

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks tumbled for the fourth running session on renewed growth concerns after the ECB switched to a dovish stance, decided to delay rate hikes to 2020 and unveiled fresh stimulus via a new TLTRO 3.** The Dow, and S&P 500 fell 0.79% and 0.93% while the NASDAQ was the biggest loser erasing 1.13% overnight. **Safe haven bidding led bonds to rally across the curve** – yield on 10Y US treasuries fell 5bps to 2.64%, yield on 2Y notes also lost 5bps to 2.47%. **Stocks plummeted across Europe, 10Y German bund yield plunged 6bps while the euro lost ground overnight, dipping to the lowest level against the dollar since Jun-17.** Oil prices strengthened as WTI rose 0.78% to \$56.66/barrel while Brent crude ticked up by 0.15% to \$66.09/barrel. **Markets will play close attention to China February trade data and US job report due today.**
- At the data front, **Eurozone final 4Q GDP growth was unchanged at 0.2% QOQ** leading the full year 2018 growth rate to 1.8%. **Japan latest 4Q GDP growth was revised higher to 0.5% QOQ** bringing the full year growth to a revised 0.8%. Initial jobless claims fell by 3k to 223k last week. Unit labour cost rose 2.0% QOQ on an annualized basis indicating only a mild rise in wages growth. Halifax said UK house prices defied Brexit uncertainties to surge a whopping 5.9% MOM in February. Australia recorded higher trade balance of A\$4.55bn in January as exports bounced back to a faster growth rate of 5.0% MOM, accompanied by a 3.3% increase in imports. Malaysia foreign reserves rose to \$102.4 in February.
- **USD strengthened against 9 G10s** while the DXY surged on the back of risk aversion in European majors as well as in the markets, closing 0.82% higher at 97.66. **We turn slightly bearish on USD**, anticipating a pull back from overnight rally, on top of some risk aversion heading into US labour market data releases, which could slant towards the downside. Technically, DXY appears to be headed for 98 level but after yesterday's rally, we reckon that there is room for some pull back first, possibly to circa 97.43, before pushing higher. We caution that even if DXY does push higher, risk of rejection is likely to increase approaching 98.00.
- **MYR advanced 0.11% to 4.0870 against USD** and climbed slightly against 6 G10s, supported by firmer domestic market sentiment. **MYR is slightly bearish against a firm USD** on top of downside pressure from risk aversion heading into the week's close and US labour market data releases. USDMYR remains bullish and continue to target 4.0965. Beating this, USDMYR is likely headed towards 4.1038.
- **SGD also beat 6 G10s but weakened 0.25% to 1.3609 against a firm USD.** **We turn slightly bullish on SGD against USD**, anticipating a mild rebound after recent losses. USDSGD is nearing completion of a bullish chart pattern, but we suspect that a pullback may be on the horizon before the pattern is fully completed. Losses are likely to hold above 1.3585, while pattern completion is expected to push USDSGD higher to circa 1.3700.

Overnight Economic Data

Malaysia	↑
US	↑
Eurozone	→
UK	↑
Japan	↑
Australia	↑

What's Coming Up Next

Major Data

- US Nonfarm payroll, Housing starts, Building permits
- China Trade Report
- Japan Eco Watchers Survey

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1160	1.1180	1.1192	1.1200	1.1211	↗
GBPUSD	1.3050	1.3061	1.3088	1.3098	1.3120	↗
USDJPY	111.25	111.37	111.55	111.64	111.86	↘
AUDUSD	0.7000	0.7008	0.7015	0.7025	0.7040	↘
EURGBP	0.8530	0.8538	0.8549	0.8558	0.8575	↗
USDMYR	4.0920	4.0940	4.0955	4.0980	4.1000	↗
EURMYR	4.5780	4.5800	4.5835	4.5850	4.5875	↘
JPYMYR	3.6660	3.6700	3.6737	3.6778	3.6800	↗
GBPMYR	5.3500	5.3569	5.3606	5.3636	5.3678	↘
SGDMYR	3.0020	3.0044	3.0084	3.0102	3.0143	→
AUDMYR	2.8680	2.8698	2.8723	2.8742	2.8770	↘
NZDMYR	2.7620	2.7648	2.7676	2.7700	2.7720	↘
USDSGD	1.3590	1.3600	1.3612	1.3614	1.3620	↘
EURSGD	1.5200	1.5220	1.5234	1.5255	1.5280	↗
GBPSGD	1.7800	1.7805	1.7818	1.7834	1.7846	↘
AUDSGD	0.9500	0.9520	0.9547	0.9557	0.9566	↘

