April 18, 2018

Global Markets Research

Daily Market Highlights

Key Takeaways

- In its latest review, **IMF maintained that the world economy will pick up slightly to expand 3.9% in 2018 and 2019** (2017: +3.8%). **Growth among the majors including the US, EU and UK are revised slightly higher** by 0.1-0.2ppt vs the January estimate to 2.9%, 2.4% and 1.6% respectively in 2018 (2017: 2.3%; 2.3%; 1.8%). **Japan's growth forecast is maintained at 1.2% and so is China at 6.6%** (2017: 1.7%; 6.9%). **For Malaysia, growth forecasts are maintained at 5.3% for this year and 5.0% for next.** While IMF remained sanguine on near term upswing underpinned by improvement in investments and trade, the Fund remains wary over structural issues spanning from aging population, low productivity, to record high global debt levels, build-up in financial market vulnerabilities, and geopolitical and trade tensions.

- Overnight, **PBoC unexpectedly announced a 100bps cut in its reserve requirement ratio (RRR)** effective 25 April in a move to free up lending for small firms but fall short of broad monetary easing. **This followed a slew of positive China data that showed economic growth steadied at 6.8% YOY in 1Q18.** Going forward, structural reforms and deleveraging in the corporate sector are expected to drag on growth but we reckon that the overall economy remains well-supported by resilient external and domestic demand, thus do not rule out upside surprise to the 6.5% growth target this year.

- **RBA minutes sprang no surprises.** While the tone of the minutes appeared positive on this year's economic outlook, **the board members agreed that there was no strong case for a near-term policy action.** Minutes also reiterated that inflation and unemployment are likely to improve very gradually, with slow wage growth dragging on inflation. **Other economic indicators from the US, UK and Japan also did not offer much changes to underlying moderate growth outlook.**

- **USD rebounded to beat 6 G10s** while the DXY climbed through European and US mornings on a set of better than expected US data and continued retreat in geopolitical tensions, closing 0.1% higher at 89.51. **Stay bearish on DXY** on diminishing upsides from potential reigniting of trade war concerns, as well as the absence of positive catalyst to drive extended rebound. DXY is likely to remain below 89.88 in the next couple of days but we caution that downside bias appears to be slowing, giving opportunity for a rebound going forward. Still, 89.88 needs to be broken for bulls to strengthen.

- **MYR overturned early gains into a 0.06% loss at 3.8900 against USD** while sliding against 6 G10s. **MYR remains slightly bearish against USD**, likely weighed down by jitters over signs of re-emergence of trade war concerns, as well as cautiousness ahead of Malaysia CPI data. USDMYR remains tilted to the upside, and there is now room for a test at 3.8911. Breaking above this exposes a move to 3.8990.

- **SGD slipped 0.09% to 1.3114 against USD** and eased against 6 G10s on the back of underperforming Singapore NODX. **SGD is now bearish against USD** on technical reasons. Resisting a drop below 1.3100 indicates that bears have failed to take control over USDSGD, paving the way for further rebounds. A test at 1.3126 is likely going forward.

Overnight Economic Data

US	→
Eurozone	↓
UK	↑
Japan	→
China	↑
Australia	→
Singapore	↓

What's Coming Up Next

Major Data
- Malaysia CPI
- US MBA Mortgage Applications
- Eurozone Construction Output , CPI
- UK CPI, RPI, PPI Output, House Price Index
- China New Home Prices

Major Events
- Fed Beige Book

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2345	1.2352	1.2373	1.2395	1.2427	↗
USDJPY	106.53	106.89	107.15	107.20	107.30	↘
GBPUSD	1.4242	1.4283	1.4300	1.4320	1.4340	↘
AUDUSD	0.7731	0.7759	0.7768	0.7800	0.7831	↘
EURGBP	0.8620	0.8634	0.8652	0.8676	0.8685	↘
USDMYR	3.8820	3.8850	3.8895	3.8911	3.8990	↗
EURMYR	4.8064	4.8100	4.8116	4.8140	4.8180	↗
JPYMYR	3.6188	3.6236	3.6284	3.6364	3.6419	↗
GBPMYR	5.5518	5.5575	5.5612	5.5659	5.5750	↘
SGDMYR	2.9631	2.9655	2.9669	2.9685	2.9700	↗
AUDMYR	3.0129	3.0180	3.0204	3.0250	3.0307	↗
NZDMYR	2.8477	2.8500	2.8512	2.8527	2.8582	↘
USDSGD	1.3080	1.3097	1.3108	1.3120	1.3137	↗
EURSGD	1.6191	1.6200	1.6219	1.6230	1.6245	↗
GBPSGD	1.8675	1.8720	1.8745	1.8750	1.8794	↘
AUDSGD	1.0149	1.0171	1.0181	1.0188	1.0200	↘

