

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks slipped for the third consecutive session on lacklustre economic data and less upbeat Fed's Beige Book despite some positive trade headlines.** Key benchmarks fell in early trading session and moved rather indecisively throughout the day amidst lack of catalyst to spur further buying. **US trade deficit surged to a 10-year high of US\$621bn in 2018**, highlighting Trump Administration's failure to reduce trade gap via tariffs measures, **while the private sector slowed down on hiring last month.** **New York Fed President John Williams said that US interest rate is "right at neutral" affirming view that the Fed won't hike rate any time soon.** **BOC has also turned dovish yesterday**, even as it continued to hold rates steady at 1.75%. Separately, **OECD cut its world growth forecast to 3.3% (-0.2ppt) and 3.4% (-0.1ppt) for this and next year** citing risks from trade disputes and Brexit uncertainties. US treasuries rose as equities fell, while movement in oil prices was more muted.
- **Overnight US and Aussie data all skewed to the negative side.** US exports fell 1.9% MOM in December while imports rebounded by 2.1% leading trade deficit to widen to \$59.8b. ADP showed the private sector added 183k new jobs in February, a marked slowdown in hiring pace following the sizable increase in January. Mortgage applications fell 2.5% last week on higher interest rates. **Australia GDP growth eased further to 0.2% QOQ in 4Q18 brining the full year 2018 growth to 2.8% YOY.**
- USD held onto a firmer ground to stabilize overnight following five straight days of gains, advancing minimally against 8 G10s overnight on softer US data amidst lack of risk appetite in the absence of fresh catalyst. The DXY was mostly steady throughout the session, paring off gains from US morning's spike and ended slightly higher at 96.873. **Expect the USD to consolidate after five consecutive days of gains, but we caution that a dovish tilt from the ECB could lend further support to USD.** Staying virtually unchanged at 96.873 overnight suggests that DXY likely targeting a range of 96.85–96.90.
- USDMYR rose further on Wednesday, staging a solid uptrend throughout the day largely on broad dollar strength, and ending 0.36% higher at 4.0915. Expect USDMYR to stabilize and trade on a neutral tone today as the dollar index stabilized overnight amidst subdued risk appetites. **MYR remains bearish against a firmer USD** and amidst general risk aversion. The solid formation of a bullish trend suggests that USDMYR might break above 4.0950 to test 4.1000 resistance level.
- SGD fell against USD on general dollar strength and also weakened against 8G10s. **SGD weakened 0.14% to 1.3575 against USD. SGD is likely neutral against USD** in our view, as USD stabilized further amidst lack of risk appetites. Technical outlook continues to point to a bullish USD but upside could be capped by a stabilizing (instead of accelerating) upward momentum offering hint than USDSGD may see sideways movements throughout the day within a range of in a range 1.3564-1.3581.

Overnight Economic Data

US
Australia



What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US Initial Jobless Claims
- Eurozone 4Q GDP
- UK Halifax House Prices
- Japan Coincident, Leading Index
- Australia AiG Perf of Construction Index, Trade Balance, Retail Sales

Major Events

- ECB Main Refinancing Rate

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1256	1.1308	1.1312	1.1337	1.1373	↘
GBPUSD	1.3070	1.3130	1.3178	1.3213	1.3288	↘
USDJPY	110.64	111.25	111.66	112.25	112.80	↘
AUDUSD	0.7000	0.7020	0.7038	0.7061	0.7078	↘
EURGBP	0.8620	0.8617	0.8583	0.8545	0.8529	↘
USDMYR	4.1120	4.1000	4.6221	4.0812	4.0760	↗
EURMYR	4.6050	4.6097	4.6226	4.6250	4.6290	↗
JPYMYR	3.6398	3.6520	3.6616	3.6681	3.6740	↗
GBPMYR	5.3300	5.3607	5.3866	5.4032	5.4150	↘
SGDMYR	3.0030	3.0070	3.0122	3.0170	3.0190	↗
AUDMYR	2.8700	2.8721	2.8790	2.8846	2.8895	↘
NZDMYR	2.7640	2.7691	2.7739	2.7750	2.7780	↘
USDSGD	1.3500	1.3534	1.3569	1.3582	1.3596	→
EURSGD	1.5300	1.5323	1.5343	1.5362	1.5383	↗
GBPSGD	1.7804	1.7820	1.7888	1.7926	1.7940	↗
AUDSGD	0.9509	0.9530	0.9557	0.9587	0.9625	↘

