

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks ended modestly higher overnight, buoyed by continuous optimism over US-China trade negotiation** where great progress was said to have been made thus far. The Dow and S&P500 rose 0.03% and 0.15% respectively, whereas the NASDAQ notched its seventh consecutive session of gains, inching up 0.19% higher. **Treasuries rallied ahead of FOMC minutes** - 10Y government notes yield fell 3bps to 2.63%, 2Y notes lost 2bps to 2.49%. European markets finished lower led by a loss in the banking sector after HSBC reported disappointing earnings while Asian stock benchmarks ended mixed. Crude oil benchmarks diverged in terms of direction- WTI strengthened to \$56.09/barrel (+0.9%) after Monday's holiday while Brent fell slightly to \$66.45/barrel (-0.08%). Earlier yesterday, **RBA saw no strong case for a near-term move in cash rate and viewed itself as a source of stability and confidence.**
- **Dataflow remained a mixed bag with some positive vibes.** The US NAHB Housing Market Index rose by 4pts to 62 in February suggesting an improvement in homebuilders' confidence. **Investors' sentiment picked up in the Eurozone** as the ZEW Economic Sentiment Index for Germany rose to -13.4 in January while a similar reading for the Eurozone also increased to -16.6. **The UK economy added 167k jobs** in the three months to December, unemployment rate remained at 4.0% while wage growth held steady at 3.4% YOY. **Japan exports plummeted by 8.4% YOY**, imports also dropped 1.6% YOY amidst weakening trade worldwide. Australia Westpac Leading Index fell marginally by 0.01%.
- **USD weakened against 8 G10s** while the DXY slumped through US morning to close 0.4% lower at 96.52 as risk appetite improved following reports that the US seeks a stable CNY in US-China trade negotiations. **We maintain a bearish view on USD**, weighed down by relatively firm risk appetite in the markets and possibly increased risk aversion heading into the release of FOMC minutes. DXY has slid to our expected range of 96.47 – 96.66. Closing below 96.52 today will extend its losses, possibly testing 96.13 – 96.26 in the next leg lower.
- **MYR climbed 0.12% to 4.0805 against a soft USD** and advanced against 7 G10s, supported by improved market sentiment. We turn **slightly bullish on MYR against a soft USD** but gains are likely modest in anticipation of receding buying interest ahead of FOMC minutes' release. An early tumble in USDMYR has eased its bullish bias but even so, signs of an imminent rebound higher linger. Failure to push below 4.0500 is likely to encourage the bulls and spark a rally back to 4.0920 – 4.0965.
- **SGD strengthened 0.27% to 1.3529 against a soft USD** but retreated against 7 G10s as refuge demand waned. **Stay slightly bullish on SGD against a soft USD.** USDSGD expectedly broke below 1.3550 and is now taking aim at 1.3504 in the next leg lower. Bounces higher cannot be ruled out after yesterday's decline, but anything short of 1.3559 remains bearish for USDSGD.

#### Overnight Economic Data

|           |   |
|-----------|---|
| US        | ↑ |
| Eurozone  | ↑ |
| UK        | ↑ |
| Japan     | ↓ |
| Australia | ↓ |

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications
- Eurozone Consumer Confidence
- Japan Convenience Store Sales
- Australia Wage Price Index

