March 9, 2018

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- It's a done deal! **President Trump signed off a tariff agreement imposing a 25% import tariff on steel and 10% on aluminum but excluded Canada and Mexico** in the pack **with possibility of more countries being excluded.** The removal of uncertainties and the "milder" agreement sent a bout of relief rally to the US markets, which is expected to spill over to the Asian markets today.

- Besides, overnight focus was on ECB and China's phenomenal exports gain. **ECB left rates unchanged as expected and forward guidance was still neutral in our view as it dropped its easing bias but signaled possibility of extending its bond-buying duration beyond Sept-18.** There was also little changes in its growth and inflation projections. We maintain our view that any policy normalization will be very measured and interest rate increases will unlikely take place until next year.

- **China exports jumped at a much faster than expected pace** of 44.5% YOY while imports growth slowed substantially to 6.3% YOY in February, widening the trade surplus to $33.7bn. Exports to the top 3 destinations all expanded at double-digit pace, with shipment to the US increasing a whopping 46.1% YOY during the month. We are taking this data print with a pinch of salt **as seasonal factors are in play. Hence, we believe this does not mark a reversal in trend** that suggests growth in the China economy is picking up steam.

- **USD rebounded to beat 9 G10s** while the DXY rallied in European afternoon to close 0.6% higher at 90.17, buoyed mostly by declines in European majors and continued ease in trade war concerns. **We turn bullish on USD** amid a reversal in buying interest as European majors are likely to stay weak; expect bullish bias to accelerate if US labour market data improve. DXY ended its minor bearish trend after breaking above 89.93. It is now tilted towards the upside and poised to renew its attempt to test 90.58.

- **MYR slipped 0.09% to 3.9085 against USD** in the absence of positive catalysts but managed to advance against 7 G10s. **Expect a slightly bearish MYR against USD** as buying interest is expected to retreat further going into the week's close. USDMYR is now tilted to the upside and is likely taking aim at 3.9215 in the next leg higher, above which 3.9270 will be targeted.

- **SGD slipped 0.26% to 13175 against a rebounding USD** but managed to beat 7 G10s. **Keep a slight bullish view on SGD against USD** as risk aversion eases. USDSGD remains within a minor bearish trend and is likely to close below 1.3141 in the coming days. This view will be overturned by a close above 1.3183.

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Overnight Economic Data

US	↓
UK	↓
Japan	→
China	↑
Australia	↑

What's Coming Up Next

Major Data

- US change in nonfarm payroll, unemployment rate
- UK visible trade balance, industrial production MOM, NIESR GDP estimate
- China PPI, CPI

Major Events

- BOJ policy meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2265	1.2300	1.2310	1.2338	1.2355	↘
USDJPY	105.85	106.05	106.49	106.76	107.00	↗
GBPUSD	1.3726	1.3783	1.3804	1.3817	1.3855	↘
AUDUSD	0.7750	0.7778	0.7787	0.7800	0.7813	↗
EURGBP	0.8900	0.8915	0.8920	0.8930	0.8940	↘
USDMYR	3.9104	3.9132	3.9150	3.9175	3.9215	↗
EURMYR	4.8130	4.8155	4.8201	4.8233	4.8257	↘
JPYMYR	3.6554	3.6609	3.6685	3.6709	3.6767	↘
GBPMYR	5.3932	5.4000	5.4030	5.4068	5.4095	↘
SGDMYR	2.9677	2.9700	2.9711	2.9732	2.9754	↗
AUDMYR	3.0423	3.0448	3.0480	3.0515	3.0562	↗
NZDMYR	2.8358	2.8392	2.8424	2.8433	2.8462	↗
USDSGD	1.3140	1.3166	1.3175	1.3183	1.3200	↘
EURSGD	1.6200	1.6212	1.6226	1.6233	1.6242	↘
GBPSGD	1.8120	1.8151	1.8191	1.8206	1.8243	↘
AUDSGD	1.0231	1.0247	1.0261	1.0271	1.0280	↘

*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	1839.6	0.1	2.4	CRB Index	193.7	-0.40	-0.1
Dow Jones Ind.	24895.2	0.4	0.7	WTI oil ($/bbl)	60.1	-1.68	-0.5
S&P 500	2739.0	0.4	2.4	Brent oil ($/bbl)	63.6	-1.13	-4.9
FTSE 100	7203.2	0.6	-6.3	Gold (S/oz)	1322.0	-0.30	1.5
Shanghai	3288.4	0.5	-0.6	CPO (RM/tonne)	2458.0	-0.43	2.9
Hang Seng	30654.5	1.5	2.5	Copper ($/tonne)	6950.0	-0.77	-4.1
STI	3480.4	0.9	2.3	Rubber (sen/kg)	499.0	0.00	7.9

