

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Upheaval in global equities continued to linger** as the CBOE Volatility Index hovered near its highest in about 2.5 years despite the marginal pullback to below 30. Major US stock indices managed to close in the green but those of European and Asian continued to bleed. Correspondingly, global bonds also ended mixed while the US Dollar saw sustained gains.
- **RBA quarterly statement on monetary policy remained neutral in our view**, reiterating that it will be some time before the economy reaches full employment and for inflation to return to the midpoint of its target, offering no clues RBA is preparing for a rate change. **Australian home loans fell more than expected** in December, underscoring housing market weakness.
- **Data releases were downbeat. UK industrial production contracted more than expected** despite a pick-up in manufacturing production as sharp plunges in mining & quarrying, and oil & gas pulled overall production down. **Visible trade deficit also unexpectedly widened to £13.6bn in December**, its biggest deficit since Sept-16 as imports rose at a faster pace vs exports. Meanwhile, sustained 0.5% MOM gains in **NIESR GDP estimate showed the UK economy is still expected to register steady growth ahead**. Contrary to uptick seen elsewhere, **China CPI and PPI moderated in January**. US wholesale inventories moderated less than expected while services industry unexpectedly fell in Japan.
- USD closed softer against 6 G10s but gains against the GBP, JPY and CHF led the **Dollar Index** higher for the 6th consecutive day, **closing 0.24% higher at 90.44** on Friday. **We expect USD to remain slightly bullish** supported by haven demand amid lingering market jitters but caution that gains could turn increasingly more muted ahead. DXY still has legs to climb higher to 90.91 given continuous build-up in upside momentum, but further upside could be capped by 91.00 that would likely push DXY down again.
- **MYR** extended its losses against the USD, **weakening further by 0.32% to 3.9395** and was weaker against all other majors on Friday amid continued risk aversion following extended selloffs in global equities. **MYR remains bearish against the USD** with continued pick-up in negative momentum indicators. Maintain our view for USDMYR to head towards 3.9554 soon, above which we expect the pair to test 3.9884 next.
- **SGD advanced 0.26% to 1.3277 against the USD** and gained against 8 G10s. **We remain slightly bearish on SGD against the USD**, amid lingering risk off in the markets. USDSGD remains bullish even though positive momentum is softening somewhat. We maintain our view for the next move higher to 1.3361, which we feel is a strong resistance, provided the pair does not close below 1.3278 today.

Overnight Economic Data

Malaysia	↓
US	↓
UK	→
Japan	↓
China	↓
Australia	↓

What's Coming Up Next

Major Data

- Singapore retail sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2185	1.2242	1.2256	1.2305	1.2377	↘
USDJPY	108.08	108.29	108.72	108.96	109.21	↘
GBPUSD	1.3728	1.3786	1.3826	1.3868	1.3893	↘
AUDUSD	0.7769	0.7794	0.7820	0.7842	0.7866	↗
EURGBP	0.8804	0.8840	0.8864	0.8889	0.8907	↗
USDMYR	3.9035	3.9174	3.9325	3.9418	3.9554	↗
EURMYR	4.7976	4.8049	4.8185	4.8257	4.8384	↘
JPYMYR	3.5782	3.5960	3.6186	3.6251	3.6387	↗
GBPMYR	5.4114	5.4244	5.4359	5.4427	5.4536	↘
SGDMYR	2.9492	2.9538	2.9626	2.9746	2.9805	→
AUDMYR	3.0631	3.0696	3.0754	3.0821	3.0893	↗
NZDMYR	2.8276	2.8399	2.8493	2.8538	2.8629	↗
USDSGD	1.3211	1.3253	1.3275	1.3314	1.3346	↗
EURSGD	1.6223	1.6254	1.6269	1.6340	1.6365	↗
GBPSGD	1.8279	1.8317	1.8344	1.8368	1.8396	↗
AUDSGD	1.0329	1.0348	1.0379	1.0408	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	1819.8	-1.1	1.3	CRB Index	188.5	-1.70	-2.8
Dow Jones Ind.	24190.9	1.4	-2.1	WTI oil (\$/bbl)	59.2	-3.19	-2.0
S&P 500	2619.6	1.5	-2.0	Brent oil (\$/bbl)	62.8	-3.12	-6.1
FTSE 100	7092.4	-1.1	-7.7	Gold (\$/oz)	1316.2	-0.20	1.1
Shanghai	3129.9	-4.1	-5.4	CPO (RM/tonne)	2467.5	-0.52	3.2
Hang Seng	29507.4	-3.1	-1.4	Copper (\$/tonne)	6755.0	-1.31	-6.8
STI	3377.2	-1.1	-0.8	Rubber (sen/kg)	466.0	-0.11	0.8

