

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks ended mixed on Friday as concerns over trade tensions lingered with no US-China deal in sight** ahead of the 1 March deadline. The Dow fell by 0.25% while the S&P500 and NASDAQ posted minimal gains of 0.07% and 0.14% respectively. Treasuries rose - yield on 2y US government note ended 1bp lower at 2.47% while that of the 10y notes fell by 2bps to 2.63%. Crude oil strengthened with the benchmarks WTI and Brent each settled higher at \$52.72/barrel (+0.15%) and \$62.10/barrel (+0.76%).
- **The Reserve Bank of Australia trimmed growth and inflation forecast in its latest Statement on Monetary Policy, mentioning that probability of rate rise and cut are more evenly balanced than previously. Japan household spending rose** by 0.1% YOY, the first increase in four months **while wage growth grew by 1.8% YOY. Sentiments were mixed in Japan** as the Index for Economic Watcher Survey for current condition fell to 45.6 but perceptions over outlook improved with the index for outlook rising to 49.4. **Hong Kong PMI rose slightly to 48.2 but remained below 50.0** as weaker demand from overseas including China weighed down overall business conditions.
- **USD extended its upsides against 7 G10s** while the DXY bounced back from intraday low to close 0.13% higher at 96.63, supported by weakness in European majors after recent downgrade of economic outlook and risk-off in the markets. **USD is slightly bearish in our view** as we anticipate a minor pullback after 5 consecutive days of gains. Technical outlook remains constructive but points to several resistances that could thwart current bullish bias. Closing above 96.69 will be required for DXY to stay on an upward trajectory, headed towards 96.95, otherwise, a drop back to 96.45 is in the works.
- **MYR inched 0.07% firmer to 4.0688 against USD** and advanced against 8 G10s. **MYR is likely neutral against USD** as buying interest wanes with risk appetite in the markets likely to take cue from overnight performance in US equities. We caution that minor bearish trend is nearing an end and note the prevalence of a price-momentum divergence, which could push USDMYR higher going forward. Expect a test at 4.0795 – 4.0850 range if this happens.
- **SGD was little changed at 1.3563 against USD** and advanced against 7 G10s on refuge demand. **Expect a firmer SGD in line with our view of a softer USD.** Even as a minor bullish trend prevails, we opine that there could be a mild pullback in USDSGD first before extending current upsides. Losses are likely held above 1.3530.

#### Overnight Economic Data

Japan	➔
Hong Kong	➘

#### What's Coming Up Next

##### Major Data

- Malaysia Industrial Production
- UK GDP, Visible Trade Balance, Industrial Production

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1297	1.1315	1.1325	1.1344	1.1367	➔
GBPUSD	1.2905	1.2921	1.2933	1.2945	1.2976	➘
USDJPY	109.33	109.54	109.84	110.00	110.21	➘
AUDUSD	0.7068	0.7080	0.7100	0.7113	0.7138	➔
EURGBP	0.8737	0.8750	0.8757	0.8766	0.8782	➔
USDMYR	4.0580	4.0600	4.0640	4.0680	4.0700	➔
EURMYR	4.5985	4.6000	4.6028	4.6075	4.6100	➔
JPYMYR	3.6965	3.6988	3.7009	3.7041	3.7080	➔
GBPMYR	5.2518	5.2550	5.2575	5.2636	5.2660	➘
SGDMYR	2.9950	2.9970	2.9982	3.0000	3.0010	➔
AUDMYR	2.8800	2.8837	2.8868	2.8892	2.8923	➔
NZDMYR	2.7441	2.7471	2.7510	2.7529	2.7550	➔
USDSGD	1.3530	1.3548	1.3560	1.3574	1.3588	➘
EURSGD	1.5320	1.5344	1.5356	1.5372	1.5395	➔
GBPSGD	1.7500	1.7523	1.7538	1.7550	1.7588	➘
AUDSGD	0.9579	0.9600	0.9628	0.9639	0.9656	➔

