

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks ended modestly higher overnight as the **FOMC March meeting minutes turned out to be a non-event and the slower core CPI further supported the Fed's patient monetary policy stance, reinforcing views that the central bank will not hike fed funds rate in 2019.** Bonds rallied across the curve on benign inflation data - yield on 10Y treasuries fell by 4bps to 2.46%. Earlier, the **ECB left its key interest rates unchanged and maintained its policy stance, but delayed announcement of any further details on TLTRO-III. The EU is granting the UK a second Brexit delay to end-October after an emergency summit on Wednesday.** European stocks finished mostly higher (but U.K. benchmark FTSE 100 slipped a little by 0.05%) while Asian equities saw mixed performances. Oil futures strengthened with Brent crude outpacing WTI, surging by 1.59% to \$71/73/barrel. WTI picked up 0.98% to \$64.61/barrel.
- **US headline CPI rose 1.9% YOY in March driven by higher energy prices while core CPI slowed to increase 2.0% YOY, the softest in more than a year reaffirming a tepid underlying inflation.** Mortgage applications fell 5.6% last week after an outsized gain earlier, as interest rates rose across the board. **UK GDP grew 0.2% MOM in February driven by a solid 0.6% MOM gain in industrial production. Manufacturing output rose 0.9% MOM in line with recent strong PMI reading.** International goods trade however weakened as growth in goods exports came in slower at a mere 0.3% MOM. Imports also slipped 1.0% MOM leading overall goods trade deficit to narrow to -\$14,112m. RICS house price balance came in at -24.0%, reaffirming that the housing market remained soft. Japan machine tools orders fell by 28.5% YOY in March partly on unfavourable base effect.
- **The Dollar Index closed lower by 0.09% to 96.911** led by EURUSD after the ECB's press conference. **We maintain USD bullishness** still as we continue to trade within the upper Bollinger band.
- **MYR closed 0.35% weaker at 4.1080** on strong demand for safe haven as trade tensions and global growth concerns build up. **We maintain MYR bearishness** as we are now within striking range of the 100 DMA target of 4.1130 as the pair has close above the Bollinger top.
- **SGD gained 0.13% to 1.3518 against USD** in line with EURUSD strength. **We turn neutral on SGD** as the technical picture has changed due to a close and open below the 1.3524 DMA. However, EM weakness against USD will likely limit excessive SGD strength and we may see a short rebound back higher for the USD.

Overnight Economic Data

US	➔
UK	➔
Japan	➔

What's Coming Up Next

Major Data

- Malaysia Industrial Production
- US PPI, Initial Jobless Claims
- China CPI, PPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1180	1.1220	1.1277	1.1290	1.1330	↗
GBPUSD	1.2945	1.3000	1.3099	1.3200	1.3250	↗
USDJPY	110.75	111.00	111.10	111.40	111.85	↗
AUDUSD	0.7070	0.7120	0.7167	0.7200	0.7230	➔
EURGBP	0.8520	0.8575	0.8611	0.8656	0.8675	➔
USDMYR	4.1000	4.1050	4.1120	4.1150	4.1200	↗
EURMYR	4.5680	4.5880	4.6380	4.6450	4.6750	↗
JPYMYR	3.6600	3.6850	3.7022	3.7090	3.7300	↗
GBPMYR	5.3200	5.3550	5.3880	5.4045	5.4400	↗
SGDMYR	3.0300	3.0350	3.0410	3.0450	3.0500	↗
AUDMYR	2.9000	2.9250	2.9475	2.9640	2.9890	↗
NZDMYR	2.7300	2.7580	2.7835	2.7890	2.7980	↗
USDSGD	1.3475	1.3510	1.3526	1.3575	1.3600	↗
EURSGD	1.5100	1.5160	1.5252	1.5311	1.5370	↗
GBPSGD	1.7410	1.7560	1.7720	1.7875	1.7975	↗
AUDSGD	0.9530	0.9630	0.9693	0.9705	0.9750	↗