##### Major Events

- FOMC Meeting Minutes

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

|        | S2     | S1     | Indicative | R1     | R2     | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1321 | 1.1332 | 1.1344     | 1.1351 | 1.1367 | ↗       |
| GBPUSD | 1.3020 | 1.3047 | 1.3062     | 1.3073 | 1.3094 | ↘       |
| USDJPY | 110.39 | 110.55 | 110.64     | 110.85 | 111.00 | ↘       |
| AUDUSD | 0.7132 | 0.7154 | 0.7167     | 0.7175 | 0.7188 | ↗       |
| EURGBP | 0.8656 | 0.8672 | 0.8685     | 0.8694 | 0.8711 | ↘       |
| USDMYR | 4.0660 | 4.0685 | 4.0705     | 4.0720 | 4.0765 | ↘       |
| EURMYR | 4.6114 | 4.6139 | 4.6153     | 4.6173 | 4.6200 | ↗       |
| JPYMYR | 3.6737 | 3.6750 | 3.6774     | 3.6839 | 3.6880 | ↘       |
| GBPMYR | 5.3060 | 5.3100 | 5.3129     | 5.3177 | 5.3200 | ↗       |
| SGDMYR | 3.0037 | 3.0050 | 3.0078     | 3.0100 | 3.0117 | →       |
| AUDMYR | 2.9065 | 2.9096 | 2.9122     | 2.9133 | 2.9169 | ↗       |
| NZDMYR | 2.7938 | 2.7974 | 2.7984     | 2.8026 | 2.8050 | ↗       |
| USDSGD | 1.3504 | 1.3520 | 1.3527     | 1.3530 | 1.3544 | ↘       |
| EURSGD | 1.5333 | 1.5339 | 1.5346     | 1.5352 | 1.5366 | ↗       |
| GBPSGD | 1.7620 | 1.7656 | 1.7666     | 1.7689 | 1.7700 | ↗       |
| AUDSGD | 0.9669 | 0.9681 | 0.9686     | 0.9689 | 0.9703 | ↗       |

\* 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           | 1,706.56   | 0.82  | 0.95  | CRB Index          | 182.24     | 0.50  | 7.32  |
| Dow Jones Ind. | 25,891.32  | 0.03  | 10.99 | WTI oil (\$/bbl)   | 56.09      | 0.90  | 23.52 |
| S&P 500        | 2,779.76   | 0.15  | 10.89 | Brent oil (\$/bbl) | 66.45      | -0.08 | 23.51 |
| FTSE 100       | 7,179.17   | -0.56 | 6.70  | Gold (\$/oz)       | 1,340.94   | 1.06  | 8.10  |
| Shanghai       | 2,755.65   | 0.05  | 10.50 | CPO (RM/tonne)*    | 2,113.50   | 0.31  | 8.25  |
| Hang Seng      | 28,228.13  | -0.42 | 9.22  | Copper (\$/tonne)  | 6,275.00   | 1.41  | 5.20  |
| STI            | 3,259.80   | -0.19 | 6.23  | Rubber (sen/kg)    | 420.50     | 2.31  | 10.95 |

Source: Bloomberg

| Economic Data                     |     |          |                  |           |
|-----------------------------------|-----|----------|------------------|-----------|
|                                   | For | Actual   | Last             | Survey    |
| US NAHB Housing Market Index      | Feb | 62.0     | 58.0             | 59.0      |
| EU ZEW Survey Expectations        | Feb | -16.6    | -20.9            | --        |
| UK Average Weekly Earnings 3M/YOY | Dec | 3.4%     | 3.4%             | 3.5%      |
| UK ILO Unemployment Rate 3Mths    | Dec | 4.0%     | 4.0%             | 4.0%      |
| UK Employment Change 3M/3M        | Dec | 167k     | 141k             | 151k      |
| JP Trade Balance                  | Jan | ¥1415.2b | ¥56.7b (revised) | ¥1,029.1b |
| JP Exports YOY                    | Jan | -8.4%    | -3.9% (revised)  | -5.7%     |
| AU Westpac Leading Index MOM      | Jan | -0.01%   | -0.26% (revised) | --        |

