

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks rose on Friday**, snapping three running days of losses as **improving trade optimism outweighed weak economic data**. A Bloomberg news story reporting that Presidents Trump and Xi could be signing a trade deal as early as mid-March helped counter weak US ISM manufacturing and China Caixin manufacturing PMI. On Saturday, US Trade Representatives have also issued notice to delay a scheduled tariff hike on \$200b Chinese goods. In return, China said that it welcomed such move in an official statement. **Bonds fell amidst rising stocks** - 10Y US treasuries yield rose 4bps to 2.75%, while 2Y note yields also picked up 4bps to 2.55%. **Broad-based weakness in manufacturing data heightened global growth concerns and sent oil prices tumbling**. WTI dipped by 2.48% to \$55.80/barrel while Brent crude slipped 1.45% to \$65.07/barrel.
- **Data were generally weak in the US and elsewhere. US ISM and Markit manufacturing PMI both ticked lower in February while personal income and spending fell for the first time in over two years in December**. Core PCE price index, Fed's inflation gauge was steady at 1.9% YOY in December. University of Michigan Consumer Sentiment Index however improved after the end of government shutdown. Elsewhere, **Eurozone headline HICP inflation picked up to 1.5% YOY in February but underlying inflation eased to 1.0%**. Unemployment rate however fell further to 7.8% in January. Besides the US, **manufacturing PMIs also turned out weak for the Eurozone, the UK, Japan, Vietnam and Malaysia** reflecting the entrenched weakness in goods-producing sectors across the globe. **In China, while the Caixin PMI ticked slightly higher, but it remained contractionary for the 3<sup>rd</sup> straight month**.
- **USD continues to rebound** as the DXY closed up 0.4% at 96.517, after briefly dipping into negative territory after some weaker than expected economic reports. Continued DXY strength and a strong close above the 96.51mark on daily technicals will turn the short term picture bullish as we approach end of Q1 as corporate demand is likely to pick up during this period. **Maintain a bearish view on USD** over the medium term as US-China trade talks seems to be yielding some results.
- **MYR closed at 4.0740** against the USD after spending the entire session in a tight 40 pips range. **MYR is slightly bearish** against USD in anticipation of mild profit taking activities in anticipation of key US economic data due end of the week. Continued consolidation around the 4.06-4.09 area is likely to cause frustration for bears while the bulls are likely to gain confidence in the absence of MYR positive news.
- **SGD slipped 0.2% to 1.3550** against USD. **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 and failure to break below 1.3460 will solidify this view. We continue to note that the bullish chart pattern hints at a rebound to circa 1.3614.

#### Overnight Economic Data

Malaysia	↓
US	→
Eurozone	→
UK	↓
Japan	↓
China	↑
Vietnam	↓

#### What's Coming Up Next

##### Major Data

- Malaysia Trade Balance, Exports
- US Construction Spending
- Eurozone Sentix Investor Confidence, PPI
- UK Markit/CIPS UK Construction PMI
- Singapore Purchasing Managers Index
- Australia Building Approvals

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1367	1.1374	1.1377	1.1387	1.1396	↗
GBPUSD	1.3288	1.3300	1.3312	1.3320	1.3350	↘
USDJPY	110.73	110.80	110.87	111.00	111.13	↗
AUDUSD	0.7125	0.7141	0.7144	0.7150	0.7175	↘
EURGBP	0.8210	0.8529	0.8545	0.8560	0.8591	↗
USDMYR	4.0670	4.0700	4.0710	4.0730	4.0745	↗
EURMYR	4.6287	4.6300	4.6320	4.6346	4.6380	↘
JPYMYR	3.6664	3.6686	3.6700	3.6737	3.6750	↘
GBPMYR	5.4121	5.4146	5.4209	5.4240	5.4280	↘
SGDMYR	3.0149	3.0174	3.0202	3.0217	3.0227	→
AUDMYR	2.9079	2.9100	2.9126	2.9135	2.9150	↘
NZDMYR	2.7805	2.7849	2.7864	2.7874	2.7900	↘
USDSGD	1.3460	1.3470	1.3479	1.3488	1.3492	↗
EURSGD	1.5315	1.5336	1.5338	1.5344	1.5360	↗
GBPSGD	1.7900	1.7916	1.7950	1.7980	1.8005	↘
AUDSGD	0.9612	0.9639	0.9647	0.9667	0.9681	↘

