

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global financial markets traded in a mixed note overnight and it appeared that “discussions” or rather “debates” on currency strength is in the forefront.** Trump’s comments on preference for a strong USD helped revived the greenback which was battered down a day earlier following Mnuchin’s remarks that a weak USD is favourable to the US economy. To a certain extent, there were also chatters that a stronger euro is prompting ECB officials to carefully craft its exit strategies. **While there are sufficient reasons to justify a shift in forward guidance to a more hawkish bias, ECB officials prefer to delay such communication to a later date as it kept all benchmark interest rates unchanged.**
- Back home, **BNM raised OPR by 25bps to 3.25% in a not entirely surprised move.** Following yesterday’s quarter-point hike, we noticed that **the policy statement has turned neutral again, implying another OPR hike is not on the cards in the near future.** Fundamentally, while growth is expected to still maintain a big figure 5%, growth traction is softening and this is expected to turn more apparent in 2H2018. This, coupled with moderating inflation outlook and a resilient domestic financial market, suggest further policy normalization in the near term is not warranted. We therefore believe OPR will stay unchanged at current level of 3.25% for the remaining of the year.
- **USD recovered from a slow start to close marginally higher against 7 G10s** while the Dollar Index surged near the day’s close to settle 0.21% higher at 89.39, after US President Trump commented that he favours a strong greenback. **Stay bearish on USD** on risk aversion ahead of first-tier US data; caution that strong data would extend the recent rebound. We view overnight rebound as a correction to recent slump; technical outlook remains negative, with room to test 88.50 on the downside. Further rebounds cannot be ruled out but unless the Dollar Index recaptures 90.21, overall downsidings persist.
- **MYR strengthened 0.70% to 3.8855 against a weak USD** and advanced against 7 G10s. **We are now bearish on MYR against USD** as there is likely little catalyst for extended buying interest post-OPR rate hike. Further USDMYR losses cannot be ruled out given a prevailing bearish trend but expect losses to soften going forward and caution that a rebound may be on the horizon, with room to climb to as high as 3.9247.
- **SGD weakened 0.21% to 1.3100 against a rebounding USD** and slipped against 7 G10s. **We stay bearish on SGD against USD**, anticipating pressure from risk aversion in the markets. After yesterday’s pullback, we cannot rule out further rebounds after recent slump. USDSGD gains are likely capped by 1.3142, otherwise bulls will gather strength and set sights on 1.3200.

Overnight Economic Data

US	➔
Hong Kong	➔
Japan	➔

What’s Coming Up Next

Major Data

- US personal consumption, 4Q GDP, durable goods orders, core PCE and wholesale inventories.
- UK 4Q GDP
- Singapore unemployment rate, industrial production

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2313	1.2351	1.2400	1.2415	1.2431	➔
USDJPY	109.20	109.50	109.69	109.80	110.00	➔
GBPUSD	1.4100	1.4127	1.4157	1.4185	1.4200	➔
AUDUSD	0.8009	0.8028	0.8036	0.8050	0.8072	➔
EURGBP	0.8724	0.8750	0.8759	0.8769	0.8779	➔
USDMYR	3.8830	3.8850	3.8880	3.8953	3.8985	➔
EURMYR	4.8223	4.8288	4.8229	4.8333	4.8414	➔
JPYMYR	3.5349	3.5445	3.5460	3.5472	3.5526	➔
GBPMYR	5.4931	5.5000	5.5044	5.5118	5.5231	➔
SGDMYR	2.9625	2.9650	2.9687	2.9700	2.9739	➔
AUDMYR	3.1155	3.1200	3.1224	3.1290	3.1328	➔
NZDMYR	2.8336	2.8414	2.8454	2.8472	2.8503	➔
USDSGD	1.3050	1.3073	1.3092	1.3127	1.3142	➔
EURSGD	1.6206	1.6224	1.6242	1.6258	1.6285	➔
GBPSGD	1.8442	1.8502	1.8540	1.8564	1.8600	➔
AUDSGD	1.0488	1.0500	1.0517	1.0526	1.0538	➔

*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	1845.9	0.5	2.7	CRB Index	199.3	-0.08	2.8
Dow Jones Ind.	26392.8	0.5	6.8	WTI oil (\$/bbl)	65.6	-0.15	8.6
S&P 500	2839.3	0.1	6.2	Brent oil (\$/bbl)	70.4	-0.16	5.3
FTSE 100	7615.8	-0.4	-0.9	Gold (S/oz)	1348.0	-0.80	8.1
Shanghai	3548.3	-0.3	7.3	CPO (RM/tonne)	2470.5	0.69	3.4
Hang Seng	32654.5	-0.9	9.1	Copper (\$/tonne)	7150.0	3.28	-1.3
STI	3572.6	-1.0	5.0	Rubber (sen/kg)	464.5	-1.59	0.4

