

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks closed higher on Friday** after Thursday's loss, again driven by ongoing trade optimism after Chinese and US negotiators extended talks beyond initial schedules over to the weekend in Washington in a race to strike a deal prior to the 1-Mar deadline. **Treasuries rallied as investors weighed trade talks and Fed Vice Chair Richard Clarida's remarks that the central bank was reviewing how it conducted monetary policy** – 10Y treasuries notes yield slipped by 4bps to 2.65%, 2Y notes fell 4bps to 2.49%. **Oil prices strengthened** - WTI rose 0.53% to \$57.26/barrel while Brent went up slightly higher by 0.07% to \$67.12/barrel. European stocks finished higher earlier while Asian equities were mixed in general. **News came in this morning that President Trump has announced that he will extend the 1-Mar deadline to increase tariffs on Chinese goods, citing substantial progress, which shall augur well with risk appetite in Asian trading.**
- **Inflation data reaffirmed tepid price pressure worldwide - Euro area HICP inflation rate eased to 1.4% YOY in January** mainly on lower energy cost while underlying inflation strengthened to 1.1% YOY. **Hong Kong CPI softened as well to 2.4% YOY in the same month** due to sharp fall in utilities prices. **Malaysia meanwhile slipped into transitory deflation as headline CPI declined by 0.7% YOY in January** led by lower cost of transport. **We stick to our view of a negative CPI in 1Q19, before the index bounced back to a small positive print in 2Q followed by quicker pick-up in 2H.**
- **USD weakened against 9 G10s** while the DXY fell through US session to close 0.1% lower at 96.50, weighed down by recent soft US data as well as rising optimism in US-China trade talk. **Expect a bearish USD** amid signs of progress in US-China trade talks that reduces refuge demand. Losing 96.52 last Friday has tilted DXY to the downside again. We continue to set sights on a slide to 96.13 – 96.26, below which 96.00 will be targeted.
- **MYR closed unchanged at 4.0775 against USD** last Friday after overturning early losses as the greenback lost steam but slipped against 5 G10s. **MYR is bullish against USD**, buoyed by improved market sentiment following signs of progress in US-China trade talks. Technical outlook paints a different picture however. Price-momentum divergence has emerged while a bullish reversal pattern lingers, both hinting that USDMYR could be heading higher ahead.
- **SGD advanced 0.16% to 1.3511 against USD** and climbed against 6 G10s. **SGD is now bullish against a weakened USD** from improvement in risk appetite following signs of progress in US-China trade talks. Technical outlook suggests that USDSGD is forming a bullish chart pattern. USDSGD remains in a bearish trend and could still slide lower, possibly to circa 1.3475, but in the longer run, a bullish chart pattern continues to prevail, suggesting a potential rebound to circa 1.3614.

#### Overnight Economic Data

Malaysia	➔
Eurozone	⬇
Hong Kong	⬇

#### What's Coming Up Next

##### Major Data

- US Chicago Fed Nat Activity Index, Wholesale Inventories, Dallas Fed Manf. Activity
- Singapore CPI

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1330	1.1342	1.1346	1.1357	1.1367	↗
GBPUSD	1.3026	1.3047	1.3067	1.3076	1.3095	↗
USDJPY	110.69	110.77	110.84	110.91	111.00	↗
AUDUSD	0.7139	0.7151	0.7159	0.7165	0.7175	↗
EURGBP	0.8671	0.8677	0.8683	0.8693	0.8705	↘
USDMYR	4.0600	4.0620	4.0640	4.0670	4.0700	↘
EURMYR	4.6055	4.6109	4.6120	4.6150	4.6193	↗
JPYMYR	3.6600	3.6649	3.6675	3.6675	3.6737	↘
GBPMYR	5.3060	5.3100	5.3117	5.3144	5.3185	↗
SGDMYR	3.0067	3.0089	3.0106	3.0117	3.0146	➔
AUDMYR	2.9029	2.9055	2.9097	2.9107	2.9154	↗
NZDMYR	2.7889	2.7900	2.7938	2.7942	2.7974	↗
USDSGD	1.3474	1.3492	1.3497	1.3510	1.3530	↘
EURSGD	1.5291	1.5300	1.5312	1.5320	1.5344	↗
GBPSGD	1.7600	1.7617	1.7636	1.7659	1.7677	↗
AUDSGD	0.9628	0.9646	0.9663	0.9681	0.9698	↗

