Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks ended a choppy trading session slightly higher after the Fed published its meeting minutes and were partly supported by continuous trade optimism despite an absence of any solid development. **Fed minutes signaled the central bank's plan to end its current process of balance-sheet run-off later this year, at the same time, participants appeared to be split on the path of interest rates.** Treasuries fell - 10Y US government notes yield was up by 1bp to 2.64% while the 2Y notes yield also picked up 1bp to 2.50%. Stock markets rose elsewhere earlier in Europe and Asia. **Crude oil prices strengthened to their highest levels in 2019 on productions cut and US sanctions on Iran and Venezuela** - WTI gained 1.48% to $56.92/barrel while Brent crude added 0.95% to $67.08/barrel.

- **Economic releases largely skewed to the positive side.** US mortgage applications rose by 3.6% last week following four straight weeks of decline. The flash estimate of the European Commission consumer confidence index rose for the second consecutive month to -7.4 in February signaling improvement in consumer sentiments, The CBI's latest survey of 366 UK manufacturing firms showed that total orders rose by 7 pts to 6 in February as clients were ramping up purchases to brace for Brexit. Australia job market beat expectations, adding a whopping 39.1k jobs in January, unemployment rate stayed at 5.0% even as the labour force expanded. Wage growth however remained tepid as the gain in wage price index was unchanged at 2.3% YOY in the final quarter of 2018.

- **USD rebounded to beat 7 G10s** while the DXY jumped after the release of FOMC minutes to narrow early losses but was nonetheless 0.07% lower at 96.45. **Maintain a bearish view on USD** as we continue to anticipate firm risk appetite in the markets and potential for downsides in US data. Losing 96.52 overnight points to extended losses for DXY. We set sights on a slide to 96.13 – 96.26 in the next leg lower, below which 96.00 will be targeted.

- **MYR advanced 0.3% to 4.0685 against a soft USD** but retreated against 7 G10s that also rallied on a soft greenback. **MYR is neutral in our view against USD**, with room for mild gains amid firm risk appetite in the markets. We maintain that 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 was 0.09% firmer at 1.3517 against USD** and managed to advance against 8 G10s. **Stay slightly bullish on SGD against a soft USD**. USDSGD is now taking aim at a break below 1.3504, after which 1.3492 will be threatened. We caution that losses are likely limited after 1.3492, and further declines are likely to increase the risk of a reversal higher.

Overnight Economic Data	
US	↑
Eurozone	↑
UK	↑
Australia	→

What's Coming Up Next

Major Data

- US Philadelphia Fed Business Outlook, Initial Jobless Claims, Durable Goods Orders, Markit Manufacturing PMI, Services PMI, Leading Index, Existing Home Sales
- Eurozone Markit Manufacturing PMI, Services PMI
- Japan Nikkei Manufacturing PMI, All Industry Activity Index, Machine Tool Orders
- Hong Kong Unemployment Rate

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1302	1.1325	1.1345	1.1351	1.1367	↗
GBPUSD	1.3012	1.3029	1.3040	1.3047	1.3073	↗
USDJPY	110.41	110.65	110.75	110.82	110.95	↘
AUDUSD	0.7159	0.7175	0.7199	0.7211	0.7220	↗
EURGBP	0.8672	0.8681	0.8698	0.8714	0.8731	↘
USDMYR	4.0625	4.0660	4.0680	4.0690	4.0710	→
EURMYR	4.6100	4.6122	4.6153	4.6173	4.6200	↗
JPYMYR	3.6664	3.6697	3.6737	3.6752	3.6780	↘
GBPMYR	5.3000	5.3011	5.3057	5.3083	5.3100	↗
SGDMYR	3.0089	3.0098	3.0113	3.0117	3.0149	→
AUDMYR	2.9237	2.9254	2.9314	2.9245	2.9369	↗
NZDMYR	2.7907	2.7924	2.7968	2.7974	2.8000	↗
USDSGD	1.3492	1.3501	1.3509	1.3516	1.3530	↘
EURSGD	1.5316	1.5321	1.5329	1.5333	1.5344	↗
GBPSGD	1.7594	1.7617	1.7624	1.7656	1.7690	↗
AUDSGD	0.9703	0.9717	0.9735	0.9752	0.9761	↗

* 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	1,726.18	1.15	2.11	CRB Index	183.27	0.57	7.93
Dow Jones Ind.	25,954.44	0.24	11.26	WTI oil ($/bbl)	56.92	1.48	25.35
S&P 500	2,784.70	0.18	11.08	Brent oil ($/bbl)	67.08	0.95	24.89
FTSE 100	7,228.62	0.69	7.44	Gold (S/oz)	1,338.44	-0.19	8.10
Shanghai	2,761.22	0.20	10.72	CPO (RM/tonne)*	2,110.50	-0.17	8.09
Hang Seng	28,514.05	1.01	10.32	Copper ($/tonne)	6,319.00	0.70	5.93
STI	3,278.38	0.57	6.83	Rubber (sen/kg)	422.00	0.24	11.35

