

Global Markets Research

Daily Market Highlights

Key Takeaways

- **BOJ somewhat disappointed, offering no hints the central bank is moving away from its decades-long ultra-loose monetary policy.** BOJ kept short-term policy rate unchanged at -0.10% and 10-year yield target around zero percent and pledged to continue its QE approach to achieve its 2% inflation target by 2020. **BOJ however offered a more upbeat view on inflation, saying it is “moving sideways recently”.** Japanese data has been largely on the positive side, adding to signs of firmer recovery in the Japanese economy.
- **Eurozone releases remained upbeat**, as economic sentiments rose to a 6-month high while consumer turned the most confident in 17 years, suggesting growing optimism over extended recovery in the Euro area. **Australian consumers were also more optimistic but manufacturing in the US Richmond districts turned a tad softer.**
- **USD fell against 9 G10s** while the Dollar Index reversed an early rebound to decline 0.31% to 90.12 as buying interest remained soft with knowledge of another fiscal cliff coming up in 3 weeks. **Maintain a bullish view on USD** in anticipation of potential rebound after recent declines, more so if US data improves. We continue to opine that the Dollar Index is forming bottom as downside momentum diminishes. But with the trend deep in bearish territory, the rebound may be shallow and likely capped by 90.68.
- **MYR advanced 0.16% to 3.9265 against USD** and beat 6 G10s, supported by positive local sentiment as markets continue to bet on potential OPR hike. **MYR remains slightly bearish against USD in our view**, while we expect buying interest is likely to wane approaching BNM OPR decision tomorrow. We continue to caution that signs of rebound have strengthened and unless USDMYR closes below 3.9200 today, the pair could be testing 3.9488 in the next leg higher.
- **SGD strengthened 0.12% to 1.3174 against a soft USD** but retreated against 8 G10s. **SGD is now bearish against USD**, weighed down by retreating risk appetite in the markets. Though we continue to caution that a rebound may be in the works amid easing downside momentum, being deep in bearish territory suggests that rebounds may be shallow and brief.

Overnight Economic Data

US	↓
EU	↑
UK	↑
Japan	→
Australia	↑

What's Coming Up Next

Major Data

- Malaysia CPI
- US MBA mortgage applications, Markit PMI services and manufacturing, existing home sales.
- EU Markit PMI manufacturing and services
- UK claimant count rate, jobless claims change, ILO unemployment rate
- Japan Nikkei PMI Mfg, leading index CI and coincident index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2285	1.2300	1.2306	1.2323	1.2350	↘
USDJPY	110.00	110.15	110.19	110.50	110.70	↘
GBPUSD	1.3942	1.3991	1.4003	1.4027	1.4058	↘
AUDUSD	0.7944	0.7978	0.7997	0.8007	0.8023	↘
EURGBP	0.8763	0.8770	0.8784	0.8795	0.8806	↘
USDMYR	3.9150	3.9185	3.9195	3.9200	3.9250	↗
EURMYR	4.8120	4.8140	4.8208	4.8231	4.8260	↗
JPYMYR	3.5500	3.5540	3.5551	3.5605	3.5621	↗
GBPMYR	4.4691	5.4774	5.4885	5.4900	5.4950	↗
SGDMYR	2.9720	2.9750	2.9759	2.9785	2.9800	↘
AUDMYR	3.1256	3.1300	3.1330	3.1337	3.1365	↘
NZDMYR	2.8738	2.8762	2.8820	2.8838	2.8861	↗
USDSGD	1.3134	1.3150	1.3166	1.3177	1.3186	↗
EURSGD	1.6139	1.6172	1.6198	1.6217	1.6240	↘
GBPSGD	1.8400	1.8420	1.8441	1.8461	1.8491	↘
AUDSGD	1.0500	1.0515	1.0529	1.0538	1.0550	↘

*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	1838.0	0.3	2.3	CRB Index	196.9	0.37	1.6
Dow Jones Ind.	26210.8	0.0	6.0	WTI oil (\$/bbl)	64.5	1.62	6.8
S&P 500	2839.1	0.2	6.2	Brent oil (\$/bbl)	70.0	1.35	4.6
FTSE 100	7731.8	0.2	0.6	Gold (S/oz)	1,341.18	0.60	8.1
Shanghai	3546.5	1.3	7.2	CPO (RM/tonne)	2425.5	-1.16	1.5
Hang Seng	32930.7	1.7	10.1	Copper (\$/tonne)	7068.0	0.38	-2.5
STI	3592.1	0.6	5.6	Rubber (sen/kg)	490.0	-0.71	6.0

