

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks snapped winning streak to end lower overnight, dragged down by weak economic data** despite a Reuters report that said the US and China have started to lay out commitments in principle on key issues in current trade dispute. The Dow and S&P500 each lost 0.4% and 0.35%, while NASDAQ fell 0.39% to end its 8-day run of gains. **Bonds rallied across the curve amidst falling equities** - yield on 10Y treasury notes surged by 5bps to 2.69% while the 2Y notes picked up 3bps to 2.53%. Elsewhere, **European and Asian markets finished mixed**. Movement in crude oil benchmarks diverged- Brent fell 0.21% to \$66.94/barrel while WTI rose slightly by 0.07% to \$56.96/barrel. Earlier, **Bank Indonesia left its seven-day reverse repo rate unchanged at 6.0%**.
- **Data were mixed in the US but generally skewed to the downside**- the Philly Fed General Conditions Index fell to -4.1, durable goods orders rose 1.2% MOM but largely on transportations orders, core capital orders fell 0.7% MOM underscoring weakness in investment. The flash Markit US manufacturing PMI also ticked down to 53.7 but services PMI strengthened to 56.2. Initial jobless claims fell by 23k to 216k last week, existing home sales dropped 1.2% MOM while leading index ticked down by 0.1% MOM. Data were weak elsewhere as well – **manufacturing PMI for Eurozone and Japan fell below 50.0**. Japan underlying inflation picked up to 0.8% YOY but still below BOJ's 2% target.
- **USD extended its rebound to beat 9 G10s** while the DXY climbed through US morning to overturn early losses, backed by return of refuge demand amid soft US data to advance 0.16% to 96.60. **USD remains bearish in our view** as recent string of soft US data is likely to translate into a dimmer view on the prospects of Fed's policy tightening. Despite recapturing 96.52, DXY remains in a minor bearish trend and we continue to set sights on a slide to 96.13 – 96.26 in the next leg lower, unless it manages to beat 96.84 today.
- **MYR weakened 0.22% to 4.0775 against USD** and retreated against 6 G10s sentiment in the markets waned. **Expect a slightly bearish MYR against USD**, weighed down by receding risk appetite heading into the week's closure, as well as by softer trade sentiment after China's decision to ban Australian coal. We continue to note the signs of an imminent rebound higher for USDMYR. Failure to push below 4.0500 is likely to encourage the bulls and spark a rally back to 4.0920 – 4.0965.

#### Overnight Economic Data

US	➔
Eurozone	➔
Japan	⬇

#### What's Coming Up Next

##### Major Data

- Malaysia CPI, Foreign Reserves
- Eurozone CPI
- Hong Kong CPI Composite

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1319	1.1325	1.1339	1.1351	1.1367	↗
GBPUSD	1.3012	1.3029	1.3041	1.3047	1.3073	↗
USDJPY	110.23	110.45	110.66	110.70	110.82	↘
AUDUSD	0.7087	0.7100	0.7105	0.7111	0.7131	↗
EURGBP	0.8673	0.8688	0.8695	0.8707	0.8714	↘
USDMYR	4.0750	4.0770	4.0800	4.0825	4.0855	↗
EURMYR	4.6207	4.6247	4.6265	4.6282	4.6300	↗
JPYMYR	3.6800	3.6838	3.6856	3.6865	3.6887	↗
GBPMYR	5.3150	5.3176	5.3203	5.3256	5.3294	↗
SGDMYR	3.0100	3.0117	3.0142	3.0150	3.0168	➔
AUDMYR	2.8909	2.8958	2.8976	2.9010	2.9031	➔
NZDMYR	2.7720	2.7759	2.7786	2.7805	2.7849	➔
USDSGD	1.3517	1.3530	1.3535	1.3540	1.3556	↗
EURSGD	1.5330	1.5344	1.5348	1.5353	1.5365	↗
GBPSGD	1.7617	1.7640	1.7652	1.7666	1.7682	↗
AUDSGD	0.9587	0.9603	0.9617	0.9641	0.9651	↗

\* 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	1,730.68	0.26	2.37	CRB Index	183.41	0.08	8.01
Dow Jones Ind.	25,850.63	-0.40	10.82	WTI oil (\$/bbl)	56.96	0.07	24.97
S&P 500	2,774.88	-0.35	10.69	Brent oil (\$/bbl)	66.94	-0.21	24.46
FTSE 100	7,167.39	-0.85	6.53	Gold (\$/oz)	1,323.63	-1.11	8.10
Shanghai	2,751.80	-0.34	10.34	CPO (RM/tonne)*	2,080.00	-1.52	6.53
Hang Seng	28,629.92	0.41	10.77	Copper (\$/tonne)	6,405.00	1.36	7.38
STI	3,277.91	0.01	6.82	Rubber (sen/kg)	423.50	-0.35	11.74

