

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets took comfort in the bigger than expected rebound in US industrial production** in February as well as increased optimism among consumers in March, while shrugging off the declines in housing data. The positive production numbers reinforced the case of continuous recovery in the US economy that could allow the Fed to raise rates more than the three hikes currently projected. **All eyes will be on Fed Chair Powell's rhetoric this week**, his first post-FOMC comment since taking office, **in addition to the quarterly economic and rates projection** where markets will be scrutinizing the Fed projection for the number or rate hikes going forward.
- **Data elsewhere was less inspiring.** Inflation remained subdued in the Eurozone implying there is no hurry for ECB to raise rates. Data flow from Asia was on the softer side, with industrial production falling more than initially estimated in Japan while exports plunged in Singapore although seasonal factor is at play.
- **USD rebounded from an early decline to beat 8 G10s** while the DXY rallied in US session on the back of firmer US data to advance 0.1% to 90.23. **Stay bullish on USD** in anticipation of build-up in long positions going into FOMC meeting that is expected to result in an interest rate hike. Holding above 90.05 keeps DY on track towards a test at 90.58. Beating this level risks a move higher to 91.33 – 91.75.
- **MYR strengthened 0.27% to 3.9072 against USD**, overturning early gains after the greenback weakened in European session, while beating 9 G10s. **MYR remains bearish against USD** amid lack of buying interest ahead of various risk events. We maintain that USDMYR is technically bullish and is on track for another test at 3.9259 going forward. A close above this exposes a move to 3.9408 next.
- **SGD weakened 0.32% to 1.3177 against a rebounding USD** and fell against 7 G10s, weighed down by underperforming Singapore data. **Keep a bearish view on SGD on the back of a firmer USD** and extended retreat in risk appetite. USDSGD remains tilted upwards and poised to test 1.3198 soon. Breaking this exposes a move to 1.3259 in the next leg higher.

Overnight Economic Data

US	➔
Eurozone	➔
UK	➔
Japan	➔
Singapore	➔

What's Coming Up Next

Major Data

- Eurozone trade balance, construction output
- Hong Kong unemployment rate

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2235	1.2263	1.2273	1.2284	1.2295	➔
USDJPY	105.52	106.00	106.03	106.24	106.38	➔
GBPUSD	1.3928	1.3950	1.3938	1.3979	1.4000	➔
AUDUSD	0.7700	0.7708	0.7717	0.7727	0.7759	➔
EURGBP	0.8795	0.8800	0.8806	0.8810	0.8815	➔
USDMYR	3.9068	3.9103	3.9150	3.9166	3.9200	➔
EURMYR	4.7994	4.8000	4.8054	4.8073	4.8146	➔
JPYMYR	3.6881	3.6912	3.6966	3.7031	3.7100	➔
GBPMYR	5.4444	5.4523	5.4576	5.4600	5.4680	➔
SGDMYR	2.9651	2.9670	2.9706	2.9729	2.9748	➔
AUDMYR	3.0110	3.0196	3.0220	3.0257	3.0300	➔
NZDMYR	2.8200	2.8235	2.8276	2.8295	2.8332	➔
USDSGD	1.3140	1.3161	1.3180	1.3198	1.3218	➔
EURSGD	1.6137	1.6150	1.6178	1.6183	1.6208	➔
GBPSGD	1.8317	1.8332	1.8369	1.8400	1.8414	➔
AUDSGD	1.0143	1.0160	1.0173	1.0180	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	1846.39	0.1	2.8	CRB Index	194.46	0.29	0.3
Dow Jones Ind.	24946.51	0.3	0.9	WTI oil (\$/bbl)	62.34	1.88	3.2
S&P 500	2752.01	0.2	2.9	Brent oil (\$/bbl)	66.21	1.67	-1.3
FTSE 100	7164.14	0.3	-6.8	Gold (\$/oz)	1314.24	-0.14	0.7
Shanghai	3269.88	-0.6	-1.1	CPO (RM/tonne)	2422.00	0.08	1.3
Hang Seng	31501.97	-0.1	5.3	Copper (\$/tonne)	6888.00	-0.46	-5.0
STI	3512.14	-0.2	3.2	Rubber (sen/kg)	472.50	-0.32	2.2