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY BNM OPR	Jan-25	3.25%	3.00%	3.25%
US Initial Jobless Claims	Jan-20	233k	216k	235k
US New Home Sales MOM	Dec	-9.30%	15.0%	-7.90%
US Leading Index	Dec	0.60%	0.50%	0.50%
EU ECB Main Refinancing Rate	Jan-25	0.00%	0.00%	0.00%
JP Natl CPI Ex Fresh Food, Energy YOY	Dec	0.30%	0.30%	0.40%
JP PPI Services YOY	Dec	0.80%	0.80%	0.80%
HK Exports YOY	Dec	6.00%	7.80%	7.30%

Source: Bloomberg

➤ Macroeconomics

- In a not entirely surprised move, BNM raised OPR by 25bps to 3.25% at its MPC meeting today. Following today's quarter-point hike, we noticed that the policy statement has turned neutral again, implying another OPR hike is not on the cards in the near future. BNM reiterated that the current stance of monetary policy remains accommodative, and that the MPC will continue to assess the balance of risks surrounding the outlook for domestic growth and inflation, a phrase usually used in signaling a rate pause.
- Fundamentally, while growth is expected to still maintain a big figure 5%, growth traction is softening and this is expected to turn more apparent in 2H2018. This, coupled with moderating inflation outlook and a resilient domestic financial market, suggest further policy normalization in the near term is not warranted. We therefore believe OPR will stay unchanged at current level of 3.25% for the remaining of the year.
- Over in the Eurozone, ECB maintained its main refinancing and other benchmark interest rates unchanged as expected. While there are sufficient reasons to justify a shift in forward guidance to a more hawkish bias, ECB officials prefer to delay such communication to a later date. President of ECB, Mario Draghi pointed out that a rise in Euro value will tend to softer inflation and will complicate the task of bringing it back to target of 2%. That said, he commented that growth in the region is "solid and broad" and that inflation was likely to rise in the medium term.
- US data reported another mixed bag. Initial jobless claims in US rebounded by 17k to 233k in the week ended 20 Jan, from a 45-year low of 216k last week. The increase was below expectation, pointing to tightening labour market condition. Meantime, US new home sales shrank 9.30% MOM from a downwardly revised of 15.00% increase last month, reflecting a softer housing market. US leading index climbed 0.60% in Dec, following an upwardly revised of 0.50%, suggesting continued robust growth in the next 6-months outlook after the financial markets have largely reacted to the recently passed tax plan.
- Prices in Japan remained largely subdued. While the increase in headline CPI picked up to 1.0% YOY in December, core CPI ex food and energy maintained a 0.3% YOY increase, reaffirming still soft underlying prices in Japan. In addition, PPI services maintained a 0.80% YOY increase in December as expected. This was driven by quicker increase in international air passenger which rose 3.80% YOY from 2.90%, information & communication which rebounded to 0.00% from a 0.10% decline last month and advertising services which rebounded to increase 0.80% from a -1.30% in Nov.
- Hong Kong's exports tapered off more than expected to expand only 6.0% YOY in December, down from a 7.8% growth in November. Imports rose at a faster pace of 9.0% from a year earlier and resulted in trade deficit of HK\$59.9b. The figure came below market expectation of -HK\$45.9b was mainly attributed to slower exports to China (Dec: +1.7% vs Nov: +10.1%) and faster growth in imports (Dec: +9.0% vs Nov: +8.6%).

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
United States	1/26	Personal Consumption	4Q	3.70%	2.20%	--
		GDP Annualized QoQ	4Q A	3.00%	3.20%	--
		Durable Goods Orders	Dec P	0.80%	1.30%	--
		Core PCE QoQ	4Q A	1.90%	1.30%	--
		Wholesale Inventories MoM	Dec P	0.40%	0.80%	--
	1/29	Personal Income	Dec	0.30%	0.30%	--
		Personal Spending	Dec	0.50%	0.60%	--
		PCE Core MoM	Dec	0.20%	0.10%	--
		Dallas Fed Manufacturing Activity	Jan	25.3	29.7	--
United Kingdom	1/26	GDP QoQ	4Q A	0.40%	0.40%	--
	1/28 – 2/03	Nationwide House PX MoM	Jan	0.10%	0.60%	--
Singapore	1/26	Unemployment rate SA	4Q	2.10%	2.1%	2.2%
		Industrial Production YoY	Dec	0.80%	5.3%	--
Vietnam	1/29 - 1/31	CPI YoY	Jan	2.60%	2.60%	--
		Retail Sales YTD YoY	Jan	--	10.9%	--
		Industrial Production YoY	Jan	--	11.2%	--
		Export YTD YoY	Jan	27.7%	21.1%	--