\* 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	1,721.42	-0.54	1.82	CRB Index	184.06	0.35	8.40
Dow Jones Ind.	26,031.81	0.70	11.59	WTI oil (\$/bbl)	57.26	0.53	25.77
S&P 500	2,792.67	0.64	11.40	Brent oil (\$/bbl)	67.12	0.07	24.74
FTSE 100	7,178.60	0.16	6.70	Gold (S/oz)	1,329.40	0.44	8.10
Shanghai	2,804.23	1.91	12.44	CPO (RM/tonne)*	2,068.50	-0.55	5.94
Hang Seng	28,816.30	0.65	11.49	Copper (\$/tonne)	6,478.00	1.54	8.60
STI	3,269.90	-0.24	6.55	Rubber (sen/kg)	426.50	1.07	12.53

Source: Bloomberg

## ➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA CPI YOY	Jan	-0.7%	0.2%	-0.4%
MA Foreign Reserves	15 Feb	\$102.3	\$102.1b	--
EU CPI YOY	Jan F	1.4%	1.5% (revised)	1.4%
HK CPI Composite YOY	Jan	2.4%	2.5%	2.6%

Source: Bloomberg

- Headline CPI eased but underlying inflation gained traction in Eurozone:** The headline HICP inflation rate for the euro area eased to 1.4% YOY in January (Dec: +1.5% revised) following a downward revision to December's number, marking its slowest gain in 10 months. The weaker print was driven mainly by the softer increase in prices of energy (+2.75 vs +5.5% revised) as global oil prices remained low in the first month of 2019. Price gains in other categories either held steady or strengthened – food, alcohol and tobacco rose steadily (+1.8%), non-energy industrial goods ticked higher (+0.3% vs +0.2% revised) while prices of services surged (+1.6% vs +1.3%), contributing to the pickup in underlying inflation – the HICP rate excluding food, alcohol and tobacco recorded a faster gain of 1.1% YOY (Dec: +0.9% revised). Higher underlying CPI was a welcoming sign that price pressure was regaining traction in a currently muted inflation environment, where the recent rise of labour cost in the Eurozone hasn't quite been passed through to consumer prices.
- Hong Kong inflation eased further in January:** The Composite CPI index rose 2.4% YOY in January (Dec: +2.5%) as it continued to ease from the elevated levels of 2.6-2.7% in the Sep-Nov period. Gains in prices of food and housing as well as transport were offset by a sharp fall in cost of utilities (-4.6% vs +3.8%). Prices of clothing & footwear rebounded while that of durable goods and communications continued to decline. Cost of housing continued again saw faster rate of growth compared to five months ago due to the one-off upward adjustment in public rent in September last year. Underlying CPI came in a tad stronger at 3.0% YOY (Dec: +2.9%) suggesting a minor buildup in inflationary pressure in the economy.
- Malaysia slipped into transitory deflation in January:** Consumer Price Index (CPI) slipped and fell 0.7% YOY in January (Dec: +0.2% YOY), pulled down by the bigger decline in transport costs as well as extended declines in the prices of clothing/footwear, healthcare, communication, recreation, and miscellaneous goods and services. On the contrary, food prices rose at a faster pace of 1.0% YOY in January (Dec: +0.7%), cushioning the decline in transport prices. Prices of other key categories in the CPI basket meanwhile remained relatively steady and muted, offering no change to the underlying subdued inflationary outlook. The negative print, its first since Nov-09, did not come as a surprise taking cue from the lower global crude oil prices which translated into a 8-12% YOY fall in retail petrol pump prices in January (Dec: 2-3% YOY decline). Excluding most volatile items of fresh food and administered prices of goods and services, core CPI softened further increasing a mere 0.2% YOY in January (Dec: +0.4%), remaining very well-contained reaffirming muted inflationary pressure in the Malaysian economy. Today's CPI print reaffirmed our view that transport prices under the ultimate influence of global crude oil prices, in addition to the base effect of zerorization of GST in June last year, will be the key influences of CPI trajectory this year. We continue to hold on to our view of a negative CPI reading in 1Q19, before bouncing back to a small positive print in 2Q followed by quicker pick-up in 2H of the year. This shall keep our full year 2019 CPI forecast of 1.0% intact.
- Malaysia foreign reserves posted increase:** The international reserves of Bank Negara Malaysia rose to \$102.3b as at 15 February 2019 (end-Jan: \$102.1b). The reserves position is sufficient to finance 7.3 months of retained imports and is 1.0 time total short-term external debt.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
25/02	US	Chicago Fed Nat Activity Index	Jan	0.15	0.27	--
		Wholesale Inventories MOM	Dec F	0.3%	0.3%	--
		Dallas Fed Manf. Activity	Feb	4.9	1.0	--
26/02		Housing Starts MOM	Dec	-0.4%	3.2%	--
		Building Permits MOM	Dec	-2.6%	5.0%	4.5%
		FHFA House Price Index MOM	Dec	0.4%	0.4%	--
		S&P CoreLogic CS 20-City YoY NSA	Dec	4.5%	4.68%	--
		Richmond Fed Manufact. Index	Feb	4	-2	--
		Conf. Board Consumer Confidence	Feb	124.0	120.2	--
26/02	Hong Kong	Exports YOY	Jan	-2.8%	-5.8%	--
		Trade Balance HKD	Jan	-31.0b	-51.2b	--
25/02	Singapore	CPI YOY	Jan	0.6%	0.5%	--
26/02		Industrial Production YOY	Jan	-3.1%	2.7%	--

