March 15, 2019

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended broadly lower** overnight mainly on trade uncertainty following news that **President Trump and Xi were delaying a trade summit (initially meant for March) to April.** Boeing shares prices resumed decline by 1.0% while Facebook suffered a 1.8% loss following disruptions to its mobile apps (Facebook, Instagram and WhatsApp) yesterday. **Bonds saw limited movements** with the 10Y treasuries yield ending 1bp higher at 2.63%. Elsewhere, **UK parliament voted to delay Brexit deadline and rejected calls for a second referendum**, boosting U.K. and European stock prices. Earlier Asian markets finished mixed with **China stocks sold off following weaker industrial output and retail sales data.** Oil prices were mixed as WTI rose 0.6% to $58.61/barrel while Brent fell 0.47% to $67.23/barrel.

- Data flow was mixed indeed. US import price index rose 0.6% MOM in February but fell 1.3% YOY on annual basis**, as a strong dollar kept imported inflation in check,** contributing to overall muted prices. New home sales fell 6.9% following two months of gains. Initial jobless claims rose more than expected by 6k to 229k last week. UK RICS house price balance deteriorated to -28.0% in February amidst Brexit uncertainties. **China industrial output rose a mere 5.3% in Jan-Feb while retail sales increased 8.2% YOY**. New Zealand manufacturing PMI rebounded to 53.7 signaling broader recovery. **Malaysia industrial production growth pulled back less than expected** to 3.2% YOY in January offering tentative signs growth is still on firm footing in 1Q.

- **USD rebounded to beat 9 G10s** while the DXY climbed through European morning before trading sideways in US session, closing 0.24% higher at 96.78, lifted by risk-off in the markets from UK Brexit-delay vote and trade concerns. **USD is bearish** in our view as we anticipate downside pressure from recent soft US data as well as delayed meeting between President Trump and President Xi on trade issues. A bearish trend and emergence of downward momentum both suggest DXY is sliding lower. We set sights on a drop to circa 96.37, below which 95.89 will be left exposed.

- **MYR slipped 0.09% to 4.0905 against USD** and retreated against 8 G10s on the back of softer risk appetite in the region. **MYR is slightly bearish against USD** in anticipation of pressure from risk aversion in the markets and going into the week's closure. We maintain that USDMYR remains bullish and continue to target 4.0965. Beating this, USDMYR is likely headed towards 4.1038.

- **SGD** was similarly pressured by risk-off sentiment, **sliding 0.25% to 1.3558 against USD** and retreating against 6 G10s. **Expect a slightly bearish SGD against a firm USD**, anticipating pressure from risk-off sentiment in the markets. A bearish trend prevails but this will be overturned if USDSGD manages to trade above 1.3560 by Monday, which will then tilt it towards the upside and head for 1.3614.

Overnight Economic Data

Malaysia	↓
US	→
UK	↓
China	→
New Zealand	↑

What's Coming Up Next

Major Data

- US Empire Manufacturing, Industrial Production, Uni Michigan Consumer Sentiment
- Eurozone CPI

Major Events

- BOJ Policy Balance Rate

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1276	1.1298	1.1307	1.1318	1.1342	↗
GBPUSD	1.3200	1.3220	1.3244	1.3253	1.3289	↘
USDJPY	111.37	111.46	111.79	111.86	112.00	↘
AUDUSD	0.7050	0.7068	0.7072	0.7077	0.7089	↘
EURGBP	0.8500	0.8520	0.8536	0.8543	0.8574	↗
USDMYR	4.0890	4.0900	4.0935	4.0945	4.0981	↗
EURMYR	4.6228	4.6252	4.6284	4.6300	4.6321	↗
JPYMYR	3.6550	3.6575	3.6595	3.6606	3.6631	↗
GBPMYR	5.4146	5.4200	5.4216	5.4254	5.4280	↘
SGDMYR	3.0166	3.0180	3.0194	3.0200	3.0224	→
AUDMYR	2.8940	2.8956	2.8968	2.9000	2.9058	↗
NZDMYR	2.7950	2.7979	2.7993	2.8014	2.8036	↗
USDSGD	1.3530	1.3542	1.3559	1.3568	1.3576	↗
EURSGD	1.5315	1.5322	1.5328	1.5344	1.5365	↗
GBPSGD	1.7900	1.7939	1.7955	1.7985	1.8000	↘
AUDSGD	0.9570	0.9589	0.9594	0.9600	0.9613	↘

