

Global Markets Research

Daily Market Highlights

Key Takeaways

- **The Fed raised rates for the first time this year as widely expected** but the US markets pulled back from recent rally post-FOMC announcement, **somewhat disappointed by the Fed's move in maintaining three interest rate hikes this year. That aside, the Fed appeared hawkish in all other aspects, taking cue from upgrades in macro forecasts and more hawkish rate projection for the next two years. The Fed now expects three rate hikes in 2019 and another two in 2020**, up from ~2 hikes (2019) and ~1.5 hikes (2020) in December projection. The median long run policy rate was also tweaked slightly higher to 2.875%, from 2.750% in the December projection. **We are raising our view for a total of three Fed rate hike this year, up from two previously.**
- **RBNZ held its interest rate steady at 1.75% against a backdrop of subdued inflation and softer economic condition.** In a statement released early this morning, RBNZ stated that monetary policy will remain accommodative for a "considerable period", reaffirming our view for RBNZ to stay pat this year.
- **Back home, the increase in CPI saw a massive pullback to 1.4% in February**, marking its lowest print in 15 months and below the 2.0% mark for the first time since Dec-16. The sharply lower reading was a result of **decline in transport prices and smaller gains in food and all other prices.** We are confident with our view of softer inflation outlook this year, as last year's higher base effect will be the key factor weighing down this year's CPI prints, as evident in further moderation in CPI in February. Hence, **we are reaffirming our full year 2018 CPI forecast at 2.0%**, decelerating from the 3.7% increase in 2017.
- **USD weakened against all G10s** while the DXY plunged after FOMC policy decision to close 0.65% lower at 89.78, pressured by paring of long positions that were built prior to FOMC meeting amid expectations of an upward shift in interest rate hike projections for this year. **Expect a slightly bullish USD** in anticipation of gradual return in buying interest as we opine that the Fed is learning more towards a hawkish bias than what DXY overnight price action would suggest. Technically, we suspect a modest rebound for DXY after yesterday's sharp decline, with potential to recapture 89.88, or even higher.
- **MYR slipped 0.18% to 3.9255 against USD** amid risk aversion ahead of FOMC policy decision and fell against 5 G10s. **Expect a bullish MYR against a weak USD.** USDMYR remains within a minor bullish trend unless it closes below 3.9072 today, which would tilt its path towards 3.8947 next. Until that happens, USDMYR remains on track towards 3.9402.
- **SGD fell against 8 G10s that rallied as market risk appetite improved but strengthened 0.5% to 1.3125 against a weak USD. Stay bearish on SGD in anticipation of a rebound in USD.** USDUSD's minor bullish trend has ended but we suspect that downsidings will likely be limited given prevailing firm supports near 1.3100 and 1.3086.

Overnight Economic Data

Malaysia	↓
US	→
UK	→

What's Coming Up Next

Major Data

- Malaysia foreign reserves
- US initial jobless claims, Markit PMI manufacturing & services, leading index, Kansas City Fed manufacturing
- EU manufacturing PMI, ECB current account
- UK retail sales inc auto fuel
- Japan Nikkei PMI manufacturing, all industry activity index, nationwide dept store sales, supermarket sales
- Australia employment change, unemployment rate

Major Events

- BOE rate decision
- ECB economic bulletin

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2327	1.2355	1.2358	1.2372	1.2400	↘
USDJPY	105.20	105.56	105.71	105.97	106.26	↘
GBPUSD	1.4100	1.4134	1.4164	1.4180	1.4200	↘
AUDUSD	0.7700	0.7740	0.7775	0.7794	0.7819	↘
EURGBP	0.8707	0.8717	0.8728	0.8732	0.8742	↘
USDMYR	3.9078	3.9103	3.9080	3.9172	3.9200	↘
EURMYR	4.8256	4.8273	4.8336	4.8345	4.8376	↗
JPYMYR	3.6891	3.6951	3.6975	3.7031	3.7055	↗
GBPMYR	5.5207	5.5311	5.5355	5.5400	5.5430	↗
SGDMYR	2.9697	2.9736	2.9781	2.9800	2.9820	↗
AUDMYR	3.0276	3.0300	3.0326	3.0350	3.0400	↗
NZDMYR	2.8172	2.8216	2.8246	2.8282	2.8300	↗
USDSGD	1.3086	1.3100	1.3119	1.3127	1.3138	↗
EURSGD	1.6175	1.6208	1.6226	1.6252	1.6263	↘
GBPSGD	1.8550	1.8567	1.8585	1.8600	1.8636	↗
AUDSGD	1.0135	1.0157	1.0185	1.0201	1.0239	↘

