March 22, 2019

HongLeong Bank

# Global Markets Research

# Daily Market Highlights

## Key Takeaways

- **US equities rallied in response to signal from the Fed for a pause in policy tightening**. The Dow and S&P500 gained 0.84% and 1.09% respectively, while gold fell 0.24%. WTI surged above the important $60/barrel level on declining US stockpiles but lost it thereafter to close at $59.98/ barrel (+0.25%). Brent lost 0.93% to $67.86/ barrel. **As expected, BOE kept interest rate unchanged** amid much Brexit uncertainties, while UK data continued to surprise to the upside, latest being retail sales.

- **Overnight data were mostly mixed**; upsides in data came from the US, indicating better business outlook in the Philadelphia Fed district, lower jobless claims and signs of uptick in economic growth. Consumer sentiment remains gloomy in the Eurozone, though the index ticked slightly higher to a less negative territory. In Hong Kong, consumer prices eased but mostly due to high base effect. Labour market data from Australia turned out mixed, though a dip in unemployment rate was eye catching.

- **USD recovered** as the DXY closed up at 96.321, post-FOMC on profit taking moves before the weekend. **Maintain a bearish view on USD** as technical indicators still suggesting that USD is still on a downward trend.

- **MYR closed 0.11% firmer at 4.0615 against the USD** amidst good two way interests. On one hand we have investors who are capitalizing on the dovish Fed by buying MYR assets while on the other hand we have investors who were dumping banking stocks on a rumoured windfall tax. **MYR is slightly bearish** against USD as globally the broad USD is higher as it retraces almost all its losses post-FOMC. Technically, if USDMYR closes the week circa 4.06 or below it would provide bears with confidence. On the flipside, if it closes above the 4.07 mark it may negate shorter term downside pressure.

- **SGD closed weaker by 0.15% at 1.3490 against USD** in line with broader USD strength. **We turn mildly bullish on** SGD as post-FOMC we have crossed certain key short term support levels. So long as we maintain below the stronger short term resistance of 1.3528 we are generally in a downwards channel for USDSGD.

| Overnight Economic Data | |
|---|---|
| US | ↑ |
| UK | → |
| EU | → |
| HK | ↓ |
| AU | → |

## What's Coming Up Next

**Major Data**

- Malaysia CPI and foreign reserves
- US Markit manufacturing and services PMIs, existing home sales
- Eurozone Markit manufacturing and services PMIs
- Japan CPI, manufacturing PMI, supermarket sales, leading and coincident indexes, Nationwide departmental store sales

**Major Events**

- Nil

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

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|---|---|---|---|---|---|---|
| **EURUSD** | 1.1300 | 1.1340 | 1.1365 | 1.1380 | 1.1400 | → |
| **GBPUSD** | 1.3000 | 1.3051 | 1.3118 | 1.3179 | 1.3235 | ↗ |
| **USDJPY** | 110.30 | 110.55 | 110.83 | 111.23 | 111.50 | → |
| **AUDUSD** | 0.7050 | 0.7072 | 0.7108 | 0.7138 | 0.7165 | ↗ |
| **EURGBP** | 0.8606 | 0.8648 | 0.8665 | 0.8688 | 0.8700 | ↘ |
| **USDMYR** | 4.0500 | 4.0550 | 4.0620 | 4.0700 | 4.0850 | ↗ |
| **EURMYR** | 4.6100 | 4.6170 | 4.6200 | 4.6230 | 4.6400 | ↗ |
| **JPYMYR** | 3.6585 | 3.6636 | 3.6692 | 3.6737 | 3.6808 | → |
| **GBPMYR** | 5.2800 | 5.3061 | 5.3350 | 5.3660 | 5.3929 | ↗ |
| **SGDMYR** | 3.0000 | 3.0080 | 3.0130 | 3.0200 | 3.0300 | → |
| **AUDMYR** | 2.8676 | 2.8766 | 2.8900 | 2.8958 | 2.9080 | → |
| **NZDMYR** | 2.7805 | 2.7868 | 2.8000 | 2.8066 | 2.8130 | ↗ |
| **USDSGD** | 1.3400 | 1.3450 | 1.3490 | 1.3530 | 1.3565 | ↘ |
| **EURSGD** | 1.5280 | 1.5300 | 1.5335 | 1.5371 | 1.5407 | ↘ |
| **GBPSGD** | 1.7566 | 1.7614 | 1.7700 | 1.7778 | 1.7848 | ↗ |
| **AUDSGD** | 0.9500 | 0.9560 | 0.9590 | 0.9602 | 0.9650 | ↘ |

