | -1.0% | -0.1% |
| UK PMI services | Feb | 54.5 | 53.0 | 53.3 |
| JP Nikkei PMI services | Feb | 51.7 | 51.9 | -- |
| CH Caixin PMI services | Feb | 54.2 | 54.7 | 54.3 |
| SG Nikkei PMI | Feb | 55.3 | 53.6 | -- |
| HK Nikkei PMI | Feb | 51.7 | 51.1 | -- |
| AU building approvals MOM | Jan | 17.1% | -20.6% | 3.0% |

Source: Bloomberg

- PMI gauges of major economies were visited yesterday, with mixed results. US PMI services was unchanged in the final report at 55.9, up from 53.3 in Jan on improved new business growth. But the ISM gauge indicated that the services sector grew a tad softer in Feb, with the index dipping to 59.5 from 59.9 in Jan; pace of growth remains decent comparing levels in the last 6 months.
- PMI services of the Eurozone was downwardly revised to 56.2 in Feb final reading from 56.7 initially reported, dipping further from 58.0 in Jan as services sector growth normalizes from a 10.5-year high. New business growth eased to a 6-month low, while outstanding business growth was the slowest since Aug 2017. Signs of Brexit jitters were absent in data as UK PMI services climbed from 53.0 in Jan to 54.5, highest in 4 months, owing to firmer growth in new business and employment.
- Meanwhile, investor sentiment in the Eurozone turned softer in Mar, in line with recent downticks in sentiment-based surveys. Sentix investor confidence index slipped from 31.9 in Feb to 24.0 in Mar, lowest since Apr 2017 amid build-up in political uncertainties. Separately, retail sales growth picked up pace in Jan, rising 2.3% YOY from 2.1% previously, a sign that spending continues to hold up. MOM, sales declined but at a softer pace of 0.1% from a fall of 1.0% in Dec.
- China and Japan registered more moderate growth in services sector in Feb. China's Caixin PMI dipped to 54.2 from 54.7 in Jan; the bright spots were that sales and hiring growth improved, but headline PMI was weighed down by softer growth of new orders, likely due to seasonal factor. Japan's Nikkei PMI ticked lower to 51.7 from 51.9 in Jan due to softer growth in output and new orders, both of which weighed down business sentiment.
- Private sector growth of Singapore and Hong Kong quickened in Feb. Singapore's PMI rose to 55.3 from 53.6 in Jan, lifted by quicker expansion in production, new orders and employment, suggesting upticks to economic activity is likely going forward. Hong Kong's PMI inched higher to 51.7 from 51.1 in Jan, indicating that private sector growth continues to gain momentum after turning expansionary since Sept 2017. Growth was buoyed by firmer output and new orders but signs of uncertain outlook persisted amid softer growth in employment and business sentiment.
- Australia's building approvals rebounded in Jan, surging 17.1% MOM from a 20.6% decline previously. Annually, approvals jumped 12.0% YOY, rebounding from a 5.0% decline, suggesting that construction activity may be ticking higher moving forward.
- Back home, Malaysia's exports growth surged 17.9% YOY in Jan, up from a 14-month low of 4.7% previously. The strong growth was attributed to seasonal distortion from low-base effect in Jan last year. Imports growth also accelerated, rising 11.6% YOY in Jan from 7.9% in Dec, led by a rebound in consumption goods imports. Meanwhile, trade surplus widened to RM 9.71bn from an excess of RM 7.25bn previously.

| Economic Calendar Release Date | | | | | | |
|--------------------------------|------|---------------------------|------------------|----------|----------|---------|
| Country | Date | Event | Reporting Period | Survey | Prior | Revised |
| Malaysia | 7/3 | BNM OPR | 7 Mar | 3.25% | 3.25% | -- |
| | | Foreign reserves | 28 Feb | -- | \$103.6b | -- |
| US | 6/3 | Factory orders | Jan | -1.4% | 1.7% | -- |
| | | Durable goods orders | Jan F | -3.6% | -3.7% | -- |
| | 7/3 | MBA mortgage applications | 2 Mar | -- | 2.7% | -- |
| | | ADP employment change | Feb | 200k | 234k | -- |
| | | Trade balance | Jan | -\$55.0b | -\$53.1b | -- |
| Eurozone | 7/3 | GDP SA QOQ | 4Q | 0.6% | 0.6% | -- |
| UK | 7/3 | Halifax house prices YOY | Feb | 1.6% | 2.2% | -- |
| Japan | 7/3 | Leading index | Jan P | 106.5 | 107.4 | -- |
| | | Coincident index | Jan P | 115.3 | 120.2 | -- |
| Australia | 6/3 | Retail sales MOM | Jan | 0.4% | -0.5% | -- |
| | | RBA cash target rate | 6 Mar | 1.50% | 1.50% | -- |
| | 7/3 | GDP SA QOQ | 4Q | 0.5% | 0.6% | -- |