* 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	1,674.52	-0.22	-0.95	CRB Index	183.39	-0.01	8.00
Dow Jones Ind.	25,709.94	0.03	10.21	WTI oil ($/bbl)	58.61	0.60	29.07
S&P 500	2,808.48	-0.09	12.03	Brent oil ($/bbl)	67.23	-0.47	24.96
FTSE 100	7,185.43	0.37	6.80	Gold (S/oz)	1,296.17	-0.99	1.07
Shanghai	2,990.69	-1.20	19.92	CPO (RM/tonne)*	1,878.50	-1.05	-3.79
Hang Seng	28,851.39	0.15	11.63	Copper ($/tonne)	6,472.50	0.01	8.51
STI	3,197.92	0.07	4.21	Rubber (sen/kg)	486.50	0.93	28.36

Source: Bloomberg

Economic Data				
	For	**Actual**	**Last**	**Survey**
MY Industrial Production YOY	Jan	3.2%	3.4%	2.3%
US Import Price Index MOM	Feb	0.6%	0.1% (revised)	0.3%
US New Home Sales MOM	Jan	-6.9%	3.8% (revised)	0.2%
US Initial Jobless Claims	Mar-09	229k	223k	225k
UK RICS House Price Balance	Feb	-28%	-24%	-22%
CH Fixed Assets Ex Rural YTD YOY	Feb	6.1%	5.9%	6.1%
CH Industrial Production YTD YOY	Feb	5.3%	6.2%	5.6%
CH Retail Sales YTD YOY	Feb	8.2%	9.0%	8.2%
NZ BusinessNZ Manufacturing PMI	Feb	53.7	53.0 (revised)	--

Source: Bloomberg

➢ Macroeconomics

- ***Strong dollar kept US imported inflation in check; new home sales plummeted:*** Import prices ticked up by 0.6% MOM in February and this was accompanied by an upward revision to January figure (from -0.5% to +0.1%). The increase was the largest in five months and mainly driven by the higher prices of industrial supplies and a rebound in imported consumer goods prices. On a yearly basis, import prices fell for the third straight month by 1.3% YOY (Jan: -1.6%). A strong dollar has been keeping imported inflation in check contributing to an overall muted inflation environment. Meanwhile, new home sales failed to sustain performance seen in the two previous months, falling 6.9% MOM in January (Dec: +3.8%) offering mixed signs on the US housing market. Initial jobless claims rose by 6k to 229k for the week ended 09 March (previous: 223k) leading the four-week moving average to 223.75k (previous: 226.25k).

- ***UK housing market deteriorated as Brexit uncertainties heightened:*** The Royal Institution of Chartered Surveyors (RICS) reported that its house price balance index deteriorated to -28.0% in February (Jan: -22.0%) driven by further declines in new buyer enquiries, new instruction and agreed sales. Expectations over prices and sales also remained in the negative territory reflecting sellers' dismal outlook over the housing market amidst heightening Brexit uncertainties.

