






Global Markets Research

Daily Market Highlights

Key Takeaways

- **Greater volatility is the rule of the day.** A late session rebound led US equities higher to end the day in positive territory, after braving through a day of roller-coaster ride. The VIX index whipsawed between a low of 22 and a high of 50 during the day before settling at 30 at close, off a 37 reading on Monday. European and Asian markets remained mired in the red with losses in major indices ranging 2-5%. Bonds traded in a similar pattern, with the UST being sold off but demand for safety remained prevalent in Europe and Asia.
- Back on the fundamentals, **RBA left its cash target rate unchanged at 1.5% as widely expected and we noticed no change in its tone that could potentially signal any rate move is on the cards.** RBA Governor Lowe said "the low level of interest rates is continuing to support the Australian economy. Further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual". **We maintain our view for a pause in RBA rates this year.** Yesterday's **Australian data came in on the negative side, and so is trade balance in the US and job reports from New Zealand.** Malaysia foreign reserves is the only bright spot, with reserves rising further to \$103.7bn as at end-Jan.
- USD weakened against 7 G10s notably the haven currencies JPY and CHF, but the **Dollar Index still managed to eke out gain for the 3rd straight day, by 0.12% to 89.66,** tracking greater volatility in US equities. **USD remains bullish** supported by demand for safety amid lingering concerns over the current market turmoil. Dollar Index is on track to close above 89.72, after which 90.91 could be challenged.
- **MYR bears** continued to hold tight, with the MYR continued depreciating steadily through the day before **closing 0.42% weaker at 3.9165. We turn slightly bullish on MYR** against the greenback supported by a lower opening this morning and revived Asian markets. USDMYR remains technically bullish. Momentum indicator has turned positive and a close above 3.9152 has reinforced bullishness in the pair, paving the way for the pair to test 3.9554 next, but not before some technical pullback to the 3.90 handle.
- **SGD gained 0.21% to 1.3189 against the USD** and was mixed against G10s. **We remain slightly bearish on SGD against the USD,** amid lingering risk off in the markets even though rebound in Asian markets this morning could cap its losses. Positive momentum indicators have picked up, paving the way for USDSGD to test 1.3245 soon, above which 1.3278 will be eyed.

Overnight Economic Data

| | |
|-------------|---|
| Malaysia |  |
| US |  |
| Eurozone |  |
| Australia |  |
| New Zealand |  |

What's Coming Up Next

Major Data

- Malaysia exports
- US MBA mortgage applications
- UK Halifax house prices
- Japan leading index, coincident index

Major Events





























- European Commission economic forecasts

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.2305 | 1.2336 | 1.2382 | 1.2410 | 1.2460 | ↗ |
| USDJPY | 108.77 | 108.98 | 109.46 | 109.73 | 109.98 | ↘ |
| GBPUSD | 1.3893 | 1.3941 | 1.3956 | 1.3999 | 1.4031 | ↘ |
| AUDUSD | 0.7840 | 0.7878 | 0.7893 | 0.7894 | 0.7996 | ↘ |
| EURGBP | 0.8813 | 0.8844 | 0.8874 | 0.8889 | 0.8908 | → |
| USDMYR | 3.8812 | 3.8950 | 3.9025 | 3.9174 | 3.9259 | ↘ |
| EURMYR | 4.8221 | 4.8257 | 4.8324 | 4.8421 | 4.8502 | ↘ |
| JPYMYR | 3.5501 | 3.5564 | 3.5637 | 3.5710 | 3.5793 | ↘ |
| GBPMYR | 5.4114 | 5.4279 | 5.4455 | 5.4536 | 5.4653 | ↘ |
| SGDMYR | 2.9538 | 2.9577 | 2.9599 | 2.9622 | 2.9648 | ↘ |
| AUDMYR | 3.0684 | 3.0772 | 3.0800 | 3.0877 | 3.0943 | ↘ |
| NZDMYR | 2.8437 | 2.8528 | 2.8597 | 2.8669 | 2.8770 | ↘ |
| USDSGD | 1.3142 | 1.3175 | 1.3180 | 1.3207 | 1.3245 | → |
| EURSGD | 1.6266 | 1.6291 | 1.6330 | 1.6346 | 1.6368 | → |
| GBPSGD | 1.8350 | 1.8389 | 1.8401 | 1.8412 | 1.8446 | → |
| AUDSGD | 1.0384 | 1.0410 | 1.0413 | 1.0445 | 1.0466 | ↘ |

*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 | 1812.5 |  -2.2 |  0.9 | CRB Index | 194.7 |  -0.47 |  0.5 |
| Dow Jones Ind. | 24912.8 |  2.3 |  0.8 | WTI oil (\$/bbl) | 63.4 |  1.00 |  4.9 |
| S&P 500 | 2695.1 |  1.7 |  0.8 | Brent oil (\$/bbl) | 67.2 |  -0.61 |  0.5 |
| FTSE 100 | 7141.4 |  -2.6 |  -7.1 | Gold (\$/oz) | 1324.1 |  -1.20 |  1.7 |
| Shanghai | 3370.7 |  -3.4 |  1.9 | CPO (RM/tonne) | 2461.5 |  0.80 |  3.0 |
| Hang Seng | 30595.4 |  -5.1 |  2.3 | Copper (\$/tonne) | 7169.0 |  1.76 |  -1.1 |
| STI | 3406.4 |  -2.2 |  0.1 | Rubber (sen/kg) | 459.0 |  0.99 |  -0.8 |