* 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	1,686.82	0.07	-0.22	CRB Index	181.23	-0.37	6.73
Dow Jones Ind.	25,673.46	-0.52	10.06	WTI oil (\$/bbl)	56.22	-0.60	23.81
S&P 500	2,771.45	-0.65	10.56	Brent oil (\$/bbl)	65.99	0.20	22.66
FTSE 100	7,196.00	0.17	6.95	Gold (S/oz)	1,286.36	-0.13	0.35
Shanghai	3,102.10	1.57	24.39	CPO (RM/tonne)*	1,934.00	-1.33	-0.95
Hang Seng	29,037.60	0.26	12.35	Copper (\$/tonne)	6,478.00	1.08	8.60
STI	3,222.84	-0.35	5.02	Rubber (sen/kg)	453.50	-0.22	19.66

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	01 Mar	-2.5%	5.3%	--
US ADP Employment Change	Feb	183k	300k (revised)	190k
US Trade Balance	Dec	-\$59.8b	-\$50.3b (revised)	-\$57.9b
AU GDP SA QOQ	4Q	0.2%	0.3%	0.3%

Source: Bloomberg

➤ Macroeconomics

- **US Fed Beige Book said government shutdown weighed on growth:**

The latest Federal Reserve Beige Book, a compilation of interviews and qualitative data collection from businesses across the 12 Fed districts indicates that economic activity continued to expand in late January and February as 10 districts reported slight-to-moderate growth. About half of the districts noted that the partial government shutdown in January had led to slower activity in certain sectors including retail, auto sales, tourism, real estate, restaurant and manufacturing. Consumer spending was reported to be mixed across countries, lower retail sales and auto sales were attributed to harsh winter weather and higher cost of credit. Manufacturing sector strengthened on balance but concerns over weakening global demand, higher cost due to tariffs, and ongoing trade policy uncertainties remained. Residential home sales were lower, inventories rose slightly but remained historically high while home prices continued to rise but at slower pace. Employment saw modest-to-moderate gains in most districts suggesting tight labour market with wages reported to have increased moderately. Prices also climbed at a modest-to-moderate pace- some districts reported faster growth in input prices than selling prices, while some saw continuous upward pressure on certain goods & services due to tariffs. Energy cost including fuel also declined in some areas.

- **US annual trade deficit surged to 10-year high, highlighting Trump's failure to reduce trade gap:**

US trade deficit surged to \$59.8b in December (Nov: \$50.3b revised), due to a larger decline in exports (-1.9% MOM vs -0.7%) and a concurrent rebound in imports growth (+2.1% MOM vs -2.8%). A stronger dollar together with generally weaker global demand weighed down on exports as shipments to Canada, Mexico and EU all fell in the final month of 2018. This was in contrast with the 6% MOM increase in shipments to China following the announcement of a trade truce on 1 December. For the whole of 2018, exports rose 6.3% (2017: +6.1%) while imports rose 7.5% (+6.8%) bringing the full year deficit to widen to a 10-year high of \$621b (2017: -\$552.3b) highlighting the failure of the Trump Administration to reduce trade gap via the president's trade policy, a pillar of his economic plan. Goods trade deficit with China also rose by 11.6% to \$419.2b in 2018 (2017: -\$375.7b) despite a year-long trade dispute with China which involves imposition of tariffs on \$250b worth of Chinese goods.

- **US private sector slowed down hiring in February:**

The latest ADP job report indicates that hiring in the US private sector slowed in February as the number of new employments came in at 183k following a sizable increase in the previous month (Jan: revised from 213k to 300k). The gain in new jobs came mostly from professional and business services as well as health care and educations, generally in line with the still-solid services sector. The elevated job figures continued to point to a robust job market in the US despite expectations that the economy is heading for a softer landing this year after a solid 2018.