- ***China weak output, retail sales reaffirmed domestic headwinds:*** Industrial productions rose 5.3% for the first two months of 2019 (Dec: +6.2%) reflecting a substantial slowdown in growth of mining output (+0.3% vs +3.6%) and power supply (+6.8% vs +9.6%). Manufacturing output saw slightly faster gain (+5.6% vs +5.5%) but remained weak in our view, echoing the unfavourable PMI readings in recent months as most factories halted productions for Lunar New Year celebration in February. Fixed investment meanwhile ticked up by 6.1% YOY in the same period (Dec: +5.9%), the fastest in nine months led mainly by a much larger increase in state-owned enterprises' investment (+5.5% vs +1.9%) as the private sector scaled down on investment (+7.5% vs +8.7%). At the consumer front, retail sales rose 8.2% YOY (Dec: +9.0%), the lowest growth in nearly 16 years as festivities failed to push up sales, reaffirming that consumer demand was indeed weakening in the local economy.

- ***New Zealand manufacturing PMI strengthened to indicate recovery:*** The BusinessNZ Manufacturing PMI rebounded to 53.7 in February (Jan: 53.0 revised) supported by higher productions and new orders suggesting a broad recovery in the manufacturing sector following a period of weakness in the second half of 2018. Employment gains nearly stalled as the sub-index inched closer to 50.0 mark.

- ***Lesser than expected pullback in Malaysia IPI growth:*** Industrial production growth pulled back less than expected to 3.2% YOY in January (Dec: +3.4% YOY), offering tentative signs growth is still on firm footing in 1Q. The slightly slower growth was a result of slower growth in manufacturing production and renewed decline in mining output, which overshadowed the jump in electricity production. MOM, IPI rebounded to increase 1.2% in January on a seasonally adjusted basis (Dec: -1.6%). The latest data bag for January seems to suggest a softer but still decent start to 2019. Both exports and production surprised on the upside, continued expanding albeit at slower rate. We continue to hold on to our believes that growth will remain supported by private consumption as businesses and exports take the brunt of dimming growth prospects and further moderation in global demand. We expect full year real GDP growth to sustain at 4.7% this year but reckon rising external risks could exert downside pressure on overall growth outlook.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
15/03	**US**	**Empire Manufacturing**	**Mar**	**10.0**	**8.8**	**--**
		Industrial Production MOM	**Feb**	**0.4%**	**-0.6%**	**--**
		U. of Mich. Sentiment	**Mar P**	**95.7**	**93.8**	**--**
18/03		NAHB Housing Market Index	Mar	63.0	62.0	--
15/03	**Eurozone**	**CPI Core YOY**	**Feb F**	**1.0%**	**1.1%**	**--**
		CPI YOY	**Feb F**	**1.5%**	**1.4%**	**1.4%**
18/03		Trade Balance SA	Jan	--	15.6b	--
18/03	UK	Rightmove House Prices MOM	Mar	--	0.7%	--
15/03	**Japan**	**BOJ Policy Balance Rate**	**Mar-15**	**-0.1%**	**-0.1%**	**--**
18/03		Trade Balance	Feb	-¥365.0b	-¥1415.2b	-¥1415.6b
		Exports YOY	Feb	-0.6%	-8.4%	--
		Industrial Production YOY	Jan F	--	0.0%	--
18/03	Singapore	Non-oil Domestic Exports YOY	Feb	--	-10.1%	--
18/03	New Zealand	Performance Services Index	Feb	--	56.3	--

Source: Bloomberg

➢Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1304	-0.20	1.1337	1.1294	-1.40
GBPUSD	1.3242	-0.72	1.3340	1.3208	3.92
USDJPY	111.70	0.48	111.83	111.15	1.85
AUDUSD	0.7064	-0.42	0.7098	0.7041	0.24
EURGBP	0.8537	0.52	0.8562	0.8493	-5.10
USDMYR	4.0905	0.09	4.0940	4.0780	-1.04
EURMYR	4.6278	0.26	4.6344	4.6234	-2.10
JPYMYR	3.6599	-0.34	3.6751	3.6595	-2.61
GBPMYR	5.4401	1.16	5.4525	5.4088	3.27
SGDMYR	3.0176	0.07	3.0213	3.0148	-0.60
AUDMYR	2.8886	0.03	2.8958	2.8833	-1.18
NZDMYR	2.7948	-0.05	2.8019	2.7929	0.58
CHFMYR	4.0706	0.21	4.0761	4.0673	-3.06
CNYMYR	0.6085	-0.12	0.6096	0.6084	0.55
HKDMYR	0.5207	-0.04	0.5211	0.5199	-1.42
USDSGD	1.3558	0.25	1.3572	1.3521	-0.54
EURSGD	1.5326	0.05	1.5355	1.5315	-1.93
GBPSGD	1.7952	-0.48	1.8058	1.7913	3.35
AUDSGD	0.9578	-0.17	0.9599	0.9553	-0.29