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Initial jobless claims	Mar 3	231k	210k	220k
EU ECB main refinancing rate	Mar 8	0.00%	0.00%	0.00%
UK RICS house prices balance	Feb	0%	7%	7%
JP Eco Watcher current	Feb	48.6	49.9	50.5
JP Eco Watcher outlook	Feb	51.4	52.4	51.7
JP overall household spending YOY	Jan	2.0%	-0.1%	-1.0%
CH Exports YOY	Feb	44.5%	11.2%	11.0%
AU Trade balance	Jan	-A$1055m	-A$1146m	A$160m

Source: Bloomberg

➢ Macroeconomics

- Overnight focus was on ECB, who paved the way for continuous shift towards communicating an exit from its QE programme. ECB kept rates unchanged and maintained its pledge for a gradual withdrawal in its stimulus programme, while keeping to its promises of continuous bond purchases until inflation moves back up to its 2% target. Forward guidance was still broadly neutral in our view. Even as the ECB shrugged off chances of renewed increases in bond purchases, President Draghi left the door open for possibility of an extension of bond buying beyond Sept-18. There was also little changes in its growth and inflation projections. GDP growth forecast for 2018 was upped by only 0.1ppt while inflation forecast was left unchanged at 1.4% with expectation for prices to stay flat at 1.4% in 2019, which was a downward revision from 1.5% previously. We maintain our view that any policy normalization will be very measured and interest rate increases will unlikely take place until next year, the earliest.

- The next headline that caught attention was the sharp rally in China exports amid current trade tensions. Exports jumped at a much faster than expected pace of 44.5% YOY in February (Jan: +11.2% YOY), Meanwhile, imports growth slowed substantially to 6.3% YOY in February (Jan: +36.8%), widening the trade surplus to $33.7bn, from $20.4bn in January. Exports to the top 3 destinations all expanded at double-digit pace, with shipment to the US increasing a whopping 46.1% YOY during the month (Jan: +12.7%), followed by Japan (+31.2% vs +1.7%) and Hong Kong (+10.2% vs +22.1%). We are taking this data print with a pinch of salt as seasonal factors are in play. Hence, we believe this does not mark a reversal in trend that suggests growth in the China economy is picking up steam.

- In the US, initial jobless claims rose more than expected by 21k to 231k for the week ended 3-Mar, bouncing back from a 48-year low to a 5-week high but nevertheless remaining below 300k suggesting continued recovery in the labour market.

- UK RICS showed expectations for house prices deteriorated sharply in February, with the numbers of respondents expecting a rise in house prices fully offset by the numbers of respondents expecting a drop in house prices. House price balance dropped to 0% in February, from a downwardly revised 7% a month ago.

- Over in Japan, Eco Watcher outlook and current conditions both moderated in February. The current condition index slipped to 48.6 in an unexpected move while the outlook index pulled back more than expected to 51.4 in February, dampened by lower optimism across all segments from household to businesses, implying the road to sustainable recovery remains an uphill task for Japan. On a less downbeat note, overall household spending staged a surprised rebound to increase 2.0% YOY in January, its best in seven months, largely driven by rebound in spending on housing and transportation.

- Down under, trade balance returned to a bigger than expected surplus position of A$1055m in January (Dec: -A$1146m revised), its biggest surplus in four months as a combo effect of higher exports (+4% MOM) and lower imports (-2% MOM).

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
US	9/3	Change in nonfarm payroll	Feb	205k	200k	--
		Unemployment rate	Feb	4.0%	4.1%	--
UK	9/3	Visible trade balance	Jan	-11900	-13576m	--
		Industrial production MOM	Jan	1.5%	-1.3%	--
		NIESR GDP estimate	Feb	0.4%	0.5%	--
Japan	9/3	Overall household spending	Jan	-1.0%	-0.1%	--
		BOJ policy balance rate	Mar 9	-0.10%	-0.10%	--
	12/3	BSI large all industry QOQ	1Q	--	6.2	--
		BSI large manufacturing QOQ	1Q	--	9.7	--
		Machine tool orders YOY	Feb P	--	48.8%	--
China	9 – 18/3	FDI YOY	Feb	--	0.3%	--
	9/3	PPI YOY	Feb	3.8%	4.3%	--
		CPI YOY	Feb	2.5%	1.5%	--
Singapore	12/3	Retail sales YOY	Jan	--	4.6%	--
New Zealand	12 - 16/3	REINZ house sales YOY	Feb	--	2.7%	--
Vietnam	9 – 13/3	Domestic vehicle sales YOY	Feb	--	29.4%	--

