April 26, 2018

HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- Concerns over rising US treasuries yields continued to haunt amid a day of scanty data releases and newsflows even as corporate earnings came in generally on the positive side.

- **US MBA mortgage applications fell 0.2% WOW dragged by a decline in refinancing** while applications for new purchases were flat on the week. The average interest rate for a 30-year fixed rate contract increased to 4.73% compared to 4.66% in the preceding week, dampening demand for mortgages.

- **In Japan, all industry activity index rebounded** to increase 0.4% MOM in February, **but still registered a deceleration on a YOY basis** (+1.1% vs +1.8%) **as a result of broad-based slowdown in all the three major sectors of manufacturing, services and construction.** Looking ahead, Japanese economy is unlikely to return to the strong momentum seen in late last year hence prompting BOJ to keep its monetary policy unchanged in upcoming Friday's meeting.

- **USD strengthened against all G10s** while the DXY trended higher through Asian, European and US sessions to close 0.45% stronger at 91.17, supported by rising expectations of a tighter US monetary policy. **We are slightly bearish on USD today**, anticipating potential rebound in European majors post-ECB policy decision; softer than expected US data would also pressure USD. DXY remains technically bullish while above 90.88 and is set for a test at 91.44 going forward. But before that, we reckon that there may be another pullback as part of a corrective move to yesterday's rally.

- **MYR slipped 0.17% to 3.9115 against a firmer USD** but was firmer against 6 G10s that also retreated to the greenback's advance. **Expect a slightly bearish MYR against a stronger overnight USD**. Upside bias continues to strengthen in USDMYR. After firmly breaking above 3.9120, USDMYR is now exposed to test at 3.9255. Risk of rejection is likely getting stronger approaching the 3.9255 – 3.9290 range. A break here pushes USDMYR higher to 3.9430.

- **SGD** was also supported by firmer risk appetite towards US close to beat 6 G10s but **ended 0.51% lower at 1.3289 against a firmer USD**. **We are now slightly bullish on SGD against USD**, anticipating improved risk appetite in the markets, taking cue from improved overnight sentiment in the US. Expect USDSGD to retrace some of its recent sharp gains first before resuming further upsides. We set sights on a climb above 1.3300.

Eco Overnight Economic Data

US	↓
Japan	↑

What's Coming Up Next

Major Data
- US Initial Jobless Claims, Wholesales Inventories, Durable Goods Orders, Kansas City Fed Manf. Activity
- UK CBI Retailing Reported Sales
- Hong Kong Export, Trade Balance
- Singapore Industrial Production

Major Events
- ECB monetary policy decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2120	1.2150	1.2172	1.2182	1.2200	↗
USDJPY	109.02	109.28	109.36	109.50	1.9.78	↘
GBPUSD	1.3920	1.3920	1.3940	1.3966	1.3980	↘
AUDUSD	0.7550	0.7564	0.7574	0.7580	0.7600	↘
EURGBP	0.8709	0.8722	0.8733	0.8741	0.8750	↗
USDMYR	3.9111	3.9156	3.9187	3.9200	3.9255	↗
EURMYR	4.7628	4.7675	4.7693	4.7726	4.7760	↘
JPYMYR	3.5800	3.5820	3.5837	3.5850	3.5880	↘
GBPMYR	5.4511	5.4562	5.4618	5.4650	5.4695	↗
SGDMYR	2.9450	2.9500	2.9523	2.9541	2.9559	↗
AUDMYR	2.9636	2.9668	2.9689	2.9725	2.9756	↗
NZDMYR	2.7650	2.7700	2.7726	2.7759	2.7785	↗
USDSGD	1.3250	1.3268	1.3273	1.3280	1.3300	↘
EURSGD	1.6135	1.6155	1.6163	1.6168	1.6185	↘
GBPSGD	1.8476	1.8502	1.8505	1.8515	1.8535	↘
AUDSGD	1.0035	1.0046	1.0058	1.0068	1.0085	↗

* 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	1851.93	-0.7	3.1	CRB Index	200.69	0.30	3.5
Dow Jones Ind.	24083.83	0.2	-2.6	WTI oil ($/bbl)	68.05	0.52	12.6
S&P 500	2639.40	0.2	-1.3	Brent oil ($/bbl)	74.00	0.19	10.7
FTSE 100	7379.32	-0.6	-4.0	Gold (S/oz)	1323.13	-0.54	1.5
Shanghai	3117.97	-0.4	-5.7	CPO (RM/tonne)	2386.50	-0.23	-0.2
Hang Seng	30328.15	-1.0	1.4	Copper ($/tonne)	7008.00	-0.07	-3.3
STI	3568.01	-0.5	4.9	Rubber (sen/kg)	444.50	-0.34	-3.9

