

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rallied overnight as lawmakers reached a tentative deal to avert another government shutdown and on rising optimism that a US-China trade deal was incoming.** Congress hammered out a deal with the Republicans agreeing to far lesser funding for President Trump's proposed border wall. The Dow, S&P 500 and NASDAQ gained 1.49%, 1.29% and 1.46% respectively. US treasuries fell across the curve with the 10Y note yield picking up 3bps to 2.69% while the 2Y note yield gained 2bps to 2.51%. Earlier, European stocks rallied while Asian equities finished mixed. Oil prices strengthened as API reported a draw on crude inventory - WTI rose to \$53.10/barrel (+1.32%), while Brent went up to \$62.42/barrel (+1.48%).
- **US small business confidence went shaky** as the NFIB Small Business Optimism Index fell to 101.2 in January. **Japan producer prices rose a mere 0.6% YOY in January while machine tool orders continued to fall** by 18.8% YOY. Sentiments improved generally in Australia as pointed by the surges in both business and consumer confidence while home loan approvals contracted further. **Malaysia foreign reserves rose \$0.4b to \$102.1b as at end-Jan.**
- **USD tumbled against 8 G10s** on receding threats of another US government shutdown and rising optimism over US-China trade talks. DXY fell 0.36% to 96.70. **We now expect a slightly bearish USD** as demand for refuge is likely to recede further, with more downsides likely if US data disappoints. Yesterday's tumble is another demonstration of the inability of DXY to hold above 97 level. We would not rule out another attempt to retake 97, but our view is now slanted towards increased likelihood of another failure, which could push DXY lower to 96.18.
- **MYR slipped 0.12% to 4.0755 against USD** after opening on a softer level but advanced against 8 G10s. **Expect a neutral MYR against USD.** USDMYR minor bearish trend has ended and we suspect that there is still room for the unravelling of price-momentum divergence, which could push USDMYR higher going forward. Expect a test at 4.0795 – 4.0850 range if this happens, while beating 4.0850 will expose a move to 4.1060 in the coming week.
- **SGD strengthened 0.35% to 1.3562 against USD** but slipped against 6 G10s. **We turn slightly bullish on SGD against USD**, supported by improving risk appetite in the markets. Minor bullish trend is likely coming to an end, especially after yesterday's rejection at 1.3614 that showed USDSGD's lacking in upside strength. While attempts to beat 1.3600 cannot be ruled out, we expect USDSGD to be biased to the downside going forward, possibly taking aim at 1.3520 – 1.3533.

Overnight Economic Data

Malaysia	↑
US	↓
Japan	↓
Australia	→

What's Coming Up Next

Major Data

- US CPI, MBA Mortgage Applications
- Eurozone Industrial Production
- UK CPI, PPI

Major Events

- RBNZ rate decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1309	1.1327	1.1334	1.1351	1.1367	↗
GBPUSD	1.2847	1.2866	1.2891	1.2901	1.2921	↘
USDJPY	110.14	110.35	110.54	110.65	110.81	↗
AUDUSD	0.7089	0.7097	0.7102	0.7108	0.7117	↗
EURGBP	0.8774	0.8781	0.8790	0.8802	0.8810	↗
USDMYR	4.0650	4.0670	4.0700	4.0745	4.0770	→
EURMYR	4.6005	4.6054	4.6082	4.6122	4.6173	↗
JPYMYR	3.6750	3.6780	3.6799	3.6806	3.6846	↘
GBPMYR	5.2348	5.2400	5.2430	5.2466	5.2500	→
SGDMYR	2.9920	2.9949	2.9982	3.0000	3.0031	↘
AUDMYR	2.8800	2.8837	2.8873	2.8892	2.8941	→
NZDMYR	2.7350	2.7381	2.7401	2.7436	2.7471	↘
USDSGD	1.3533	1.3551	1.3564	1.3574	1.3593	↘
EURSGD	1.5355	1.5366	1.5370	1.5381	1.5400	↗
GBPSGD	1.7450	1.7479	1.7486	1.7504	1.7523	↘
AUDSGD	0.9600	0.9616	0.9629	0.9638	0.9655	↗