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1335	-0.01	1.1356	1.1316	-1.07
GBPUSD	1.3053	0.08	1.3080	1.2968	2.44
USDJPY	110.69	-0.01	110.91	110.56	0.98
AUDUSD	0.7129	0.52	0.7150	0.7083	1.56
EURGBP	0.8681	-0.13	0.8729	0.8677	-3.41
USDMYR	4.0775	0.00	4.0855	4.0755	-1.65
EURMYR	4.6237	0.11	4.6311	4.6210	-2.44
JPYMYR	3.6807	-0.01	3.6904	3.6784	-2.33
GBPMYR	5.3143	-0.37	5.3249	5.3095	0.83
SGDMYR	3.0150	0.03	3.0154	3.0096	-0.78
AUDMYR	2.9008	0.08	2.9021	2.8920	-0.42
NZDMYR	2.7715	-0.32	2.7804	2.7590	0.52
CHFMYR	4.0760	0.04	4.0804	4.0722	-3.18
CNYMYR	0.6068	-0.02	0.6072	0.6059	0.25
HKDMYR	0.5194	-0.02	0.5206	0.5193	-1.91
USDSGD	1.3511	-0.16	1.3553	1.3502	-0.97
EURSGD	1.5314	-0.18	1.5364	1.5305	-2.03
GBPSGD	1.7632	-0.12	1.7672	1.7549	1.44
AUDSGD	0.9630	0.33	0.9655	0.9596	0.59

Source: Bloomberg

### MYR

- **MYR closed unchanged at 4.0775 against USD** last Friday after overturning early losses as the greenback lost steam but slipped against 5 G10s.
- **MYR is bullish against USD**, buoyed by improved market sentiment following signs of progress in US-China trade talks. Technical outlook paints a different picture however. Price-momentum divergence has emerged while a bullish reversal pattern lingers, both hinting that USDMYR could be heading higher going forward. We continue to caution that 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 9 G10s** while the DXY fell through US session to close 0.1% lower at 96.50, weighed down by recent soft US data as well as rising optimism in US-China trade talk.
- **Expect a bearish USD** amid signs of progress in US-China trade talks that reduce demand for refuge. Losing 96.52 last Friday has tilted DXY to the downside again. We continue to set sights on a slide to 96.13 – 96.26 in the next leg lower, below which 96.00 will be targeted.

### EUR

- **EUR dipped 0.01% lower to 1.1335 against USD** and fell against all G10s amid a lack of buying interest.
- **Stay bullish on EUR in anticipation of a soft USD** and amid improvement in market sentiment regarding trade. Despite recent losses, technical outlook continues to point towards a bullish EURUSD. Expect EURUSD to beat 1.1367 again and a close above it will set a course for 1.1413 going forward. A close below 1.1341 today will end the current bullish outlook.

### GBP

- **GBP inched 0.08% higher to 1.3053 against USD** after rebounding from intraday low on sustained Brexit optimism but slipped against 5 G10s.
- **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 is still positive and there is room for GBPUSD to 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 inched 0.01% firmer to 110.69 against USD** but retreated against 7 G10s as risk appetite sustained in the markets.
- **We turn slightly bearish on JPY against USD** as risk appetite in the markets improve. A bullish trend prevails and USDJPY is likely taking aim at breaking above 110 going forward. But even so, we reckon that risk of rejection is likely to increase approaching the 111.13 – 111.37 range.

### AUD

- **AUD jumped 0.52% to 0.7129 against USD** and rallied to beat 7 G10s amid continued improvement in risk appetite in the markets.
- **We are slightly bullish on AUD against USD** for today, supported by improving risk appetite in the markets. Technical viewpoint suggest that unless AUDUSD manages to close above 0.7165 today, it remains in a bearish trend that is likely to see it slide below 0.7092 going forward. Beating 0.7165 today opens a path towards 0.7229.

### SGD

- **SGD advanced 0.16% to 1.3511 against USD** and climbed against 6 G10s.
- **SGD is now bullish against a weakened USD** from improvement in risk appetite following signs of progress in US-China trade talks. Technical outlook suggests that USDSGD is forming a bullish chart pattern. USDSGD remains in a bearish trend and could still slide lower, possibly to circa 1.3475, but in the longer run, a bullish chart pattern continues to prevail, suggesting a potential rebound to circa 1.3614.

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