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	20 Apr	-0.2%	4.9%	--
JN All Industry Activity Index MOM	Feb	0.4%	-1.1% (revised)	0.5%

Source: Bloomberg

➢ Macroeconomics

- Mortgage applications in the US fell 0.2% for the week ended 20 April (Previous: +4.9%) as rising mortgage interest rates dampened demand. The average interest rate for a 30-year fixed rate contract increased to 4.73% compared to 4.66% in the previous week. Refinancing applications which made up 37.2% of total applications and are particularly rate sensitive dropped 0.3% (Previous: +3.5%). Applications for new home purchases barely budged, with 0% increase (Previous: +6.1%). The increase in interest rate was due to the substantial surge in treasury rates last week as markets reacted to various positive economic data and more hawkish comments from the Fed leading to higher inflation expectations. Retail sales for instance rebounded more than expected in March amidst strong domestic demand while initial jobless claims continue to decrease pointing to a further tightening of the labour market which will eventually push up wages hence inflations. The housing market continues to be vigorous as demand was tremendously high but limited inventories have been driving up house prices. Rising mortgage cost could hamper demand as the Fed could be increasing interest rates for another two times in 2018. Markets have been expecting the central bank to stay put in the next FOMC meeting but did not rule out further hikes in 2018.

- In Asia, Japan All Industry Activity Index rebounded to increase 0.4% MOM in February (Jan: +1.1% revised). On an annual basis, the index indicates a slowdown, increasing by 1.1% YOY (Jan: +1.8%). An overview shows that all three components of the index - industrial production, tertiary industry activity and construction have eased consistently since December 2017. Industrial production was dragged by slower manufacturing output amidst softer domestic demand. At the external front, demand for machine tools are normalizing after hovering above 40% growth for five months since September last year. Nonetheless we are seeing some signs of improvement as the latest Nikkei Flash Manufacturing PMI suggests an expansion for April. It is worth noting that the slowdown in tertiary industry activity which make up more than 70% of the index was not as pronounced, growth was flat from Dec-17 to Jan-18 and went down in February. Retail sales could be a bright spot ahead judging from the improvement in department and convenience store sales as consumers are shopping for spring. Inflation in Japan remained subdued (headline CPI increased 1.1% YOY in March compared to 1.5% In February) with BOJ governor Haruhiko Kuroda admitted that the central bank 2% inflation target is yet to be achieved in the near term. Looking ahead, Japanese economy is unlikely to return to the strong momentum seen in late last year hence prompting BOJ to keep its monetary policy unchanged in upcoming Friday's meeting.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
US	26/4	Initial Jobless Claims	21 Apr	230k	232k	--
		Durable Goods Orders	Mar P	1.6%	3.0%	--
		Wholesale Inventories MOM	Mar P	0.7%	1.0%	--
		Kansas City Fed Manf. Activity	Apr	17	17	--
	27/4	GDP Annualized QOQ	1Q A	2.0%	2.9%	--
		U. of Mich Sentiment	Apr F	98.0	97.8	--
Eurozone	26/4	ECB Main Refinancing Rate	26 Apr	0.000%	0.000%	--
	27/4	Economic Confidence	Apr	112.0	112.6	--
		Business Climate Indicator	Apr	1.28	1.34	--
		Consumer Confidence	Apr F	-0.1	0.4	--
UK	26/4	CBI Retailing Reported Sales	Apr	-3	-8	--
	27/4	Gfk Consumer Confidence	Apr	-7	-7	--
		Nationwide House PX MOM	Apr	0.2%	-0.2%	
		GDP QOQ	1Q A	0.3%	0.4%	--
Japan	27/4	Jobless Rate	Mar	2.5%	2.5%	--
		Retail Sales MOM	Mar P	0.0%	0.4%	0.5%
		Industrial Production YOY	Mar P	2.0%	1.6%	--
		Housing Starts YOY	Mar	-4.8%	-2.6%	--
		Construction Orders YOY	Mar	--	19.2%	--
		BOJ Policy Balance Rate	27 Apr	-0.100%	-0.100%	--
Hong Kong	26/4	Export YOY	Mar	3.1%	1.7%	--
		Trade Balance HKD	Mar	-50.0b	-42.7b	--
Singapore	26/4	Industrial Production YOY	Mar	5.7%	8.9%	--
	27/4	Unemployment rate SA	1Q	2.1%	2.1%	--
Australia	27/4	PPI YOY	1Q	--	1.7%	--
New Zealand	27/4	ANZ Consumer Confidence Index	Apr	--	128.0	--
		Trade Balance NZD	Mar	275m	217m	--
		Exports NZD	Mar	4.91b	4.46b	--

