

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks fell overnight despite a better than expected 4Q GDP growth, largely on the **no-agreement Trump-Kim summit in Vietnam and poor China data sparking renewed concerns on global growth**. The Dow, S&P 500 and NASDAQ each saw a modest loss of 0.27%, 0.28% and 0.29%. President Trump were said to have rejected North Korea leader Kim Jong Un's demand to lift all US sanctions. **US treasuries however fell on easing growth concern following better than expected 4Q GDP print**, overshadowing worries over international politics. Yields on US 10Y government notes picked up 4bps to 2.72% while yield on 2Y notes rose 2bps to 2.51%. Elsewhere, **European stocks rallied except for the U.K. markets while Asian benchmarks ended in reds on weak China data**. Crude oil prices saw divergence in directions- Brent crude fell 0.54% to \$66.03/barrel while WTI rose 0.49% to \$57.22/barrel.
- US data were mixed in general - **4Q GDP growth clocked in better-than-expected at 2.6% QOQ**, initial jobless claims rose 8k to 225k last week, Chicago PMI surged while Kansas City Fed Manufacturing Index dropped by a huge margin. In the UK, Nationwide reported that house prices fell 0.1% MOM in February. In Asia, **China NBS manufacturing PMI slipped further to 49.2 while services PMI weakened slightly to 54.3**. Japan jobless rate rose to 2.5% in January. Australia manufacturing PMI recovered to 54.0, while consumer confidence stabilized in New Zealand. Resurgence in Vietnam data reflects the country's solid fundamentals as IPI and external trade recovered in February.
- **USD advanced against 6 G10s** while the DXY rallied to overturn losses into very mild gains, closing at 96.15 from a strong lift by better than expected US 4Q GDP data, which again buoyed expectations of Fed policy tightening. **Maintain a bearish view on USD** as we continue to suspect potential downsides in US data. Despite a mild rebound overnight, DXY remains tilted to the downside and continues to threaten a break below 96.00. Beating 96.41 today could reverse current bearish trend, but seems tough to achieve based on lingering downward momentum.
- **MYR was 0.02% softer against USD at 4.0660** after narrowing early losses riding on the back of a softening greenback in European session. MYR advanced against 6 G10s. **MYR is slightly bearish against USD**, in anticipation of pressure from receding risk appetite in the markets. Lingering price-momentum divergence and a bullish reversal pattern continue to hint at USDMYR heading higher going forward. We continue to caution that failure to push below 4.0500 is likely to encourage the bulls and spark a rally back to 4.0920 – 4.0965.
- **SGD fell 0.26% to 1.3521 against USD** and fell against 6 G10s. **SGD is still slightly bearish against USD** in our view, weighed down by receding risk appetite in the markets. Technical outlook suggests that USDSGD is forming a bullish chart pattern, which hints at a rebound to circa 1.3614.

Overnight Economic Data

US	➔
Japan	⬇
China	⬇
Australia	⬇
New Zealand	➔
Vietnam	➔

What's Coming Up Next

Major Data

- US Kansas City Fed Manf. Activity, Personal Income, Personal Spending, Core PCE, ISM Manufacturing, U. of Mich. Sentiment
- Eurozone Unemployment Rate, CPI
- UK Mortgage Approvals
- Markit Manufacturing PMIs (US, Eurozone, UK, Japan, China, Vietnam, Malaysia)

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1358	1.1367	1.1371	1.1374	1.1384	↗
GBPUSD	1.3233	1.3254	1.3260	1.3288	1.3300	↘
USDJPY	111.20	111.37	111.45	111.53	111.80	↗
AUDUSD	0.7069	0.7084	0.7096	0.7104	0.7117	↘
EURGBP	0.8562	0.8571	0.8575	0.8586	0.8596	↗
USDMYR	4.0710	4.0725	4.0735	4.0750	4.0770	↗
EURMYR	4.6277	4.6300	4.6331	4.6356	4.6380	↗
JPYMYR	3.6500	3.6520	3.6557	3.6575	3.6600	↘
GBPMYR	5.3951	5.4000	5.4011	5.4032	5.4050	↘
SGDMYR	3.0117	3.0130	3.0139	3.0150	3.0203	➔
AUDMYR	2.8853	2.8900	2.8914	2.8941	2.8980	↘
NZDMYR	2.7700	2.7722	2.7757	2.7804	2.7838	↘
USDSGD	1.3500	1.3509	1.3518	1.3525	1.3540	↗
EURSGD	1.5357	1.5365	1.5372	1.5383	1.5396	↗
GBPSGD	1.7880	1.7907	1.7922	1.7934	1.7953	↘
AUDSGD	0.9577	0.9587	0.9593	0.9603	0.9610	↘