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	15 Feb	3.6%	-6.9% (revised)	--
EU Consumer Confidence	Feb A	-7.4	-7.9	-7.7
UK CBI Trends Total Orders	Feb	6	-1	-5
AU Wage Price Index YOY	4Q	2.3%	2.3%	2.3%
AU Employment Change	Jan	39.1k	21.6k	15.0k
AU Unemployment Rate	Jan	5.0%	5.0%	5.0%

Source: Bloomberg

➢ Macroeconomics

- ***Fed minutes signaled willingness to manage balance sheet, policy makers appeared split on path of fed funds rate:*** The Fed released its January meeting minutes overnight, offering fresh insights into the Fed's current plan to normalize monetary policy. The central bank appeared to be ready to end its current process of balance-sheet run-off later this year as "almost all participants thought that it would be desirable to announce before too long a plan to stop reducing the Federal Reserve's asset holdings later this year". Such an announcement will provide more certainty about the process for completing the normalization of the Fed's balance sheet size. On inflation, participants observed that both headline and core inflations remained near 2 percent on a 12-month basis, but inflation appeared to be more muted compared to last year despite strengthening a labour market and rising input costs for some industries. The adoption of a "patient" approach gave policymakers an opportunity to judge the response of economic activity and inflation to the recent steps taken to normalize the stance of monetary policy. This would also allow time for a clearer picture of the international trade policy situation and the state of the global economy to emerge, and for policymakers to reach a firmer judgment about the extent and persistence of the economic slowdown in Europe and China. Policy makers were split on the path of interest rate this year - Many participants suggested that it was not yet clear what adjustments to the target range for the federal funds rate may be appropriate later this year, some argued that rate increases might prove necessary only if inflation were higher than in their baseline outlook while several other participants indicated that, if the economy evolved as they expected, they would view it as appropriate to raise the target range for the federal funds rate later this year.

- ***US mortgage applications rebounded slightly:*** US mortgage applications rose by 3.6% on a weekly basis for the week ended 15 February (previous: -6.9% revised) following downward revision to previous week's figure from -3.7% to -6.9%. Both purchases and refinancing segments saw an increase in applications with refinancing accounted for most of the gains. Last week's rebound came after four consecutive weeks of declines despite interest rates having gone up generally. The average rate for a fixed-rate 30Y loan went up to 4.66% (previous: 4.65%).

- ***Eurozone consumer confidence rose in February:*** The flash estimate of the European Commission consumer confidence index (DG ECFIN index) rose for the second consecutive month to -7.4 in February (Jan: -7.9) offering tentative signs that consumer sentiments are slowly improving since the start of 2019, leading to a potential chance for an economic turnaround.

- ***UK manufacturing order book expanded ahead of Brexit:*** The CBI's latest survey of 366 manufacturing firms in the UK showed that total orders rose by 7 pts to 6 in February (Jan: -1), a sign that clients were ramping up purchases to brace for Brexit in late March. Growth of output for the past three months however weakened considerably to 7 (Jan: 16) while expectations for output also eased to 8 (Jan: 14) suggesting that outlook for the sector is skewed towards the downside. Expectations over average selling prices went up to 22.0 (Jan: +18), the highest since February last year. Manufacturers are facing a threat of a "no-deal" Brexit which would be "hugely damaging to manufacturers up and down the country" according to CBI, all against a backdrop of slower domestic and global growth.

