

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks pared some earlier losses but still ended lower overnight after US trade representative Robert Lighthizer said the **US would still need to maintain tariffs threat on China even after a deal has been reached**. Separately, **Fed Chair Jerome Powell** continued his second day of testimony before the Senate Banking Committee, **confirming that the Fed will stop shrinking its \$4 trillion balance sheet this year** which would leave the balance sheet at 16-17% of GDP, up from the pre-financial crisis' 6%. Treasuries fell on Powell's remark - the 10Y US government notes yield surged by 4bps to 2.68%, the 30Y notes yield rose 5bps to 3.06%. In the U.K., **the Labour Party said that it would now support a second public vote on Brexit**. Stocks fell in the U.K. while other European benchmarks mostly ended lower. Oil prices strengthened as the EIA reported a decrease in crude inventories - WTI picked up 2.59% to \$56.94/barrel while Brent rose 1.81% to \$66.39/barrel.
- **Overnight dataflow was all a mixed bag**. Contrary to weak US housing data a day earlier, pending home sales rose for the first time in 7 months in January, while mortgage application also increased further last week. Factory orders and durable goods orders pointed to soft business spending while the bigger than expected increases in retail and wholesale inventories confirmed slowing sales, hence the case of weaker GDP growth in 4Q. Eurozone headline economic sentiment index fell for the 8th straight month largely on falling manufacturing confidence, but consumer confidence improved slightly. UK business confidence plummeted ahead of Brexit while consumer sentiments stabilized. **Hong Kong 4Q GDP growth weakened to near 3-year low of 1.3% YOY** on broad-based slowdown across the economy except for public spending.
- **USD rebounded to beat 6 G10s** while the DXY bounced off intraday low to overturn early losses, closing 0.15% higher at 96.15, buoyed by receding optimism that US-China trade talks would yield significant improvement following a cautionary testimony by US trade representative Robert Lighthizer. **Maintain a bearish view on USD** as we suspect downsides in US data would further erode Fed rate hike expectations. Despite a mild rebound overnight, DXY remains tilted to the downside and continues to threaten a break below 96.00. Beating 96.52 today or 96.41 tomorrow could reverse current bearish trend, but both seems tough to achieve based on lingering downward momentum.
- **MYR climbed 0.16% to 4.0650 against a soft USD** but retreated against 9 G10s, weighed down by receding risk appetite. **MYR is slightly bearish against USD**, in anticipation of pressure from receding risk appetite in the markets. Lingering price-momentum divergence and a bullish reversal pattern continue to hint at USDMYR 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.
- **SGD slipped 0.1% to 1.3486 against USD** but managed to beat 6 G10s. **SGD is still slightly bearish against USD** in our view, weighed down by receding risk appetite in the markets. Technical outlook suggests that USDSGD is forming a bullish chart pattern and failure to break below 1.3460 will solidify this view. We continue to note that the bullish chart pattern hints at a rebound to circa 1.3614.

Overnight Economic Data

US	➔
Eurozone	➘
UK	➔
Hong Kong	➘
Japan	➔
New Zealand	➘

What's Coming Up Next

Major Data

- US Initial Jobless Claims, 4Q GDP, Chicago Purchasing Manager
- Japan Housing Starts
- China Non-manufacturing, Manufacturing PMI
- Vietnam Trade, CPI, Industrial Production, Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1367	1.1374	1.1377	1.1387	1.1396	➔
GBPUSD	1.3288	1.3300	1.3312	1.3320	1.3350	➘
USDJPY	110.73	110.80	110.87	111.00	111.13	➘
AUDUSD	0.7125	0.7141	0.7144	0.7150	0.7175	➘
EURGBP	0.8210	0.8529	0.8545	0.8560	0.8591	➔
USDMYR	4.0670	4.0700	4.0710	4.0730	4.0745	➔
EURMYR	4.6287	4.6300	4.6320	4.6346	4.6380	➔
JPYMYR	3.6664	3.6686	3.6700	3.6737	3.6750	➘
GBPMYR	5.4121	5.4146	5.4209	5.4240	5.4280	➔
SGDMYR	3.0149	3.0174	3.0202	3.0217	3.0227	➔
AUDMYR	2.9079	2.9100	2.9126	2.9135	2.9150	➘
NZDMYR	2.7805	2.7849	2.7864	2.7874	2.7900	➘
USDSGD	1.3460	1.3470	1.3479	1.3488	1.3492	➔
EURSGD	1.5315	1.5336	1.5338	1.5344	1.5360	➔
GBPSGD	1.7900	1.7916	1.7950	1.7980	1.8005	➘
AUDSGD	0.9612	0.9639	0.9647	0.9667	0.9681	➘