- **US Mortgages demand fell on higher interest rates:**

Mortgage applications fell 2.5% for the week ended 01 Mar (previous: +5.3%) after rising for two straight weeks mainly due to higher interest rates across the board. Both purchases and refinancing segments fell last week, the average rate for a 30Y fixed-rate loan rose to 4.67% (previous: 4.65%).

- Australian growth missed estimates, weakened further in 4Q18:**
 Australia GDP growth eased further to 0.2% QOQ in the final quarter of 2018, (3Q: +0.3%), confirming a marked slowdown in the second half of last year. The weaker growth in 4Q missed consensus estimate which called for a 0.3% increase and was driven by the fall of investment (-1.0% vs +0.6%) and exports (-0.7% vs -0.1%) which offset the stronger rise in consumption (+0.8% vs +0.5%). Imports also eked out a tiny gain of 0.1% QOQ (3Q: -1.0%) following a decline in the previous quarter. Despite the sluggish growth in 2H, full-year GDP managed to print a stronger 2.8% YOY in 2018 (2017: +2.4%) thanks to the robust growth seen in the first two quarters. Looking ahead, growth rate is expected to stabilize at the current pace. Despite a strengthening labour market, outlook for consumption remains uncertain as we are still unsure of the effect of the softer housing market on household wealth in general. A bearish trade outlook due to weakening Chinese demand meanwhile will also continue to post downside risks to any potential upside in consumer spending. That said, given the still solid rate of consumption growth, we reckon the RBA will take a wait-and-see approach for at least another quarter for further assessment and leave the cash rate unchanged at 1.5% in its meeting in May.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
07/03	Malaysia	Foreign Reserves	28 Feb	--	\$102.3b	--
07/03	US	Initial Jobless Claims	02 Mar	225k	225k	--
		Unit Labor Costs	4Q F	1.7%	0.9%	--
08/03		Housing Starts MOM	Jan	10.4%	-11.2%	--
		Building Permits MOM	Jan	-2.8%	0.3%	--
		Change in Nonfarm Payrolls	Feb	180k	304k	--
		Unemployment Rate	Feb	3.9%	4.0%	--
		Average Hourly Earnings YOY	Feb	3.3%	3.2%	--
		Labor Force Participation Rate	Feb	63.2%	63.2%	--
07/03	Eurozone	GDP SA QOQ	4Q F	0.2%	0.2%	--
		ECB Main Refinancing Rate	07 Mar	0.0%	0.0%	--
07/03	UK	Halifax House Prices MOM	Feb	0.1%	-2.9%	--
07/03	Japan	Coincident Index	Jan P	98.9	101.8	--
		Leading Index CI	Jan P	96.1	97.5	--
08/03		Household Spending YOY	Jan	-0.5%	0.1%	--
		GDP SA QOQ	4Q F	0.4%	0.3%	--
		Eco Watchers Survey Current SA	Feb	46.2	45.6	--
		Eco Watchers Survey Outlook SA	Feb	49.8	49.4	--
08/03	China	Trade Balance	Feb	\$26.60b	\$39.16b	--
		Exports YOY	Feb	-4.0%	9.1%	--
07/03	Australia	AiG Perf of Construction Index	Feb	--	43.1	--
		Trade Balance	Jan	-\$2750m	A\$3681m	--
		Retail Sales MOM	Jan	0.3%	-0.4%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1307	-0.01	1.1325	1.1286	-1.33
GBPUSD	1.3170	-0.06	1.3181	1.3124	-3.33
USDJPY	111.77	-0.11	111.92	111.62	-1.78
AUDUSD	0.7032	-0.73	0.7092	0.7021	-0.23
EURGBP	0.8584	-0.04	0.8620	0.8579	-4.50
USDMYR	4.0915	0.36	4.0940	4.0740	-1.03
EURMYR	4.6238	0.12	4.6321	4.6044	-2.09
JPYMYR	3.6598	0.51	3.6768	3.6441	-2.49
GBPMYR	5.3834	0.20	5.3860	5.3569	-2.35
SGDMYR	3.0148	0.20	3.0254	3.0033	-0.69
AUDMYR	2.8764	-0.33	2.8940	2.8741	-1.57
NZDMYR	2.7747	0.17	2.7765	2.7612	-0.31
CHFMYR	4.0746	0.03	4.0795	4.0540	-2.98
CNYMYR	0.6101	0.33	0.6118	0.6077	-0.81
HKDMYR	0.5214	0.42	0.5224	0.5189	-1.33
USDSGD	1.3575	0.14	1.3586	1.3555	-0.44
EURSGD	1.5349	0.13	1.5373	1.5324	-1.78
GBPSGD	1.7880	0.08	1.7893	1.7816	-2.87
AUDSGD	0.9546	-0.60	0.9615	0.9532	-0.66