* 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	1,639.46	-0.15	-3.02	CRB Index	189.66	0.58	11.70
Dow Jones Ind.	26,157.16	0.03	12.13	WTI oil (\$/bbl)	64.61	0.98	42.28
S&P 500	2,888.21	0.35	15.21	Brent oil (\$/bbl)	71.73	1.59	33.33
FTSE 100	7,421.91	-0.05	10.31	Gold (\$/oz)	1,307.99	0.30	1.49
Shanghai	3,241.93	0.07	29.99	CPO (RM/tonne)*	2,058.50	1.06	5.43
Hang Seng	30,119.56	-0.13	16.54	Copper (\$/tonne)	6,464.00	-0.35	8.37
STI	3,327.65	0.06	8.44	Rubber (sen/kg)	510.00	-0.58	34.56

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	05 Apr	-5.6%	18.6%	--
US CPI YOY	Mar	1.9%	1.5%	1.8%
EU ECB Main Refinancing Rate	10 Apr	0.00%	0.0%	0.0%
UK Visible Trade Balance GBPm	Feb	-£14,112m	-£14,623m	-£12,876m
UK Industrial Production MOM	Feb	0.6%	0.7% (revised)	0.1%
UK RICS House Price Balance	Mar	-24%	-27% (revised)	-28%
UK GDP MOM	Feb	0.2%	0.5%	0.0%
JP Machine Tool Orders YOY	Mar P	-28.5%	-29.3%	--

Source: Bloomberg

- ECB left key rates unchanged, Draghi said too early to commit details on TLTRO:** The ECB left key interest rates unchanged as widely expected and maintained its forward guidance that rates will stay at its present levels at least through the end of 2019. Notably, it added that details on the precise terms of TLTROs (introduced in the last meeting) will be communicated at one of the forthcoming meetings. The pricing of the new program will take into account a thorough assessment of the bank-based transmission of monetary policy and further developments in the economic outlook. The ECB will also consider whether the impact of negative interest rates on banks should be mitigated. On economic assessment, it said that data confirmed slower momentum extending into the current year. Incoming data continued to be weak especially for the manufacturing sector. There are signs that some of the idiosyncratic domestic factors dampening growth are fading, but global headwinds continued to weigh on euro area growth. Further employment gains and rising wages continued to underpin the resilience of the domestic economy and rising inflation pressures. Headline inflation is expected to decline over the coming months on current futures prices for oil but labour cost pressures have strengthened and broadened. At his post-meeting press conference, President Mario Draghi said it was too early to commit to TLTRO details and further information “between now and June” was still needed for further assessment. He added that the governing council hadn’t discussed pros and cons of mitigating tools (of negative rates). It was still too early to make a decision on tiering of deposit (negative) rates (similar to those implemented in Japan and Switzerland).
- FOMC March minutes reaffirmed Fed’s patience stance, doors are opened for rate hike if economy improves:** The newly released March meeting minutes offered no surprises as participants generally acknowledged the slower growth backdrop and muted inflationary pressure. Key points being picked up include majority of participants expected that the “evolution of the economic outlook and risks to the outlook would likely warrant leaving the target range unchanged for the remainder of the year”. Some participants indicated that “if the economy evolved as they currently expected, with economic growth above its longer-run trend rate, they would likely judge it appropriate to raise the target range for the federal funds rate modestly later this year”, suggesting that policy makers are leaving the door open for potential rate hike at the year-end if economy improves. Nonetheless, with incoming economic pipelines remaining weak, coupled with muted inflation and uncertainty surrounding outlook, “participants generally agreed that a patient approach to determining future adjustments to the target range for the federal funds rate remained appropriate”.
- Higher energy prices drove US headline CPI; underlying inflation slowed:** Headline CPI growth came in better-than-expected at 1.9% YOY in March (Feb: +1.5%), beating consensus estimate of 1.8% YOY. The faster upturn was driven mainly by higher energy prices last month given that month-on-month, energy prices surged by 3.5% MOM (Feb: +0.4%) while year-over-year, cost of energy declined at a much slower pace of 0.4% YOY (Feb: -5.0%). Food prices also increased at a slightly stronger pace of 2.1% YOY (Feb: +2.0%). Taking out prices of food and energy, core CPI softened to 2.0% YOY (Feb: +2.1%), the slowest pace in more than a year. Culprits include the second successive fall in prices of apparels (-2.2% YOY vs -0.8%) and slower gains in prices of segments such as used cars and trucks, alcoholic beverages, medical care services and motor vehicle insurance. The weakness in the core segments reassured a benign underlying inflation in the economy, confirming no hike by the Fed this year.