\* 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	1,686.52	-0.41	-0.24	CRB Index	178.04	-0.04	4.85
Dow Jones Ind.	25,106.33	-0.25	7.63	WTI oil (\$/bbl)	52.72	0.15	16.10
S&P 500	2,707.88	0.07	8.02	Brent oil (\$/bbl)	62.10	0.76	15.15
FTSE 100	7,071.18	-0.32	5.10	Gold (\$/oz)	1,316.61	0.50	8.10
Shanghai*	2,618.23	1.30	4.99	CPO (RM/tonne)*	2,157.50	3.08	10.50
Hang Seng	27,946.32	-0.16	8.13	Copper (\$/tonne)	6,210.00	-0.58	4.11
STI	3,202.04	0.04	4.34	Rubber (sen/kg)	387.00	-0.77	2.11

Source: Bloomberg

\*Last price on 1 Feb

Economic Data				
	For	Actual	Last	Survey
JP Household Spending YoY	Dec	0.1%	-0.6%	--
JP Labor Cash Earnings YoY	Dec	1.8%	1.7% (revised)	--
JP Eco Watchers Survey Current SA	Jan	45.6	48.0	--
JP Eco Watchers Survey Outlook SA	Jan	49.4	48.5	--
HK Nikkei PMI	Jan	48.2	48.0	--

Source: Bloomberg

## ➤ Macroeconomics

- Japan household spending rose for first time in four months:** Household spending eked out a 0.1% YOY gain in December (Nov: -0.6%), marking its first increase in four months. The slight pick-up was a welcoming sign amidst slower demand but the fact that it came after four months of contractions suggests that consumption remained weak in the Japanese economy despite rising wages. Separate release shows that labour cash earnings rose by 1.8% YOY in the same month (Nov: +1.7% revised) pointing to strengthening wage growth in the past few months in a tightening job market. Meanwhile, sentiments were mixed as the Index for Economic Watcher Survey for current condition fell to 45.6 in January (Dec: 48.0) but perceptions over outlook improved with the index for outlook rising to 49.4 (Dec: 48.5).
- Weak Chinese demand weighed on Hong Kong PMI:** The Nikkei Hong Kong PMI rose to 48.2 in January (Feb: 48.0) but remained below the threshold 50.0, pointing to still-weak business conditions in Hong Kong. New orders fell as demand conditions continued to deteriorate, led by marked declines in exports sales to mainland China. The US-China trade wars were cited as key factor weighing on demand. Output also fell, business sentiments remained negative while price pressure was moderate.
- RBA slashed growth and inflation forecast:** The RBA released its February Statement on Monetary Policy on Friday and most notably has trimmed its GDP growth projection for the year ended June 2019 by a huge margin, from 3.25% to 2.50%. Unemployment rate is expected to stay at 5% whereas headline inflation to hit 1.25% (vs previous projection of 2%) in Australia. Probability of rate rise and cut are more evenly balanced than previously and the board does not see strong case to move rates in near term. Resilience of household consumption is a "key uncertainty". It was unsure whether income growth will rise enough to offset drag from falling house prices. Household reaction to fall in home prices is a "significant uncertainty". The labour market remains strong, leading indicators imply above average growth. There is little evidence that tighter credit was the main cause of slowdown in home loans. The outlook for business investment positive, the recent downturn in business surveys, if sustained, would imply weaker investment and employment. Global growth is running at a solid pace, growth in trade partners seen around trend. China indicators suggest more pronounced slowing in momentum.

Economic Calendar							
Date	Country	Events	Reporting Period	Survey	Prior	Revised	
11/2	Malaysia	Industrial Production YOY	Dec	2.7%	2.5%	--	
12/2		Foreign Reserves	31 Jan	--	\$101.7b	--	
12/2	US	NFIB Small Business Optimism Index	Jan	103.0	104.4	104.4	
11/2	UK	GDP QOQ	4Q	0.3%	0.6%	--	
		Visible Trade Balance GBP/Mn	Dec	-£11,892m	-£12,023m	--	
		Industrial Production MOM	Dec	0.1%	-0.4%	--	
12/2	Japan	Machine Tool Orders YOY	Jan P	--	-18.3%	--	
12/2	Singapore	Retail Sales YOY	Dec	-3.6%	-3.0%	--	
12/2	Australia	Home Loans MOM	Dec	-2.0%	-0.9%	--	
		NAB Business Confidence	Jan	--	3.0	--	