* 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	1,686.95	0.01	-0.21	CRB Index	180.87	-0.20	6.52
Dow Jones Ind.	25,473.23	-0.78	9.20	WTI oil (\$/bbl)	56.66	0.78	24.77
S&P 500	2,748.93	-0.81	9.66	Brent oil (\$/bbl)	66.09	0.15	22.84
FTSE 100	7,157.55	-0.53	6.38	Gold (\$/oz)	1,285.61	-0.06	0.24
Shanghai	3,106.42	0.14	24.56	CPO (RM/tonne)*	1,941.00	0.36	-0.59
Hang Seng	28,779.45	-0.89	11.35	Copper (\$/tonne)	6,468.00	-0.15	8.43
STI	3,229.48	0.21	5.24	Rubber (sen/kg)	458.00	1.22	20.84

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MY Foreign Reserves	28 Feb	\$102.4	\$102.3b	--
US Initial Jobless Claims	02 Mar	223k	226k (revised)	225k
US Unit Labor Costs	4Q F	2.0%	1.6% (revised)	1.7%
EU GDP SA QOQ	4Q F	0.2%	0.1%	0.2%
EU ECB Main Refinancing Rate	07 Mar	0.0%	0.0%	0.0%
UK Halifax House Prices MOM	Feb	5.9%	-3.0% (revised)	0.1%
JP Coincident Index	Jan P	97.9	101.8	98.9
JP Leading Index CI	Jan P	95.9	97.5	96.1
JP Household Spending YOY	Jan	2.0%	0.1%	-0.5%
JP GDP SA QOQ	4Q F	0.5%	0.3%	0.4%
AU AiG Construction Index	Feb	43.8	43.1	--
AU Trade Balance	Jan	A\$4549m	A\$3769m (revised)	-A\$2750m
AU Retail Sales MOM	Jan	0.1%	-0.4%	0.3%

Source: Bloomberg

- ECB delayed planned rate hikes, unveiled fresh stimulus and slashed growth projections:** The ECB left key interest rates unchanged on Thursday as widely expected and introduced a new series of quarterly TLTRO 3 program (effective Sep-19 and ends in Mar-21) in an effort to combat slower growth by encouraging banks to borrow at favourable rates from the ECB to ease up credit conditions. More importantly it has decided to delay key rate hikes initially planned for after summer this year to after 2019, stating that it now expects key rates to “remain unchanged at present levels at least through the end of 2019”. Staff macroeconomic projections were cut as well- real GDP growth is now expected to be 1.1% in 2019 (revised from 1.7%), 1.6% in 2020 (from 1.7%) and 1.5% in 2021 (unrevised). Outlook for inflation also turned softer as the HICP inflation is now projected to be at 1.2% in 2019 (revised from 1.6%), 1.5% in 2020 (from 1.7%) and 1.6% in 2021 (from 1.8%). ECB foresees headline HICP to stay at around current levels before declining towards the end of the year based on current oil futures prices. The dovish switch of tones came following the release of the final reading of 4Q18 GDP growth at 0.2% QOQ. The ECB said that weakening economic data points to a sizeable moderation in the pace of the economic expansion that will extend into the current year, adding that uncertainties related to geopolitical factors, protectionism and vulnerabilities in emerging markets “appears to be leaving marks on economic sentiment”. Risk surrounding Eurozone growth outlook are still tilted to the downside.
- Draghi said near term growth was weaker than expected:** ECB President Mario Draghi said in his post meeting press conference that near term growth outlook was weaker than anticipated, and the economy is in a period of continued weakness, which is mostly caused by external factors. Italy is one factor behind Eurozone slowdown, 2019 forecast was trimmed due to a slowdown in world trade. The weakening momentum is slowing inflation convergence, and it will “take longer to get there”. Decisions made were unanimous and there were no discussion to restart QE.
- Eurozone final 4Q GDP reading unrevised, 2018 growth was the slowest in 4 years:** The final 4Q18 GDP growth was left unchanged at 0.2% QOQ (3Q: +0.1%). The year-over-year reading was revised lower from 1.2% to 1.1% YOY (3Q: +1.6%) bringing the full year 2018 GDP growth to 1.8%, well below the 2.4% in 2017 and was the softest pace since 2014. Germany recorded flat reading following a contraction in 3Q, dodging technical recession. Employment growth also moderated to 1.3% YOY (3Q: +1.4%) offering hints that hiring is slowing down amidst a strong labour market.
- Japan latest 4Q GDP reading revised higher, signals better-than-expected recovery in late 2018:** Data released this morning shows that the latest reading of Japan 4Q18 GDP growth was revised upwards from the initial 0.3% QOQ to 0.5% QOQ, above consensus estimate of 0.4%. The number suggests that the economy recovered at a better than expected rate following a 0.6% contraction in a natural disasters-ridden 3Q. Year-over-year, GDP rose 0.3% YOY in the final quarter (3Q: +0.1%) bringing the 2018 full-year growth to a newly revised 0.8% (from 0.7%), considerably lower than 1.9% in 2017. The surprisingly better showing was driven by an upward revision to domestic demand (+0.7% to +0.8% QOQ) supported by stronger than expected capex growth (private non-residential investment revised from +2.4% to +2.7% QOQ). A separate reading of household spending also surged by 2.0% YOY in January (Dec: +0.1%) after four lackluster months pointing to near term recovery in spending.