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US Industrial production MOM	Feb	1.1%	-0.3%	0.4%
US Housing starts MOM	Feb	-7.0%	9.7%	-2.7%
US Building permits MOM	Feb	-5.7%	5.9%	-4.1%
US University of Mich. Sentiment	Mar P	102.0	99.7	99.3
Eurozone CPI MOM	Feb	0.2%	-0.9%	0.2%
Eurozone CPI YOY	Feb F	1.1%	1.3%	1.2%
Eurozone core CPI YOY	Feb F	1.0%	1.0%	1.0%
UK Rightmove house prices YOY	Mar	2.1%	1.5%	--
JP Trade balance	Feb	¥3.4b	-¥944.1b	¥89.1b
JP Industrial production MOM	Jan F	-6.8%	-6.6%	--
JP Industrial production YOY	Jan F	2.5%	2.7%	--
SG Non oil domestic export YOY	Feb	-5.9%	13.0%	4.8%
SG Electronic export YOY	Feb	-12.3%	-3.9%	2.8%

Source: Bloomberg

- The US industrial sector expanded in Feb-18. Industrial production rebounded more than expected to increase 1.1% MOM, the largest gain in 4 months following a revised 0.3% MOM decline in January. Rise in mining and construction output offset a decline in utilities as a warmer weather reduced demand for electricity. The mining sector recorded substantial gain at 4.7% MOM as oil and gas extraction accelerated. Growth in O&G extraction was at a historic high of 12% YOY. Capacity utilization rose to 78.1% in Feb-18 (Jan: 77.4%) the highest reading since Jan-15 but still below its long run average of 79.8%.
- In a separate release, homebuilding slumped in Feb-18 as housing starts which measures new home constructions dropped more than expected by 7.0% MOM (Jan: +9.7%). Growth in construction of single family units was offset by a sharp decline in multi-family projects. Forward-looking building permits was equally downbeat, dropping 5.7% MOM (Jan: +5.9%) after increasing a revised 5.9% MOM in January. Despite that, sentiments improved as University of Michigan consumer sentiment registered a higher reading at 102 in Mar-18 (Feb: 99.7).
- Inflation in the Eurozone remained benign in February as headline CPI softened more than expected to 1.1% YOY (Jan: +1.3%) while core CPI held steady at 1.0% as expected. Absence of inflationary pressure will allow ECB to keep its policy normalization plans at a measured pace.
- In the UK, house prices gained pace after softening for the past 3 months. The Rightmove house prices increased 2.1% YOY in Mar-18 (Feb: +1.5%) indicating a slight recovery.
- In Japan, final reading of industrial production fell 6.8% MOM in Jan-18 (Dec: +2.9%) dragged by substantial fall in shipment output at 5.6% MOM which coincides with the drop in capacity utilization in the manufacturing sector. Industrial production also grew at a slower pace of 2.5% YOY (Dec: +2.7%). However in a separate release, Japan trade balance rebounded to record a surplus of ¥3.4b in Feb-18 (Jan: -¥944.1b) albeit less than expected.
- Singapore's exports tumbled in Feb-18 as Chinese New Year was being celebrated in the month. Non oil domestic exports decreased 5.9% YOY (Jan: +13.0%) as electronic exports recorded a dramatic drop of 12.3% YOY (Jan: -3.9%). This is the third consecutive month of fall for Singapore's electronic export and reinforced concern on softer momentum going forward as global semiconductor sales moderates.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Eurozone	19/3	Trade Balance SA	Jan	--	23.8b	--
		Construction Output MOM	Jan	--	0.1%	--
	20/3	ZEW Survey Expectations	Mar	--	29.3	--
UK	20/3	Consumer Confidence	Mar A	0.1	0.1	--
		CPI YOY	Feb	2.8%	3.0%	--
		RPI YOY	Feb	3.5%	4.0%	--
Japan	20/3	PPI Output NSA YOY	Feb	--	2.8%	--
		Leading Index CI	Jan F	--	104.8	--
		Coincident Index	Jan F	--	114.0	--
		Machine Tool Orders YOY	Feb F	--	39.5%	--
Hong Kong	19/3	Convenience Store Sales YOY	Feb	--	0.1%	--
	20/3	Unemployment Rate SA	Feb	2.9%	2.9%	--
Australia	20/3	CPI Composite YOY	Feb	2.2%	1.7%	--
		RBA March Meeting Minutes				
New Zealand	20/3	House Price Index YOY	4Q	3.9%	8.3%	--
		Westpac Consumer Confidence	1Q	--	107.4	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2290	-0.12	1.2336	1.2260	2.3
USDJPY	106.01	-0.31	106.38	105.60	5.8
GBPUSD	1.3942	0.04	1.398	1.3890	3.1
AUDUSD	0.7713	-1.09	0.7804	0.7710	1.2
EURGBP	0.8817	-0.15	0.8839	0.8810	0.8
USDMYR	3.9072	-0.27	3.9290	3.9063	3.3
EURMYR	4.8155	-0.55	4.8342	4.8145	0.9
JPYMYR	3.6978	0.06	3.7097	3.6847	2.6
GBPMYR	5.4650	-0.14	5.4736	5.4556	0.2
SGDMYR	2.9806	-0.37	2.9879	2.9793	2.0
AUDMYR	3.0487	-1.13	3.0605	3.0468	4.5
NZDMYR	2.8369	-1.12	2.8553	2.8355	1.9