Source: Bloomberg

MYR

- **MYR slipped 0.09% to 4.0905 against USD** and retreated against 8 G10s on the back of softer risk appetite in the region.
- **MYR is slightly bearish against USD** in anticipation of pressure from risk aversion in the markets and going into the week's closure. We maintain that USDMYR remains bullish and continue to target 4.0965. Beating this, USDMYR is likely headed towards 4.1038.

USD

- **USD rebounded to beat 9 G10s** while the DXY climbed through European morning before trading sideways in US session, closing 0.24% higher at 96.78, lifted by risk-off in the markets from UK Brexit-delay vote and trade concerns.
- **USD is bearish** in our view as we anticipate downside pressure from recent soft US data as well as delayed meeting between President Trump and President Xi on trade issues. A bearish trend and emergence of downward momentum both suggest DXY is sliding lower. We set sights on a drop to circa 96.37, below which 95.89 will be left exposed.

EUR

- **EUR fell 0.2% to 1.1304 against a firm USD** but managed to beat 6 G10s amid flight away from GBP on risk aversion.
- **Expect a bullish EUR on the back of a soft USD**, with room for improved upside strength if Eurozone CPI accelerates. Holding above 1.1300 despite rejection at 1.1337 overnight is to us a sign that EURUSD is resilient. With a bullish trend still prevailing, we expect a break at 1.1318 next, which will again test 1.1337 thereafter.

GBP

- **GBP tumbled 0.72% to 1.3242 against USD** and weakened against all G10s, pressured by rising uncertainties after UK parliament voted to delay Brexit deadline.
- **GBP is slightly bearish against USD** amid rising Brexit uncertainties. Technical viewpoint offers a contrasting view; GBPUSD is in a bullish trend, but we are doubtful of further gains because of lingering price-momentum divergence and loss of upside strength after recent rejection near 1.3381. Unless this level is recaptured, we opine that GBPUSD is likely headed for 1.3168.

JPY

- **JPY weakened 0.48% to 111.70 against USD** and fell against 7 G10s, likely on risk aversion ahead of BOJ policy announcement today.
- **We maintain a bullish JPY view against USD**, expecting buying interest from risk-off in the markets. USDJPY extended its rebound and while we do not rule out further gains from current level, we are skeptical that it can push above 112.14. Therefore, we opine that gains are likely limited, and vulnerable to rejections.

AUD

- **AUD fell 0.42% to 0.7064 against USD** and weakened against 6 G10s, pressured by risk-off sentiment in the markets.
- **Stay slightly bearish on AUD against USD**, pressured by lingering risk-off in the markets. AUDUSD is at risk of losing its recently-emerged bullish trend; a close below 0.7070 today validates this, which will then tilt AUDUSD towards the downside, heading for a break below 0.7050. Closing above 0.7070 strengthens current bullish trend, and suggests a break above 0.7094 soon.

SGD

- **SGD** was similarly pressured by risk-off sentiment, **sliding 0.25% to 1.3558 against USD** and retreating against 6 G10s.
- **Expect a slightly bearish SGD against a firm USD**, anticipating pressure from risk-off sentiment in the markets. A bearish trend prevails but this will be overturned if USDSGD manages to trade above 1.3560 by Monday, which will then tilt it towards the upside and head for 1.3614.

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