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US Philadelphia Fed Business Outlook	Feb	-4.1	17.0	14.0
US Initial Jobless Claims	16 Feb	216k	239k	228k
US Durable Goods Orders	Dec P	1.2%	1.0% (revised)	1.7%
US Cap Goods Orders Nondef Ex Air	Dec P	-0.7%	-1.0% (revised)	0.3%
US Markit US Manufacturing PMI	Feb P	53.7	54.9	54.8
US Markit US Services PMI	Feb P	56.2	54.2	54.3
US Leading Index	Jan	-0.1%	0.0% (revised)	0.1%
US Existing Home Sales MOM	Jan	-1.2%	-4.0% (revised)	0.2%
EU Markit Eurozone Manufacturing PMI	Feb P	49.2	50.5	50.3
EU Markit Eurozone Services PMI	Feb P	52.3	51.2	51.3
JP Nikkei Japan PMI Mfg	Feb P	48.5	50.3	--
JP All Industry Activity Index MoM	Dec	-0.4%	-0.5% (revised)	-0.2%
JP Machine Tool Orders YOY	Jan F	-18.8%	-18.3%	--
JP Supermarket Sales YOY	Jan	-3.4%	-0.7%	--
JP Nationwide Dept Sales YOY	Jan	-2.9%	-0.7%	--
JP Natl CPI YOY	Jan	0.2%	0.3%	0.2%
JP Natl CPI Ex Fresh Food YOY	Jan	0.8%	0.7%	0.8%

Source: Bloomberg

**Macroeconomics**

- US manufacturing data disappointed, core capital orders slipped signaling weak investment:** Data at the US manufacturing front skewed to the downside – The Philly Fed General Conditions Index fell to -4.1 in February (Jan: 17.0), marking its first decline since May-16 as new orders and shipment fell, indicating a fall in manufacturing activities in the states of Pennsylvania, Delaware and New Jersey. Durable goods orders rose 1.2% MOM in December 2018 (Nov: +1.0%) but was largely attributed to the pickup in transportations. Excluding transportations orders, orders eked out a mere 0.1% MOM gain (Nov: -0.2%). Notably, core capital orders (measured in the form of non-defense capital orders excluding aircraft) slipped for the second month by 0.7% MOM (Nov: -1.0% revised) reaffirming the weaker trend in business investments. The flash Markit US manufacturing PMI also ticked down to 53.7 in February (Jan: 54.9) suggesting slower growth in factories activity but the services PMI strengthened to 56.2 (Jan: 54.2). Initial jobless claims fell by 23k to 216k for the week ended 16 Feb (previous: 239k) bringing the four-week moving average to 235.75k (previous: 231.75k). Existing home sales dropped for the third straight month in January by 1.2% MOM (Dec: -4.0% revised) as sales of single family units continued to decline amidst muted demand. Last but not least, the Conference Board leading index slid 0.1% MOM in January (Dec: 0.0%) following a flat reading in December suggesting a weak start to the US economy in 2019.
- Eurozone manufacturing faltered, services held up:** The flash Eurozone manufacturing PMI fell to a 68-month low of 49.2 in February (Jan: 50.5), indicating a contraction of the euro area's manufacturing sector. Output fell for the first time in Jun-13 while new orders also saw a solid decline, affirming a substantial lack of demand. Growth in the services sector meanwhile was holding up as the services PMI rose to 52.3 (Jan: 51.2). Services activity rose at the fastest rise in three months, while new business also expanded slightly. Hiring continued in both sectors, with the services sector recording sharper pace of job creation. The latest PMI readings showed that the Eurozone economy remained close to stagnation in February, led by weakness in manufacturing as weaker order book were linked to global trade protectionism worries, Brexit, the downturn of auto sector as well as increased political uncertainties.
- Japan factories activities contracted, retail sector weakened:** The flash Japan Manufacturing PMI fell to a 32-month low of 48.5 in February (Jan: 50.3), marking the manufacturing sector's first contraction since Aug-16. The weaker showing reflected mainly the sharp fall in output and new orders further supporting view that the recovery in 4Q18 GDP (+0.3% QOQ) would not be sustainable as the economy faces external headwinds arising from slower Chinese growth in the first quarter of 2019. Data such as machine tool orders also came in softer – orders plunged by 18.8% YOY in January (Dec: -18.3%) driven by falls in both domestic and foreign demand. The All Industry Index fell by 0.4% MOM in December (Nov: -0.5% revised) and by 0.3% YOY (Nov: +1.1%). The retail sector started 2019 on weaker footing – sales at supermarkets dropped for the fourth consecutive month by 3.4% YOY in January (Dec: -0.7%) while sales at department stores also faltered for the third straight month by 2.9% YOY (Dec: -0.7%).