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY IPI YOY	Dec	2.9%	5.0%	4.6%
US wholesale inventories	Dec F	0.4%	0.2%	0.2%
UK industrial production MOM	Dec	-1.3%	0.3%	-0.9%
UK visible trade balance	Dec	-£13576m	-£12456m	-£11550m
UK NIESR GDP estimate	Jan	0.5%	0.5%	0.5%
JP tertiary industry index MOM	Dec	-0.2%	1.1%	0.2%
CH PPI YOY	Jan	4.3%	4.9%	4.3%
CH CPI YOY	Jan	1.5%	1.8%	1.5%
AU home loans MOM	Dec	-2.3%	1.6%	-1.0%

Source: Bloomberg

➤ Macroeconomics

- US wholesale inventories moderated less than initially estimated to 0.4% MOM in December (Nov: +0.6%). The slower increase was a result of slower gains in non-durable goods namely drugs, which offset sustained gains in durable goods led by auto and computers. Sales also softened to 1.2% MOM (Nov: +1.9%) dragged by declines in auto and computer sales. Pushing the inventory/ sales ratio lower to 1.22, its lowest since Oct-14 indicating improving demand.
- UK data skewed to the negative side. Industrial production contracted more than expected by 1.3% MOM in December (Nov: +0.3% revised), marking its first decline in nine months. This came despite a pick-up in manufacturing production (+0.3% vs +0.2%), as sharp plunges in mining & quarrying, and oil & gas pulled overall production down. In a separate release, visible trade deficit unexpectedly widened to £13.6bn in December, its biggest deficit since Sept-16 as imports rose at a faster pace of 3.8% vs the 1.5% MOM increase in exports. Meanwhile, sustained 0.5% MOM gains in NIESR GDP estimate showed the UK economy is still expected to register steady growth ahead.
- In neighbouring Asia, China CPI and PPI moderated to 1.5% and 4.3% YOY respectively in January, contrary to quicker price gains seen in some parts of the world. Slower inflationary pressure would help support consumer real purchasing power, hence keeping growth in the economy supported.
- Meanwhile, Japan tertiary industry index surprised on the downside by contracting 0.2% MOM in December, dragged by declines in retail trade, transport, information and communication, finance and insurance, among others, reflecting a slowing services sector.
- Down under, home loans fell more than expected by 2.3% MOM in December. Broad-based declines in total homes financed from new to existing home purchase highlighted concerns on a softening housing market in Australia. RBA quarterly statement on monetary policy remained neutral in our view, reiterating that it will be some time before the economy reaches full employment and for inflation to return to the midpoint of its target, offering no clues RBA is preparing for a rate change.
- At the local front, industrial production growth tapered off to 2.9% YOY in December, pressured by slower increase in manufacturing output and decline in mining output. More moderate gains in 4Q IPI (+3.7% vs 3Q's +5.9%) indicates growth will moderate in the final quarter of the year, which we are estimating a 5.2% YOY increase, bringing full year growth to 5.7% for the whole of 2017.