* 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	1,707.73	-0.33	1.01	CRB Index	182.75	-0.26	7.62
Dow Jones Ind.	25,916.00	-0.27	11.10	WTI oil (\$/bbl)	57.22	0.49	26.01
S&P 500	2,784.49	-0.28	11.08	Brent oil (\$/bbl)	66.03	-0.54	23.25
FTSE 100	7,074.73	-0.46	5.15	Gold (\$/oz)	1,313.32	-0.50	8.10
Shanghai	2,940.95	-0.44	17.93	CPO (RM/tonne)*	1,948.00	-1.89	-0.23
Hang Seng	28,633.18	-0.43	10.79	Copper (\$/tonne)	6,506.50	0.21	9.08
STI	3,212.69	-1.15	4.69	Rubber (sen/kg)	432.50	0.46	14.12

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US Initial Jobless Claims	23 Feb	225k	217k (revised)	220k
US GDP Annualized QOQ	4Q A	2.6%	3.4%	2.2%
US Chicago Purchasing Manager	Feb	64.7	56.7	57.5
US Kansas City Fed Manf. Activity	Feb	1.0	5.0	6.0
UK Nationwide House Price Index MOM	Feb	-0.1%	0.2%	0.0%
JP Housing Starts YOY	Jan	1.1%	2.1%	10.3%
JP Construction Orders YOY	Jan	19.8%	-3.8%	--
JP Job-To-Applcmt Ratio	Jan	1.63	1.63	1.63
JP Jobless Rate	Jan	2.5%	2.4%	2.4%
CN Non-manufacturing PMI	Feb	54.3	54.7	54.5
CN Manufacturing PMI	Feb	49.2	49.5	49.5
AU AiG Perf of Mfg Index	Feb	54.0	52.5	--
NZ ANZ Consumer Confidence Index	Feb	120.8	121.7	--
VN Trade Balance	Feb	-\$900m	-\$800m	\$150m
VN Exports YOY	Feb	1.6%	-1.3%	3.8%
VN CPI YOY	Feb	2.64%	2.56%	2.50%
VN Industrial Production YOY	Feb	10.3%	7.9%	--
VN Retail Sales YTD YOY	Feb	12.2%	14.0%	--

Source: Bloomberg

- US 4Q GDP surpassed expectations, driven by inventory glut:** The long overdue 4Q18 GDP growth came in at a surprising rate of 2.6% QOQ (3Q: +3.4%) above consensus estimate of 2.2%. On a yearly basis, GDP grew 3.1% YOY in the final quarter (3Q: +3.0%) bringing the full year 2018 growth to 2.9% YOY (3Q: +2.2%). The increase in 4Q GDP reflected positive contributions from personal consumption expenditure, nonresidential fixed investment, exports, private inventory investment and federal government spending. Despite a better-than-expected print, growth is still expected to slow down in 1Q19 as effects of 2018 fiscal stimulus wears off and given a generally weaker economic indicators such as housing starts, home sales, industrial productions, and core capital orders). The fact that the upturn in 4Q18 was also largely driven by a buildup in inventory due to softer consumer spending in the last few months of 2018 as firms stocking up to prepare for an escalation of trade dispute, further support views of a softer 2019 landing. This, together with a generally muted inflation environment lead us to believe that the Fed will raise fed funds rate at a slower pace this year, with one hike at best towards the end of 2019. Meanwhile, regional manufacturing surveys were mixed - Chicago Purchasing Manager Index surged to 64.7 in February (Jan: 56.7) indicating the faster pace of manufacturing activities in Chicago area while Kansas City Fed Manufacturing Index fell to 1 in February (Jan: 5) pointing to slower manufacturing expansion. Initial jobless claims rose by 8k to 225k for the week ended 23 Feb (previous: 217k revised) bringing the four-week moving average to 229k (previous: 236k revised).
- UK housing market weakened further as Brexit looms:** The Nationwide house price index fell 0.1% MOM in February (Jan: +0.2% revised) while on yearly basis, prices grew 0.4% YOY (Jan: +0.1%), stronger than that of January, but paled in comparison to the above 2% levels seen in most of 2018. The sluggish growth in the housing market was largely a product of Brexit uncertainties which holds back potential buyers from entering the market for fear that the withdrawal might have significant adverse impact on the economy.
- China NBS PMIs shows further downtrend in manufacturing conditions; services growth stabilized:** The National Bureau of Statistics official PMI reading for the manufacturing sector dropped further to 49.2 in February (Jan: 49.5), marking its third running month below the 50.0 mark. Output fell in February, a short calendar month as manufacturers scaled back on production during the week-long celebration of the Lunar New Year. The rebound in new orders points to output growth next month, but new exports orders were seen declining further, a sign of weaker demand from overseas. The non-manufacturing PMI meanwhile slipped a little to 54.3 (Jan: 54.7), suggesting still-solid growth in the services sector.
- Japan jobless rate climbed higher, housing starts missed estimates:** Jobless rate rose to 2.5% in January (Dec: 2.4%) due to a 4.9% MOM surge in unemployed persons, suggesting that firms scaled back on hiring in the beginning of 2019, a sign of softer economic outlook. Labour force participation also fell to 61.2% indicating a shrink in labour force. That said, the job market remained tight, with job-to-applicant ratio staying unchanged at 1.63 in the same month (Dec: 1.63). Housing starts missed estimate, increasing a mere 1.1% YOY in January (Dec: +2.1%). Construction orders rose for the first time in three months, by a whopping 19.8% YOY in January (Dec: -3.8%).

