

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Financial markets in the US and Europe went through another day of meltdown** as concerns over quicker rise in interest rates reemerged. Not only stocks were sold off by 2-4%, government debt also came under pressure, pushing yields higher.
- **BOE kept rates unchanged at 0.5% and asset purchase target at £435bn as expected.** Although it continued to reiterate that any rate increases will be gradual and will not return to levels seen before the global financial crisis, it **hinted that rate hikes could happen sooner and bigger than expected** to prevent risks of overheating. Odds of a May rate hike rose to 75% from 55% before the announcement. In its latest quarterly inflation report released yesterday, the central bank raised its growth and inflation forecasts.
- Echoing assessment by the European Commission, **ECB monthly economic bulletin also confirmed that economic expansion is robust** and that inflation will converge towards its inflation target of close to 2%. The risks surrounding the euro area growth outlook are said to be broadly balanced. **Data flow was positive by and large. US initial jobless claims unexpectedly fell; optimism over UK house prices was sustained while China exports quickened** though skewed by seasonal factors. Only Japan reported softer indicators, as households and manufacturers turned less optimistic over outlook in the next 2-3 months.
- USD strengthened against all G10s save for the JPY, CHF and GBP as haven demand persists amid continued market jitters. The **Dollar Index closed higher** for the 5<sup>th</sup> straight day, **by 0.04% to 90.29. We expect USD to remain bullish** supported by demand for safety amid lingering concerns over the current market turmoil. Continuous close above 89.72 has reinforced bullishness in DXY, paving the way for a test at 90.91 next.
- **MYR bears took hold as expected, closing 0.46% weaker against the greenback at 3.9268**, pulling back from a high of 3.9275 in intraday trade. MYR however weakened against most G10s. **MYR is expected to stay on a bearish tone today** amid renewed climb in risk aversion and cautiousness ahead of the weekend. Yesterday's close above 3.9162 has reinforced bullishness bias in USDMYR, keeping our target for the next move higher to 3.9554 intact.
- **SGD fell 0.45% to 1.3312 against the USD** and weakened against most G10s. **We remain slightly bearish on SGD against the USD**, amid lingering risk off in the markets. Positive momentum in USDGSD continued to pick up after closing above 1.3278 yesterday. We now set sights on 1.3361 in the next move higher, which we feel is a strong resistance.

#### Overnight Economic Data

US	↑
UK	→
China	↑
Japan	↓

#### What's Coming Up Next

##### Major Data

- Malaysia IPI
- US wholesale inventories
- UK industrial production, visible trade balance, NIESR GDP estimate
- Japan tertiary industry index
- China CPI and PPI
- Australia home loans

##### Major Events

- RBA quarterly statement on monetary policy

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2185	1.2242	1.2263	1.2305	1.2377	↘
USDJPY	108.08	108.29	108.62	108.96	109.21	↘
GBPUSD	1.3857	1.3893	1.3934	1.3963	1.3999	↗
AUDUSD	0.7744	0.7754	0.7786	0.7794	0.7806	↘
EURGBP	0.8737	0.8769	0.8800	0.8854	0.8889	↘
USDMYR	3.9035	3.9174	3.9313	3.9418	3.9554	↗
EURMYR	4.7976	4.8049	4.8187	4.8257	4.8384	↗
JPYMYR	3.5782	3.5960	3.6184	3.6251	3.6387	↗
GBPMYR	5.4610	5.4705	5.4783	5.4844	5.4914	↗
SGDMYR	2.9407	2.9485	2.9533	2.9596	2.9648	↗
AUDMYR	3.0444	3.0552	3.0628	3.0740	3.0866	↗
NZDMYR	2.8165	2.8266	2.8414	2.8518	2.8629	↗
USDSGD	1.3253	1.3278	1.3316	1.3346	1.3361	↗
EURSGD	1.6266	1.6288	1.6319	1.6346	1.6365	↗
GBPSGD	1.8484	1.8511	1.8543	1.8562	1.8619	↗
AUDSGD	1.0329	1.0348	1.0368	1.0406	1.0445	↗