\* 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	1,700.76	-0.41	0.60	CRB Index	181.50	-0.68	6.89
Dow Jones Ind.	26,026.32	0.43	11.57	WTI oil (\$/bbl)	55.80	-2.48	22.88
S&P 500	2,803.69	0.69	11.84	Brent oil (\$/bbl)	65.07	-1.45	21.36
FTSE 100	7,106.73	0.45	5.63	Gold (S/oz)	1,293.44	-1.51	8.10
Shanghai	2,994.01	1.80	20.05	CPO (RM/tonne)*	1,948.00	-1.89	-0.23
Hang Seng	28,812.17	0.63	11.48	Copper (\$/tonne)	6,478.00	-0.48	8.60
STI	3,220.40	0.24	4.94	Rubber (sen/kg)	450.50	4.52	18.87

Source: Bloomberg

## ➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MY Nikkei Malaysia PMI	Feb	47.6	47.9	--
US Personal Income	Jan	-0.1%	1.0%	0.3%
US Personal Spending	Dec	-0.5%	0.6% (revised)	-0.3%
US Core PCE Core YOY	Dec	1.9%	1.9%	1.9%
US Markit US Manufacturing PMI	Feb F	53.0	54.9	53.7
US ISM Manufacturing	Feb	54.2	56.6	55.8
US U. of Mich. Sentiment	Feb F	93.8	91.2	95.9
EU Markit Eurozone Manufacturing PMI	Feb F	49.3	50.5	49.2
EU Unemployment Rate	Jan	7.8%	7.9%	7.9%
EU CPI Estimate YOY	Feb	1.5%	1.4%	1.5%
UK Markit UK PMI Manufacturing SA	Feb	52.0	52.6	52.0
JP Nikkei Japan PMI Mfg	Feb F	49.9	50.3	--
CH Caixin China PMI Mfg	Feb	49.9	48.3	48.5
VN Nikkei Vietnam PMI Mfg	Feb	51.2	51.9	--

Source: Bloomberg

- US consumers held back spending in late 2018; core PCE held steady:** Personal income fell 0.1% MOM in January (Dec: +1.0%) after a considerable increase in December. December's stronger upturn reflects a broad-based increase across various income types, most notably a surge in personal dividend income. This was then followed by a milder rise in January. The rise of income however did not lead to an immediate uplift in spending, as personal consumption expenditure (PCE) slipped 0.5% MOM in December (Nov: +0.6%) nearly reversing all of November's gain mainly because spending on goods fell a whopping 1.9% MOM (Nov: +2.1%) following a sharp rise in the previous month. (January personal consumer expenditure is not yet available). This came in line with a weak retail sale performance, and the buildup of wholesale and retail inventories in late 2018 as US consumers held back from making major purchases in December. The simultaneous sharp fall in nondurable goods (-1.9% and +0.4%) however did suggest a tightening of consumers' wallets. The headline PCE price index eased to 1.7% YOY in December (Jan: +1.8% revised) mainly on the fall in energy goods and services while the core PCE index, Fed's preferred inflation gauge was held steady at 1.9% YOY (Nov: +1.9%), still below the central bank's 2% target, reaffirming the lack of price pressure in US economy, further supporting views that the Fed will raise fed funds rate at a slower pace this year.
- US Consumer sentiment bounced back after government shutdown ended, higher real income expectations to lift consumer spending:** Echoing the rebound in Conference Board Consumer Confidence, the University of Michigan Consumer Sentiment Index recovered from January's trough to 93.8 in February (Jan: 91.2) after the partial government shutdown ended. Consumers continued to react to the Fed's pause in raising fed funds rate, weighing the favourable impact on borrowing cost and the negative message that the economy at present could not withstand another rate hike. The lower long-term inflation expectations and the anticipation of a 3% gain in income among the upper income household led to a surge in real income expectations, suggesting a 2.6% rise in personal income expenditure in 2019.
- Tepid Eurozone inflation despite strengthening labour market:** Flash estimate indicates that the euro area annual HICP inflation rate went up to 1.5% YOY in February (Jan: +1.4%). The stronger inflation reflects larger increase in prices of food, alcohol and tobacco (+2.4% vs +1.8%) as well as energy (+3.5% vs +2.7%). Underlying inflation rate (excluding food, alcohol, tobacco and energy) however eased back to 1.0% YOY (Jan: +1.1%) as services inflation fell back to 1.3% YOY (Jan: +1.6%) following a stronger turn in the previous month. Inflation remained muted despite a tightening labour market (unemployment rate had fallen from 7.9% to 7.8% in January) indicating the lack of cost pass-through (inclusive of higher labour cost) to consumer prices.
- US manufacturing activities slowed amidst weaker output and sales:** The ISM Manufacturing Index fell to 54.3 in February (Jan: 56.6) suggesting that the US manufacturing index grew at a comparatively slower pace compared to the previous month. The weaker PMI was largely attributed to weaker showing for new orders (-2.7pts), production (-5.7pts) and employment (-3.2pts). Prices paid index stayed contractionary albeit at slower rate. Surveyed firms generally remained optimistic, citing still solid business. Similarly, the Markit manufacturing PMI also ticked lower to 53.0 in the same month (Jan: 54.9) offering conclusion that the US manufacturing sector indeed grew at a slower but still-solid pace last month.