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1323	-0.16	1.1351	1.1321	-0.26
GBPUSD	1.2944	-0.66	1.2976	1.2921	-1.43
USDJPY	109.73	-0.08	109.90	109.65	0.14
AUDUSD	0.7088	-0.18	0.7105	0.7061	0.74
EURGBP	0.8741	-0.17	0.8765	0.8740	-2.63
USDMYR	4.0688	-0.07	4.0795	4.0658	-1.60
EURMYR	4.6080	-0.24	4.6238	4.6054	-2.57
JPYMYR	3.7047	0.07	3.7153	3.7025	-1.45
GBPMYR	5.2603	0.04	5.2823	5.2563	-0.10
SGDMYR	2.9995	-0.13	3.0035	2.9957	-1.18
AUDMYR	2.8832	-0.11	2.8941	2.8723	-1.19
NZDMYR	2.7490	-0.08	2.7529	2.7381	-1.04
CHFMYR	4.0608	-0.08	4.0689	4.0570	-1.11
CNYMYR*	0.6099	0.00	0.6116	0.6095	0.78
HKDMYR	0.5184	-0.13	0.5197	0.5182	-1.86
USDSGD	1.3563	-0.01	1.3586	1.3548	-0.52
EURSGD	1.5358	-0.17	1.5402	1.5355	-0.77
GBPSGD	1.7555	-0.07	1.7589	1.7522	0.90
AUDSGD	0.9615	-0.19	0.9639	0.9587	0.22

Source: Bloomberg

\* CNYMYR last closed on 31 Jan 2019

### MYR

- **MYR inched 0.07% firmer to 4.0688 against USD** and advanced against 8 G10s.
- **MYR is likely neutral against USD** as buying interest wanes with risk appetite in the markets likely to take cue from overnight performance in US equities. We caution that minor bearish trend is nearing an end and note the prevalence of a price-momentum divergence, which could push USDMYR higher going forward. Expect a test at 4.0795 – 4.0850 range if this happens.

### USD

- **USD extended its upsides against 7 G10s** while the DXY bounced back from intraday low to close 0.13% higher at 96.63, supported by weakness in European majors after recent downgrade of economic outlook and risk-off in the markets.
- **USD is slightly bearish in our view** as we anticipate a minor pullback after 5 consecutive days of gains. Technical outlook remains constructive but points to several resistances that could thwart current bullish bias. Closing above 96.69 will be required for DXY to stay on an upward trajectory, headed towards 96.95, otherwise, a drop back to 96.45 is in the works.

### EUR

- **EUR fell 0.16% to 1.1323 against USD** and slipped against 6 G10s on continued weakness from recent downgrade of Eurozone outlook.
- **Expect a slightly bullish EUR against USD**, driven by renewed buying interest after recent sharp declines. Technical viewpoint suggests room for a minor bounce higher after 5 days of losses. Even so, downsides may resume after 1-2 days of gains, unless EURUSD manages to beat 1.1367, above which bulls will be rejuvenated and head for a test at 1.1393.

### GBP

- **GBP slipped 0.06% to 1.2944 against a well-supported USD** but managed to beat 6 G10s amid flight to safety away for European majors facing downward pressure.
- **GBP remains bearish against USD** in our view as it continues to be weighed down by Brexit uncertainties; caution that downside surprises in UK data will accelerate a bearish bias. GBPUSD is likely to close below 1.2932 tomorrow and should extend losses. There is room for a test at 1.2905, and losing this will take aim at 1.2847.

### JPY

- **JPY advanced 0.08% to 109.73 against USD** and strengthened against 7 G10s amid support from lingering risk-off sentiment in the markets.
- **Continue to expect a slightly bullish JPY against a weak USD** though gains may be modest given improved risk appetite in equities. A minor bearish trend continues to prevail and we set sights on a drop to 108.37 next. Rebounds, if any, will be limited by 109.40.

### AUD

- **AUD weakened 0.18% to 0.7088 against USD** and retreated against 8 G10s on continued downsides in risk appetite in the markets.
- **We are slightly bullish on AUD against USD**, anticipating a mild rebound after recent weakness as well as in line with our view of a softer greenback. There may be some bounces higher after recent declines but unless AUDUSD can recapture above 0.7138 today, or above 0.7178 going forward, minor bearish trend still prevails and suggests a drop to 0.7045 soon.

### SGD

- **SGD was little changed at 1.3563 against USD** and advanced against 7 G10s on refuge demand.
- **Expect a firmer SGD in line with our view of a softer USD**. Even as a minor bullish trend prevails, we opine that there could be a mild pullback in USDSGD first before extending current upsides. Losses are likely held above 1.3530.

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