* 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	1865.80	0.5	3.8	CRB Index	196.02	0.96	1.1
Dow Jones Ind.	24682.31	-0.2	-0.1	WTI oil (\$/bbl)	65.12	2.71	7.8
S&P 500	2711.93	-0.2	1.4	Brent oil (\$/bbl)	69.47	3.04	3.9
FTSE 100	7038.97	-0.3	-8.4	Gold (S/oz)	1311.31	1.60	2.2
Shanghai	3280.95	-0.3	-0.8	CPO (RM/tonne)	2438.50	0.56	2.0
Hang Seng	31414.52	-0.4	5.0	Copper (\$/tonne)	6755.00	-1.44	-6.8
STI	3511.13	-0.1	3.2	Rubber (sen/kg)	456.50	-1.19	-1.3

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA CPI YOY	Feb	1.4%	2.7%	1.9%
US MBA Mortgage Applications	Mar 16	-1.1%	0.9%	--
US Existing Home Sales MOM	Feb	3.0%	-3.2%	0.4%
US FOMC Rate Decision	Mar 21	1.75%	1.50%	1.75%
UK Jobless Claims Change	Feb	9.2k	-1.6k	--
UK ILO Unemployment Rate	Jan	4.3%	4.4%	4.4%
UK Public Finances (PSNCR)	Feb	£18.6b	-£26.2b	--
UK CBI Trends Total Orders	Mar	4.0	10.0	8.0
NZ RBNZ Official Cash Rate	Mar 22	1.75%	1.75%	1.75%

Source: Bloomberg

► Macroeconomics

- The Federal Reserve announced its first interest rate hike in 2018 as widely expected, raising the Fed funds rate from 1.50% to 1.75%. The Fed acknowledged the strengthening of the labour market and economic outlook but maintained that monetary policy stance will remain accommodative at this juncture and it will adhere to its planned three interest rate hikes for 2018. This has indeed prompted a selloff in US equities and the greenback, as the Fed was deemed to be less hawkish than expected, falling short of expectations for four interest rate increases this year by some in the markets, although the Fed has upgraded its growth and unemployment rate forecasts.
- The monetary policy path however appeared to be more hawkish beyond 2018, with the median forecast for 2019 and 2020 revised higher to 2.875% and 3.375% respectively (previous 2.688% and 3.063%), representing three hikes in 2019 and two hikes in 2020 (previous ~2 hikes for 2019 and ~1.5 hikes for 2020). The median long run policy rate was also tweaked slightly higher to 2.875%, from 2.750% in the December projection.
- GDP growth forecasts were raised by 0.2-0.3ppt to 2.7% and 2.4% for 2018 and 2019 respectively (previous 2.5% and 2.1%) while unemployment rate was revised lower to 3.8% and 3.6% for the respective two years (previous 3.9% for 2018 and 2019). Inflation forecasts have however been kept largely unchanged this and next year with just a minor tweak in core PCE inflation from 2.0% to 2.1% for 2019 (2018 maintained at 1.9%). Longer run forecasts for these macro variables were also left generally unchanged at 1.8% for real GDP growth, 2.0% for PCE inflation and 4.5% for unemployment rate (revised from 4.6%).
- RBNZ held its interest rate steady at 1.75% against a backdrop of subdued inflation and softer economic condition. In a statement released early this morning, RBNZ stated that monetary policy will remain accommodative for a "considerable period", reaffirming our view for RBNZ to stay pat this year. Growth has moderated in 2017 on the back of a softening agricultural and manufacturing sector. Dairy production is seen picking after a sluggish production last year due to an exceptionally dry weather.
- On the data front, demand for mortgages dropped 1.1% WOW for the third week of March (previous: +0.9%) while existing home sales rebounded in Feb-18 to increase 3.0% MOM (Jan: -3.2%), offering continued mixed signals on the US housing market.
- The UK unemployment rate slid lower for the three months ended Jan-2018 to 4.3% (Dec: 4.4%) while wage growth picked up for the three months ended Jan-18 to increase 2.8% (Dec: +2.7%). Number of jobless claims increased to 9.2k in Feb-18 (Jan: -1.6k). Contrary to yesterday's headline inflation which cooled more than expected, acceleration in wage growth suggest that inflation might be picking up in the near term hence providing a hint as to whether the BOE is raising interest rate in May. Investors are expecting a 56.0% probability of rate hike in May. In a separate release, manufacturing orders deteriorated in Mar-16 to 4.0 (Feb: +8.0) while net cash requirement for public sector recorded at £18.6b Feb-16 (Jan: -£26.2b).
- Back home in Malaysia, the increase in CPI saw a massive pullback to 1.4% in February, marking its lowest print in 15 months and below the 2.0% mark for the first time since Dec-16. The sharply lower reading was a result was a result of decline in transport prices and smaller gains in food and all other prices. We are confident with our view of softer inflation outlook this year, as last year's higher base effect will be the key factor weighing down this year's CPI prints, as evident in further moderation in CPI in February. Hence, we are reaffirming our full year 2018 CPI forecast at 2.0%, decelerating from the 3.7% increase in 2017. Moderating growth and inflation outlook, coupled with the return in real interest rate to positive territory, are expected to allow BNM to keep OPR unchanged for the rest of the year.