\*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	1839.4	0.2	2.4	CRB Index	191.8	-0.29	-1.1
Dow Jones Ind.	23860.5	-4.1	-3.5	WTI oil (\$/bbl)	61.2	-1.04	1.2
S&P 500	2581.0	-3.8	-3.5	Brent oil (\$/bbl)	64.3	-1.82	-3.8
FTSE 100	7170.7	-1.5	-6.7	Gold (\$/oz)	1318.8	0.00	1.3
Shanghai	3262.1	-1.4	-1.4	CPO (RM/tonne)	2480.5	0.71	3.8
Hang Seng	30451.3	0.4	1.8	Copper (\$/tonne)	6880.0	-2.77	-5.1
STI	3415.9	0.9	0.4	Rubber (sen/kg)	466.5	1.63	0.9

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
US initial jobless claims	Feb 3	221k	230k	232k
UK RICS house price balance	Jan	8%	8%	5%
UK BOE bank rate	Feb	0.5%	0.5%	0.5%
UK BOE asset purchase	Feb	£435b	£435b	£435b
JP Eco Watcher outlook	Jan	52.4	52.7	53.6
JP Eco Watcher current	Jan	49.9	53.9	53.7
CH exports	Jan	11.1%	10.9%	10.7%

Source: Bloomberg

## Macroeconomics

- BOE kept rates unchanged at 0.5% and asset purchase target at £435bn as expected. Although it continued to reiterate that any rate increases will be gradual and will not return to levels seen before the global financial crisis, it hinted that rate hikes could happen sooner and bigger than expected to prevent risks of overheating, judging that “demand growth is expected to exceed the diminished supply growth”. Odds of a May rate hike rose to 75% from 55% before the announcement. In its latest quarterly inflation report released yesterday, the central bank raised its growth and inflation forecasts. The UK economy is expected to grow 1.8% this and next year, with inflation rising to 2.2% in 1Q2020. Unemployment rate is cut to 4.25% from 4.5%.
- Echoing assessment by the European Commission, ECB monthly economic bulletin also confirmed that economic expansion is robust and that inflation will converge towards its inflation target of close to 2%. The risks surrounding the euro area growth outlook are said to be broadly balanced.
- On the data front, US initial jobless claims unexpectedly declined by 9k to 221k for the week ended 3-Feb, pointing to continued firm recovery in the job market.
- Over in the UK, RICS house price balance was maintained at 8% in January, suggesting the same percentage of people are holding a positive view on the UK housing market.
- Survey by Eco Watcher in Japan turned in on the soft side. Both the outlook and current indices unexpectedly pulled back to 52.4 and 49.9 in January as households and manufacturers turned less optimistic on outlook in the next 2-3 months, overshadowing improved optimism among businesses and non-manufacturers.
- China exports staged a surprised pick-up, increasing 11.1% YOY in January, while imports jumped more than three times faster than expected by 36.9% YOY, skewed by the Lunar New Year seasonalities. Trade surplus narrowed substantially to \$20.3bn as a result. Faster expansion in exports was driven by hefty double-digit growth to Hong Kong, South Korea, Taiwan and ASEAN, reinforced by sustained growth to the US. Growth will likely normalize post-seasonal swings and only then we will be able to get a clearer picture on the state of health of the China economy going into 2018.

## Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	9/2	IPI YOY	Dec	4.6%	5.0%	--
US	9/2	Wholesale inventories MOM	Dec F	0.2%	0.2%	--
UK	9/2	Industrial production MOM	Dec	-0.9%	0.4%	--
		Visible trade balance	Dec	-£11550m	-£12231m	--
		NIESR GDP estimate	Jan	0.5%	0.6%	--
Japan	9/2	Tertiary industry index MOM	Dec	0.2%	1.1%	--
China	9/2	PPI YOY	Jan	4.3%	4.9%	--
		CPI YOY	Jan	1.5%	1.8%	--
Singapore	12/2	Retail sales YOY	Dec	--	5.3%	--
Australia	9/2	Home loans MOM	Dec	-1.0%	2.1%	--
		RBA quarterly statement on monetary policy				--