* 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	1880.49	0.1	4.7	CRB Index	199.38	-0.08	2.8
Dow Jones Ind.	24786.63	0.9	0.3	WTI oil ($/bbl)	66.52	0.45	10.1
S&P 500	2706.39	1.1	1.2	Brent oil ($/bbl)	71.58	0.22	7.0
FTSE 100	7226.05	0.4	-6.0	Gold (S/oz)	1347.52	0.12	3.4
Shanghai	3066.80	-1.4	-7.3	CPO (RM/tonne)	2389.50	-0.95	0.0
Hang Seng	30062.75	-0.8	0.5	Copper ($/tonne)	6877.00	-0.48	-5.1
STI	3498.20	0.0	2.8	Rubber (sen/kg)	444.00	-0.67	-4.0

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Housing Starts MOM	Mar	1.9%	-3.3% (revised)	2.5%
US Building Permits MOM	Mar	2.5%	-4.1% (revised)	0.0%
US Industrial Production MOM	Mar	0.5%	1.0% (revised)	0.3%
EU ZEW Survey Expectations	Apr	1.9	13.4	--
UK Jobless Claims Change	Mar	11.6k	15.1k (revised)	--
UK ILO Unemployment Rate 3mths	Feb	4.2%	4.3%	4.3%
CN GDP YOY	1Q	6.8%	6.8%	6.8%
CN Retail Sales YOY	Mar	10.1%	9.4%	9.7%
CN Industrial Production YOY	Mar	6.0%	6.2%	6.3%
JN Industrial Production YOY	Feb F	1.6%	2.9%	--
JN Trade Balance	Mar	¥797.3b	¥2.6b (revised)	¥499.2b
JN Exports YOY	Mar	2.1%	1.8%	5.2%
SG Non-oil Domestic Exports YOY	Mar	-2.7%	-6.0% (revised)	1.2%
AU Westpac Leading Index MOM	Mar	-0.22%	0.29%	--

Source: Bloomberg

➢ Macroeconomics

- Overnight, the People's Bank of China unexpectedly announced a cut in its reserve requirement ratio (RRR) in a move to free up lending for small firms but fall short of broad monetary easing. RRR for large bank and smaller bank which stood at 17% and 15% respectively will be cut by 100 basis point effective 25 April. The central bank said that banks are required to use newly released funds to provide loans for small businesses. In additions, PBOC mentioned that the cut will also result in lower cost of fund for banks and reaffirmed that despite the move, monetary policy stance remains neutral. China has earlier released its first quarter GDP for 2018. Economic growth steadied at 6.8% YOY in 1Q18, maintaining the same growth pace as 4Q last year, with expansion in the secondary industry supporting growth. Other indicators suggest a softer tone from supply and investments, though domestic consumption likely picked up pace, hinting that China remains on track in its structural reforms. Going forward, structural reforms and deleveraging in the corporate sector are expected to drag on growth but we reckon that the overall economy remains well-supported by resilient external and domestic demand, thus do not rule out upside surprise to the 6.5% growth target this year.

- Industrial production in the US slowed to increase 0.5% MOM in March (Feb: +1.0%) which brings the annual growth to 4.3% YOY (Feb: +4.4%). Manufacturing production eased following a huge gain in February whereas mining output continued to hold up supported by oil and gas extractions. Utility rebounded after a decline in February as demand for electricity production surged in a colder March. Capacity utilization which measures the slack in the industrial economy increased to 78.0% (Feb: 77.7% revised) the highest level in three years. Durable consumer goods went up on the back of strong automotive production which advanced 2.7% MOM, in line with higher auto sales in the same month. Business equipment gained as well indicating that companies are spending on new equipment thanks to newly implemented tax cut. Overall, the US industrial sector remained robust supported by both domestic and global demand and partially attributed to a weak US dollar.

- Housing starts in the US rebounded to increase 1.9% MOM in March (Feb: -3.3% revised) with total starts at 1,319k units (Feb: 1,295k revised) buoyed by construction of multi-family units while single family homebuilding remained weak. Building permits on the other hand edged up 2.5% MOM (Feb: -4.1% revised). The housing market in the US is still holding up well as evident in surging house prices amidst a mismatch in demand and supply – strong demand exceeds that of supply as builders were constrained by limited land supply and higher lumber prices.