- **US mortgage applications fell as interest rates increased:** Mortgage application fell 5.6% for the week ended 5 April (previous: +18.6%) following an outsized jump in the previous week as interest rates increased across the board in response to higher US treasuries yield. The average rate for a fixed-rate 30Y mortgage loan ticked up to 4.40% compared to 4.36% in the previous week. The rate-sensitive refinancing segments saw an 11.4% decline in applications (versus previous week's +38.5%) while applications to purchase a new house rose a mere 0.5% (previous: +3.4%).
- **UK monthly GDP beat estimates on stronger industrial production:** GDP grew 0.2% MOM in February (Jan: +0.5%), surpassing consensus estimate of a flat-lined reading. The better-than-expected print was driven by the solid 0.6% MOM growth in industrial production (Feb: +0.7% revised) as services index slowed to increase 0.1% MOM (Feb: +0.3%). Within industrial production, manufacturing output rose 0.9% MOM (Feb: +1.1%), in line with the recent upbeat PMI readings as firms hoarded inventories and ramped up productions to brace for Brexit. Construction output meanwhile slowed to 0.4% MOM (Feb: +3.5%). The upturn in factories production was temporary in our view and is mainly Brexit-driven considering the fact that demand conditions have been slowing thoroughly on a global scale. This could be seen in the weakening of international trade in the same month as growth in goods exports came in slower at a mere 0.3% MOM (Jan: +4.1%). Imports also slipped 1.0% MOM (Jan: +7.5%), leading overall goods trade deficit to narrow to -£14,112m (Jan: -£14,623m revised). For now, UK firms unfortunately will continue to operate under the cloud of Brexit uncertainties and business confidence is likely to weaken further in the near term. A separate release by the Royal Institution of Chartered Surveyors (RICS) shows that its House Price Balance Index rose slightly to -24.0% in March (Feb: -27.0% revised), in line with the still-weak housing market conditions in the UK.
- **Japan machine tools orders fell again in March:** Japan machine tools orders extended further slide by 28.5% YOY in March (Feb: -29.3%) according to a preliminary reading, marking its sixth running month of decline partly on unfavourably high base effect. Machine tools order had managed to notch phenomenal growth records ranging from 20 to near 50% from the period of Mar-17 to April-18 following the 2017's technical recession. MOM, orders rose 19.2% (Feb: -12.5%) after falling for two preceding months, offering some reliefs that demand is recovering in March against a generally slower economic backdrop, both at home and overseas.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
11/04	Malaysia	Industrial Production YOY	Feb	2.2%	3.2%	--
11/04	US	PPI YOY	Mar	1.9%	1.9%	--
		Initial Jobless Claims	06 Apr	210k	202k	--
12/04		Import Price Index MOM	Mar	0.4%	0.6%	--
		Uni Michigan Consumer Sentiments	Apr P	98.1	98.4	--
12/04	Eurozone	Industrial Production MOM	Feb	-0.5%	1.4%	--
11/04	China	CPI YOY	Mar	2.3%	1.5%	--
		PPI YOY	Mar	0.4%	0.1%	--
12/04		Exports YOY	Mar	6.5%	-20.7%	-20.8%
		Trade Balance	Mar	\$6.00b	\$4.12b	\$4.08b
		Imports YOY	Mar	-0.2%	-5.2%	--
12/04	Singapore	GDP YOY	1QA	1.4%	1.9%	--
		Retail Sales YOY	Feb	2.5%	7.6%	--
12/04	New Zealand	BusinessNZ Manufacturing PMI	Mar	--	53.7	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1274	0.10	1.1287	1.1230	-1.66
GBPUSD	1.3091	0.30	1.3120	1.3041	2.63
USDJPY	111.01	-0.12	111.28	110.84	1.14
AUDUSD	0.7171	0.66	0.7175	0.7110	1.69
EURGBP	0.8612	-0.20	0.8636	0.8591	-4.16
USDMYR	4.1080	0.35	4.1085	4.0965	-0.62
EURMYR	4.6330	0.39	4.6332	4.6113	-1.99
JPYMYR	3.6925	0.40	3.6932	3.6847	-1.74
GBPMYR	5.3623	-0.09	5.3676	5.3431	1.80
SGDMYR	3.0329	0.21	3.0342	3.0247	-0.10
AUDMYR	2.9327	0.18	2.9348	2.9132	0.33
NZDMYR	2.7719	0.22	2.7720	2.7624	-0.24
CHFMYR	4.0997	-0.03	4.1028	4.0938	-2.37
CNYMYR	0.6110	0.12	0.6111	0.6098	0.95
HKDMYR	0.5237	0.33	0.5237	0.5220	-0.85
USDSGD	1.3518	-0.13	1.3544	1.3515	-0.83
EURSGD	1.5240	-0.03	1.5269	1.5204	-2.48
GBPSGD	1.7697	0.16	1.7733	1.7655	1.73
AUDSGD	0.9695	0.55	0.9698	0.9627	0.86