Economic Calendar Release Date

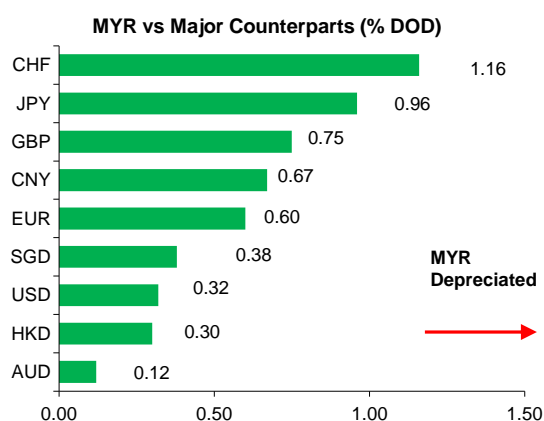
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	13/2	NFIB Small Business Optimism	Jan	105.7	104.9	--
		MBA Mortgage Applications	Feb-09	--	0.7%	--
UK	13/2	CPI YOY	Jan	2.9%	3.0%	--
		RPI YOY	Jan	4.1%	4.1%	--
		PPI Output NSA YOY	Jan	3.0%	3.3%	--
Japan	13/2	PPI YoY	Jan	2.7%	3.1%	--
		Machine Tool Orders YoY	Jan P	--	48.3%	--
Singapore	12/2	Retail sales YOY	Dec	4.8%	5.3%	--
Australia	13/2	NAB business confidence	Jan	--	11	--

Source: Bloomberg

Forex

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2252	0.04	1.2287	1.2206	2.1
USDJPY	108.80	0.06	109.31	108.05	-3.4
GBPUSD	1.3827	-0.62	1.3987	1.3765	2.3
AUDUSD	0.7813	0.41	0.783	0.7759	0.1
EURGBP	0.8864	0.69	0.8879	0.8779	-0.2
USDMYR	3.9395	0.32	3.9430	3.9290	-2.6
EURMYR	4.8316	0.60	4.8384	4.8142	-0.3
JPYMYR	3.6130	0.96	3.6233	3.6046	0.5
GBPMYR	5.4832	0.75	5.5071	5.4707	0.4
SGDMYR	2.9628	0.38	2.9640	2.9487	-2.2
AUDMYR	3.0714	0.12	3.0734	3.0566	-2.9
NZDMYR	2.8464	0.64	2.8472	2.8366	-1.2

Source: Bloomberg



MYR

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- **MYR remains bearish against the USD** with continued pick-up in negative momentum indicators. Maintain our view for USDMYR to head towards 3.9554 soon, above which we expect the pair to test 3.9884 next.

USD

- USD closed softer against 6 G10s but gains against the GBP, JPY and CHF led the Dollar Index higher for the 6th consecutive day, closing 0.24% higher at 90.44 on Friday.
- **We expect USD to remain slightly bullish** supported by haven demand amid lingering market jitters but caution that gains could turn increasingly more muted ahead. DXY still has legs to climb higher to 90.91 given continuous build-up in upside momentum, but further upside could be capped by 91.00 that would likely push DXY down again.

EUR

- **EUR eked out a 0.04% gain vs the USD at 1.2252** and traded stronger against 6 G10s amid lack of fresh catalysts and economic releases in the euro area.
- **EUR remains slightly bearish** against the USD but we noticed the pair is forming a base at the current levels that could keep the pair supported at 1.2242-1.2263 for the time being until a break lower to 1.2161. EURUSD is technically bearish and downside momentum has increased, paving the way for the pair to test 1.2161 next.

GBP

- **GBP fell 0.62% vs the USD to 1.3827**, and underperformed all G10s prompted by selloffs post-releases of disappointing UK data.
- **GBP is bearish against USD today** largely influenced by USD movement. GBPUSD remains technically bearish and we still expect the pair to head towards 1.3786 next.

JPY

- **JPY** erased gains in late US session and **closed weaker** for the first time in three days, **by a minute 0.06% to 108.80 against the USD**.
- **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 but there is still scope for USDJPY to test 108.27.

AUD

- **AUD gained 0.41% against the USD to 0.7813**, and was stronger against 8 G10s tracking recovery in US equities.
- **AUD stands a chance to extend gains against the USD today**, if recovery in US equities is spilled over to Asian markets. Negative momentum in AUDUSD is softening and we believe a close above 0.7819 could temporary negate a downward move to 0.7744.

SGD

- **SGD advanced 0.26% to 1.3277 against the USD** and gained against 8 G10s.
- **We remain slightly bearish on SGD against the USD**, amid lingering risk off in the markets. USDSGD remains bullish even though positive momentum is softening somewhat. We maintain our view for the next move higher to 1.3361, which we feel is a strong resistance, provided the pair does not close below 1.3278 today.

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