April 1, 2019

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- US **stock markets finished higher on the last trading day of 1Q19 supported by trade optimism as China and US mentioned progress in the latest round of trade talks in Beijing concluded on Friday.** On Friday, the Dow, S&P 500 and NASDAQ rose 0.82%, 0.67% and 0.78% while for the overall quarter, the three indexes posted impressive gains of 11.2%, 13.1% and 16.5%. 10Y treasuries yield ticked up by 2bps to 2.41%. Elsewhere, European and Asian stocks rallied. Crude oil futures went up as WTI rose 1.42% to $60.14/barrel while Brent increased by 0.84% to $68.39/barrel. UK **PM Theresa May's Brexit deal has been defeated for the third time in** Parliament leading the sterling to plunge below 1.30 during intraday trading.

- **Latest data has been a mixed bag with positive surprises from China.** US personal income rose 0.2% MOM in February supported by steady rise in wages and salaries, personal consumption expenditures (PCE) or personal spending rose a mere 0.1% MOM in January while **the core PCE price index, the Fed's preferred gauge of inflation eased to 1.8% YOY in January.** the final reading of March University of Michigan Consumer Sentiment index was revised higher to 98.4, the Chicago Purchasing Manager Index fell to 58.7 in March while new home sales rose 4.9% MOM in February (Jan: +8.2% revised), offering signs of a recovery in the housing market. Elsewhere, UK 4Q GDP growth was unrevised at 0.2% QOQ. **China NBS manufacturing PMI rose to 50.5 in March and the non-manufacturing PMI ticked up to 54.8 in the same month.** The BOJ Tankan Survey points to weakening conditions in the manufacturing sector as the Large Manufacturing Outlook index fell to 8.0 in 1Q. Australia Performance of Manufacturing Index slipped to 51.0 in March.

- **The Dollar index closed marginally higher by 0.01% to 97.24** on generally higher USD and slightly better US equity markets. **We maintain USD bullishness** as the bigger picture remains unchanged as global growth concerns is still an issue in investor's minds and trade

- **MYR closed slightly weaker at 4.0820** on sustained USD strength and poor risk appetite. **We maintain MYR bearishness** over the short term but moves may be muted this week as market expects a slew of US PMI, CPI and retail sales data.

- **SGD closed 0.06% stronger at 1.3557 against USD** as risk appetite somewhat returns in US equities. **We maintain bearishness on** SGD as the technical picture still supports our view barring a close and open below the 1.3524 DMA.

Overnight Economic Data

US	➔
UK	↓
China	↑
Japan	➔
Australia	↓

What's Coming Up Next

Major Data

- US Retail Sales, ISM Manufacturing PMI, Construction Spending
- Eurozone CPI
- Manufacturing PMIs for US, Eurozone, UK, China, Japan, Malaysia, Vietnam
- Hong Kong Retail Sales
- Australia NAB Business Confidence.

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1160	1.1200	1.1222	1.1260	1.1300	➔
GBPUSD	1.2880	1.2980	1.3011	1.3150	1.3200	↘
USDJPY	110.30	110.70	111.03	111.25	111.50	➔
AUDUSD	0.7010	0.7060	0.7110	0.7130	0.7150	↗
EURGBP	0.8525	0.8575	0.8626	0.8656	0.8675	↗
USDMYR	4.0650	4.0700	4.0770	4.0850	4.0950	↗
EURMYR	4.5520	4.5640	4.5800	4.5900	4.6105	↗
JPYMYR	3.6635	3.6705	3.6765	3.6805	3.7000	↗
GBPMYR	5.2610	5.2940	5.3115	5.3500	5.3740	↘
SGDMYR	3.0000	3.0075	3.0130	3.0170	3.0210	➔
AUDMYR	2.8725	2.8855	2.9020	2.9160	2.9287	↗
NZDMYR	2.7380	2.7535	2.7830	2.7950	2.8100	↗
USDSGD	1.3475	1.3510	1.3545	1.3575	1.3600	↗
EURSGD	1.5100	1.5160	1.5202	1.5311	1.5370	➔
GBPSGD	1.7410	1.7560	1.7627	1.7795	1.7875	↘
AUDSGD	0.9530	0.9580	0.9633	0.9673	0.9705	↗

* 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	1,643.63	0.14	-2.78	CRB Index	183.75	0.23	8.22
Dow Jones Ind.	25,928.68	0.82	11.15	WTI oil ($/bbl)	60.14	1.42	32.44
S&P 500	2,834.40	0.67	13.07	Brent oil ($/bbl)	68.39	0.84	26.10
FTSE 100	7,279.19	0.62	8.19	Gold (S/oz)	1,292.38	0.15	0.75
Shanghai	3,090.76	3.20	23.93	CPO (RM/tonne)*	1,866.50	-1.11	-4.40
Hang Seng	29,051.36	0.96	12.40	Copper ($/tonne)	6,482.50	1.93	8.68
STI	3,212.88	0.29	4.70	Rubber (sen/kg)	479.00	0.21	26.39