Source: Bloomberg

MYR

- USDMYR rose further on Wednesday, staging a solid uptrend throughout the day largely on broad dollar strength, and ending 0.36% higher at 4.0915.
- Expect USDMYR to stabilize and trade on a neutral tone today as the dollar index stabilized overnight amidst subdued risk appetites. **MYR remains bearish against a firmer USD** and amidst general risk aversion. The solid formation of a bullish trend suggests that USDMYR might break above 4.0950 to test 4.1000 resistance level.

USD

- USD held onto a firmer ground to stabilize overnight following five straight days of gains, advancing minimally against 8 G10s overnight on softer US data amidst lack of risk appetite in the absence of fresh catalyst. The DXY was mostly steady throughout the session, paring off gains from US morning's spike and ended slightly higher at 96.873.
- **Expect the USD to consolidate after five consecutive days of gains, but we caution that a dovish tilt from the ECB could lend further support to USD.** Staying virtually unchanged at 96.873 overnight suggests that DXY likely targeting a range of 96.85– 96.90.

EUR

- EUR traded on a quiet note ahead of today's final 4Q GDP reading and the ECB Governing Council monetary policy decision. **EURUSD barely changed at 1.1307** while the EUR strengthened against 8 G10s.
- **Expect EUR to continue trading on muted tone today** as markets await President Mario Draghi's post meeting press conference but outlook is tilted to the downside given the forming up of an increasingly solid bearish trend thus EURUSD is likely heading towards 1.1286-1.1264 range.

GBP

- **GBP** went on a spiky ride, but managed to pare off some earlier losses, **falling only 0.06% to 1.3170 against a firm USD.** GBP slipped against 6 G10s.
- **GBP is bearish on the back of a firm USD,** supported by a receding upward momentum and we are eyeing a potential break below 1.3130 support level, paving for further losses in GBPUSD.

JPY

- **JPY** fell against the USD amidst broad dollar strength **weakening by 0.11% to 111.77** and climbed against 4 G10s.
- **Turning bullish on JPY** on subdued risk appetites and as bearish trend begins to form, expect USDJPY to slip to a range of 111.45-111.34.

AUD

- **AUD** lost ground yesterday due to the weaker-than-expected 4Q18 GDP growth, **plunging 0.73% to 0.7032 against the USD** and slipped against all G10s.
- **Expect bearish trend in AUDUSD to extend further today** despite a potential minimal rebound in the early session mainly on markets buying in on dips. An acceleration in downward momentum suggests that AUDUSD is on course to close within a range of 0.7020-0.7031.

SGD

- SGD fell against USD on general dollar strength and also weakened against 8G10s. **SGD weakened 0.14% to 1.3575 against USD.**
- **SGD is likely neutral against USD** in our view, as USD stabilized further amidst lack of risk appetites. Technical outlook continues to point to a bullish USD but upside could be capped by a stabilizing (instead of accelerating) upward momentum offering hint than USDSGD may see sideways movements throughout the day within a range of in a range 1.3564-1.3581.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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