- Labour market data in the UK were mostly mixed; the unemployment rate unexpectedly fell to 4.2% in February, ticking lower from 4.3% in January, while jobless claims fell to 11.6k in March from 15.1k, indicating reduction in joblessness. A total of 55k jobs were added in market in the 3 months ended February, much lower compared to 168k in the three months to January. The lower figure hints that the market may be approaching saturation as unemployment rate is at the lowest level since May 1975. But despite a tighter labour market, wage growth saw no upward momentum; the average weekly earnings grew 2.8% YOY in the 3 months ended February, unchanged from the pace recorded through Nov – Jan period while markets were expecting a pick-up of 3.0%. The lack of wage growth is expected to keep the pedal off prices, which could hold back consideration for further rate hikes by BOE.

- Expectations of economic growth in Eurozone took a beating as revealed by ZEW survey. The balance for improved economic outlook narrowed from 13.4 in March to 1.9 in April, lowest since July 2016 amid rising risks of geopolitical tensions and trade war.

- Final reading of Japan industrial production shows that industrial output continued to slow for the second month. Growth in industrial production was revised from preliminary estimate of 1.4% YOY to 1.6% YOY in February (Jan: + 2.9%). The slump in output is in part due to drop in export to China. Meanwhile Japan trade balance was widened to ¥797.3b in March (Feb: ¥2.6b) as exports grew by 2.1% YOY (Feb: +1.8%) while import declined by -0.6% YOY (Feb: +16.6% revised).

- RBA minutes yielded no new clues to future monetary policy. While the tone of the minutes appeared positive on this year's economic outlook, the board members agreed that there was no strong case for a near-term policy action. Minutes also reiterated that inflation and unemployment are likely to improve very gradually, with slow wage growth dragging on inflation. Domestically, high level of household debt and riskier lending in earlier years continue to post a risk to the economy but regulatory measures have helped contained the buildup of risk. Housing markets have cooled down as evident in a stabilized housing credit growth and decline in house prices. On international economic condition, RBA noted that trade policies announced by both US and China are unlikely to have significant impact on global trade, the possibility of an escalation in trade restriction nonetheless post a risk to the global outlook which warrants close monitoring. In a separate release, the Westpac leading index declined 0.22% MOM in March (Feb: +0.29%) indicating a slightly weakening outlook for the Australian economy but overall the index remained on an upward trend.

- Singapore non-oil domestic exports fell at a slower pace in March, decreasing by 2.7% YOY (Feb: -6.0% revised) due to spillover effect caused by seasonal factor. Chinese New Year was celebrated in February this year as opposed to January last year.

Economic Calendar Release Date

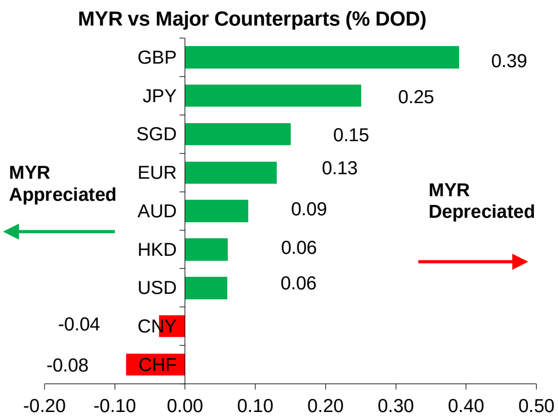
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	18/4	CPI YOY	Mar	1.6%	1.4%	--
US	18/4	MBA Mortgage Applications	13 Apr	--	-1.9%	--
	19/4	Fed Beige Book				
		Initial Jobless Claims	14 Apr	230k	233k	--
		Philadelphia Fed Business Outlook	Apr	21.0	22.3	--
		Leading Index	Mar	0.3%	0.6%	--
Eurozone	18/4	Construction Output MOM	Mar	--	-2.2%	--
		CPI YOY	Mar F	1.4%	1.4%	1.1%
	19/4	ECB Current Account SA	Feb	--	37.6b	--
UK	18/4	CPI YOY	Mar	2.7%	2.7%	--
		RPI YOY	Mar	3.5%	3.6%	--
		PPI Output NSA YOY	Mar	2.3%	2.6%	--
		House Price Index YOY	Feb	4.7%	4.9%	--
	19/4	Retail Sales Inc Auto Fuel MOM	Mar	-0.6%	0.8%	--
China	18/4	New Home Prices MOM	Mar	--	0.25%	--
Hong Kong	19/4	Unemployment Rate SA	Mar	2.9%	2.9%	--
Australia	18/4	Westpac Leading Index MOM	Mar	--	0.29%	--
	19/4	Employment Change	Mar	20.0k	17.5k	--
		Unemployment Rate	Mar	5.5%	5.6%	--
		NAB Business Confidence	1Q	--	6	--
New Zealand	19/4	CPI YOY	1Q	1.1%	1.6%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2370	-0.08	1.2414	1.2336	3.0
USDJPY	107.00	-0.11	107.21	106.88	-5.0
GBPUSD	1.4288	-0.36	1.4377	1.4283	5.8
AUDUSD	0.7766	-0.19	0.7791	0.7760	-0.5
EURGBP	0.8658	0.28	0.8661	0.8621	-2.6
USDMYR	3.8900	0.06	3.8918	3.8810	-3.9
EURMYR	4.8130	0.13	4.8226	4.8064	-0.7
JPYMYR	3.6364	0.25	3.6367	3.6249	1.1
GBPMYR	5.5709	0.39	5.5874	5.5659	1.8
SGDMYR	2.9690	0.15	2.9716	2.9636	-2.0
AUDMYR	3.0248	0.09	3.0307	3.0180	-4.4
NZDMYR	2.8573	-0.02	2.8661	2.8526	-0.9