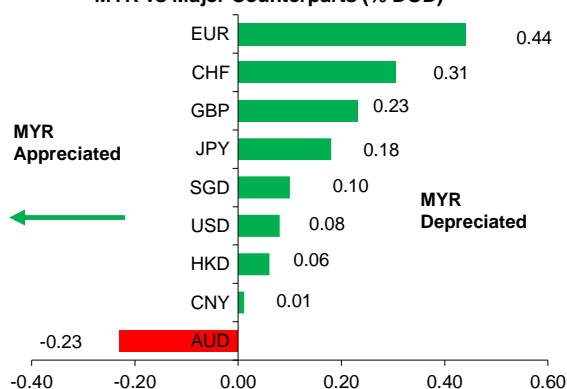
Source: Bloomberg

FX Table

| Name | Last Price | DoD % | High | Low | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.2336 | 0.15 | 1.2365 | 1.2269 | 2.8 |
| USDJPY | 106.20 | 0.43 | 106.24 | 105.35 | 5.7 |
| GBPUSD | 1.3849 | 0.34 | 1.3877 | 1.3767 | 2.5 |
| AUDUSD | 0.7765 | 0.06 | 0.7777 | 0.7726 | 0.5 |
| EURGBP | 0.8908 | 0.21 | 0.8950 | 0.8885 | 0.3 |
| USDMYR | 3.9065 | 0.08 | 3.9068 | 3.8895 | 3.5 |
| EURMYR | 4.8138 | 0.44 | 4.8182 | 4.7888 | 0.7 |
| JPYMYR | 3.7012 | 0.18 | 3.8727 | 3.6832 | 3.0 |
| GBPMYR | 5.3932 | 0.23 | 5.3972 | 5.3680 | 1.3 |
| SGDMYR | 2.9609 | 0.10 | 2.9619 | 2.9502 | 2.2 |
| AUDMYR | 3.0260 | 0.23 | 3.0318 | 3.0173 | 4.3 |
| NZDMYR | 2.8186 | 0.75 | 2.8260 | 2.8091 | 2.1 |

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



Data due today: US factory orders, durable goods orders; Australia retail sales and RBA cash target rate

Forex

MYR

- **MYR overturned early gains into losses against USD, down 0.08% to 3.9065** amid rising risk-off sentiment but managed to advance against 5 G10s.
- **Expect a slightly bullish MYR against USD**, supported by recovery in overnight risk appetite that is likely to spill over into Asian trade. A minor bearish trend continues to prevail but its sustainability remains doubtful unless USDMYR manages to close below 3.8885.

USD

- **USD strengthened against 6 G10s** as softer sentiment pressured risk-sensitive majors while the DXY climbed 0.16% to 90.08, supported by refuge demand.
- **We keep a slightly bullish view on USD** as we anticipate still-firm buying interest amid lingering political concerns in Italy; surprise upsides in US data will further rally the greenback. DXY remains supported by 89.83 and thus still takes aim at 90.58 meantime. Losing 89.83 will trigger a drop to 89.10 in the next leg lower.

EUR

- **EUR rose 0.15% to 1.2336 against USD** and rebounded from early declines to beat 8 G10s as concerns over Italian election outcome faded.
- **Stay bearish on EUR against USD**; EUR remained unusually calm given uncertainties in Italian politics and we reckon on-going development in relation to this will continue to cast downside pressure. Even as EURUSD turn slightly firmer after closing above 1.2321, we remain skeptical that further upsides can sustain approaching 1.2371 – 1.2396 resistance range.

GBP

- **GBP strengthened 0.34% to 1.3849 against USD** and advanced against all G10s, boosted initially by firmer UK data then signs of positive development in Brexit talks.
- **Expect a slightly bearish GBP in anticipation of a firmer USD**, while Brexit jitters continue to linger. Bearish bias continues to prevail despite overnight rebound. Some gains could still be achieved after breaking above 1.3824 yesterday but expect risk of rejection will rise approaching 1.3891 – 1.3912.

JPY

- **JPY tumbled 0.43% to 106.20 against USD** and retreated against 8 G10s as risk appetite recovered in European session.
- **Stay slightly bullish on JPY against USD** as we suspect markets risk-off sentiment continues to linger. USDJPY remains inclined to the downsides; we reckon that rebound will be short-lived, and likely to close below 105.75 in the coming days. This outlook will be allayed by a close above 106.68 today.

AUD

- **AUD rallied to beat 6 G10s and inched 0.06% higher to 0.7765 against USD**, supported by firmer risk appetite that recovered in European session.
- **Continue to expect a bearish AUD against USD**, weighed down by likelihood of renewed risk-off sentiment in the markets. AUDUSD remains deep in bearish territory, thus we are doubtful that current attempt at rebound can sustain further upsides. Caution on risk of rejection approaching 0.7803 – 0.7819 that could trigger a drop to and below 0.7744 going forward.

SGD

- **SGD** was also buoyed by improved risk appetite as well as firmer Singapore data to beat 7 G10s and **strengthen 0.13% to 1.3183 against USD**.
- **We stay slightly bullish on SGD against USD**, supported by firmer refuge demand. USDSGD closing below 1.3189 introduces additional bearish bias; the pair is likely to target 1.3147 in the next leg lower, below which further losses to 1.3092 is expected.

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