* at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

| | Last Price | DoD % | YTD % |
|---|---|---|---|
| KLCI | 1,663.66 | -1.22 | -1.59 |
| Dow Jones Ind. | 25,962.51 | 0.84 | 11.30 |
| S&P 500 | 2,854.88 | 1.09 | 13.88 |
| FTSE 100 | 7,355.31 | 0.88 | 9.32 |
| Shanghai | 3,101.46 | 0.35 | 24.36 |
| Hang Seng | 29,071.56 | -0.85 | 12.48 |
| STI | 3,213.65 | 0.19 | 4.72 |

| Name | Last Price | DoD % | YTD % |
|---|---|---|---|
| CRB Index | 185.37 | -0.12 | 9.17 |
| WTI oil ($/bbl) | 59.98 | 0.25 | 31.76 |
| Brent oil ($/bbl) | 67.86 | -0.93 | 26.13 |
| Gold (S/oz) | 1,309.36 | -0.24 | 2.05 |
| CPO (RM/tonne)* | 1,889.00 | 1.12 | -3.25 |
| Copper ($/tonne) | 6,457.00 | -0.03 | 8.25 |
| Rubber (sen/kg) | 487.00 | -0.20 | 28.50 |

*Source: Bloomberg*

| Economic Data | | | | |
|---|---|---|---|---|
| | For | Actual | Last | Survey |
| US Philadelphia Fed Business Outlook | Mar | 13.7 | -4.1 | 5.0 |
| US Initial Jobless Claims | Mar-16 | 221k | 230k (revised) | 225k |
| US Leading Index | Feb | 0.2% | 0.0% | 0.1% |
| EU Consumer Confidence | Mar A | -7.2 | -7.4 | -7.1 |
| UK Retail Sales Ex Auto Fuel MOM | Feb | 0.2% | 1.1% | -0.4% |
| UK BOE rate | Mar-21 | 0.75% | 0.75% | 0.75% |
| HK CPI Composite YOY | Feb | 2.1% | 2.4% | 2.1% |
| AU Employment Change | Feb | 4.6k | 38.3k (revised) | 15.0k |
| AU Unemployment Rate | Feb | 4.9% | 5.0% | 5.0% |

*Source: Bloomberg*

# ➢Macroeconomics

- ***US data improves overnight:*** US data releases were biased to the upside, starting off with Philadelphia Fed gauge on business outlook, which jumped to 13.7 in Mar from -4.1 in Feb. The improved outlook was led by growth in new orders and shipments, though growth in hiring softened. Initial jobless claims fell to 221k in the week ended 16 Mar, down from 230k the week prior and bested expectation of a drop to 225k. Meanwhile, the leading index climbed 0.2% in Feb after stagnating in Jan, suggesting that the US remains on a path of economic growth.

- ***Eurozone sentiment less gloomy:*** Consumer confidence index in the Eurozone ticked higher to -7.2% in Mar advanced reading, inching higher from -7.4, a sign that sentiment is less gloomy.

- ***BOE stayed pat, UK retail sales beats estimates:*** BOE expectedly kept interest rate unchanged at 0.75% yesterday amid a backdrop of wrangling lawmakers for Brexit deadline extension and a deal. BOE highlighted that further policy tightening may be required if the economy grows according to projections, but pinned its decision to how Brexit develops, suggesting that a downward move is not ruled out. Meanwhile, the UK continues to release data that are biased to the upside. Retail sales (discounting auto fuel) surprised with a 0.2% MOM growth in Feb, beating expectations of a 0.4% contraction though still slower than the 1.1% gain achieved in Jan. YOY, sales grew 3.8% from 4.0% in Jan, and still bested estimates of 3.5%.

