February 14, 2019

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended higher overnight on continuous trade optimism** as President Trump's remark over a possible extension of the 1 March deadline signals flexibility. The Dow, S&P 500 and NASDAQ rose 0.46%, 0.30% and 0.08% respectively. Treasuries continued to fall - 2Y US government note yield was up by 2bps to 2.53% while the 10Y note yield picked up 1bp to 2.70%. **Crude oil benefited from improved trade sentiments as well and OPEC production cut,** with both benchmarks WTI and Brent settling higher at $53.90/barrel and $63.61/barrel respectively. **Earlier, RBNZ held OCR unchanged at 1.75%, and struck a rather dovish tone.**

- **At the data front, inflation was weighed down in the developed economy by lower oil prices – headline inflation eased to 1.6% YOY in the US and 1.8% YOY in the UK** reaffirming that central banks in both countries unlikely to hike key rates any sooner. Industrial output in the Eurozone fell 0.9% MOM reflecting slower demand but the upside was that output in Germany saw a minor recovery. **Japan 4Q GDP growth rebounded less than expected to 0.3% QOQ** in a preliminary reading while Singapore retail sales disappointed, contracting by a whopping 6.0% YOY in December.

- **USD strengthened against 9 G10s** while the DXY climbed through European-US session, supported by firmer US data to close 0.43% higher at 97.12. **USD is now slightly bullish in our view**, supported by recent upsides in US data with potential for further gains if US data outperforms again tonight. Despite recapturing above 97 level, we remain skeptical that DXY could hold on to this for long. Risk of rejection is expected to increase as DXY nears 97.38 – 97.50 range, which could ultimately result in a drop to 96.66, or even lower.

- **MYR advanced 0.25% to 4.0675 against a soft USD**, partly bolstered by firmer risk appetite in the markets but slipped against 8 G10s. **Expect a neutral MYR** with room for mild losses amid likelihood of a firmer USD going into European session. We maintain 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 going forward, while beating 4.0850 will expose a move to 4.1060 in the next leg higher.

- **SGD weakened 0.26% to 1.3597 against USD** and retreated against 6 G10s. **We turn bearish on SGD on the back of a firm USD**. Minor bullish trend is nearing an end. Attempts to beat 1.3600 cannot be ruled out, but unless USDSGD closes above 1.3614 today, it is likely to be biased to the downside going forward, possibly taking aim at 1.3520 – 1.3533.

Overnight Economic Data	
US	↓
Eurozone	↑
UK	↓
Japan	↑
Singapore	↓

What's Coming Up Next

Major Data

- Malaysia 4Q GDP
- US PPI, Initial Jobless Claims, Retail Sales
- Eurozone GDP
- China External Trade

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1243	1.1250	1.1262	1.1267	1.1276	↘
GBPUSD	1.2833	1.2847	1.2855	1.2866	1.2885	↘
USDJPY	110.50	110.65	110.90	110.05	110.37	↘
AUDUSD	0.7068	0.7089	0.7092	0.7108	0.7117	↘
EURGBP	0.8729	0.8751	0.8763	0.8774	0.8800	↗
USDMYR	4.0625	4.0650	4.0670	4.0745	4.0775	→
EURMYR	4.5780	4.5800	4.5820	4.5850	4.5891	↘
JPYMYR	3.6620	3.6650	3.6665	3.6700	3.6727	↘
GBPMYR	5.2220	5.2250	5.2280	5.2332	5.2387	↘
SGDMYR	2.9885	2.9903	2.9929	2.9957	2.9966	↘
AUDMYR	2.8800	2.8837	2.8859	2.8859	2.8941	↘
NZDMYR	2.7624	2.7671	2.7708	2.7745	2.7782	↘
USDSGD	1.3574	1.3586	1.3594	1.3598	1.3614	↗
EURSGD	1.5285	1.5300	1.5314	1.5320	1.5344	↘
GBPSGD	1.7420	1.7449	1.7474	1.7491	1.7523	↘
AUDSGD	0.9620	0.9634	0.9642	0.9642	0.9665	↗