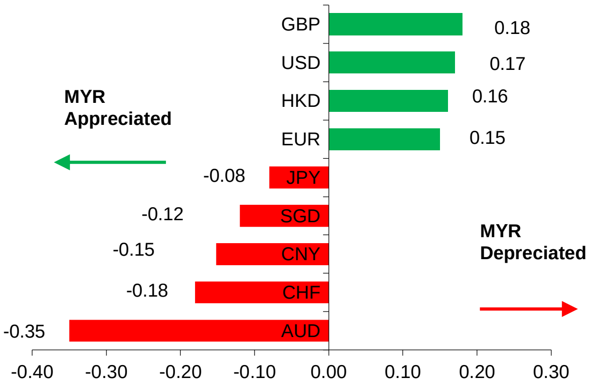
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2161	0.59	1.2239	1.2160	1.4
USDJPY	109.43	0.56	109.45	108.79	3.0
GBPUSD	1.3932	0.33	1.3997	1.3924	3.1
AUDUSD	0.7565	0.51	0.7606	0.7552	3.1
EURGBP	0.8730	0.25	0.8753	0.8728	1.7
USDMYR	3.9115	0.17	3.9142	3.9030	3.2
EURMYR	4.7744	0.15	4.7840	4.7675	1.7
JPYMYR	3.5849	0.08	3.5929	3.5789	0.4
GBPMYR	5.4591	0.18	5.4709	5.4509	0.1
SGDMYR	2.9489	0.12	2.9566	2.9434	2.6
AUDMYR	2.9636	0.35	2.9711	2.9555	6.2
NZDMYR	2.7731	0.32	2.7820	2.7668	3.8

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR slipped 0.17% to 3.9115 against a firmer USD** but was firmer against 7 G10s that also retreated to the greenback's advance.
- **Expect a slightly bearish MYR against a stronger overnight USD**. Upside bias continues to strengthen in USDMYR. After firmly breaking above 3.9120, USDMYR is now exposed to test at 3.9255. Risk of rejection is likely getting stronger approaching the 3.9255 – 3.9290 range. A break here pushes USDMYR higher to 3.9430.

USD

- **USD strengthened against all G10s** while the DXY trended higher through Asian, European and US sessions to close 0.45% stronger at 91.17, supported by rising expectations of a tighter US monetary policy.
- **We are slightly bearish on USD today**, anticipating potential rebound in European majors post-ECB policy decision; softer than expected US data would also pressure USD. DXY remains technically bullish while above 90.88 and is set for a test at 91.44 going forward. But before that, we reckon that there may be another pullback as part of a corrective move to yesterday's rally.

EUR

- **EUR tumbled 0.59% to 1.2161 against USD** and fell against 5 G10s as markets pared positions heading into ECB meeting.
- **Expect a slightly bullish EUR against USD**, as buying interest is likely to return after risk event of ECB policy announcement; caution that a more dovish tone from ECB President Draghi will trigger sharp losses. EURUSD remains technically bearish but we suspect a rebound may come first before extending further downsides. Gains are likely restricted by 1.2239, otherwise the rebound will sustain further upsides.

GBP

- **GBP** was supported by softer risk appetite in European markets to beat 8 G10s but **fell 0.33% to 1.3932 against a firmer USD**.
- **Stay slightly bearish on GBP against USD** in the absence of positive catalysts to drive gains. GBPUSD remains trapped in a minor bearish bias that hints at a couple more days of losses. Caution that losing 1.3902 is likely to trigger a new bearish trend, this time possibly targeting 1.3782.

JPY

- **JPY** ended mixed against the G10s as demand for refuge retreated towards US session close, but nonetheless **weakened 0.56% to 109.43 against USD**.
- **We are slightly bullish on JPY against USD** today, in anticipation of the greenback's pullback. There is still room for additional gains in USDJPY going forward, possibly testing 110, but before that, expect some retracement first.

AUD

- **AUD tumbled 0.51% to 0.7565 against a firmer USD** but managed to beat 6 G10s after risk appetite improved towards the close of US session.
- **Expect a slightly bullish AUD against USD** as we anticipate firmer risk appetite towards US closing yesterday to spill into today's sentiment. AUDUSD remains prone to further losses but given that it has failed to breach 0.7550 yesterday, we caution that AUDUSD may be heading for a modest rebound. Another failure today will strengthen the chances of a rebound.

SGD

- **SGD** was also supported by firmer risk appetite towards US close to beat 6 G10s but **ended 0.51% lower at 1.3289 against a firmer USD**.
- **We are now slightly bullish on SGD against USD**, anticipating improved risk appetite in the markets, taking cue from improved overnight sentiment in the US. Expect USDSGD to retrace some of its recent sharp gains first before resuming further upsides. We continue to set sights on a climb above 1.3300.

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