- ***Eurozone manufacturing conditions deteriorated as PMI slipped below 50:*** The headline Markit Eurozone Manufacturing PMI fell to 49.3 in February (Jan: 50.5), its first time slipping below the 50.0 mark since June-13 thus ending the 5.5-year run of growth in the euro area's manufacturing sector. The weakest performers were Germany and Italy as PMI for the former fell below 50.0 to a 74-month low. Overall manufacturing output in the euro area dropped into the negative territory as output was undermined by a sharp fall in new work received. Exports fell for the fifth straight month amidst challenging international climate and trade uncertainties.
- ***UK manufacturers stockpiled input ahead of Brexit:*** The headline Markit/CIPS PMI fell to a four-month low of 52.0 in January (Jan: 52.6 revised) signaling a mild growth in UK's manufacturing sector as firms attempted to reduce backlogs of work and build stocks of finished products prior to Brexit. Stockpiling of input were seen in the solid purchasing activity, but growth of new orders eased to near stagnation, amidst sign of slower domestic market while the further drop in new exports order was linked to weaker overseas demand especially Europe.
- ***Chinese Caixin PMI affirmed sluggish manufacturing sector:*** The Caixin China General Manufacturing PMI regained some strength from the recent low to 49.9 in February (Jan: 48.3) but still below the 50.0 neutral threshold for the third consecutive month, suggesting that operating conditions at China's small-to-medium firms continued to fall last month.
- ***Japan PMI decline suggests further IPI fall:*** The headline Nikkei Manufacturing PMI fell to 48.9 in February (Jan: 50.3), its lowest level in 32 months, indicating a contraction in the country's factories' activities. The weaker showing was a result of a sharper downturn in output as well as new orders intake, suggesting that January's MOM fall in IPI might extend into February.
- ***Vietnam PMI weakened for three straight months:*** The headline Nikkei Vietnam Manufacturing PMI fell to 51.2 in February (Jan: 51.9), marking its third consecutive month of decline driven mainly by a reductions in employment and stocks of purchases as both output and new orders rose at a sharper rate.
- ***PMI indicates further deterioration at Malaysia manufacturing front:*** The headline Nikkei Malaysia Manufacturing PMI ticked lower to 47.6 in February (Jan: 47.9), pointing to a sharper deterioration in the manufacturing sector business conditions. The survey cites lower intakes of new work (from both domestic and international markets), productions and backlogs of work as key reasons driving down the index.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
<b>04/03</b>	<b>Malaysia</b>	<b>Trade Balance MYR</b>	<b>Jan</b>	<b>9.10b</b>	<b>10.43b</b>	--
		<b>Exports YoY</b>	<b>Jan</b>	<b>1.4%</b>	<b>4.8%</b>	--
05/03		BNM Overnight Policy Rate	05 Mar	3.25%	3.25%	--
<b>04/03</b>	<b>US</b>	<b>Construction Spending MoM</b>	<b>Dec</b>	<b>0.2%</b>	<b>0.8%</b>	--
05/03		Markit US Services PMI	Feb F	56.2	54.2	--
		ISM Non-Manufacturing Index	Feb	57.3	56.7	--
		New Home Sales MoM	Dec	-8.7%	16.9%	--
<b>04/03</b>	<b>Eurozone</b>	<b>Sentix Investor Confidence</b>	<b>Mar</b>	<b>-3.1</b>	<b>-3.7</b>	--
		<b>PPI YOY</b>	<b>Jan</b>	<b>2.9%</b>	<b>3.0%</b>	--
05/03		Markit Eurozone Services PMI	Feb F	52.3	51.2	--
		Retail Sales MoM	Jan	1.3%	-1.6%	--
<b>04/03</b>	<b>UK</b>	<b>Markit/CIPS UK Construction PMI</b>	<b>Feb</b>	<b>50.5</b>	<b>50.6</b>	--
05/03		Markit/CIPS UK Services PMI	Feb	50.0	50.1	--
05/03	Japan	Nikkei Japan PMI Services	Feb	--	51.6	--
05/03	Hong Kong	Nikkei Hong Kong PMI	Feb	--	48.2	--
		Retail Sales Value YoY	Jan	--	0.1%	--
05/03	China	Caixin China PMI Services	Feb	53.5	53.6	--
<b>04/03</b>	<b>Singapore</b>	<b>Purchasing Managers Index</b>	<b>Feb</b>	<b>50.4</b>	<b>50.7</b>	--
05/03		Nikkei Singapore PMI	Feb	--	50.1	--
<b>04/03</b>	<b>Australia</b>	<b>Building Approvals MOM</b>	<b>Jan</b>	<b>1.0%</b>	<b>-8.4%</b>	--
05/03		AiG Perf of Services Index	Feb	--	44.3	--
		RBA Cash Rate Target	05 Mar	1.5%	1.5%	--