* 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	1,713.45	-0.32	1.35	CRB Index	183.23	1.01	7.91
Dow Jones Ind.	25,985.16	-0.28	11.39	WTI oil (\$/bbl)	56.94	2.59	25.41
S&P 500	2,792.38	-0.05	11.39	Brent oil (\$/bbl)	66.39	1.81	23.40
FTSE 100	7,107.20	-0.61	5.63	Gold (\$/oz)	1,319.86	-0.68	8.10
Shanghai	2,953.82	0.42	18.44	CPO (RM/tonne)*	1,985.50	-2.65	1.69
Hang Seng	28,757.44	-0.05	11.27	Copper (\$/tonne)	6,493.00	0.20	8.85
STI	3,250.02	-0.36	5.91	Rubber (sen/kg)	432.50	0.35	14.12

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US Pending Home Sales MOM	Jan	4.6%	-2.2%	1.0%
US MBA Mortgage Applications	22 Feb	5.3%	3.6%	--
US Retail Inventories MOM	Dec	0.9%	-0.4%	0.2%
US Wholesale Inventories MOM	Dec F	1.1%	0.4%	0.4%
US Factory Orders	Dec	0.1%	-0.5% (revised)	0.6%
US Durable Goods Orders	Dec F	1.2%	0.9%	--
US Cap Goods Orders Nondef Ex Air	Dec F	-1.0%	-1.1%	--
EU Economic Sentiment	Feb	106.1	106.3 (revised)	106.0
EU Consumer Confidence	Feb F	-7.4	-7.9	-7.4
UK GfK Consumer Confidence	Feb	-13.0	-14.0	-15.0
UK Lloyds Business Barometer	Feb	4.0	19.0	--
HK GDP YOY	4Q	1.3%	2.9%	2.2%
JP Industrial Production YOY	Jan P	0.0%	-1.9%	1.3%
JP Retail Trade YoY	Jan	0.6%	1.3%	1.4%
NZ ANZ Business Confidence	Feb	-30.9	-24.1	--

Source: Bloomberg

- US pending home sales rebounded, mortgage applications picked up for second week:** Pending home sales which measures contracts to buy previously owned homes went up by for the first time in seven months by 4.6% MOM in January (Dec: -2.3% revised) pointing to growth in existing home sales in the month ahead. Meanwhile, mortgage applications rose by 5.3% on a weekly basis for the week ended 22 February (previous: +3.6%). Both purchases and refinancing segments saw a solid increase in applications. Higher applications last week was a result of lower interest rates across the board- the average rate for a fixed-rate 30Y loan fell to 4.65% (previous: 4.66%).
- US core capital orders fell suggesting weak capex, inventories piled up as demand softened:** Factory orders rebounded only slightly to increase a mere 0.1% MOM in December (Nov: -0.5% revised). Within factory orders, durable goods orders picked up by 1.2% MOM (Nov: +0.9%) mainly lifted by transportations (+3.2% vs +3.1%). Excluding transportations, durable goods orders rose only 0.1% MOM (Nov: -0.2%). Core capital orders (Non-defense capital goods orders excluding aircrafts), a barometer of capex meanwhile fell 1.0% MOM (Nov: -1.1%) suggesting that businesses scaled down capex for the second consecutive month. On a separate note, wholesale inventories rose 1.1% MOM in December (Nov: +0.4%) while retail inventories also increased by 0.9% MOM (Nov: -0.4%) as weaker demand led to a pile-up of stocks at both wholesalers and retailers, adding to signs of weaker economic growth in 4Q.
- Eurozone economic sentiment fell for 8th straight month, confidence plunged in manufacturing sector:** The headline European Commission Economic Sentiment Indicator (ESI) dropped slightly to 106.1 in February (Jan: 106.3) marking its eight month of consecutive fall. The weakening sentiments this month were driven largely by a plunge in manufacturing confidence (-0.4 vs 0.6) as the sector continues to face domestic headwinds coupled with weak external demand abroad. Services sector confidence level went up (12.1 vs 11.0) while the retail sector saw an improvement (-1.6 vs -2.1). Consumer confidence got better this month (-7.4 vs -7.9) whereas sentiments in the construction industry eased (Dec: 6.4 vs 8.4).
- UK business confidence plummeted ahead of Brexit, consumer sentiments stabilized:** The Lloyds Business Barometer fell to 4.0 in the same month (Jan: 19.0), an 11-month low amidst slower economic growth and intense Brexit uncertainties. The GfK Consumer Confidence Index however came in a tad higher at -13.0 in February (Jan: -14.0) suggesting a stabilization in consumer confidence which according to GfK could be a "calm before the storm" of post-Brexit headwinds given the continuing depressed sentiment towards the general economic situation.
- Japan industrial output unchanged; retail sales growth subdued:** Preliminary reading shows that industrial output fell for the third straight month by 3.7% MOM (Dec: -0.1%) in January while on a yearly basis, output was unchanged (Dec: -1.9%) reflecting a subdued growth in the local manufacturing sector. Retail sales growth eased to 0.6% YOY in January (Dec: +1.3%) as the gain in convenience store sales were partly offset by a fall in sales at department and supermarkets.