- Japan underlying inflation gathered little momentum as price pressure stayed muted:** Headline CPI eked out a mere 0.2% YOY growth in January (Dec: +0.3%), the slowest rate since October 2017 as prices of fresh food continued to record a sharp drop (-11.1% vs -9.4%) last month. The good news was that the core CPI excluding fresh food, the BOJ's main gauge of inflation managed to pick up 0.8% YOY in January (Dec: +0.7%), a tad stronger than previous month's reading but remained below the central bank's target of 2% YOY. BOJ has trimmed its inflation outlook in its recent January meeting - CPI (less fresh food) was now expected to pick up by 0.9% YOY (versus 1.4% in October forecast) in the fiscal year starting April. Despite a long run of muted inflation, it reaffirmed its goal to ensure inflation to hit its 2% target and intended to keep the extremely low levels of short and long term interest rates for an extended period of time amidst uncertainties regarding economic activity as well as prices which

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	--
25/02	US	Chicago Fed Nat Activity Index	Jan	--	0.27	--
		Wholesale Inventories MoM	Dec F	0.4%	0.3%	--
		Dallas Fed Manf. Activity	Feb	5.4	1.0	--
22/02	Eurozone	CPI YOY	Jan F	1.4%	1.6%	1.6%
22/02	Hong Kong	CPI Composite YOY	Jan	2.6%	2.5%	--
25/02	Singapore	CPI YOY	Jan	0.6%	0.5%	--

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1336	-0.02	1.1366	1.1321	-1.14
GBPUSD	1.3043	-0.05	1.3095	1.3026	-2.21
USDJPY	110.70	-0.14	110.87	110.57	-0.88
AUDUSD	0.7092	-0.02	0.7207	0.7070	-0.61
EURGBP	0.8692	0.06	0.8704	0.8666	-3.27
USDMYR	4.0775	0.22	4.0825	4.0655	-1.36
EURMYR	4.6185	0.04	4.6298	4.6111	-2.30
JPYMYR	3.6810	0.23	3.6824	3.6697	-2.04
GBPMYR	5.3339	0.57	5.3339	5.3004	-2.26
SGDMYR	3.0142	0.11	3.0146	3.0067	-0.71
AUDMYR	2.8984	-0.48	2.9316	2.8872	-0.84
NZDMYR	2.7804	-0.53	2.7974	2.7727	-0.06
CHFMYR	4.0743	0.22	4.0744	4.0639	-2.97
CNYMYR	0.6069	0.24	0.6082	0.6053	-0.28
HKDMYR	0.5195	0.17	0.5197	0.5180	-1.65
USDSGD	1.3533	0.12	1.3547	1.3501	-0.66
EURSGD	1.5342	0.09	1.5365	1.5318	-1.79
GBPSGD	1.7653	0.07	1.7704	1.7614	-1.55
AUDSGD	0.9598	-0.89	0.9737	0.9577	-0.05

Source: Bloomberg

### MYR

- **MYR weakened 0.22% to 4.0775 against USD** and retreated against 6 G10s sentiment in the markets waned.
- **Expect a slightly bearish MYR against USD**, weighed down by receding risk appetite heading into the week's closure, as well as by softer trade sentiment after China's decision to ban Australian coal. We continue to note the signs of an imminent rebound higher for USDMYR. Failure to push below 4.0500 is likely to encourage the bulls and spark a rally back to 4.0920 – 4.0965.

### USD

- **USD extended its rebound to beat 9 G10s** while the DXY climbed through US morning to overturn early losses, backed by return of refuge demand amid soft US data to advance 0.16% to 96.60.
- **USD remains bearish in our view** as recent string of soft US data is likely to translate into a dimmer view on the prospects of Fed's policy tightening. Despite recapturing 96.52, DXY remains in a minor bearish trend and we continue to set sights on a slide to 96.13 – 96.26 in the next leg lower, unless it manages to beat 96.84 today.

### EUR

- **EUR dipped 0.02% to 1.1336 on the back of a firm USD** but managed to beat 8 G10s.
- **Stay bullish on EUR in anticipation of a soft USD**, with stronger gains likely if Eurozone CPI surprises to the upside. Technical outlook continues to point towards extended EURUSD rebound. EURUSD will target to beat 1.1367 again and a close above it will set a course for 1.1413 going forward.

### GBP

- **GBP slipped 0.05% to 1.3043 on the back of a firm USD** and climbed against 6 G10s, supported by lingering Brexit optimism.
- **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 strengthened 0.14% to 110.70 against USD** and jumped to the top of the G10 list amid the return of refuge demand.
- **Maintain a slightly bullish view on JPY in line with our view of a soft USD** and further supported by receding risk appetite. 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 slumped against all G10s and plunged 1.02% to 0.7092 against USD**, pressured by China's decision to ban Australian coal exports.
- **We are slightly bullish on AUD against USD** for today, anticipating a technical rebound after yesterday's slump but gains are likely mild. Technical landscape has shifted into a bearish bias. While we expect a brief technical rebound, gains are likely stemmed before 0.7131 before resuming a downward trajectory, aiming for 0.7068.

### SGD

- **SGD slipped 0.12% to 1.3533 against USD** and ended mixed against the G10s.
- **Expect a slightly bearish SGD against USD**, weighed down by weakened sentiment regarding trade amid China's recent ban on Australian coal. Technical outlook suggests that USDSGD is forming a bullish chart pattern. Unless this is nullified by a close below 1.3492, USDSGD is likely heading for a break above 1.3614.

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