Economic Calendar Release Date								
Country	Date	Event	Reporting Period	Survey	Prior	Revised		
Malaysia	22/3	Foreign Reserve	Mar 15	--	\$103.7b	--		
US	22/3	Initial Jobless Claims	Mar 17	225k	226k	--		
		Markit US Manufacturing PMI	Mar P	55.5	55.3	--		
		FHFA House Price Index MOM	Jan	0.4%	0.3%	--		
		Leading Index	Feb	0.5%	1.0%	--		
		Markit US Services PMI	Mar P	56.0	55.9	--		
		Kansas City Fed Manf. Activity	Mar	17.0	17.0	--		
		23/3	Durable Goods Orders	Feb P	1.6%	-3.6%	--	
			New Home Sales MoM	Feb	5.1%	-7.8%	--	
		Eurozone	22/3	Markit Eurozone Manufacturing PMI	Mar P	58.1	58.6	--
				ECB Current Account SA	Jan	--	29.9b	--
ECB Publishes Economic Bulletin								
		Markit Eurozone Services PMI	Mar P	56.0	56.2	--		
UK	22/3	Retail Sales Inc Auto Fuel MOM	Feb	0.4%	0.1%	--		
		Bank of England Bank Rate	Mar 22	0.5%	0.5%	--		
		BOE Asset Purchase Target	Mar	435b	435b	--		
Japan	22/3	Nationwide Dept Sales YOY	Feb	--	-1.2%	--		
		Supermarket Sales YOY	Feb	--	0.6%	--		
		Nikkei Japan PMI Mfg	Mar P	--	54.1	--		
		All Industry Activity Index MOM	Jan	-1.8%	0.5%	--		
	23/3	Natl CPI YoY	Feb	1.5%	1.4%	--		
Singapore	23/3	CPI YoY	Feb	0.4%	0.0%	--		
Australia	22/3	Employment Change	Feb	20.0k	16.0k	--		
		Unemployment Rate	Feb	5.5%	5.5%	--		
China	22-28/3	Foreign Direct Investment YOY	Feb	--	0.3%	--		

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2338	0.78	1.235	1.2241	2.9
USDJPY	106.05	-0.45	106.64	105.88	-6.0
GBPUSD	1.4141	1.02	1.4151	1.3997	4.7
AUDUSD	0.7765	1.07	0.778	0.7672	-0.4
EURGBP	0.8725	-0.23	0.8759	0.8707	-1.7
USDMYR	3.9255	0.18	3.9267	3.9177	-3.0
EURMYR	4.8200	-0.15	4.8232	4.7988	-0.6
JPYMYR	3.6891	0.19	3.6926	3.6791	2.6
GBPMYR	5.5031	-0.12	5.5113	5.4867	0.7
SGDMYR	2.9756	-0.06	2.9792	2.9706	-1.8
AUDMYR	3.0152	-0.14	3.0252	3.0124	-4.6
NZDMYR	2.8117	-0.61	2.8216	2.8112	-2.4