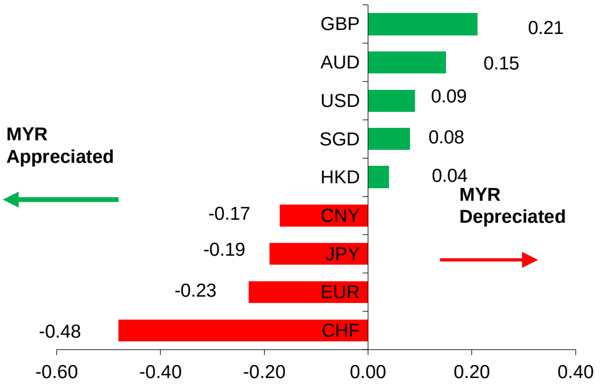
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2312	-0.80	1.2446	1.2298	2.5
USDJPY	106.23	0.15	106.32	105.89	-5.6
GBPUSD	1.3811	-0.61	1.391	1.3782	2.1
AUDUSD	0.7789	-0.46	0.7839	0.7773	-0.3
EURGBP	0.8915	-0.18	0.8957	0.8907	0.4
USDMYR	3.9085	0.09	3.9090	3.8985	-3.3
EURMYR	4.8400	-0.23	4.8503	4.8382	-0.7
JPYMYR	3.6841	-0.19	3.6891	3.6726	2.3
GBPMYR	5.4264	0.21	5.4345	5.4219	-1.1
SGDMYR	2.9704	0.08	2.9741	2.9674	-1.9
AUDMYR	3.0510	0.15	3.0608	3.0504	-3.6
NZDMYR	2.8415	-0.06	2.8504	2.8392	-1.3

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR slipped 0.09% to 3.9085 against USD** in the absence of positive catalysts but managed to advance against 7 G10s.
- **Expect a slightly bearish MYR against USD** as buying interest is expected to retreat further going into the week's close. USDMYR is now tilted to the upside and is likely taking aim at 3.9215 in the next leg higher, above which 3.9270 will be targeted.

USD

- **USD rebounded to beat 9 G10s** while the DXY rallied in European afternoon to close 0.6% higher at 90.17, buoyed mostly by declines in European majors and continued ease in trade war concerns.
- **We turn bullish on USD** amid a reversal in buying interest as European majors are likely to stay weak; expect bullish bias to accelerate if US labour market data improve. DXY ended its minor bearish trend after breaking above 89.93. It is now tilted towards the upside and poised to renew its attempt to test 90.58.

EUR

- **EUR** jumped on the ECB removing "easing bias" in its statement but **ended 0.8% lower at 1.2312 against USD** and fell against 8 G10s after ECB President Draghi remarks sounded less committal towards policy normalization as he pointed out continued risks surrounding the Eurozone, trade tensions inclusive.
- **We turn bearish on EUR against USD** on likelihood of paring of long positions as ECB fell short on injecting markets with hawkish expectations. EURUSD is now technically bearish after closing below 1.2338. The pair is taking aim at 1.2300 next, below which a drop to 1.2212 is likely in the coming weeks.

GBP

- **GBP tumbled 0.61% to 1.3811 against USD** and weakened against 6 G10s amid speculation that a Brexit agreement may not be reached before year end.
- **GBP is now bearish against USD** on emergence of Brexit uncertainties. GBPUSD was rejected by 1.3914 again, resulting in a sharp decline to even below 1.3839. Caution that losing 1.3783 will expose a move to 1.3726.

JPY

- **JPY** was supported by tumbling European majors as it rose against 8 G10s but **weakened 0.15% to 106.23 against a rebounding USD**.
- **Stay slightly bearish on JPY against USD** on risk aversion ahead of BOJ policy decision, with downside risks prevailing given recent strengthening of the Yen. USDJPY is now technically bullish, and is poised to test 106.76 next. Above this, there is scope for further gains, possibly to 107.87.

AUD

- **AUD** beat 6 G10s on firmer risk appetite in the markets but **weakened 0.46% to 0.7789 against a rebounding USD**.
- **We stay slightly bullish on AUD against USD**, supported by renewed risk appetite in the markets. Technical viewpoint continues to suggest that AUDUSD remains fragile. It has closed below 0.7819 but a minor bullish trend still prevails, clouding the overall outlook. We look for a close below 0.7765 today, or a break above 0.7819, for signs of firmer direction going forward.

SGD

- **SGD slipped 0.26% to 13175 against a rebounding USD** but managed to beat 7 G10s.
- **Keep a slight bullish view on SGD against USD** as risk aversion eases. USDSGD remains within a minor bearish trend and is likely to close below 1.3141 in the coming days. This view will be overturned by a close above 1.3183.

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