- **Australia manufacturing sector recovered:** The AiG Performance of Manufacturing Index recovered by 1.5pts to 54.0 in February (Jan: 52.5), the best result since Oct-18 signaling a better month of recovery in February following muted growth in the previous three months. The upturn was driven by the faster pace of expansion in production, employment, exports as well as sales.
- **New Zealand consumer sentiments stabilized:** Contrary to the substantial fall in business sentiments, consumer confidence stabilized in New Zealand last month as the ANZ Roy Morgan Consumer Confidence Index slipped only by 1pt to 120.8 in February (Jan: 121.7) offering some relief that sentiments might not turn out as bad amidst slower growth. Households' perception of current conditions went up by 2pts while perception over future conditions fell 3pts suggesting that consumers remained warier of economic outlook.
- **Resurgence in Vietnam data reflects solid fundamentals:** Vietnam's latest key economic indicators came in positive – industrial production growth bounced back up to 10.3% YOY in February (Jan: +7.9%) following January's weaker showing, driven by stronger upturns in manufacturing and electricity output. External trade recovered as well – exports missed estimate, but managed to rise 1.6% YOY in February (Jan: -1.3%) to reverse January's loss. Imports surged 10.4% YOY (Jan: +3.1%) thus leading to a widening of trade deficit to \$900m (Jan: -\$800m). Retail sales grew by 12.2% YOY for the first two months of 2018 (Jan: +14.0%), but calculation shows that growth eased slightly to 11.5% YOY February alone. Last but not least, inflation rose to 2.64% YOY (Jan +2.56%) on higher cost of food and housing & construction materials.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
01/03	Malaysia	Nikkei Malaysia PMI	Feb	--	47.9	--
04/03		Trade Balance MYR	Jan	9.30b	10.43b	--
		Exports YOY	Jan	1.4%	4.8%	--
01/03	US	Personal Income	Jan	0.3%	--	--
		Personal Spending	Dec	-0.3%	0.4%	--
		Core PCE Core YOY	Dec	1.9%	1.9%	--
		Markit US Manufacturing PMI	Feb F	53.7	54.9	--
		ISM Manufacturing	Feb	55.8	56.6	--
		U. of Mich. Sentiment	Feb F	95.9	91.2	--
04/03		Construction Spending MoM	Dec	0.2%	0.8%	--
01/03	Eurozone	Markit Eurozone Manufacturing PMI	Feb F	49.2	50.5	--
		Unemployment Rate	Jan	7.9%	7.9%	--
		CPI Estimate YOY	Feb	1.5%	1.4%	--
04/03		Sentix Investor Confidence	Mar	-3.1	-3.7	--
		PPI YOY	Jan	--	3.0%	--
01/03	UK	Mortgage Approvals	Jan	63.4k	63.8k	--
		Markit UK PMI Manufacturing SA	Feb	52.0	52.8	--
04/03		Markit/CIPS UK Construction PMI	Feb	50.4	50.6	--
01/03	Japan	Nikkei Japan PMI Mfg	Feb F	--	50.3	--
01/03	China	Caixin China PMI Mfg	Feb	48.5	48.3	--
04/03	Singapore	Purchasing Managers Index	Feb	--	50.7	--
04/03	Australia	Building Approvals MOM	Jan	2.0%	-8.40%	--
01/03	Vietnam	Nikkei Vietnam PMI Mfg	Feb	--	51.9	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1371	0.01	1.1420	1.1360	0.82
GBPUSD	1.3263	-0.35	1.3320	1.3254	4.00
USDJPY	111.39	0.35	111.49	110.66	1.52
AUDUSD	0.7094	-0.62	0.7166	0.7090	0.77
EURGBP	0.8574	0.36	0.8586	0.8539	4.62
USDMYR	4.0660	0.02	4.0760	4.0640	1.64
EURMYR	4.6313	-0.02	4.6356	4.6244	2.03
JPYMYR	3.6723	-0.29	3.6778	3.6652	2.28
GBPMYR	5.4136	0.28	5.4246	5.4035	2.77
SGDMYR	3.0171	-0.01	3.0215	3.0142	0.62
AUDMYR	2.9059	-0.31	2.9180	2.9019	0.59
NZDMYR	2.7842	-0.44	2.7907	2.7803	0.20
CHFMYR	4.0806	0.11	4.0841	4.0619	2.82
CNYMYR	0.6085	-0.02	0.6099	0.6084	0.55
HKDMYR	0.5184	0.08	0.5193	0.5178	1.86
USDSGD	1.3521	0.26	1.3524	1.3477	0.82
EURSGD	1.5375	0.27	1.5396	1.5333	1.64
GBPSGD	1.7932	-0.09	1.7985	1.7907	3.14
AUDSGD	0.9592	-0.37	0.9658	0.9587	0.05