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Personal Income	Feb	0.2%	-0.1%	0.3%
US Personal Spending	Jan	0.1%	-0.6% (revised)	0.3%
US Core PCE YOY	Jan	1.8%	2.0% (revised)	1.9%
US Chicago Purchasing Manager	Mar	58.7	64.7	61.0
US U. of Mich. Sentiment	Mar F	98.4	93.8	97.8
US New Home Sales MOM	Feb	4.9%	8.2% (revised)	2.1%
UK GfK Consumer Confidence	Mar	-13	-13	-14
UK GDP QOQ	4Q F	0.2%	0.7% (revised)	0.2%
UK Mortgage Approvals	Feb	64.3k	66.7k (revised)	65.0k
CN Non-manufacturing PMI	Mar	54.8	54.3	54.4
CN Manufacturing PMI	Mar	50.5	49.2	49.6
Tankan Large Manufacturing Outlook	1Q	8.0	15.0	12.0
Tankan Large Non-Mfg Outlook	1Q	20.0	20.0	20.0
AU AiG manufacturing index	Mar	51.0	54.0	--

Source: Bloomberg

➢Macroeconomics

- ***US Core PCE softened in January as inflation eased:*** Personal income rose less than expected by 0.2% MOM in February (Jan: -0.1%) supported by steady rise in wages and salaries (+0.3%). Personal consumption expenditures (PCE) or personal spending meanwhile rose a mere 0.1% MOM in January (Dec: -0.6%) following December's downturn suggesting that consumers stayed cautious on their expenditures. In the same report, the core PCE price index, the Fed's preferred gauge of inflation eased to 1.8% YOY in January (Dec: +2.0% revised) mainly because of the outsized decline in prices of energy goods and services (-6.4% vs -0.4%) reaffirming the lack of price pressure in the US economy. In additions, the final reading of March University of Michigan Consumer Sentiment index was revised higher to 98.4 (Feb: 93.8) on rising income and expectations of lower inflation in the year ahead. The Chicago Purchasing Manager Index fell to 58.7 in March (Feb: 64.7) suggesting slower factory activities in the Chicago area. Last but not least, new home sales rose 4.9% MOM in February (Jan: +8.2% revised), offering signs of a recovery in the housing market.

- ***UK 4Q GDP slowed following exceptionally strong 3Q:*** The final reading of UK 4Q GDP growth was unrevised at 0.2% QOQ (3Q: +0.7% revised) while 3Q reading was adjusted upwards from 0.6% to 0.7% QOQ reflecting one-off effects of the warm weather and the World Cup. Year-on-year, GDP grew 1.4% YOY in 4Q (3Q: +1.3%) bringing the full year 2018 GDP growth to 1.7% YOY, the weakest it has been since 2011. Other data releases include the GfK consumer confidence which was unchanged at -13.0 in March (Feb: -13.0) and mortgages approvals falling to 64.3k in February (Jan: 66.7k)

- ***China manufacturing and services sector growth rebounded in March:*** China manufacturing sector growth staged a rebound after three running months of deteriorations as the NBS manufacturing PMI rose to 50.5 in March (Feb: 49.2) on higher output, buying activity and a faster rise in new orders. The non-manufacturing PMI meanwhile also ticked up to 54.8 in the same month (Feb: 54.3), the highest since Sep last year on accelerating new orders suggesting that both the manufacturing and services industries recovered following early February's Lunar New Year celebration.

- ***Japan manufacturing conditions weakened, sentiments deteriorated:*** The Quarterly Tankan Survey conducted by the BOJ points to weakening conditions in the manufacturing sector as the headline Tankan Large Manufacturing Index, a gauge of manufacturing sentiments slipped to 12.0 in 1Q (4Q: 19), offering signs that weakening demand overseas as well as expectations over the upcoming consumptions tax hike are taking a toll on domestic manufacturing sector. The Large Manufacturing Outlook Index sank to 8.0 (4Q: 15.0). Meanwhile the Large Non-manufacturing Index also softened to 21.0 (4Q: 24) with the outlook index staying unchanged at 20.0 (4Q: 20.0).