- US initial jobless claims fell, wages growth saw milder increase:** US Initial jobless claims fell by 3k to 223k for the week ended 2 March (previous: 226k revised). Unit labour cost rose 2.0% QOQ on an annualized basis (3Q: +1.6% revised) indicating only a mild rise in wages growth. (labor costs were seen rising by as much as 2.3%- 3.5% in late 2017 and early 2018).
- Surge in UK house prices a blip ahead of Brexit:** UK house prices defied Brexit uncertainties to surge a whopping 5.9% MOM in February (Jan:-3.0% revised) according to Halifax. The larger than expected increase led the annual growth rate to 2.8% YOY (Jan: +0.8%), a blip in our view as the housing market in the UK remains generally weak.
- Australia trade balance widened as imports recovered:** Australia recorded higher trade balance of A\$4.55bn in January (Dec: A\$3.77b) as exports bounced back to a faster growth rate of 5.0% MOM (Dec: -1.1%) and was simultaneously accompanied by a modest 3.3% MOM recovery in imports (Dec: -5.5%). External demand for Australian goods rose after falling in the previous month. Domestic demand for consumer, capital and intermediate goods staged a rebound, a positive signs for consumption and investment. The recovery in consumer goods import however contradicted the sluggish growth in retail sales which eked out a mere 0.1% MOM gain in January (Dec: -0.4%), offering mixed sign on consumer spending. Separately, the AiG Performance of Construction Index improved slightly to 43.8 in February (Jan: 43.1), marking its sixth running month below the 50.0 neutral threshold suggesting construction activities stayed contractionary in Australia.
- Malaysia foreign reserves rose in February:** The international reserves of Bank Negara Malaysia rose US\$0.1bn to \$102.4bn as at 28 Feb-19. The reserves position is sufficient to finance 7.4 months of retained imports and is 1.0 time total short-term external debt.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
08/03	US	Housing Starts MOM	Jan	10.9%	-11.2%	--
		Building Permits MOM	Jan	-2.9%	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%	--
11/03		Retail Sales Advance MOM	Jan	0.0%	-1.2%	--
08/03	Japan	Eco Watchers Survey Current SA	Feb	46.2	45.6	--
		Eco Watchers Survey Outlook SA	Feb	49.8	49.4	--
11/03	Japan	Machine Tool Orders YOY	Feb P	--	-18.8%	--
08/03	China	Trade Balance	Feb	\$26.20b	\$39.16b	--
		Exports YOY	Feb	-5.0%	9.1%	--

Source: Bloomberg

Forex

	Last Price	DoD%	High	Low	YTD%
EURUSD	1.1193	-1.01	1.1320	1.1177	-2.44
GBPUSD	1.3085	-0.65	1.3185	1.3069	-2.57
USDJPY	111.58	-0.17	111.86	111.48	-1.74
AUDUSD	0.7016	-0.23	0.7052	0.7005	-0.44
EURGBP	0.8555	-0.35	0.8625	0.8536	-4.88
USDMYR	4.0870	-0.11	4.0935	4.0830	-0.88
EURMYR	4.6222	-0.63	4.6293	4.6156	-3.04
JPYMYR	3.6589	-0.42	3.6666	3.6539	-2.31
GBPMYR	5.3836	0.00	5.3939	5.3794	-1.75
SGDMYR	3.0120	-0.69	3.0156	3.0091	-1.84
AUDMYR	2.8794	0.10	2.8812	2.8725	-1.63
NZDMYR	2.7731	-0.06	2.7755	2.7675	-0.32
CHFMYR	4.0703	-0.11	4.0746	4.0646	-3.57
CNYMYR	0.6095	-0.11	0.6101	0.6085	-0.70
HKDMYR	0.5208	-0.12	0.5214	0.5202	-1.17
USDSGD	1.3609	0.25	1.3612	1.3565	-0.14
EURSGD	1.5234	-0.75	1.5359	1.5208	-2.58
GBPSGD	1.7810	-0.39	1.7893	1.7782	-2.43
AUDSGD	0.9548	0.02	0.9566	0.9530	-0.56

Source: Bloomberg

MYR

- **MYR advanced 0.11% to 4.0870 against USD** and climbed slightly against 6 G10s, supported by firmer domestic market sentiment.
- **MYR is slightly bearish against a firm USD** on top of downside pressure from risk aversion heading into the week's close and US labour market data releases. USDMYR remains bullish and continue to target 4.0965. Beating this, USDMYR is likely headed towards 4.1038.