Source: Bloomberg

MYR

- **MYR was 0.02% softer against USD at 4.0660** after narrowing early losses riding on the back of a softening greenback in European session. MYR advanced against 6 G10s.
- **MYR is slightly bearish against USD**, in anticipation of pressure from receding risk appetite in the markets. Lingering price-momentum divergence and a bullish reversal pattern continue to hint at USDMYR heading higher going forward. We continue to caution that failure to push below 4.0500 is likely to encourage the bulls and spark a rally back to 4.0920 – 4.0965.

USD

- **USD advanced against 6 G10s** while the DXY rallied to overturn losses into very mild gains, closing at 96.15 from a strong lift by better than expected US 4Q GDP data, which again buoyed expectations of Fed policy tightening.
- **Maintain a bearish view on USD** as we continue to suspect potential downsides in US data. Despite a mild rebound overnight, DXY remains tilted to the downside and continues to threaten a break below 96.00. Beating 96.41 today could reverse current bearish trend, but seems tough to achieve based on lingering downward momentum.

EUR

- **EUR returned all early gains to close barely changed at 1.1371** while climbing against 6 G10s.
- **Stay bullish on EUR in anticipation of a soft USD.** EURUSD remains in a bullish trend and expectedly climbed to 1.1413 before being rejected. We reckon that EURUSD will attempt another test here, above which 1.1459 will be targeted.

GBP

- **GBP weakened 0.35% to 1.3263 against USD** and fell against 6 G10s, a pull back after recent rally from Brexit optimism.
- **Stay slightly bearish on GBP against USD** on technical reasons. GBPUSD appears overstretched and may be headed for a mild retracement lower. A drop to 1.3157 – 1.3200 range may be in the works going forward.

JPY

- **JPY weakened 0.35% to 111.39 against a rebounding USD** and fell against 6 G10s.
- **We turn bearish on JPY against USD** on technical reasons. USDJPY is now tilted to the upside after closing above 111.37 overnight and appears likely to head to 111.80 in the next leg higher.

AUD

- **AUD tumbled against all G10s and weakened 0.62% to 0.7094 against USD** on the back of receding risk appetite in the markets.
- **AUD remains bearish against USD** in our view, anticipating downside pressure from easing risk appetite in the markets, and possibly downside surprises from Chinese data. Downward momentum has emerged and AUDUSD is now tilted to the downside. Expect a test at 0.7069 next, below which 0.7039 will be targeted. Rebound from recent losses cannot be ruled out, but will likely be stemmed near 0.7139.

SGD

- **SGD fell 0.26% to 1.3521 against USD** and fell against 6 G10s.
- **SGD is still slightly bearish against USD** in our view, weighed down by receding risk appetite in the markets. Technical outlook suggests that USDSGD is forming a bullish chart pattern, which hints at a rebound to circa 1.3614.

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