- ***Hong Kong price pressure eases in Feb:*** Consumer prices in Hong Kong decelerated to its lowest since May 2018, rising 2.1% YOY in Feb after gaining 2.4% in Jan. The downtick is likely due to a high-base effect from last year amid seasonal distortion. Gains in food prices eased to 3.0% from 3.3% in Jan, with disinflation in alcohol & tobacco (Feb: +2.6% vs Jan: +3.1%) and transport (Feb: +1.4% vs Jan: +2.3%) as well as deflation in clothing & footwear (Feb: -1.5% vs Jan: -0.3%) and durable goods (Feb: -1.7% vs Jan: -2.2%) dragging headline CPI lower.

- ***Mixed Australian labour market data:*** Australian unemployment rate unexpectedly dipped to 4.9% in Feb from 5.0% in Jan, spurring AUD in Asian trade. But holistically, labour market data was mixed at best, with lower participation rate at 65.6% (from 65.7%) possibly the reason why unemployment rate fell, while employment increased by only 4.6k in Feb when 15.0k was expected, and much lower than 38.3k rise achieved in Jan. Full time employment fell by 7.3k, and part time employment jumped 11.9k.

| Economic Calendar | | | | | | |
|---|---|---|---|---|---|---|
| **Date** | **Country** | **Events** | **Reporting Period** | **Survey** | **Prior** | **Revised** |
| 22/03 | Malaysia | CPI YOY | Feb | -0.3% | -0.7% | -- |
| | | Foreign Reserves | Mar 15 | -- | $102.4b | -- |
| 22/03 | US | Markit Manufacturing PMI | Mar P | 53.4 | 53.0 | -- |
| | | Markit Services PMI | Mar P | 55.5 | 56.0 | -- |
| | | Existing Home Sales MOM | Feb | 3.2% | -1.2% | -- |
| 22/03 | Eurozone | Markit Manufacturing PMI | Mar P | 49.5 | 49.3 | -- |
| | | Markit Services PM | Mar P | 52.7 | 52.8 | -- |
| 22/03 | Japan | CPI YOY | Feb | 0.3% | 0.2% | -- |
| | | Nikkei PMI Manufacturing | Mar P | -- | 48.9 | -- |
| | | Supermarket Sales YOY | Feb | -- | -3.4% | -- |
| | | Leading Index | Jan F | -- | 95.9 | -- |
| | | Coincident Index | Jan F | -- | 97.9 | -- |
| | | Nationwide Dept Sales YOY | Feb | -- | -2.9% | -- |
| 25/03 | | All Industry Activity Index YOY | Jan | -0.4% | -0.4% | -- |
| 25/03 | Singapore | CPI Core YOY | Feb | 1.7% | 1.7% | -- |
| 25-31/03 | Vietnam | GDP YoY | 1Q | -- | 7.3% | -- |
| | | Industrial Production YoY | Mar | -- | 10.3% | -- |
| | | Retail Sales YTD YoY | Mar | -- | 12.2% | -- |
| | | CPI YoY | Mar | -- | 2.6% | -- |
| | | Exports YoY | Mar | -- | 1.6% | -- |
| | | Trade Balance | Mar | -- | -$900m | -- |