- ***Australia job market beat expectations, but wage growth remained tepid:*** The Australian economy added a whopping 39.1k jobs in January (Dec: +21.6k), beating a consensus estimate of 15.0k. All new jobs came from full time employment (+65.4k vs -3.0k) as the number of part time employment fell last month (-26.3k vs +24.6k). Notably, unemployment rate had stayed at 5.0% even as participation rate increased to 65.7% (Dec: 65.5%) suggesting that the expanding labour force were absorbed into the labour market. Wage growth however remained subdued, as the wage price index was unchanged at 2.3% YOY in the final quarter of 2018 (3Q: +2.3%). The stronger YOY print in the last two quarters of 2018 was largely a result of higher minimum wages imposed since July 2018 but remained below historical standards. A tepid wage growth has been a key reason contributing to a still-subdued inflation in the economy, indicating that the RBA will keep cash rate steady in the near term.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
22/02	Malaysia	CPI YOY	Jan	-0.4%	0.2%	--
		Foreign Reserves	15 Feb	--	$102.1b	--
21/02	**US**	**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**	**0.3%**	**-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%**	**--**
21/02	**Eurozone**	**Markit Eurozone Manufacturing PMI**	**Feb P**	**50.3**	**50.5**	**--**
		Markit Eurozone Services PMI	**Feb P**	**51.3**	**51.2**	**--**
22/02		CPI YOY	Jan F	1.4%	1.6%	1.6%
21/02	**Japan**	**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%**	**--**
22/02		Natl CPI YOY	Jan	0.2%	0.3%	--
		Natl CPI Ex Fresh Food YOY	Jan	0.8%	0.7%	--
21/02	**Hong Kong**	**Unemployment Rate SA**	**Jan**	**2.8%**	**2.8%**	**--**
22/02		CPI Composite YOY	Jan	2.6%	2.5%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1338	-0.03	1.1371	1.1325	-1.07
GBPUSD	1.3050	-0.09	1.3109	1.3012	2.29
USDJPY	110.85	0.20	110.95	110.55	1.02
AUDUSD	0.7165	0.00	0.7183	0.7141	1.67
EURGBP	0.8687	0.08	0.8715	0.8673	-3.27
USDMYR	4.0685	-0.30	4.0725	4.0650	-1.57
EURMYR	4.6165	0.07	4.6282	4.6107	-2.34
JPYMYR	3.6727	-0.33	3.6832	3.6664	-2.26
GBPMYR	5.3039	0.53	5.3295	5.3012	0.69
SGDMYR	3.0110	0.03	3.0168	3.0065	-0.82
AUDMYR	2.9124	0.27	2.9253	2.9107	-0.36
NZDMYR	2.7952	0.21	2.8024	2.7920	0.59
CHFMYR	4.0654	-0.05	4.0696	4.0594	-3.19
CNYMYR	0.6054	0.32	0.6057	0.6039	0.03
HKDMYR	0.5186	-0.31	0.5190	0.5179	-1.82
USDSGD	1.3517	-0.09	1.3534	1.3497	-0.82
EURSGD	1.5328	-0.10	1.5359	1.5316	-1.89
GBPSGD	1.7641	-0.18	1.7694	1.7588	1.45
AUDSGD	0.9684	-0.10	0.9700	0.9660	0.85

Source: Bloomberg

➢Forex

MYR

- **MYR advanced 0.30% to 4.0685 against a soft USD** but retreated against 7 G10s that also rallied on a soft greenback.
- **MYR is neutral in our view against USD**, with room for mild gains amid firm risk appetite in the markets. We maintain that 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 rebounded to beat 7 G10s** while the DXY jumped after the release of FOMC minutes to narrow early losses but was nonetheless 0.07% lower at 96.45.
- **Maintain a bearish view on USD** as we continue to anticipate firm risk appetite in the markets and potential for downsides in US data. Losing 96.52 overnight points to extended losses for DXY. We set sights on a slide to 96.13 – 96.26 in the next leg lower, below which 96.00 will be targeted.

EUR

- **EUR eased 0.03% to 1.1338 against USD** after reversing early gains but remained higher against 5 G10s.
- **Stay bullish on EUR in anticipation of a soft USD**. Technical outlook continues to point towards extended EURUSD rebound. EURUSD expectedly recaptured above 1.1367 in intraday trade and will likely take aim at a close above it, which will then set a course for 1.1413 going forward.

GBP

- **GBP slipped 0.09% to 1.3050 against USD** and retreated against 5 G10s, likely as part of corrective move after recent rally.
- **Expect a slightly bullish GBP against USD** on lingering Brexit optimism. 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 and there is room for a climb to circa 1.3081 – 1.3094. Even so, we suspect risk of failure is likely to increase approaching 1.3094 – 1.3104.

JPY

- **JPY weakened 0.20% to 110.85 against USD** and fell against 7 G10s, weighed down by improved risk appetite that kept refuge demand bounded.
- **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** rallied to beat 7 G10s amid continued support from firmer risk appetite but ended **unchanged against USD at 0.7165**.
- **Continue to expect a slightly bullish AUD against a soft USD**, further supported by firm risk appetite as well as better than expected Australian labour market data. Upward momentum has strengthened, further tilting AUDUSD to the upside. Clearing 0.7188 in early trade has opened up a path towards 0.7229, but upsides are unsustainable if AUDUSD does not close above 0.7175.

SGD

- **SGD was 0.09% firmer at 1.3517 against USD** and managed to advance against 8 G10s.
- **Stay slightly bullish on SGD against a soft USD**. USDSGD is now taking aim at a break below 1.3504, after which 1.3492 will be threatened. We caution that losses are likely limited after 1.3492, and further declines are likely to increase the risk of a reversal higher.

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