Source: Bloomberg

Forex

MYR

- **MYR strengthened 0.27% to 3.9072 against USD**, overturning early gains after the greenback weakened in European session, while beating 9 G10s.
- **MYR remains bearish against USD** amid lack of buying interest ahead of various risk events. We maintain that USDMYR is technically bullish and is on track for another test at 3.9259 going forward. A close above this exposes a move to 3.9408 next.

USD

- **USD rebounded from an early decline to beat 8 G10s** while the DXY rallied in US session on the back of firmer US data to advance 0.1% to 90.23.
- **Stay bullish on USD** in anticipation of build-up in long positions going into FOMC meeting that is expected to result in an interest rate hike. Holding above 90.05 keeps DY on track towards a test at 90.58. Beating this level risks a move higher to 91.33 – 91.75.

EUR

- **EUR retreated 0.12% to 1.2290 against a rebounding USD** but rose against 5 G10s, supported by firmer sentiment in European markets.
- **Stay bearish on EUR against USD** as buying interest returns to the greenback. Downward momentum is picking up, further tilting the pair towards the downside. Closing below 1.2295 has exposed a move to 1.2213 for EURUSD.

GBP

- **GBP** was supported by retreat in European majors, beating 8 G10s and **inched 0.04% higher to 1.3942 against USD**.
- **We are still bearish on GBP against USD**; volatility and possibly risk aversion in GBP is likely to increase going into the EU Summit that would likely decide on a Brexit transitional deal. We note that GBPUSD minor bullish trend has ended. Upward direction will rely on GBPUSD breaking above 1.3996, failing which the risk of sliding lower to 1.3823 increases.

JPY

- **JPY** was also supported by risk-off in the FX space to beat all G10s and **advanced 0.31% to 106.01 against USD**.
- **Keep a bullish view on JPY against USD** in anticipation of rising risk aversion in the markets. USDJPY remains pressured while below 106.05; expect the pair to test 105.54 next, below which a drop to 105 is likely.

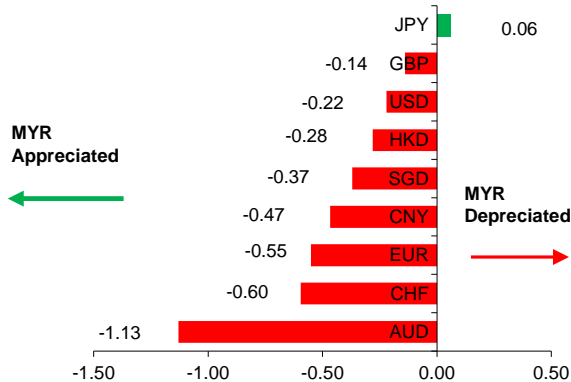
AUD

- **AUD plunged 1.09% to 0.7713 against USD** and weakened against all G10s, pressured by risk-off in the FX space and decline in commodities.
- **AUD remains bearish against USD** in our view, weighed down by rising risk aversion in the markets heading into major risk events. AUDUSD remains tilted to the downside after recent sharp downward move. If current minor bearish trend extends, expect to see AUDUSD closer to 0.7650 going forward.

SGD

- **SGD weakened 0.32% to 1.3177 against a rebounding USD** and fell against 7 G10s, weighed down by underperforming Singapore data.
- **Keep a bearish view on SGD on the back of a firmer USD** and extended retreat in risk appetite. USDSGD remains tilted upwards and poised to test 1.3198 soon. Breaking this exposes a move to 1.3259 in the next leg higher.

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@hbb.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.