Source: Bloomberg

## ➤ Macroeconomics

- US housing market saw improvement in builders' confidence:** The NAHB housing market index picked up more than expected by 4pts to 62 in February (Jan: 58), the strongest reading in four months, marking its second consecutive month of increase, a clear sign that confidence level among homebuilders have begun to recover in the past two months. The higher showing was driven by a surge in expectation of future single family unit sales (+5pts) followed by the concurrent increase in expectations over present sales (+3pts) as well as prospective buyers traffic (+4pts). The marked improvement in confidence shows that homebuilders are reading into the Fed's recent dovish tone, leading to perceptions that a pause in hiking policy rate will hold interest rates steady in general, thus preventing mortgages costs to be too expensive for prospective buyers.
- German ZEW investor confidence continued to improve:** The ZEW Indicator of Economic Sentiment for Germany rose to -13.4 in February (Jan: -15.0), its fourth consecutive month of increase, indicating that investors' confidence over Germany' growth outlook have continued to improve. The higher reading suggest that investors are foreseeing growth in Germany to begin recovering potentially over an upcoming rebound from its car sector. The similar index for the Eurozone meanwhile also surged to -16.6 (Jan:-20.9) as sentiment improved over generally rising trade optimism.
- UK job market defied expectations despite Brexit:** The UK economy again defied expectations to add a whopping 167k jobs in the three months to December (Nov: +141k) beating a Bloomberg consensus estimate of 151k. Unemployment rate stayed at a 43-year low of 4.0% in the same month (Nov: 4.0%), but wage growth (average weekly earnings inclusive of bonus) fell short of estimate, nonetheless holding steady at a solid 3.4% YOY (Nov: +3.4%). Excluding bonus, wage growth also grew by a consistent 3.4% YOY (Nov: +3.4% revised) following a revised increase to the previous month's figure. Job data have been skewed to the upside in late 2018 despite a marked economic slowdown following an impressive 3Q18. The trend was in line with those seen in developed economies elsewhere namely the US, Eurozone as well as Japan. Notably for the UK, 108k of the new jobs added came from full-time employments, suggesting that firms are ramping up hiring even as Brexit looms, but we caution that such high figures could be unsustainable especially when there is still no (Brexit) deal in sight and outcome of Brexit on the economy remains uncertain.
- Japan exports fell again, amidst weakening global trade:** Japan's exports again fell more than expected, plummeting by 8.4% YOY in January (Dec: -3.9% revised). Imports also dropped by 0.6% YOY (Dec: +1.9%) following a slight pickup in the previous month, leaving the trade deficit to widen by a huge margin to ¥1,415.2b (Dec: ¥56.7b revised). The decline in shipments was due to a lack of demand worldwide, except for the US where exports volume rose 10.2% YOY (Dec: +4.0%). Volume to the European Union, Asia and China all fell in January with sharper drops recorded in China (-20.8% vs -13.9%) and the rest of Asia (-14.4% vs -10.3%). Shipment to the EU meanwhile fell for the first time in four months (-1.5% vs +5.7%). The weak start to Japan's trade sector reaffirmed softer demand overseas, suggesting that the recovery in 4Q GDP growth might not be sustainable in the first quarter of 2019.

- RBA saw itself as source of stability in latest minutes:** The RBA released its February meeting minutes yesterday. Key points from the minutes include that Monetary Policy Board saw "significant uncertainties" on the economic outlook, scenarios where interest rates could eventually rise, or fall but probabilities around these scenarios were more evenly balanced than before. There was no strong case for near-term move in rates and it was rather appropriate "to hold the cash rate steady and for the Bank to be a source of stability and confidence" while further progress unfolds. At the external front, downside risk to the global outlook had increased the past few months. At home, the RBA's downward revision of its growth forecast by around 0.25 percentage point for 2019 and 2020 primarily reflected modest downgrading of the outlook for household consumption and residential construction. The slower consumption growth and subdued retail sales growth in 4Q18 was likely effect of lower housing prices and reduced housing market activity. Uncertainties about consumption remained a key risk to domestic outlook. The pipeline of dwelling investment remained large but is expected to decline faster than previously expected. The labour market has been stronger than other economic data, a tightening labour market was thus expected to put upward pressure on wages. Inflation had remained low in 4Q18, domestic cost pressures had been relatively subdued partly on low wage growth and strong competition in the retail sector. Separately, the Westpac Leading Index fell marginally by 0.01% MOM (Dec: -0.26% revised) to 97.71 in January leading the 6-month annualized growth rate to fall further to the negative territory of -0.43% (Dec: -0.29% revised), as sign of slower growth in the next six months.