- **Hong Kong 4Q GDP growth weakened to near 3-year low:** Hong Kong real GDP growth decelerated further to 1.3% YOY in the fourth quarter of 2018 (3Q: +2.8% revised). The bigger than expected pullback in growth was a major disappointment, coming well below a Bloomberg consensus estimate of 2.2% YOY, and was the slowest recorded rate since 1Q16, effectively dragging down 2018 full-year real GDP growth to 3.0% (2017: +3.8%). Growth in private consumption expenditures maintained its downward trend, softening to 3.1% YOY in 4Q (3Q: +4.8% revised). The increase in government consumption expenditures however was the strongest since 1Q04, rising by 5.0% YOY (3Q: +3.3%) reflecting the government's higher investment particularly in the tech sector. Investment fell for the first time since 3Q17 by 5.4% YOY (3Q: +9.2%), reflecting the contraction in building and construction investment (-6.0% vs +1.1%) as the property sector slowed in 2H18. Plagued by softer global demand, total exports eked out a tiny gain of 0.2% YOY (3Q: +4.8%) while imports dropped 0.5% YOY (3Q: -0.8%). Looking ahead, growth trajectory remains skewed to the downside amidst a soft global economic condition, particularly that of China. Upsides to the economy include potential rebound in its property sector and a successfully negotiated trade deal between the US and China.
- **New Zealand business confidence retreated as activities eased:** The latest ANZ New Zealand Business Outlook survey indicated a retreat in business confidence in February as the headline business confidence index gave up 7pts to -30.9 (Dec: -24.1) reversing nearly half of December's gain (there was no numbers released for January). Activity indicators ticked down generally- activity outlook fell by 3pts while exports intentions eased to the weakest since Mar-09. The confidence lift seen in late 2018 seems to be at risk of petering out according to ANZ as economic momentum had waned in the past six months. We expect RBNZ to leave OCR unchanged at 1.75% this year.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
01/03	Malaysia	Nikkei Malaysia PMI	Feb	--	47.9	--
28/02	US	Initial Jobless Claims	23 Feb	220k	216k	--
		GDP Annualized QOQ	4Q A	2.2%	3.4%	--
		Chicago Purchasing Manager	Feb	57.5	56.7	--
01/03		Kansas City Fed Manf. Activity	Feb	6.0	5.0	--
		Personal Income	Jan	0.3%	--	--
		Personal Spending	Dec	-0.2%	0.4%	--
		Core PCE Core YOY	Dec	1.9%	1.9%	--
		Markit US Manufacturing PMI	Feb F	53.7	54.9	--
		ISM Manufacturing	Feb	55.7	56.6	--
		U. of Mich. Sentiment	Feb F	95.9	91.2	--
01/03	Eurozone	Markit Eurozone Manufacturing PMI	Feb F	49.2	50.5	--
		Unemployment Rate	Jan	7.9%	7.9%	--
		CPI Estimate YOY	Feb	1.5%	1.4%	--
01/03	UK	Mortgage Approvals	Jan	63.4k	63.8k	--
		Markit UK PMI Manufacturing SA	Feb	52.0	52.8	--
		Nationwide House Price MOM	Feb	0.0%	0.3%	--
28/02	Japan	Housing Starts YOY	Jan	10.3%	2.1%	--
01/03		Job-To-Applicant Ratio	Jan	1.63	1.63	--
		Jobless Rate	Jan	2.4%	2.4%	--
		Nikkei Japan PMI Mfg	Feb F	--	50.3	--
28/02	China	Non-manufacturing PMI	Feb	54.5	54.7	--
		Manufacturing PMI	Feb	49.5	49.5	--
01/03		Caixin China PMI Mfg	Feb	48.7	48.3	--
01/03	Australia New	AiG Perf of Mfg Index	Feb	--	52.5	--
01/03	Zealand	ANZ Consumer Confidence Index	Feb	--	121.7	--
28/02	Vietnam	Trade Balance	Feb	\$150m	-\$800m	--
		Exports YOY	Feb	3.8%	-1.3%	--
		CPI YOY	Feb	2.50%	2.56%	--
		Industrial Production YOY	Feb	--	7.9%	--
		Retail Sales YTD YOY	Feb	--	12.2%	--
01/03		Nikkei Vietnam PMI Mfg	Feb	--	51.9	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1370	-0.17	1.1404	1.1363	-0.79
GBPUSD	1.3309	0.43	1.3350	1.3233	4.41
USDJPY	111.00	0.37	111.07	110.36	1.13
AUDUSD	0.7138	-0.67	0.7199	0.7127	-1.36
EURGBP	0.8543	-0.61	0.8596	0.8529	-4.97
USDMYR	4.0650	-0.16	4.0715	4.0630	-1.66
EURMYR	4.6321	0.08	4.6393	4.6252	-2.01
JPYMYR	3.6830	0.28	3.6874	3.6755	-1.99
GBPMYR	5.3987	0.90	5.4032	5.3818	2.49
SGDMYR	3.0173	0.04	3.0217	3.0153	-0.61
AUDMYR	2.9149	0.23	2.9293	2.9149	-0.28
NZDMYR	2.7966	-0.06	2.8085	2.7964	-0.64
CHFMYR	4.0761	0.13	4.0774	4.0627	-2.93
CNYMYR	0.6087	0.11	0.6091	0.6075	-0.57
HKDMYR	0.5180	-0.14	0.5187	0.5178	-1.93
USDSGD	1.3486	0.10	1.3499	1.3471	-1.06
EURSGD	1.5333	-0.08	1.5367	1.5329	-1.85
GBPSGD	1.7948	0.52	1.8005	1.7834	3.30
AUDSGD	0.9628	-0.56	0.9699	0.9614	-0.30

