February 15, 2018

Global Markets Research

Daily Market Highlights

Key Takeaways

- The Malaysian economy pulled back for the first time in six quarters, but at a less than expected pace to 5.9% YOY in 4Q, leading to a commendable 5.9% YOY growth for the full year of 2017, its best in three years, thanks to a combination of external and domestic boosts. Growth outlook is expected to turn a tad softer but remain steady nonetheless in 2018. We are expecting real GDP growth to moderate to 5.0% in 2018, pulling back from last year's 5.9%, and at the lower end of the official forecast range of 5.0-5.5%.

- US CPI YOY came out surprisingly higher at 2.1% against consensus of 1.9%. Higher than expected inflation and weaker than expected consumer spending in January do not establish a trend as these are not easing as fast as CPI headline (which is inflated by energy). US retail sales turned soft at -0.3% compared to previous month of 0.2% possibly due to unfavorable weather conditions and also a pause following pent-up 4Q sales last year.

- **USD retreated against all G10s** following the initial spike upon release of higher CPI numbers. DXY pulled back yet again by 0.53% to 88.86. **USD is now slightly bearish** after a close below 90.02. Positive momentum is softening and we expect further weakening for now.

- MYR continued to trade on a firmer note yesterday following a stronger opening but gains narrowed going into European session. **MYR ended stronger (about 200 pips) to end the day at 3.9183**. Expect MYR strength to persist in the coming months; thanks to Malaysia's improving outlook, upcoming general election and stabilizing commodity prices.

- **SGD gained 0.65% to 1.3142 against a softer USD** but retreated against 8 G10s. **We remain slightly positive on SGD against the USD**, as stronger growth may prompt an adjustment in monetary policy in the form of a return to gradual appreciation stance in the effective exchange rate of the SGD.

Overnight Economic Data

Malaysia	↓
US	→
EU	→

What's Coming Up Next

Major Data

- US Empire manufacturing, initial jobless claims, PPI, Philly Fed biz outlook, industrial production, NAHB housing market index
- EU trade balance
- Japan industrial production, core machine orders
- Singapore NODX
- Australia employment change, jobless rate

Major Events

- Nil

	Last Price	DoD %	YTD %	Name	Last Price	DoD %	YTD %
KLCI	1834.9	0.1	2.1	CRB Index	192.4	1.34	-0.8
Dow Jones Ind.	24893.5	1.0	0.7	WTI oil ($/bbl)	60.6	2.38	0.3
S&P 500	2698.6	1.3	0.9	Brent oil ($/bbl)	64.4	2.61	-3.8
FTSE 100	7214.0	0.6	-6.2	Gold (S/oz)	1322.7	1.60	3.7
Shanghai	3199.2	0.4	-3.3	CPO (RM/tonne)	2497.5	0.10	4.5
Hang Seng	30515.6	2.3	2.0	Copper ($/tonne)	6988.0	2.30	-3.6
STI	3402.9	-0.4	0.0	Rubber (sen/kg)	448.5	-1.43	-3.0

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY GDP YOY	4Q	5.9%	6.2%	5.8%
US CPI YOY	Jan	2.1%	2.1%	1.9%
US retail sales MOM	Jan	-0.3%	0.4%	0.2%
US MBA mortgage applications	Feb-09	-4.1%	0.7%	--
EU GDP QOQ	4Q	0.6%	0.6%	0.6%
EU industrial production MOM	Dec	0.4%	1.3%	0.1%
JP core machine orders MOM	Dec	-2.0	5.7%	-2.0%

Source: Bloomberg

➢ Macroeconomics

- The Malaysian economy pulled back for the first time in six quarters, but at a less than expected pace to 5.9% YOY in 4Q, leading to a commendable 5.9% YOY growth for the full year of 2017, its best in three years, thanks to a combination of external and domestic boosts. Growth outlook is expected to turn a tad softer but remain steady nonetheless in 2018. We are expecting real GDP growth to moderate to 5.0% in 2018, pulling back from last year's 5.9%, and at the lower end of the official forecast range of 5.0-5.5%.

- US CPI YOY came out surprisingly higher at 2.1% against consensus of 1.9%. Higher than expected inflation and weaker than expected consumer spending in January do not establish a trend as these are not easing as fast as CPI headline (which is inflated by energy).

- US retail sales turned soft at -0.3% compared to previous month of 0.2% possibly due to unfavorable weather conditions and also a pause following pent-up 4Q sales last year.

- US MBA mortgage applications fell 4.1% having risen 0.7% previous week with purchases down 5.9% as average 30Y fixed rates pegged at 4.57% vs 4.50% prior week.

- Over in the Eurozone, preliminary of 4Q GDP maintained at 0.6% i.e. the robust growth pace as at last year-end; setting the stage for a good performance in 2018. This may pave the way for ECB to wind down stimulus measures

- Industrial production saw better data at 0.4% vs survey of 0.1% with drastic reduction from Germany, Czech Republic and Netherlands. This represents plunge from November's 1.3%.