* 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	1,685.30	-0.13	-0.31	CRB Index	178.72	0.28	5.25
Dow Jones Ind.	25,543.27	0.46	9.50	WTI oil ($/bbl)	53.90	1.51	18.70
S&P 500	2,753.03	0.30	9.82	Brent oil ($/bbl)	63.61	1.91	18.23
FTSE 100	7,190.84	0.81	6.88	Gold (S/oz)	1,306.27	-0.35	8.10
Shanghai	2,721.07	1.84	9.11	CPO (RM/tonne)*	2,116.50	-0.24	8.40
Hang Seng	28,497.59	1.16	10.26	Copper ($/tonne)	6,106.00	-0.72	2.36
STI	3,244.77	1.36	5.74	Rubber (sen/kg)	398.50	0.63	5.15

Source: Bloomberg

Macroeconomics

- ***RBNZ left OCR unchanged, appeared to strike a dovish tone:*** RBNZ held its official cash rate (OCR) unchanged at 1.75% as widely expected but added that the direction of next OCR move could be an up or down. The central bank expects growth for New Zealand's trading partner to further moderate in 2019 and pointed out the already softened commodity prices, thus "reducing the tailwind that New Zealand economic activity has benefited from". The risk of a sharper downturn in trading partner growth has heightened in recent months. At the domestic front, RBNZ struck a rather dovish tone, pointing that despite employment being near its maximum sustainable level, core inflation remains below its 2% target mid-point (its inflation target is at 1-3%) thus necessitating continued supportive monetary policy, adding that "low interest rate" and continued employment growth should support household spending and business investment. However it ended the statement with slightly more positive note, saying that there are "upside and downside" risk to inflation outlook – a more pronounced global downturn could weigh on domestic demand but inflation could rise faster if firms pass on cost increases to a greater extent. Given the above, we stick to our view that the RBNZ will keep OCR unchanged in the entire 2019.

- ***US inflation slowed on lower energy cost:*** Price pressure stayed muted in the US as headline CPI remained unchanged on month-over-month basis for the third consecutive month in January (Dec: 0.0%), driven by an acceleration in the drop of energy prices (-3.1% vs -2.6%). On a yearly basis, CPI growth eased further to 1.6% YOY (Dec: +1.9%), its slowest rate since Jun-17, weighed down by a substantial fall in energy prices (-4.8% vs -0.3%). Underlying inflation meanwhile extended its solid uptrend as core CPI saw a steady 2.2% YOY gain (Dec: +2.2%). The tepid headline inflation was in line with Fed's recent assessment of a muted inflation environment which warrants patience in normalizing monetary policy, further reaffirming that the central bank will hold off hiking the fed fund rate amidst a slower economic backdrop. On a separate note, mortgage applications fell for the fourth straight month by 3.7% for the week ended 8 Feb (previous: -2.5%) driven by a sharp drop in the purchases segment despite generally lower interest rates, confirming softer demand in the housing market. The average rate for a fixed-rate 30Y mortgage loan fell to 4.65% (previous: 4.69%).

- ***UK inflation weighed down by lower oil prices, BOE unlikely to hike rate:*** UK CPI eased to 1.8% YOY in January (Dec: +2.1%), crossing below the 2% BOE target for the first time in two year. A survey by Bloomberg has placed consensus estimate at 1.9% YOY. The much softer print was mainly due to the fall in prices of electricity, gas and other fuels, a result of lower global oil prices. Core CPI meanwhile held steady at 1.9% YOY (Dec: +1.9%) indicating a stabilizing growth in underlying price pressure. Recent development in oil prices has prompted the BOE to revise down its CPI projection for 1Q19 from 2.2% to 1.8% YOY. CPI is now expected to fall "a little below the target temporarily over much of 2019", then to rise back above 2% according to the February Inflation Report. Looking ahead, as inflation lost steam in the economy, and given the weaker 4Q GDP print, it is unlikely that the BOE will hike Bank Rate any time soon. That said, the next Bank Rate move remains very uncertain as it hinges mainly on the outcome of a Brexit deal still being negotiated by PM Theresa May's government. A separate release meanwhile points to continuous weakness in the housing market as the RICS house price balance index fell further to -22% in January (Dec: -19%), marking its 5^{th} consecutive month in the negative territory. Price and sales expectations both deteriorated while new buyers' enquiries, new instructions as well as agreed sales all registered sharp falls.