| Economic Calendar |                  |                                    |                  |             |              |         |
|-------------------|------------------|------------------------------------|------------------|-------------|--------------|---------|
| Date              | Country          | Events                             | Reporting Period | Survey      | Prior        | Revised |
| <b>20/02</b>      | <b>US</b>        | <b>MBA Mortgage Applications</b>   | <b>15 Feb</b>    | --          | <b>-3.7%</b> | --      |
| 21/02             |                  | FOMC Meeting Minutes               | 30 Jan           | --          | --           | --      |
|                   |                  | Philadelphia Fed Business Outlook  | Feb              | 14.0        | 17.0         | --      |
|                   |                  | Initial Jobless Claims             | 16 Feb           | 228k        | 239k         | --      |
|                   |                  | Durable Goods Orders               | Dec P            | 1.7%        | 0.7%         | --      |
|                   |                  | Cap Goods Orders Nondef Ex Air     | Dec P            | 0.2%        | -0.6%        | --      |
|                   |                  | Markit US Manufacturing PMI        | Feb P            | 54.8        | 54.9         | --      |
|                   |                  | Markit US Services PMI             | Feb P            | 54.3        | 54.2         | --      |
|                   |                  | Leading Index                      | Jan              | 0.1%        | -0.1%        | --      |
|                   |                  | Existing Home Sales MOM            | Jan              | 0.2%        | -6.4%        | --      |
| <b>20/02</b>      | <b>Eurozone</b>  | <b>Consumer Confidence</b>         | <b>Feb A</b>     | <b>-7.7</b> | <b>-7.9</b>  | --      |
| 21/02             |                  | Markit Eurozone Manufacturing PMI  | Feb P            | 50.3        | 50.5         | --      |
|                   |                  | Markit Eurozone Services PMI       | Feb P            | 51.3        | 51.2         | --      |
| 20/02             | UK               | CBI Trends Total Orders            | Feb              | -5          | -1           | --      |
| <b>20/02</b>      | <b>Japan</b>     | <b>Convenience Store Sales YOY</b> | <b>Jan</b>       | --          | <b>1.2%</b>  | --      |
| 21/02             |                  | Nikkei Japan PMI Mfg               | Feb P            | --          | 50.3         | --      |
|                   |                  | All Industry Activity Index MoM    | Dec              | -0.2%       | -0.3%        | --      |
|                   |                  | Machine Tool Orders YOY            | Jan F            | --          | -18.8%       | --      |
| 21/02             | Hong Kong        | Unemployment Rate SA               | Jan              | 2.8%        | 2.8%         | --      |
| <b>20/02</b>      | <b>Australia</b> | <b>Wage Price Index YOY</b>        | <b>4Q</b>        | <b>2.3%</b> | <b>2.3%</b>  | --      |
| 21/02             |                  | Employment Change                  | Jan              | 15.0k       | 21.6k        | --      |
|                   |                  | Unemployment Rate                  | Jan              | 5.0%        | 5.0%         | --      |

Source: Bloomberg

## Forex

|        | Last Price | DoD%  | High   | Low    | YTD%  |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1341     | -0.27 | 1.1357 | 1.1276 | -1.12 |
| GBPUSD | 1.3062     | 1.07  | 1.3073 | 1.2896 | 2.39  |
| USDJPY | 110.63     | 0.01  | 110.82 | 110.45 | 0.82  |
| AUDUSD | 0.7165     | 0.49  | 0.7174 | 0.7104 | 1.67  |
| EURGBP | 0.8680     | -0.82 | 0.8763 | 0.8672 | -3.41 |
| USDMYR | 4.0805     | -0.12 | 4.0920 | 4.0800 | -1.28 |
| EURMYR | 4.6131     | -0.22 | 4.6258 | 4.6115 | -2.42 |
| JPYMYR | 3.6848     | -0.27 | 3.7043 | 3.6846 | -1.94 |
| GBPMYR | 5.2762     | 0.00  | 5.2840 | 5.2705 | 0.16  |
| SGDMYR | 3.0101     | -0.11 | 3.0149 | 3.0089 | -0.85 |
| AUDMYR | 2.9045     | -0.60 | 2.9169 | 2.9030 | -0.63 |
| NZDMYR | 2.7894     | -0.60 | 2.8026 | 2.7882 | -0.39 |
| CHFMYR | 4.0676     | -0.06 | 4.0722 | 4.0633 | -3.13 |
| CNYMYR | 0.6035     | -0.03 | 0.6043 | 0.6028 | -0.28 |
| HKDMYR | 0.5202     | -0.10 | 0.5215 | 0.5202 | -1.51 |
| USDSGD | 1.3529     | -0.27 | 1.3578 | 1.3528 | -0.74 |
| EURSGD | 1.5344     | -0.01 | 1.5366 | 1.5304 | -1.85 |
| GBPSGD | 1.7673     | 0.80  | 1.7689 | 1.7506 | 1.63  |
| AUDSGD | 0.9694     | 0.22  | 0.9707 | 0.9641 | 0.93  |