Source: Bloomberg

Economic Data

| | For | Actual | Last | Survey |
|--------------------------|--------|-----------|----------|----------|
| MY foreign reserves | Jan 30 | \$103.7b | \$103.0b | -- |
| US trade balance | Dec | -\$53.1b | -\$50.4b | -\$52.1b |
| EU PMI retail | Jan | 50.8 | 53.0 | -- |
| AU trade balance | Dec | -A\$1358m | A\$36m | A\$200m |
| AU retail sales | Dec | -0.5% | 1.3% | -0.2% |
| AU RBA cash target rate | Feb 6 | 1.5% | 1.5% | 1.5% |
| NZ unemployment rate | 4Q | 4.5% | 4.6% | 4.7% |
| NZ employment change QOQ | 4Q | 0.5% | 2.2% | 0.4% |

Source: Bloomberg

➤ Macroeconomics

- RBA left its cash target rate unchanged at 1.5% as widely expected and we noticed no change in its tone that could potentially signal any rate move is on the cards. RBA Governor Lowe said “the low level of interest rates is continuing to support the Australian economy. Further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual”. We maintain our view for a pause in RBA rates this year.
- Other Australian data turned out on the negative side. Trade balance registered a deficit of A\$1358m, against expectation for a A\$200m surplus in December. This marked its first deficit in eight months after November’s position was revised to a surplus, attributable to a much bigger increase in imports (+6.0% MOM) relative to the 1.6% MOM increase in exports which could exert a drag on 4Q growth. Retail sales fell more than expected by 0.5% MOM in December, its first decline in four months dragged by broad-based declines in all categories which more than offset the quicker gain in food, pointing to subdued spending by consumers.
- US trade deficit widened more than expected to \$53.1bn in December as the 2.5% MOM increase in imports outpaced exports growth of 1.8% MOM. Deficit has widened for a 4th straight month now and would exert a drag on overall GDP growth in 4Q as already evident in the advance estimate of 4Q GDP print released two weeks ago.
- In line with the fall in retail sales, EU PMI retail reported a dip to 50.8 in January, amid broad-based declines in Germany, France and Italy. This should raise concerns of continued subdued sales going forward.
- New Zealand labour market indicators were generally softer but better than expected as businesses were cautious in hiring. Jobless rate unexpectedly improved to 4.5% in 4Q (3Q: 4.6%) while the number of employment change moderated less than expected to 0.5% QOQ. Participation rate also eased to 71.0% while the increase in average hourly earnings softened less than expected to 0.8% QOQ (3Q: +1.2%).
- Malaysia foreign reserves continued to inch higher by \$0.7bn, to \$103.7bn as at 30-Jan, sufficient to finance 7.2 months of retained imports and is 1.1x the short term external debt. Improving trade surplus and funds inflows are expected to continue underpin reserves level, hence helping Malaysia weather any undesirable external shocks.

Economic Calendar Release Date

| Country | Date | Event | Reporting Period | Survey | Prior | Revised |
|-------------|------|--|------------------|---------|---------|---------|
| Malaysia | 7/2 | Exports YOY | Dec | 12.7% | 14.4% | -- |
| US | 7/2 | MBA mortgage applications | Feb 2 | -- | -2.6% | -- |
| | 8/2 | Consumer credit | Dec | \$20.0b | \$27.9b | -- |
| | | Initial jobless claims | Feb 3 | 232k | 230k | -- |
| Eurozone | 7/2 | European Commission economic forecasts | | | | -- |
| | 8/2 | ECB economic bulletin | | | | -- |
| UK | 7/2 | Halifax house prices YOY | Jan | 2.4% | 2.7% | -- |
| | 8/2 | RICS house prices balance | Jan | 5% | 8% | -- |
| | | BOE bank rate | Feb 8 | 0.5% | 0.5% | -- |
| | | BOE asset purchase target | Feb 8 | £435b | £435b | -- |
| | | BOE inflation report | | | | -- |
| Japan | 7/2 | Leading index | Dec P | 108.1 | 108.3 | -- |
| | | Coincident index | Dec P | 120.5 | 117.9 | -- |
| | 8/2 | BOP current account balance | Dec | 1056.9b | 1347.3b | -- |
| | | Eco Watcher outlook | Jan | 53.6 | 52.7 | -- |
| | | Eco Watcher current | Jan | 53.7 | 53.9 | -- |
| China | 8/2 | Exports YOY | Jan | 10.8% | 10.9% | - |
| Australia | 8/2 | NAB business confidence | 4Q | -- | 7 | -- |
| New Zealand | 8/2 | RBNA official cash rate | Feb 8 | 1.75% | 1.75% | -- |