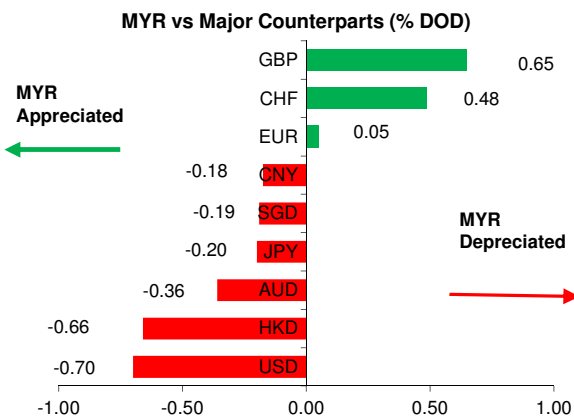
Source: Bloomberg

Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2396	-0.10	1.2537	1.2364	3.2
USDJPY	109.41	0.17	109.7	108.50	-2.6
GBPUSD	1.4142	-0.70	1.4345	1.4083	4.7
AUDUSD	0.8026	-0.45	0.8119	0.8012	2.8
EURGBP	0.8764	0.58	0.8785	0.8687	-1.4
USDMYR	3.8855	-0.70	3.9060	3.8855	-3.8
EURMYR	4.8302	0.05	4.8572	4.8260	-0.5
JPYMYR	3.5632	-0.20	3.5844	3.5616	-1.3
GBPMYR	5.5506	0.65	5.5845	5.5429	0.8
SGDMYR	2.9764	-0.19	2.9903	2.9749	-2.0
AUDMYR	3.1421	-0.36	3.1645	3.1388	-1.2
NZDMYR	2.8628	-1.06	2.8814	2.8593	-1.2

Source: Bloomberg



MYR

- **MYR strengthened 0.70% to 3.8855 against a weak USD** and advanced against 7 G10s.
- **We are now bearish on MYR against USD** as there is likely little catalyst for extended buying interest post-OPR rate hike. Further USDMYR losses cannot be ruled out given a prevailing bearish trend but expect losses to soften going forward and caution that a rebound may be on the horizon, with room to climb to as high as 3.9247.

USD

- **USD recovered from a slow start to close marginally higher against 7 G10s** while the Dollar Index surged near the day's close to settle 0.21% higher at 89.39, after US President Trump commented that he favours a strong greenback.
- **Stay bearish on USD** on risk aversion ahead of first-tier US data; caution that strong data would extend the recent rebound. We view overnight rebound as a correction to recent slump; technical outlook remains negative, with room to test 88.50 on the downside. Further rebounds cannot be ruled out but unless the Dollar Index recaptures 90.21, overall downsides persist.

EUR

- **EUR** got a lift from ECB President Draghi's optimistic comments but **closed 0.1% lower at 1.2396 against USD** that rebounded strongly, but remained firm against 5 G10s.
- **Remain bullish on EUR against USD**, but could again quickly dip into losses if US data outperforms. The bullish technical outlook is still under threat from diminishing momentum; expect gains to continue but at a softer pace. EURUSD must now beat 1.2465 to establish an extended upside bias, otherwise a reversal is on the horizon.

GBP

- **GBP** tumbled against all G10s and **fell 0.7% to 1.4142 against USD** as buying interest faded to rebound in the greenback and firmer European majors.
- **We keep a bearish view on GBP against USD** on risk aversion ahead of UK data as well as BOE Governor Carney's speech at Davos. GBPUSD remains exposed to further retracements after failing to hold above 1.4239. Further losses could test 1.4044 going forward.

JPY

- **JPY** retreated against 7 G10s and **slipped 0.17% to 109.41 against a rebounding USD**.
- **Stay bullish on JPY against USD** as we anticipate rising risk aversion in the markets going into the week's closure. USDJPY remains pressured while below 110.10 and still inclined to losses, possibly testing 109 in the next leg lower.

AUD

- **AUD** came under pressure from softer commodities, falling against 8 G10s and **weakened 0.45% to 0.8026 against USD**.
- **AUD is likely to stay bearish against USD**, weighed down by rising risk aversion in the markets going into the week's closure. Continued deviation from recent highs and failure to close above 0.8072 still contribute to AUDUSD's inclination to retreat. We set sights on a drop to 0.7976 going forward.

SGD

- **SGD** weakened 0.21% to 1.3100 against a rebounding USD and slipped against 7 G10s.
- **We stay bearish on SGD against USD**, anticipating pressure from risk aversion in the markets. After yesterday's pullback, we cannot rule out further rebounds after recent slump. USDSGD gains are likely capped by 1.3142, otherwise bulls will gather strength and set sights on 1.3200.

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