Source: Bloomberg

Forex

MYR

- **MYR slipped 0.18% to 3.9255 against USD** amid risk aversion ahead of FOMC policy decision and fell against 5 G10s.
- **Expect a bullish MYR against a weak USD.** USDMYR remains within a minor bullish trend unless it closes below 3.9072 today, which would tilt its path towards 3.8947 next. Until that happens, USDMYR remains on track towards 3.9402.

USD

- **USD weakened against all G10s** while the DXY plunged after FOMC policy decision to close 0.65% lower at 89.78, pressured by paring of long positions that were built prior to FOMC meeting amid expectations of an upward shift in interest rate hike projections for this year.
- **Expect a slightly bullish USD** in anticipation of gradual return in buying interest as we opine that the Fed is learning more towards a hawkish bias than what DXY overnight price action would suggest. Technically, we suspect a modest rebound for DXY after yesterday's sharp decline, with potential to recapture 89.88, or even higher.

EUR

- **EUR surged 0.78% to 1.2338 against a weak USD** and advanced against 5 G10s, buoyed by return of buying interest post-FOMC decision.
- **Expect a slightly bearish EUR against USD** in anticipation of a technical pullback after yesterday's rally; downside surprises in Eurozone data will accelerate EUR's losses. EURUSD's minor bearish trend has ended but upsides have yet to solidify. EURUSD needs to close above 1.2400 to sustain further advances, otherwise, current upside is likely to fail circa 1.2373 – 1.2400.

GBP

- **GBP soared 1.02% to 1.4141 against a weak USD** and strengthened against 7 G10s, supported by upside surprises in UK labour market data.
- **Expect a bearish GBP against USD** in anticipation of a technical pullback; downside surprises in UK data will accelerate losses. GBPUSD remains at risk of being rejected as it approaches 1.4209. We are skeptical that current bullish bias can be sustained as GBPUSD ventures into rejection-prone range between 1.4145 – 1.4278.

JPY

- **JPY tumbled against all G10s** as risk appetite returned to the FX space but **advanced 0.45% to 106.05 against a weak USD.**
- **Expect a firmer JPY against USD** as sell-off equities overnight is likely to spill over into Asian markets. USDJPY is now technically bearish after failing to close above 106.37. Expect the pair to soon test 105.57.

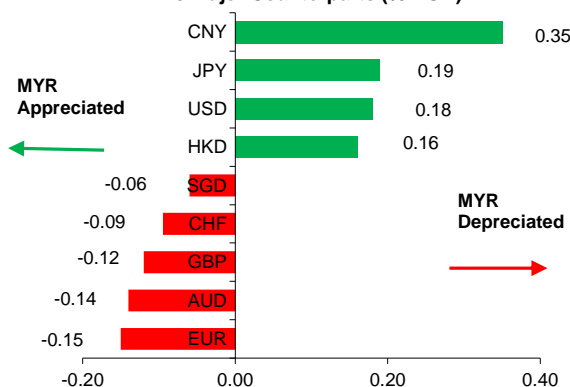
AUD

- **AUD** was supported by the return of risk appetite to the markets, beating 8 G10s and **jumping 1.07% to 0.7767 against a weak USD.**
- **We stay bearish on AUD in anticipation of a rebound in USD;** equities sell-off overnight is also likely to pressure AUD. Despite apparent attempt at a rebound, we reckon that AUDUSD upside bias is likely to fail approaching 0.7823, weighed down by deep bearish bias.

SGD

- **SGD** fell against 8 G10s that rallied as market risk appetite improved but **strengthened 0.5% to 1.3125 against a weak USD.**
- **Stay bearish on SGD in anticipation of a rebound in USD.** USDUSD's minor bullish trend has ended but we suspect that downsides will likely be limited given prevailing firm supports near 1.3100 and 1.3086.

MYR vs Major Counterparts (% DOD)



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