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US Richmond Fed manufacturing	Jan	14	20	19
EU ZEW expectations	Jan	31.8	29.0	--
EU consumer confidence	Jan P	1.3	0.5	0.6
UK Public Sector Net Borrowing	Dec	£1.0b	£6.6b	£4.3b
JP Nationwide Dept Sales YoY	Dec	-0.60%	2.20%	--
JP All Industry Activity Index MoM	Nov	1.00%	0.30%	0.80%
JP Machine Tool Orders YoY	Dec F	48.30%	48.30%	--
JP BOJ Policy Balance Rate	Jan-23	-0.10%	-0.10%	-0.10%
JP Trade Balance	Dec	¥359.0b	¥112.2b	¥535.0b
AU Westpac Leading Index MoM	Dec	0.27%	0.05%	--

Source: Bloomberg

- As expected, BOJ kept short-term policy rate unchanged at -0.10% and 10-year yield target around zero percent. It was noted that BOJ would continue its QE approach to achieve its 2% inflation target, offering an optimistic view towards inflation outlook. There were little changes in yesterday's policy rhetoric which somewhat disappointed markets who had been expecting some shift away from its decades-long ultra-loose monetary policy following BOJ's baby step in reducing its balance sheet recently.
- Other data released in Japan were mixed. In Dec, nationwide department sales declined 0.60% YOY from a gain of 2.20% in previous month, signaling weakening consumer spending may drag the growth in the economy. On the contrary, all industry activity index rose more than expected by 1.00% MOM in Nov, picked up from 0.30% in preceding month, suggesting a quicker pace in overall production sector. Meantime, the growth in business capital spending remained at 48.30% YOY in Dec, driving the business confidence in the economy. Trade balance registered a bigger surplus of ¥359.0b in December, as exports grew at a faster pace of 5.5% MOM vs the 2.0% MOM increase in imports.
- Back to the US, Richmond Fed manufacturing pulled back more than expected to a 3-month low of 14 in January, dragged by sharply lower shipments, numbers of employed and average workweek. On a less disturbing note, new order volume stayed unchanged during the month, suggesting demand is still forthcoming.
- Over in the Eurozone, ZEW survey showed economic sentiments have turned more upbeat on future outlook, with the index rising to 31.8 in January (Dec: 29.0), its highest in six months driven by expectations for higher inflation rate and short term interest rate. In tandem, a separate release also showed consumer confidence continued to improve for a 3rd straight month, ticking up more than expected to 1.3 in January, its best since 2000. Growing optimism added to signs firm recovery in the Euro region is still forthcoming.
- In UK, the budget deficit narrowed in Dec. The government borrowed much less than expected, helped by a large credit from the European Union amount to £1.2b. The borrowing fell to £0.98b from a downwardly revised of £6.64b.
- In Australia, Westpac leading index picked up to increase at a faster pace of 0.27% in December, its fastest in a year, driven by broad-based increases in most sub-components from equities to industrial production and housing approvals.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	1/24	CPI YoY	Dec	3.50%	3.40%	--
	1/25	BNM Overnight Policy Rate	Jan-25	3.25%	3.00%	--
US	1/24	MBA Mortgage Applications	Jan-19	--	4.10%	--
		Markit US Services PMI	Jan P	54.3	53.7	--
		Markit US Manufacturing PMI	Jan P	55.0	55.1	--
		Existing Home Sales MoM	Dec	-1.90%	5.60%	--
	1/25	Wholesale Inventories MoM	Dec P	--	--	--
		Initial Jobless Claims	Jan-20	--	--	--
		New Home Sales MoM	Dec	-7.90%	17.50%	--
		Leading Index	Dec	--	0.40%	--
Eurozone	1/24	Markit Eurozone Manufacturing PMI	Jan P	60.3	60.6	--
		Markit Eurozone Services PMI	Jan P	56.4	56.6	--
	1/25	ECB Main Refinancing Rate	Jan-25	0.00%	0.00%	--
UK	1/24	Claimant Count Rate	Dec	--	2.30%	--
		Jobless Claims Change	Dec	--	5.9k	--
		ILO Unemployment Rate 3Mths	Nov	4.30%	4.30%	--
Japan	1/24	Nikkei Japan PMI Mfg	Jan P	--	54.0	--
		Leading Index CI	Nov F	--	108.6	--
		Coincident Index	Nov F	--	118.1	--
Hong Kong	1/25	Exports YoY	Dec	7.30%	7.80%	--
New Zealand	1/25	CPI YoY	4Q	1.90%	1.90%	--
Vietnam	1/25 – 28	CPI YoY	Jan	--	2.60%	1.03%
	1/25 – 31	Retail Sales YTD YoY	Jan	--	10.9%	--
		Industrial Production YoY	Jan	--	11.2%	--
		Export YTD YoY	Jan	--	21.1%	--