Source: Bloomberg

Forex

MYR

- **MYR closed 0.35% weaker at 4.1080** on strong demand for safe haven as trade tensions and global growth concerns build up.
- **We maintain MYR bearishness** as we are now within striking range of the 100 DMA target of 4.1130 as the pair has close above the Bollinger top.

USD

- **The Dollar Index closed lower by 0.09% to 96.911** led by EURUSD after the ECB's press conference.
- **We maintain USD bullishness** still as we continue to trade within the upper Bollinger band.

EUR

- **EUR closed 0.10% higher at 1.1274 against USD** after plunging during Draghi's press conference before rebounding into the close.
- **We maintain EUR bullishness** as technical still favour a move higher towards the next level target of 1.1350 area.

GBP

- **GBP closed 0.30% higher at 1.3091 against the greenback** after a Brexit extension was given by the EU to 31 October.
- **We maintain bullish GBPUSD** over the medium term as after the 6-month extension granted by the EU, PM May would then have significantly more time to hash out a customs union deal with Parliament to avoid a hard Brexit.

JPY

- **JPY strengthened 0.12% to 111.01** in a surprising move as safe haven demand outweighed risk appetite even as US equities closed higher.
- **We maintain bearish JPY** as USDJPY is now trading near the Ichimoku cloud top which is acting as a short term support for the time being.

AUD

- **AUD closed 0.66% stronger against the USD at 0.7171** above the Bollinger top and 100 DMA resistance in an impressive move as commodities in general continue to trade bid.
- **We remain neutral on AUD** as AUDUSD has hit short term objectives and we are now waiting for confirmation of correction signals for it to trade back lower.

SGD

- **SGD gained 0.13% to 1.3518 against USD** in line with EURUSD strength.
- **We turn neutral on SGD** as the technical picture has changed due to a close and open below the 1.3524 DMA. However, EM weakness against USD will likely limit excessive SGD strength and we may see a short rebound back higher for the USD.

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