USD

- **USD strengthened against 9 G10s** while the DXY surged on the back of risk aversion in European majors as well as in the markets, closing 0.82% higher at 97.66.
- **We turn slightly bearish on USD**, anticipating a pull back from overnight rally, on top of some risk aversion heading into US labour market data releases, which could slant towards the downside. Technically, DXY appears to be headed for 98 level but after yesterday's rally, we reckon that there is room for some pull back first, possibly to circa 97.43, before pushing higher. We caution that even if DXY does push higher, risk of rejection is likely to increase approaching 98.00.

EUR

- **EUR plunged 1.01% to 1.1193 against USD** and weakened against 7 G10s after the ECB announced fresh measures to assist banks and cut growth projections.
- **EUR is slightly bullish against USD** for today on potential mild rebound after yesterday's plunge. However, the dovish tilt introduced by ECB yesterday is likely to weigh on EUR going forward. There is room for a mild bounce higher, possibly recapturing above 1.1211 in the process but EURUSD is likely headed lower thereafter, potentially targeting 1.1150 before mounting a more sustained rebound.

GBP

- **GBP tumbled 0.65% to 1.3085 against USD** and fell against 5 G10s, weakened by news of a tougher stance by the EU as the UK seeks to re-negotiate Brexit terms.
- **Expect a slightly bullish GBP against USD** for today as we anticipate a mild rebound after yesterday's decline. Even as GBPUSD could bounce higher today, we opine that the broader direction will be down going forward. Expect a test at 1.3050 soon, below which 1.3017 will be threatened.

JPY

- **JPY advanced against all G10s and strengthened 0.17% to 111.58 against USD**, supported by increased risk-off in the FX space.
- **JPY is bullish against USD**, supported by extended risk-off in the markets, more so heading into US data releases. USDJPY is headed lower in our view, with room to break below 111.37, which will accelerate the bears to push even lower to circa 111.05.

AUD

- **AUD fell 0.23% to 0.7016 against USD** amid risk-off sentiment in the markets but managed to beat 6 G10s.
- **Expect a slightly bearish AUD against USD**, pressured by lingering risk-off in the markets with room for further losses if China's data disappoints. AUDUSD has recently completed a bearish chart pattern therefore we continue to set sights on a drop to circa 0.6910 going forward. In due process, some bounces higher may prevail but likely to stay below 0.7068.

SGD

- **SGD also beat 6 G10s but weakened 0.25% to 1.3609 against a firm USD**.
- **We turn slightly bullish on SGD against USD**, anticipating a mild rebound after recent losses. USDSGD is nearing completion of a bullish chart pattern, but we suspect that a pullback may be on the horizon before the pattern is fully completed. Losses are likely to hold above 1.3585, while pattern completion is expected to push USDSGD higher to circa 1.3700.

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	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1341	0.27	1.1357	1.1276	-1.12
GBPUSD	1.3062	1.07	1.3073	1.2896	2.39
USDJPY	110.63	0.01	110.82	110.45	0.82
AUDUSD	0.7165	0.49	0.7174	0.7104	1.67
EURGBP	0.8680	-0.82	0.8763	0.8672	-3.41
USDMYR	4.0805	-0.12	4.0920	4.0800	-1.28
EURMYR	4.6131	-0.22	4.6258	4.6115	-2.42
JPYMYR	3.6848	-0.27	3.7043	3.6846	-1.94
GBPMYR	5.2762	0.00	5.2840	5.2705	0.16
SGDMYR	3.0101	-0.11	3.0149	3.0089	-0.85
AUDMYR	2.9045	-0.60	2.9169	2.9030	-0.63
NZDMYR	2.7894	-0.60	2.8026	2.7882	-0.39
CHFMYR	4.0676	-0.06	4.0722	4.0633	-3.13
CNYMYR	0.6035	-0.03	0.6043	0.6028	-0.28
HKDMYR	0.5202	-0.10	0.5215	0.5202	-1.51
USDSGD	1.3529	-0.27	1.3578	1.3528	-0.74
EURSGD	1.5344	-0.01	1.5366	1.5304	-1.85
GBPSGD	1.7673	0.80	1.7689	1.7506	1.63
AUDSGD	0.9694	0.22	0.9707	0.9641	0.93

Source: Bloomberg

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