Source: Bloomberg

### MYR

- **MYR climbed 0.12% to 4.0805 against a soft USD** and advanced against 7 G10s, supported by improved market sentiment.
- **We turn slightly bullish on MYR against a soft USD** but gains are likely modest in anticipation of receding buying interest ahead of FOMC minutes' release. An early tumble in USDMYR has eased its bullish bias but even so, signs of an imminent rebound higher linger. Failure to push below 4.0500 is likely to encourage the bulls and spark a rally back to 4.0920 – 4.0965.

### USD

- **USD weakened against 8 G10s** while the DXY slumped through US morning to close 0.4% lower at 96.52 as risk appetite improved following reports that the US seeks a stable CNY in US-China trade negotiations.
- **Maintain a bearish view on USD**, weighed down by relatively firm risk appetite in the markets and possibly increased risk aversion heading into the release of FOMC minutes. DXY has slid to our expected range of 96.47 – 96.66. Closing below 96.52 today will extend its losses, possibly testing 96.13 – 96.26 in the next leg lower.

### EUR

- **EUR advanced 0.27% to 1.1341 against a soft USD** but retreated against 5 G10s, getting no boost from risk-off sentiment in Eurozone.
- **Stay bullish on EUR in anticipation of a soft USD.** Technical outlook continues to point towards extended EURUSD rebound. We maintain the view of EURUSD retaking above 1.1367 in the coming days, above which 1.1413 will be targeted.

### GBP

- **GBP** was boosted by relatively firmer UK data and continued Brexit optimism, beating all G10s and **surging 1.07% to 1.3062 against a soft USD.**
- **We turn slightly bearish on GBP against USD today** in anticipation of a mild pullback after yesterday's surge. We caution that current Brexit optimism is likely frail and vulnerable to a quick about turn, which if true will accelerate GBP downsides. Technical outlook appears positive, but we set sights on a pullback for 1-2 days before GBPUSD could extend its upsides. Even so, we suspect risk of failure is likely to increase approaching 1.3094 – 1.3107.

### JPY

- **JPY** was weighed down by receding refuge demand as it fell against 8 G10s and **slipped 0.01% to 110.63 against USD.**
- **Maintain a slightly bullish view on JPY in line with our view of a soft USD.** Amid softer upward momentum and recent rejection near 111.00, we opine that USDJPY's upside strength is waning and likely to head lower going forward. Sliding below 110.37 will expose a move to 109.90.

### AUD

- **AUD** reversed early losses to beat 8 G10s and **jumped 0.49% to 0.7165 against a soft USD**, supported by improving risk appetite in the markets.
- **Continue to expect a slightly bullish AUD against a soft USD**, further supported by firm risk appetite in Asian markets. A mild upward momentum has emerged, further tilting AUDUSD to the upside. AUDUSD now takes aim at breaking above 0.7175 and then 0.7188, after which a path towards 0.7229 will be cleared.

### SGD

- **SGD strengthened 0.27% to 1.3529 against a soft USD** but retreated against 7 G10s as refuge demand waned.
- **Stay slightly bullish on SGD against a soft USD.** USDSGD expectedly broke below 1.3550 and is now taking aim at 1.3504 in the next leg lower. Bounces higher cannot be ruled out after yesterday's decline, but anything short of 1.3559 remains bearish for USDSGD.

**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](mailto: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.