* 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	1,687.41	-0.07	-0.19	CRB Index	178.21	0.62	4.95
Dow Jones Ind.	25,425.76	1.49	8.99	WTI oil (\$/bbl)	53.10	1.32	16.93
S&P 500	2,744.73	1.29	9.49	Brent oil (\$/bbl)	62.42	1.48	16.02
FTSE 100	7,133.14	0.06	6.02	Gold (\$/oz)	1,310.80	0.20	8.10
Shanghai	2,671.89	0.68	7.14	CPO (RM/tonne)*	2,121.50	-0.56	8.66
Hang Seng	28,171.33	0.10	9.00	Copper (\$/tonne)	6,150.00	-0.97	3.10
STI	3,201.15	-0.16	4.31	Rubber (sen/kg)	394.00	1.68	3.96

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Foreign Reserves	31 Jan	\$102.1	\$101.7b	--
US NFIB Small Business Optimism	Jan	101.2	104.4	103.0
JP Machine Tool Orders YOY	Jan P	-18.8%	-18.3%	--
JP PPI YOY	Jan	0.6%	1.5%	1.0%
AU Home Loans MOM	Dec	-6.1%	-0.9%	-2.0%
AU NAB Business Confidence	Jan	4.0	3.0	--
AU Westpac Consumer Conf Index	Feb	103.8	99.6	--

Source: Bloomberg

➤ Macroeconomics

- US small business optimism shaky on government shutdown:** The NFIB Small Business Optimism Index lost 3.2pts to 101.2 in January (Dec: 104.4), the lowest level since Nov-16, reflecting small businesses' expectations over slower economic growth in 2019 as well as their concerns over the impact of government shutdown on business in general. Nonetheless, the index remained comparatively high above its historical average of 98.0 pointing to still-solid business operations but indicates uncertainty among business owners. According to NFIB, hiring, inventory and capital spending remained solid while owners did express concerns over future sales growth and business conditions later this year.
- Japan factory gate inflation eased further, machine tool orders fell:** Producer prices growth eased substantially as PPI rose a mere 0.6% YOY in January (Dec: +1.5%), the slowest rate in two years and way below a Bloomberg survey of 1.0% YOY, reaffirming the continuous lack of price pressure in the Japanese economy. Meanwhile, machine tool orders fell by 18.8% YOY in January (Dec: -18.3%) according to the preliminary reading as both domestic and foreign orders recorded yet another month of declines.
- Australia business and consumer confidence surged; home loans dropped more than expected as housing market softened:** Sentiments improved generally in Australia as pointed by the surges in both business and consumer confidence indexes. The NAB Business Confidence Index rose to 4.0 in January (Dec: 3.0) driven by a surge in business conditions (+4pts), trading (+3pts) as well as profitability (+4pts). The Westpac Consumer Index meanwhile also rebounded to 103.8 in February (Jan: 99.56) on better expectations over current conditions. Meanwhile, the number of home loans approved in Australia dropped further by 6.1% MOM in December (Nov: -0.9%) confirming the weakness in housing demand.
- Malaysia foreign reserves rose last month:** Malaysia foreign reserves rose to \$102.1b as at 31 January (Dec: \$101.7) which was sufficient to finance 7.4 months of retained imports and is 1 time short-term external debt.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
14/02	Malaysia	GDP YOY	4Q	4.5%	4.4%	--
		GDP Annual YOY	2018	4.7%	5.9%	--
13/02	US	MBA Mortgage Applications	Feb-08	--	-2.5%	--
		CPI YOY	Jan	1.5%	1.9%	--
14/02		PPI Final Demand YOY	Jan	2.1%	2.5%	--
		Initial Jobless Claims	Feb-09	225k	234k	--
		Retail Sales Advance MOM	Dec	0.1%	0.2%	--
13/02	Eurozone	Industrial Production SA MOM	Dec	-0.4%	-1.7%	--
14/02		GDP SA QOQ	4Q P	0.2%	0.2%	--
13/02	UK	CPI YOY	Jan	1.9%	2.1%	--
		PPI Output NSA YOY	Jan	2.2%	2.5%	--
14/02		RICS House Price Balance	Jan	-20%	-19%	--
14/02	Japan New	GDP SA QOQ	4Q P	0.4%	-0.6%	--
13/02	Zealand	RBNZ rate	Feb	1.75%	1.75%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1326	0.44	1.1340	1.1258	-1.14
GBPUSD	1.2892	0.29	1.2909	1.2833	1.12
USDJPY	110.48	0.09	110.65	110.35	0.72
AUDUSD	0.7095	0.47	0.7103	0.7054	0.81
EURGBP	0.8786	0.20	0.8790	0.8757	-2.22
USDMYR	4.0775	0.12	4.0835	4.0755	-1.35
EURMYR	4.5972	0.13	4.6039	4.5900	-2.75
JPYMYR	3.6871	0.35	3.6953	3.6846	-1.88
GBPMYR	5.2390	0.44	5.2532	5.2332	-0.54
SGDMYR	3.0006	0.01	3.0031	2.9935	-1.16
AUDMYR	2.8877	0.00	2.8896	2.8763	-1.21
NZDMYR	2.7455	0.19	2.7477	2.7404	-1.19
CHFMYR	4.0515	0.45	4.0623	4.0494	-3.52
CNYMYR	0.6015	0.25	0.6020	0.6001	-0.62
HKDMYR	0.5197	0.12	0.5200	0.5190	-1.61
USDSGD	1.3562	0.35	1.3614	1.3559	-0.51
EURSGD	1.5360	0.09	1.5376	1.5307	-1.65
GBPSGD	1.7485	0.04	1.7517	1.7439	0.50
AUDSGD	0.9622	0.11	0.9633	0.9603	0.50