Source: Bloomberg

MYR

- **MYR climbed 0.16% to 4.0650 against a soft USD** but retreated against 9 G10s, weighed down by receding risk appetite.
- **MYR is slightly bearish against USD**, in anticipation of pressure from receding risk appetite in the markets. Lingering price-momentum divergence and a bullish reversal pattern continue to hint at USDMYR 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 rebounded to beat 6 G10s** while the DXY bounced off intraday low to overturn early losses, closing 0.15% higher at 96.15, buoyed by receding optimism that US-China trade talks would yield significant improvement following a cautionary testimony by US trade representative Robert Lighthizer.
- **Maintain a bearish view on USD** as we suspect downsides in US data would further erode Fed rate hike expectations. Despite a mild rebound overnight, DXY remains tilted to the downside and continues to threaten a break below 96.00. Beating 96.52 today or 96.41 tomorrow could reverse current bearish trend, but both seems tough to achieve based on lingering downward momentum.

EUR

- **EUR slipped 0.17% to 1.1370 against USD** amid softer market sentiment but ended mixed against the G10s.
- **Stay bullish on EUR in anticipation of a soft USD.** EURUSD remains in a bullish trend. While holding above 1.1367, it now sets sights on 1.1413, above which 1.1459 will be targeted. A mild pullback cannot be ruled out after recent rally, but expect losses to hold above 1.1351.

GBP

- **GBP rallied for a second day** on increased expectations for a delay in Brexit deadline, beating all G10s and **jumping 0.43% to 1.3309 against USD.**
- **We turn slightly bearish on GBP against USD** on technical reasons. GBPUSD appears overstretched and may be headed for a mild retracement lower. A drop to 1.3157 – 1.3200 range may be in the works going forward.

JPY

- **JPY weakened 0.37% to 111.00 against a rebounding USD** and fell against 7 G10s.
- **Maintain a slightly bullish view on JPY against USD** as demand for refuge looks likely to advance following a softer performance in US equities overnight. Technical landscape is uncertain for USDJPY but we reckon that with upward momentum receding and failure to beat recent highs, a downward slide may be appropriate. Caution that losing 110.73 will set a course for 110.36.

AUD

- **AUD tumbled against all G10s and weakened 0.67% to 0.7138 against USD** as buying interest were stemmed by receding risk appetite in the markets.
- **AUD remains bearish against USD** in our view, anticipating downside pressure from easing risk appetite in the markets, and possibly downside surprises from Chinese data. As noted yesterday, we maintain that AUDUSD may pull back for another day before resuming its climb. But we caution that AUDUSD is at risk of losing current bullish trend if it closes below 0.7129 today, or fails to hover above 0.7167 tomorrow.

SGD

- **SGD slipped 0.10% to 1.3486 against USD** but managed to beat 6 G10s.
- **SGD is still slightly bearish against USD** in our view, weighed down by receding risk appetite in the markets. Technical outlook suggests that USDSGD is forming a bullish chart pattern and failure to break below 1.3460 will solidify this view. We continue to note that the bullish chart pattern hints at a rebound to circa 1.3614.

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