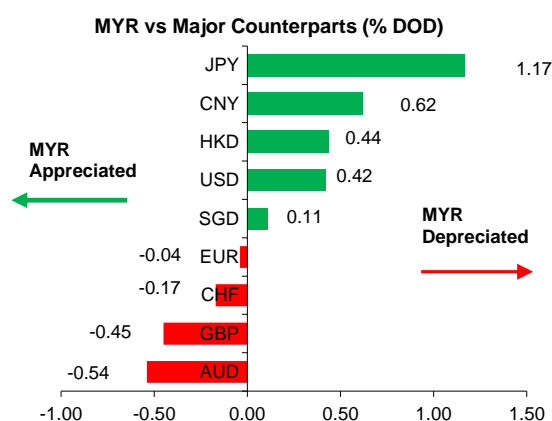
Source: Bloomberg

Forex

FX Table

| Name | Last Price | DoD% | High | Low | YTD% |
|--------|------------|-------|--------|--------|------|
| EURUSD | 1.2377 | 0.08 | 1.2434 | 1.2314 | 3.1 |
| USDJPY | 109.56 | 0.43 | 109.65 | 108.46 | -2.7 |
| GBPUSD | 1.3949 | -0.07 | 1.4 | 1.3836 | 3.3 |
| AUDUSD | 0.7906 | 0.36 | 0.791 | 0.7836 | 1.1 |
| EURGBP | 0.8872 | 0.15 | 0.8911 | 0.8856 | -0.1 |
| USDMYR | 3.9165 | 0.42 | 3.8997 | 3.8805 | -3.2 |
| EURMYR | 4.8576 | -0.04 | 4.8380 | 4.8066 | 0.2 |
| JPYMYR | 3.5919 | 1.17 | 3.5905 | 3.5651 | -0.1 |
| GBPMYR | 5.4805 | -0.45 | 5.4889 | 5.4515 | 0.3 |
| SGDMYR | 2.9655 | 0.11 | 2.9741 | 2.9616 | -2.1 |
| AUDMYR | 3.0825 | -0.54 | 3.1560 | 3.1361 | -2.5 |
| NZDMYR | 2.8614 | 0.12 | 2.8383 | 2.8586 | -0.6 |

Source: Bloomberg



MYR

- **MYR bears continued to hold tight**, with the MYR continued depreciating steadily through the day before **closing 0.42% weaker at 3.9165**.
- **We turn slightly bullish on MYR** against the greenback supported by a lower opening this morning and revived Asian markets. USDMYR remains technically bullish. Momentum indicator has turned positive and a close above 3.9152 has reinforced bullishness in the pair, paving the way for the pair to test 3.9554 next, but not before some technical pullback to the 3.90 handle.

USD

- USD weakened against 7 G10s notably the haven currencies JPY and CHF, but the **Dollar Index still managed to eke out gain for the 3rd straight day, by 0.12% to 89.66**, tracking greater volatility in US equities.
- **USD remains bullish** supported by demand for safety amid lingering concerns over the current market turmoil. Dollar Index is on track to close above 89.72, after which 90.91 could be challenged.

EUR

- **EUR bounced back by 0.08% to 1.2377** against a more muted gains in USD as US equities recoup some losses in late US session after a day of choppy trade.
- **We are slightly bullish on EUR today** as overnight pullback in the USD could offer a chance for EUR to outperform today, more so if European Commission releases a more positive set of forecasts. EURUSD is however still technically bearish and we expect a test at 1.2305 in the next leg lower.

GBP

- **GBP losses turned more muted**, falling 0.07% to **1.3949 against the USD** and was also weaker against 8 majors.
- **GBP remains bearish against a firm USD**. Momentum indicators continued to turn negative. The pair looks set to head lower towards 1.3893 next, below which the pair could test 1.3786.

JPY

- **JPY fell again, by 0.43% to 109.56 against the USD**, amid retreating demand for refuge following a late session recovery in US equities.
- **JPY is expected to stay slightly bullish against USD today** supported by lingering refuge demand. Momentum indicator in USDJPY remained in small positive indicating USDJPY continues to exhibit a slight bullish bias. The pair could still test 109.78 on the upside if it does not close below 109.06.

AUD

- **AUD advanced 0.36% against the USD at 0.7906**, and gained against 8 G10s amid retreating risk-off in the markets, with little impact from RBA policy outcome and guidance.
- **AUD remains bearish against the USD**, pressured by continued risk-off in the markets amid lingering concerns over current market volatility although losses could be more muted today amid recovery in Asian markets. Negative momentum indicators continued to pick up and AUDUSD is expected to test 0.7819 in the next leg lower.

SGD

- **SGD gained 0.21% to 1.3189 against the USD** and was mixed against G10s.
- **We remain slightly bearish on SGD against the USD**, amid lingering risk off in the markets even though rebound in Asian markets this morning could cap its losses. Positive momentum indicators have picked up, paving the way for USDSGD to test 1.3245 soon, above which 1.3278 will be eyed.

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.