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1365	-0.05	1.1409	1.1353	-0.79
GBPUSD	1.3202	-0.46	1.3286	1.3172	-3.78
USDJPY	111.89	0.45	112.08	111.33	2.06
AUDUSD	0.7079	-0.21	0.7122	0.7070	-0.77
EURGBP	0.8607	0.39	0.8623	0.8571	4.40
USDMYR	4.0745	0.21	4.0755	4.0710	1.43
EURMYR	4.6284	-0.06	4.6333	4.6234	-2.09
JPYMYR	3.6404	-0.87	3.6564	3.6387	-3.12
GBPMYR	5.3979	-0.29	5.4035	5.3920	-2.47
SGDMYR	3.0121	-0.17	3.0152	3.0101	-0.78
AUDMYR	2.8895	-0.56	2.8953	2.8860	-1.15
NZDMYR	2.7762	-0.29	2.7731	2.7792	-0.09
CHFMYR	4.0714	-0.23	4.0836	4.0714	-3.04
CNYMYR	0.6075	-0.17	0.6084	0.6071	-0.37
HKDMYR	0.5191	0.14	0.5192	0.5186	1.72
USDSGD	1.3552	0.23	1.3557	1.3508	0.73
EURSGD	1.5403	0.18	1.5425	1.5361	-1.52
GBPUSD	1.7890	-0.23	1.7970	1.7855	-3.03
AUDSGD	0.9595	0.03	0.9630	0.9583	0.03

Source: Bloomberg

### MYR

- **MYR closed 0.21% weaker at 4.0745** against the USD after spending the entire session in a tight 40 pips range.
- **MYR is slightly bearish** against USD in anticipation of mild profit taking activities in anticipation of key US economic data due end of the week. Continued consolidation around the 4.06-4.09 area is likely to cause frustration for bears while the bulls are likely to gain confidence in the absence of MYR positive news.

### USD

- **USD continues to rebound** as the DXY closed up 0.4% at 96.517, after briefly dipping into negative territory after some weaker than expected economic reports.
- Continued DXY strength and a strong close above the 96.51 mark on daily technicals will turn the short term picture bullish as we approach end of Q1 as corporate demand is likely to pick up during this period. **Maintain a bearish view on USD** over the medium term as US-China trade talks seems to be yielding some results.

### EUR

- **EUR slipped 0.05% to 1.1365 against USD** amid softer market sentiment but ended mixed against the G10s.
- **Stay mildly bullish on EUR in anticipation of a soft USD.** EURUSD remains in a bullish trend so long as US-China talks continue to churn out positive outcomes. Do expect some volatility as we approach ADP and NFP later this week as short term position adjustments would dictate the shorter term swing before continuing following back the trend.

### GBP

- **GBP** closed 0.46% lower at 1.3202 against the greenback on continued profit taking and overall USD strength.
- **We turn bearish on GBP against USD** on technical reasons. GBPUSD appears overstretched and may be headed for a retracement lower. Continued bearishness towards the 1.3160 short term support may cause further weakening of GBPUSD as short term stops are likely placed there during the move higher.

### JPY

- **JPY weakened to 112.08 low before settling at 111.89.**
- **Maintain a slightly bearish view on JPY against USD** as equities continue to perform overnight and US yields continue to soar higher led by the UST 10y. Technical landscape is uncertain for USDJPY in the short term but we reckon that given seasonality factors, increasing downward factors may be coming into play soon. 111.60 is the short term support level to look out for on the downside whilst 112.30 will provide a boost to the top.

### AUD

- **AUD** closed 0.21% lower at 0.7079 against the USD.
- **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. Even positive developments from the US-China trade talk fronts fail to provide any relief to AUD from the downwards momentum. A breach of 0.7040 may trigger further downside momentum towards 0.7000.

### SGD

- **SGD slipped 0.2% to 1.3550 against USD.**
- **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 and failure to break below 1.3460 will solidify this view. We continue to note that the bullish chart pattern hints at a rebound to circa 1.3614.

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