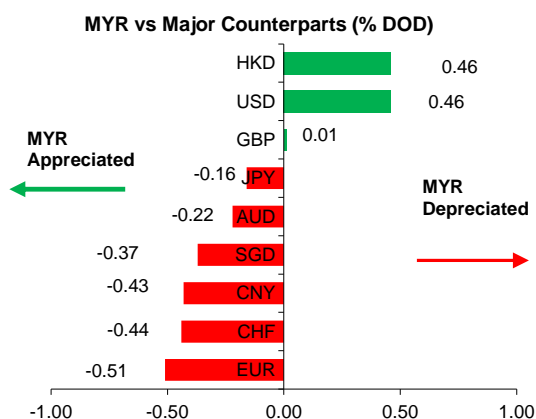
Source: Bloomberg

## Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2247	-0.14	1.2295	1.2212	2.0
USDJPY	108.74	-0.54	109.78	108.58	-3.5
GBPUSD	1.3913	0.23	1.4067	1.3846	3.0
AUDUSD	0.7781	-0.54	0.7843	0.7776	-0.5
EURGBP	0.8803	-0.39	0.8842	0.8732	-0.9
USDMYR	3.9268	0.46	3.9275	3.9120	-3.0
EURMYR	4.8026	-0.51	4.8265	4.7950	-0.9
JPYMYR	3.5785	-0.16	3.5922	3.5763	-0.5
GBPMYR	5.4426	0.01	5.4634	5.4243	-0.4
SGDMYR	2.9516	-0.37	2.9629	2.9497	-2.6
AUDMYR	3.0678	-0.22	3.0788	3.0552	-3.0
NZDMYR	2.8282	-1.04	2.8354	2.8175	-1.8

Source: Bloomberg



### MYR

- MYR bears took hold as expected, **closing 0.46% weaker against the greenback at 3.9268**, pulling back from a high of 3.9275 in intraday trade. MYR however weakened against most G10s.
- **MYR is expected to stay on a bearish tone today** amid renewed climb in risk aversion and cautiousness ahead of the weekend. Yesterday's close above 3.9162 has reinforced bullishness bias in USDMYR, keeping our target for the next move higher to 3.9554 intact.

### USD

- USD strengthened against all G10s save for the JPY, CHF and GBP as haven demand persists amid continued market jitters. The **Dollar Index closed higher** for the 5<sup>th</sup> straight day, **by 0.04% to 90.29**.
- **We expect USD to remain bullish** supported by demand for safety amid lingering concerns over the current market turmoil. Continuous close above 89.72 has reinforced bullishness in DXY, paving the way for a test at 90.91 next.

### EUR

- **EUR fell 0.14% to 1.2247 against extended gains in the greenback**. A positive outlook revealed by ECB economic bulletin failed to lift the EUR.
- **We are still bearish on EUR today** in anticipation of a firm USD. In the absence of dataflow and events out of the euro region, EUR will continue to be under the influence of broad USD move. EURUSD is technically bearish and downside momentum has increased, paving the way for the pair to test 1.2161 next.

### GBP

- **GBP managed to advance 0.23% vs the USD to 1.3913**, spurred by hawkish BOE policy tone that boosted expectations for a rate hike as early as May. The sterling hit an intraday high of 1.4067 after the BOE announcement and was stronger against 8 G10s.
- **GBP could turn slightly bullish against USD today** but we caution against narrowing gains going into European session. GBPUUSD remains technically bearish and we still expect the pair to head towards 1.3786 next, unless it manages to close above 1.3999.

### JPY

- **JPY continued to strengthen on rising haven demand, gaining 0.54% to 108.74 against the USD**, supported by refuge demand as markets remained nervous amid a volatile market.
- **JPY is expected to remain 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. Yesterday's close below 109.06 negated chance of a climb to 109.78. We now expect USDJPY to test 108.27 next, after which 107.86 is in sight.

### AUD

- **AUD fell 0.54% against the USD to 0.7781**, and was weaker against all G10s as markets remained edgy in view of prevailing market volatilities.
- **AUD remains bearish against the USD**, pressured by continued risk-off in the markets amid lingering concerns over current market volatility. AUDUSD broke below 0.7819 as expected, and is now on track to test 0.7744.

### SGD

- **SGD fell 0.45% to 1.3312 against the USD** and weakened against most G10s.
- **We remain slightly bearish on SGD against the USD**, amid lingering risk off in the markets. Positive momentum in USDGSD continued to pick up after closing above 1.3278 yesterday. We now set sights on 1.3361 in the next move higher, which we feel is a strong resistance.

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