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Feb-08	-3.7%	-2.5%	--
US CPI YOY	Jan	1.6%	1.9%	1.5%
EU Industrial Production SA MOM	Dec	-0.9%	-1.7%	-0.4%
UK CPI YOY	Jan	1.8%	2.1%	1.9%
UK RICS house price balance	Jan	-22%	-19%	--
JP GDP SA QOQ	4Q P	0.3%	-0.7% (revised)	0.4%
SG Retail Sales YOY	Dec	-6.0%	-2.4% (revised)	-3.6%
NZ RBNZ Official Cash Rate	13 Feb	1.75%	1.7%%	1.7%%

Source: Bloomberg

- ***Eurozone industrial output fell amidst slower demand, Germany output rebounded:*** Weakness in manufacturing sector extended into the last month of 2018 as industrial productions slipped again in December but at slightly slower rate of 0.9% YOY (Nov: -1.7%). Output growth was mixed across member countries with Germany finally seeing a rebound (+0.2% vs -1.4%) in output following three straight months of decline, offering tentative sign that its car industry is beginning to recover from the earlier struggle to adjust to a new emission test standards. Year-on-year, industrial output fell a whopping 4.2% YOY (Dec: -3.0%), its biggest drop since Apr-09 during the global financial crisis, reflecting the entrenched weakness in domestic and foreign demand.

- ***Japan growth rebounded in late 2018 following natural disasters-ridden 3Q***: Preliminary reading indicated that Japan economy saw a modest recovery in the final quarter of 2018 following a contraction in a natural disasters-ridden 3Q. GDP grew 0.3% QOQ in 4Q18 (3Q: -0.7% revised) fueled by higher private consumption (+0.6% vs -0.2%) as well as business spending (+2.4% vs -2.7%). On an annualized basis, GDP rose 1.4% QOQ (3Q: -2.6%), offering some comfort to policy makers amidst slower growth abroad particularly in China but is unlikely to lead to any changes in the BOJ's ongoing ultra-loose monetary policy.

- ***Singapore retail sales disappointed as demand weakened:*** Singapore retail sales fell more than expected by a whopping 6.0% YOY in December (Nov: -2.4%), marking its second month of decline. The plunge of motor vehicles sales alone (-20.7% vs -15.1%) dragged down the headline number but performance was generally bad elsewhere. Excluding motor vehicles, sales saw a decline of 3.0% YOY (Jan: +0.5%) signaling a weakening consumption among consumers despite December being a month of festivities. Sales in supermarket, department stores as well as mini-marts & convenience stores slipped by 0.7% (Dec: -1.4%) while that of wearing apparels & footwear, recreational goods, watches & jewels and books also posted declines. Demand for telecommunications & computers continued to be weak, sliding by 16.8% YOY in the month (Nov: -16.8%).

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%**	**--**
14/02	**US**	**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%**	**--**
15/02		Empire Manufacturing	Feb	7.0	3.9	--
		Import Price Index MOM	Jan	-0.2%	-1.0%	--
		Industrial Production MOM	Jan	0.1%	0.3%	--
		U. of Mich. Sentiment	Feb P	93.5	91.2	--
14/02	**Eurozone**	**GDP SA QOQ**	**4Q P**	**0.2%**	**0.2%**	**--**
15/02		Trade Balance SA	Dec	15.7b	15.1b	--
15/02	UK	Retail Sales Inc Auto Fuel MOM	Jan	0.2%	-0.9%	--
15/02	Japan	Industrial Production YOY	Dec F	--	-1.9%	--
14/02	**China**	**Exports YOY**	**Jan**	**-3.3%**	**-4.4%**	**--**
15/02		CPI YOY	Jan	1.9%	1.9%	--
		PPI YOY	Jan	0.3%	0.9%	--
15/02	Singapore	GDP YOY	4Q F	2.1%	2.2%	--
15/02	New Zealand	BusinessNZ Manufacturing PMI	Jan	--	55.1	--