- ***Australia manufacturing sector growth eased in March:*** The AiG Performance of Manufacturing Index fell to 51.0 in March (Feb: 54.0) due to a marked slowdown in production, a stagnant new orders as well as decelerating increase in exports suggesting that activities have substantially in the month of March.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
01/04	**Malaysia**	**Nikkei Malaysia PMI**	**Mar**	**--**	**47.6**	**--**
01/04	**US**	**Retail Sales Advance MOM**	**Feb**	**0.3%**	**0.2%**	**--**
		Markit Manufacturing PMI	**Mar F**	**52.5**	**52.5**	**--**
		ISM Manufacturing	**Mar**	**54.5**	**54.2**	**--**
		Construction Spending MOM	**Feb**	**-0.2%**	**1.3%**	**--**
02/04		Durable Goods Orders	Feb P	-1.8%	0.3%	--
01/04	**Eurozone**	**Markit Manufacturing PMI**	**Mar F**	**47.6**	**47.6**	**--**
		CPI YOY	**Mar**	**1.5%**	**1.5%**	**--**
02/04		Unemployment Rate	Feb	7.8%	7.8%	--
		PPI YOY	Feb	3.1%	3.0%	--
01/04	**UK**	**Markit UK Manufacturing PMI**	**Mar**	**51.2**	**52.0**	**--**
02/04		Markit/CIPS UK Construction PMI	Mar	49.7	49.5	--
01/04	**Japan**	**Nikkei Japan Manufacturing PMI**	**Mar F**	**--**	**48.9**	**--**
01/04	**China**	**Caixin China Manufacturing PMI**	**Mar**	**50.0**	**49.9**	--
01/04	**Hong Kong**	**Retail Sales Value YOY**	**Feb**	**2.8%**	**7.1%**	--
01/04	**Australia**	**NAB Business Confidence**	**Mar**	**--**	**2.0**	--
02/04		Building Approvals MOM	Feb	-1.8%	2.5%	--
		RBA Cash Rate Target	Apr-02	1.5%	1.5%	--
01/04	**Vietnam**	**Nikkei Vietnam PMI Mfg**	**Mar**	**--**	**51.2**	**--**

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1218	-0.03	1.1247	1.1210	-2.12
GBPUSD	1.3035	-0.07	1.3136	1.2978	2.13
USDJPY	110.86	0.21	110.95	110.54	1.15
AUDUSD	0.7096	0.31	0.7105	0.7073	0.91
EURGBP	0.8606	0.04	0.8650	0.8551	-4.15
USDMYR	4.0820	0.06	4.0865	4.0780	-1.25
EURMYR	4.5766	-0.32	4.5880	4.5766	-3.19
JPYMYR	3.6866	-0.32	3.6912	3.6770	-1.89
GBPMYR	5.3179	-0.85	5.3408	5.3108	0.95
SGDMYR	3.0129	0.13	3.0148	3.0071	-0.76
AUDMYR	2.8940	0.08	2.8983	2.8879	-0.99
NZDMYR	2.7747	-0.15	2.7773	2.7646	-0.14
CHFMYR	4.1035	0.21	4.1046	4.0963	-2.28
CNYMYR	0.6071	0.25	0.6084	0.6059	0.44
HKDMYR	0.5201	0.12	0.5206	0.5195	-1.53
USDSGD	1.3557	-0.06	1.3568	1.3538	-0.62
EURSGD	1.5209	-0.09	1.5235	1.5198	-2.73
GBPSGD	1.7669	-0.15	1.7801	1.7585	1.50
AUDSGD	0.9621	0.24	0.9624	0.9592	0.30

Source: Bloomberg

➢Forex

MYR

- **MYR closed slightly weaker at 4.0820** on sustained USD strength and poor risk appetite.
- **We maintain MYR bearishness** over the short term but moves may be muted this week as market expects a slew of US PMI, CPI and retail sales data.

USD

- **The Dollar index closed marginally higher by 0.01% to 97.24** on generally higher USD and slightly better US equity markets.
- **We maintain USD bullishness** as the bigger picture remains unchanged as global growth concerns is still an issue in investor's minds and trade talks are back in focus again.

EUR

- **EUR fell 0.03% to 1.1218 against USD** on sustained USD strength.
- **EURUSD is expected to be neutral** as we may see a technical rebound to the 1.1265 area before resuming the downtrend due to a stronger equity close amid slightly better risk appetite.

GBP

- **GBP closed lower by 0.07% to 1.3035** after lawmakers once again could not agree on an alternative Brexit plan and confirming the 12 April withdrawal date.
- **We maintain bearish view on GBPUSD** on technical and fundamental reasons over the medium term so long as lawmakers cannot come to an agreement on a deal.

JPY

- **JPY weakened 0.21% to 110.86** as UST yields recovered slightly and on the back of a generally stronger USD.
- **We turn neutral on JPY** as seasonality factors have ended and we are approaching the Ichimoku cloud support which would likely hold unless equities and risk sentiment take another dive.

AUD

- **AUD closed 0.31% stronger against the USD at 0.7096** on better US equities and on hopes of closing a trade deal as the pair retrace the losses suffered post-RBNZ.
- **We turn bullish on AUD** as AUDUSD has cleared the mid of the daily Bollinger on stronger Chinese PMI and we may be continuing the journey back up to short term target of 0.7150.

SGD

- **SGD closed 0.06% stronger at 1.3557 against USD** as risk appetite somewhat returns in US equities.
- **We maintain bearishness on** SGD as the technical picture still supports our view barring a close and open below the 1.3524 DMA.

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