*Source: Bloomberg*

| | Last Price | DoD % | High | Low | YTD % |
|---|---|---|---|---|---|
| EURUSD | 1.1374 | -0.34 | 1.1437 | 1.1343 | -0.79 |
| GBPUSD | 1.3107 | -0.69 | 1.3227 | 1.3004 | 2.92 |
| USDJPY | 110.82 | 0.11 | 110.96 | 110.30 | 0.98 |
| AUDUSD | 0.7112 | -0.06 | 0.7168 | 0.7090 | 0.92 |
| EURGBP | 0.8677 | 0.33 | 0.8723 | 0.8638 | -3.59 |
| | | | | | |
| USDMYR | 4.0615 | -0.11 | 4.0640 | 4.0725 | -1.74 |
| EURMYR | 4.6327 | 0.39 | 4.6473 | 4.6273 | -2.00 |
| JPYMYR | 3.6784 | 0.84 | 3.6827 | 3.6625 | -2.11 |
| GBPMYR | 5.3475 | -0.63 | 5.3751 | 5.3409 | 1.52 |
| SGDMYR | 3.0146 | 0.10 | 3.0215 | 3.0121 | -0.70 |
| AUDMYR | 2.9001 | 0.57 | 2.9115 | 2.8935 | -0.78 |
| NZDMYR | 2.8106 | 0.96 | 2.8176 | 2.8061 | 1.15 |
| CHFMYR | 4.0919 | 0.58 | 4.1029 | 4.0888 | -2.56 |
| CNYMYR | 0.6071 | -0.06 | 0.6086 | 0.6071 | 0.31 |
| HKDMYR | 0.5178 | -0.14 | 0.5178 | 0.5166 | -1.97 |
| | | | | | |
| USDSGD | 1.3490 | 0.15 | 1.3512 | 1.3454 | -1.05 |
| EURSGD | 1.5343 | -0.20 | 1.5398 | 1.5320 | -1.84 |
| GBPSGD | 1.7680 | -0.55 | 1.7813 | 1.7572 | 1.83 |
| AUDSGD | 0.9596 | 0.11 | 0.9649 | 0.9579 | -0.12 |

*Source: Bloomberg*

# ➢Forex

### MYR

- **MYR closed 0.11% firmer at 4.0610 against the USD** amidst good two way interests. On one hand we have investors who are capitalizing on the dovish Fed by buying MYR assets while on the other hand we have investors who were dumping banking stocks on a rumoured windfall tax.
- **MYR is slightly bearish** against USD as globally the broad USD is higher as it retraces almost all its losses post-FOMC. Technically, if USDMYR closes the week circa 4.06 or below it would provide bears with confidence. On the flipside, if it closes above the 4.07 mark it may negate shorter term downside pressure.

### USD

- **USD recovered** as the DXY closes up to 96.321, post-FOMC on profit taking moves before the weekend.
- **Maintain a bearish view on USD** as technical indicators still suggesting that USD is still on a downward trend.

### EUR

- **EUR lost 0.34% to 1.1374 against USD** amid stronger USD sentiments led by profit taking activities post-FOMC.
- **EURUSD is expected to be sideways to slightly bullish** as we currently sit at short term Ichimoku cloud bottom support area.

### GBP

- **GBP closed lower by 0.69% to 1.3107** on Brexit developments which saw the EU handing the UK an extra 2 weeks to stop a chaotic no-deal Brexit from happening with the new cliff-edge now being 12 April.
- **We maintain bearish view on GBPUSD** on technical reasons over the medium term but over the shorter term we see a chance that the pair may trade higher as it currently sits near the recent Bollinger low of the lower band and given an extension it may continue to trade within the recent broader range.

### JPY

- **JPY weakened 0.11% to 110.82** post-FOMC on mixed sentiment driven by perceived equity weakness and post-FOMC profit taking activities.
- **We maintain mildly bullish view on JPY** as seasonality factors continue to support JPY strength. Even strong US equity showing could not bring USDJPY back to pre-FOMC levels gives confidence to the repatriation view.

### AUD

- **AUD closed 0.06% weaker against the USD at 0.7112** and ended mixed among the G10s.
- **We maintain mild bullish view on AUD** as technicals continue to support a slow and steady move higher to the medium 0.7200 target as a series of higher lows and higher highs gives bulls more confidence. Stronger commodity prices lately also supports this view.

### SGD

- **SGD closed weaker 0.15% at 1.3490 against USD** in line with broader USD strength.
- **We turn mildly bullish on** SGD as post-FOMC we have crossed certain key short term support levels. So long as we maintain below the stronger short term resistance of 1.3528 we are generally in a downwards channel 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