Source: Bloomberg

➤Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1261	-0.57	1.1342	1.1260	-1.77
GBPUSD	1.2846	-0.36	1.2958	1.2845	0.79
USDJPY	111.01	0.48	111.05	110.43	1.14
AUDUSD	0.7090	-0.07	0.7136	0.7086	0.60
EURGBP	0.8766	-0.22	0.8793	0.8744	-2.52
USDMYR	4.0675	-0.25	4.0775	4.0625	-1.60
EURMYR	4.6050	0.17	4.6207	4.6045	-2.59
JPYMYR	3.6760	-0.30	3.6887	3.6727	-2.18
GBPMYR	5.2486	0.18	5.2573	5.2387	-0.36
SGDMYR	3.0019	0.04	3.0064	2.9962	-1.12
AUDMYR	2.8961	0.29	2.9011	2.8849	-0.92
NZDMYR	2.7782	1.19	2.7853	2.7397	-0.02
CHFMYR	4.0456	-0.15	4.0520	4.0374	-3.66
CNYMYR	0.6018	0.04	0.6025	0.6008	-0.57
HKDMYR	0.5184	-0.25	0.5194	0.5176	-1.86
USDSGD	1.3597	0.26	1.3601	1.3538	-0.24
EURSGD	1.5311	-0.32	1.5375	1.5311	-2.01
GBPSGD	1.7465	-0.11	1.7568	1.7454	0.55
AUDSGD	0.9639	0.18	0.9664	0.9620	0.36

Source: Bloomberg

MYR

- **MYR advanced 0.25% to 4.0675 against a soft USD**, partly bolstered by firmer risk appetite in the markets but slipped against 8 G10s.
- **Expect a neutral MYR** with room for mild losses amid likelihood of a firmer USD going into European session. We maintain 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 going forward, while beating 4.0850 will expose a move to 4.1060 in the next leg higher.

USD

- **USD strengthened against 9 G10s** while the DXY climbed through European-US session, supported by firmer US data to close 0.43% higher at 97.12.
- **USD is now slightly bullish in our view**, supported by recent upsides in US data with potential for further gains if US data outperforms again tonight. Despite recapturing above 97 level, we remain skeptical that DXY could hold on to this for long. Risk of rejection is expected to increase as DXY nears 97.38 – 97.50 range, which could ultimately result in a drop to 96.66, or even lower.

EUR

- **EUR tumbled 0.57% to 1.1261 against USD** and weakened against all G10s, pressured by weakness in Eurozone data.
- **We turn slightly bearish on EUR in line with our view of a firmer USD**. As noted yesterday, EURUSD dropped below 1.1276 and is likely to close below this level tomorrow. Nevertheless, we expect EURUSD to bounce higher approaching 1.1200 – 1.1218 range, and continue to set sights on recapturing above 1.1367 in the coming week(s).

GBP

- **GBP fell 0.36% to 1.2846 against USD** and retreated against 6 G10s, weighed down by softer than expected UK price reports.
- **GBP remains slightly bearish against USD** in our view as it continues to be weighed down by Brexit uncertainties. In the absence of any signs of a rebound and after yesterday's breach of 1.2847, we now expect GBPUSD to be on a path towards testing 1.2808.

JPY

- **JPY weakened 0.48% to 111.01 against USD** and fell against 7 G10s as refuge demand continued to retreat.
- **We are slightly bullish on JPY against USD** today on technical reasons. USDJPY remains technically bullish and likely to push higher going forward, but for today (and perhaps even tomorrow), we reckon that there may be a modest pullback to circa 110.50 – 110.65 first before extending its upsides.

AUD

- **AUD eased 0.07% to 0.7090 against a firm USD** but rallied to beat 8 G10s, lifted by improved risk appetite in the markets.
- **Expect a bearish AUD against USD** as buying interest is likely weighed down by risk aversion ahead of Chinese data; downside surprises will pressure AUD. AUDUSD remains vulnerable to a drop below 0.7062 before the week is out, but could be carving out a minor rebound amid ease in downward momentum. Rebounds, if any, could target 0.7120 – 0.7136.

SGD

- **SGD weakened 0.26% to 1.3597 against USD** and retreated against 6 G10s.
- **We turn bearish on SGD on the back of a firm USD**. Minor bullish trend is nearing an end. Attempts to beat 1.3600 cannot be ruled out, but unless USDSGD closes above 1.3614 today, it is likely to be biased to the downside going forward, possibly taking aim at 1.3520 – 1.3533.

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