Source: Bloomberg



➢Forex

MYR

- **MYR overturned early gains into a 0.06% loss at 3.8900 against USD** while sliding against 6 G10s.
- **MYR remains slightly bearish against USD**, likely weighed down by jitters over signs of re-emergence of trade war concerns, as well as cautiousness ahead of Malaysia CPI data. USDMYR remains tilted to the upside, and there is now room for a test at 3.8911. Breaking above this exposes a move to 3.8990.

USD

- **USD rebounded to beat 6 G10s** while the DXY climbed through European and US mornings on a set of better than expected US data and continued retreat in geopolitical tensions, closing 0.1% higher at 89.51.
- **Stay bearish on DXY** on diminishing upsides from potential reigniting of trade war concerns, as well as the absence of positive catalyst to drive extended rebound. DXY is likely to remain below 89.88 in the next couple of days but we caution that downside bias appears to be slowing, giving opportunity for a rebound going forward. Still, 89.88 needs to be broken for bulls to strengthen.

EUR

- **EUR dipped 0.08% to 1.2370 against USD** after sliding from intraday high and closed mixed against the G10s.
- **Stay bullish on EUR against USD**, supported by expectations of firmer Eurozone data; strong losses can be expected if data disappoints. EURUSD is still exposed to a move to 1.2427 but technical viewpoint grows less optimistic of an extended uptrend. Therefore, we continue to caution potential for upside failure going forward, especially as EURUSD approaches 1.2462 – 1.2476.

GBP

- **GBP** was pressured by the miss in UK wage data, falling against 8 G10s and **sliding 0.36% to 1.4288 against USD**.
- **We now turn bearish on GBP against USD** as markets are likely to turn risk averse ahead of UK price reports; caution that softer than expected inflation in the UK is expected to trigger GBP losses. GBPUSD uptrend has ended; yesterday's rejection is likely the onset of an extended decline that could test 1.4242 in the next leg lower, after which 1.4180 will be eyed.

JPY

- **JPY strengthened 0.11% to 107.00 against a soft USD** and advanced against 6 G10s.
- **Expect a bullish JPY on the back of a soft USD**. USDJPY is still tilted to the downside, with bears likely to accelerate on close below 106.88 to trigger losses to circa 106.53.

AUD

- **AUD fell 0.19% to 0.7766 against USD** and retreated against 6 G10s, weighed down by an uninspiring RBA minutes, signs of softness in China's data and relatively softer commodities.
- **We now turn bearish on AUD against USD**, in anticipation of retreat in commodities amid easing geopolitical concerns and signs of a potentially softer Chinese growth. AUDUSD bullish trend has ended in our view. Loss of upside momentum suggests the next move is likely lower, and a break below 0.7759 exposes a move to 0.7716.

SGD

- **SGD slipped 0.09% to 1.3114 against USD** and eased against 6 G10s on the back of underperforming Singapore NODX.
- **SGD is now bearish against USD** on technical reasons. Resisting a drop below 1.3100 indicates that bears have failed to take control over USDSGD, paving the way for further rebounds. A test at 1.3126 is likely going forward.

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