Source: Bloomberg

MYR

- **MYR slipped 0.12% to 4.0755 against USD** after opening on a softer level but advanced against 8 G10s.
- **Expect a neutral MYR against USD.** USDMYR minor bearish trend has ended and we suspect that there is still room for the unravelling of price-momentum divergence, which could push USDMYR higher going forward. Expect a test at 4.0795 – 4.0850 range if this happens, while beating 4.0850 will expose a move to 4.1060 in the coming week.

USD

- **USD tumbled against 8 G10s** on receding threats of another US government shutdown and rising optimism over US-China trade talks. DXY fell 0.36% to 96.70.
- **We now expect a slightly bearish USD** as demand for refuge is likely to recede further, with more downsides likely if US data disappoints. Yesterday's tumble is another demonstration of the inability of DXY to hold above 97 level. We would not rule out another attempt to retake 97, but our view is now slanted towards increased likelihood of another failure, which could push DXY lower to 96.18.

EUR

- **EUR jumped 0.44% to 1.1326 against USD** after bouncing off intraday low but ended mixed against the G10s.
- **EUR is now slightly bullish against USD** in our view, backed by improved risk appetite in the markets and likelihood the greenback staying soft. Bearish bias has receded and this allows EURUSD more room to climb going forward. We would not discount the possibility of a drop below 1.1276 in the coming 2 days, but ultimately, we opine that EURUSD would recapture above 1.1367 in the coming week(s).

GBP

- **GBP climbed 0.29% to 1.2892 against a soft USD** but retreated against 6 G10s on the back lingering pressure from Brexit uncertainties.
- **GBP remains slightly bearish against USD** in our view as it continues to be weighed down by Brexit uncertainties. Caution that downsides in UK price reports today will cast further pressure on GBP. In the absence of any signs of a rebound, we stay bearish on GBPUSD, setting sights on a drop to 1.2847, below which 1.2808 will be targeted.

JPY

- **JPY eased 0.09% to 110.48 against USD** and tumbled against 8 G10s as risk appetite improved.
- **Stay slightly bearish on JPY against USD**, weighed down by improving sentiment in the markets. USDJPY remains technically bullish while above 110.14. Further upsides are likely, with 110.81 now on the crosshair, and 111.37 thereafter.

AUD

- **AUD jumped 0.47% to 0.7095 against USD** and rallied to beat 6 G10s amid rebound in risk appetite in the markets.
- **We turn slightly bullish on AUD against USD**, supported by improving risk appetite in the markets stemming from optimism in US-China trade talks. Bearish bias has receded in AUDUSD but it remains vulnerable to a drop below 0.7062 before the week is out, unless it manages to close above 0.7101 today, which would then overturn current bearish trend and set a course for 0.7158.

SGD

- **SGD strengthened 0.35% to 1.3562 against USD** but slipped against 6 G10s.
- **We turn slightly bullish on SGD against USD**, supported by improving risk appetite in the markets. Minor bullish trend is likely coming to an end, especially after yesterday's rejection at 1.3614 that showed USDSGD's lacking in upside strength. While attempts to beat 1.3600 cannot be ruled out, we expect USDSGD to be biased to the downside going forward, possibly taking aim at 1.3520 – 1.3533.

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.