

## 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	--
Eurozone	18/4	Leading Index	Mar	0.3%	0.6%	--
		Construction Output MOM	Mar	--	-2.2%	--
		CPI YOY	Mar F	1.4%	1.4%	1.1%
		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%	--
China	19/4	Retail Sales Inc Auto Fuel MOM	Mar	-0.6%	0.8%	--
	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.

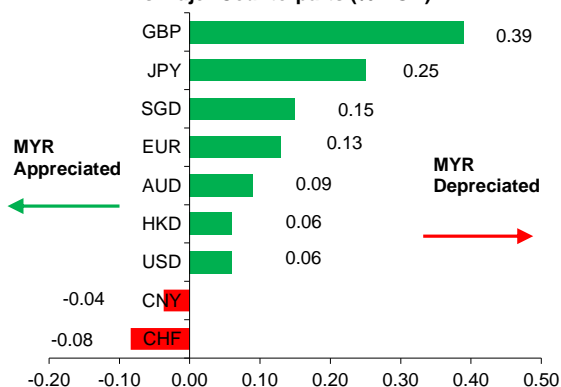
### AUD

- **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.

MYR vs Major Counterparts (% DOD)



**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 8, Menara Hong Leong  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936  
Email: [HLMarkets@hibb.hongleong.com.my](mailto:HLMarkets@hibb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.