- Japan core machine orders undershoots; suggesting the pick-up in investment into end-1997 may lose momentum in early 2018. Risks, if any will depend on the sustained strength of the yen which will put a dampener on additional capital investments by manufacturers.

- On the FX front, MYR went through a day of roller coaster ride before ending the day at 3.9183, xx% stronger against the USD. Today, expect MYR to continue to strengthen on dollar weakness despite stronger CPI numbers based on the adage "buy on rumour; sell on fact"

- Today, economic releases due include US Empire manufacturing, initial jobless claims, PPI, Philly Fed biz outlook, industrial production, NAHB housing market index; EU trade balance; Japan industrial production, core machine orders; Singapore NODX; Australia employment change, jobless rate.

Source: Bloomberg

➢Forex

FX Table

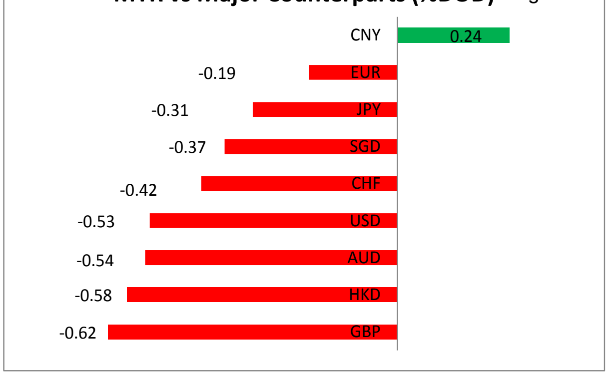
EURUSD	1.2451	0.80	1.2465	1.2276	3.7
USDJPY	107.01	-0.75	107.9	106.72	-5.2
GBPUSD	1.3999	0.76	1.4017	1.3860	3.6
AUDUSD	0.7926	0.85	0.7935	0.7773	1.4
EURGBP	0.8894	0.04	0.8920	0.8875	0.2
USDMYR	3.9183	-0.53	3.9380	3.9158	-3.2
EURMYR	4.8416	-0.19	4.8744	4.8378	-0.1
JPYMYR	3.6473	-0.31	3.6767	3.6423	1.5
GBPMYR	5.4358	-0.62	5.4774	5.4310	-0.5
SGDMYR	2.9672	-0.37	2.9825	2.9654	-2.0
AUDMYR	3.0800	-0.54	3.1017	3.0785	-2.6
NZDMYR	2.8637	-0.29	2.8839	2.8594	-0.6

Source: Bloomberg

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	15/2	Empire manufacturing	Feb	17.9	17.7	--
		Initial jobless claims	Feb 10	221k	228k	--
		PPI MOM	Jan	0.4%	-0.1%	--
		Philly Fed biz outlook	Feb	21.5	22.2	--
		Industrial production MOM	Jan	0.2%	0.9%	--
		NAHB housing market index	Feb	72	72	--
	16/2	Housing starts MOM	Jan	3.6%	-8.2%	--
		Building permits MOM	Jan	0.0%	-0.1%	-0.2%
		Uni Michigan consumer sentiments	Feb P	95.3	95.7	--
Eurozone	15/2	Trade balance	Dec	22.3b	22.5b	--
UK	16/2	Retail sales incl auto fuel MOM	Jan	1.5%	-1.5%	--
Japan	15/2	Industrial production MOM	Dec F	--	2.7%	--
Singapore	15/2	NODX YOY	Jan	8.9%	3.1%	--
Australia	15/2	Employment change	Jan	15.0k	34.7k	--
		Unemployment rate	Jan	5.5%	5.5%	--
New Zealand	16/2	BizNZ PMI manufacturing	Jan	--	51.2	--

MYR vs Major Counterparts (%DOD)



MYR Appreciated

MYR Depreciated

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USD

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EUR

- **EUR advanced 0.8% to 1.2451 against a soft USD** and strengthened against some G10s i.e. GBP, CAD and AUD. save for the JPY amid improving risk appetite in the markets. EURUSD appears to be attempting a rebound from recent declines up to 9th Feb and upside traction is reinforced by yesterday's higher close.

GBP

- **GBP gained 0.76% to 1.3999 against a soft USD** but was mixed against G10s. It may test the 8th Feb high of 1.4067 seen after BOE signaled rates may need to rise gradually.

JPY

- **JPY strengthened 0.75% to 107.01 against a soft USD** and outperformed all G10s as Japan posted the slowest growth in two years in 4Q. **Continue to expect a bullish JPY against USD** on the finance minister's comments that the yen's strength is not abrupt enough for BOJ to intervene.

AUD

- **AUD also strengthened by 0.85% to 0.7926 against USD and** was softer against 9 G10s gaining only against CAD. **AUD which remained slightly bearish against USD earlier as up to 8th Feb**, has reversed its weakness in the markets an may be expected to test 0.7960.

SGD

- **SGD gained 0.65% to 1.3142 against a softer USD** but retreated against 8 G10s. **We remain slightly positive on SGD against the USD**, as stronger growth may prompt an adjustment in monetary policy in the form of a return to gradual appreciation stance in the effective exchange rate of the SGD.

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