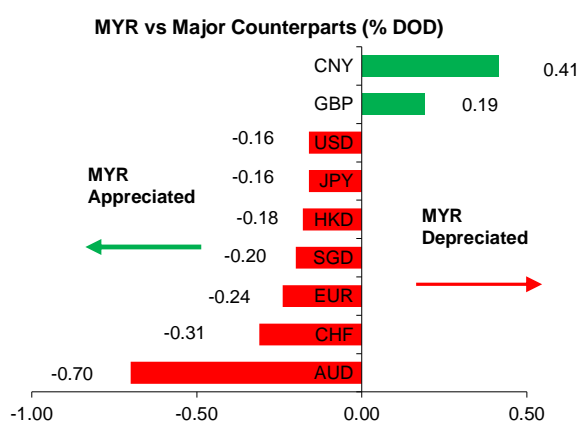
Source: Bloomberg

Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2299	0.30	1.2306	1.2223	2.5
USDJPY	110.31	-0.55	111.18	110.25	-2.2
GBPUSD	1.4000	0.09	1.4027	1.3916	3.7
AUDUSD	0.8000	-0.21	0.8030	0.7957	2.4
EURGBP	0.8785	0.21	0.87958	0.8762	-1.1
USDMYR	3.9265	-0.16	3.9355	3.9262	-3.2
EURMYR	4.8056	-0.24	4.8231	4.8042	-0.6
JPYMYR	3.5471	-0.16	3.5540	3.5349	-1.1
GBPMYR	5.4761	0.19	5.5006	5.4751	0.4
SGDMYR	2.9752	-0.20	2.9823	2.9739	-1.8
AUDMYR	3.1284	-0.70	3.1538	3.1271	-0.9
NZDMYR	2.8766	0.08	2.8888	2.8730	0.1

Source: Bloomberg



MYR

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USD

- **USD fell against 9 G10s** while the Dollar Index reversed an early rebound to decline 0.31% to 90.12 as buying interest remained soft with knowledge of another fiscal cliff coming up in 3 weeks.
- **Maintain a bullish view on USD** in anticipation of potential rebound after recent declines, more so if US data improves. We continue to opine that the Dollar Index is forming bottom as downside momentum diminishes. But with the trend deep in bearish territory, the rebound may be shallow and likely capped by 90.68.

EUR

- **EUR** was supported by a soft greenback and improved Eurozone data to **advance 0.30% to 1.2299** and climb against 6 G10s.
- **Keep a bearish view on EUR against USD** as buying interest will likely wane heading into ECB policy decision, with downsides likely to accelerate if Eurozone data disappoints. The bullish technical outlook is still under threat from diminishing momentum. Continued failure to beat 1.2323 increases the risk of EURUSD sliding to 1.2218 going forward.

GBP

- **GBP inched 0.09% firmer to 1.4000 against a soft USD** but slipped against 8 G10s amid signs of rising budget deficit in the UK.
- **We stay slightly bearish on GBP against USD**, weighed down by risk aversion ahead of UK employment data, which could trigger a sharp reversal of recent gains. GBPUSD continues to display potential for reversal as upside momentum diminishes. This will be allayed by a close above 1.4058, otherwise, a drop to 1.3872 in the coming days is expected.

JPY

- **JPY** was supported by risk-off in the FX markets to beat all G10s and **strengthened 0.55% to 110.31 against a soft USD**.
- **We now turn bullish on JPY against USD**, anticipating softer risk appetite in the markets approaching ECB policy decision. Technical outlook has turned bearish and USDJPY could slip to 110.00, below which 109.71 will be tested.

AUD

- **AUD** tumbled against all G10s and **weakened 0.21% to 0.8000 against USD**, pressured by softer commodities.
- **Stay bearish on AUD in anticipation of a rebound in USD** and likelihood of extended retreat in risk appetite in FX markets. We view yesterday's decline as the onset of an extended weakness going forward. AUDUSD is likely taking aim at 0.7944 next, below which a drop to 0.7912 is expected.

SGD

- **SGD strengthened 0.12% to 1.3174 against a soft USD** but retreated against 8 G10s.
- **SGD is now bearish against USD**, weighed down by retreating risk appetite in the markets. Though we continue to caution that a rebound may be in the works amid easing downside momentum, being deep in bearish territory suggests that rebounds may be shallow and brief.

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