Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks rallied overnight as the Fed left the fed funds rate target range unchanged at 2.25-2.5% as widely expected and at the same time adopting a patient and more dovish stance on monetary policy, soothing concerns continuous rapid rate hikes would dampen the already soft growth outlook.** The Dow, S&P500 and NASDAQ jumped by 1.77%, 1.55% and 2.20% respectively. Tech shares outperformed despite Apple reporting a decline in overall quarterly revenue and profit, as investors focused on its upbeat services revenue. Earnings of chipmaker Advanced Micro Device (AMD) met expectations and also helped lift the tech sector in general. Treasuries rose on the Fed's dovish turn with the yield on 2y US government notes dipped sharply by 6bps to 2.51%, while the 10y notes saw yield falling by 3bps to 2.68%. Dollar fell across the board. Crude futures picked up as well- Brent rose to $61.75/barrel (+0.70%) while WTI gained further strength to $54.23/barrel (+1.73%).

- **US data affirmed that job market aside, other economic indicators were weak.** US private sector added a solid 213k jobs in January but pending home sales faltered by 2.2% in December suggesting weaker existing home sales while mortgage applications fell by 3.0% last week. **Eurozone headline economic sentiment deteriorated** but consumer confidence saw slight improvement. **Hong Kong retail sales posted its slowest gain in 1.5 years** rising a mere 0.1% YOY in December. **Australia inflation rate came in at lowest in five quarters** as CPI rose 1.8% YOY in 4Q18. **Malaysia exports sustained a modest growth of 4.8% YOY in December.**

- **USD slipped against all G10s** while the DXY closed 0.5% lower at 95.34 after slumping on FOMC decision to keep interest rate unchanged while signaling patience in its approach towards policy going forward. **Stay bearish on USD** as markets are likely to turn more convicted of a slowdown in the Fed's tightening path. DXY remains bearish in our view; a test at 95.04 is next in line, below which 94.78 will be targeted.

- **MYR advanced 0.13% to 4.1060 against a soft USD** and climbed against 8 G10s. **MYR is bullish against a weak USD** after opening on a stronger footing, and likely to be supported further by improving risk appetite in the markets. USDMYR has broken below 4.0940, which has increased its bearish bias. There is room to slide to circa 4.0855 in the next leg lower.

- **SGD strengthened 0.36% to 1.3473 against a weak USD** but retreated against 7 G10s. **Stay bullish on SGD in anticipation of a weak USD.** USDSGD remains technically bearish and further losses are in the works. There is room to test 1.3435 – 1.3440 in the next leg lower, but we caution that risk of a rebound increases approaching this range.

Overnight Economic Data

Malaysia	↑
US	↓
Eurozone	→
Hong Kong	↓

What's Coming Up Next

Major Data

- US Initial Jobless Claims, Chicago Purchasing Manager
- Eurozone Unemployment Rate, GDP SA QOQ
- UK GfK Consumer Confidence, Lloyds Business Barometer, Nationwide House Price
- Japan Industrial Production, Housing Starts
- China Non-manufacturing PMI, Manufacturing PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1473	1.1482	1.1494	1.1502	1.1527	↗
GBPUSD	1.3085	1.3100	1.3123	1.3137	1.3146	↘
USDJPY	108.52	108.71	108.93	109.03	109.40	↘
AUDUSD	0.7229	0.7252	0.7262	0.7276	0.7295	↗
EURGBP	0.8740	0.8750	0.8758	0.8763	0.8782	↗
USDMYR	4.0855	4.0900	4.0907	4.0935	4.0950	↘
EURMYR	4.6939	4.6950	4.7009	4.7016	4.7050	↗
JPYMYR	3.7500	3.7522	3.7565	3.7578	3.7600	↘
GBPMYR	5.3534	5.3608	5.3670	5.3752	5.3771	↘
SGDMYR	3.0354	3.0370	3.0380	3.0400	3.0420	→
AUDMYR	2.9612	2.9650	2.9664	2.9680	2.9722	↗
NZDMYR	2.8200	2.8225	2.8259	2.8266	2.8287	↗
USDSGD	1.3435	1.3450	1.3466	1.3475	1.3495	↘
EURSGD	1.5432	1.5450	1.5474	1.5484	1.5500	↗
GBPSGD	1.7643	1.7666	1.7670	1.7677	1.7704	↘
AUDSGD	0.9752	0.9761	0.9769	0.9786	0.9800	↗

* 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	1,684.11	-0.37	-0.38	CRB Index	180.11	0.52	6.07
Dow Jones Ind.	25,014.86	1.77	7.23	WTI oil ($/bbl)	54.23	1.73	19.42
S&P 500	2,681.05	1.55	6.95	Brent oil ($/bbl)	61.75	0.70	14.78
FTSE 100	6,941.63	1.58	3.17	Gold (S/oz)	1,319.91	0.62	8.10
Shanghai	2,575.58	-0.72	3.28	CPO (RM/tonne)*	2,124.50	-0.16	8.81
Hang Seng	27,642.85	0.40	6.95	Copper ($/tonne)	6,050.00	0.80	1.42
STI	3,174.38	-0.42	3.44	Rubber (sen/kg)	391.00	0.64	3.17

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MY Trade Balance MYR	Dec	10.43b	7.84b (revised)	7.20b
MY Exports YOY	Dec	4.8%	1.6%	1.3%
MY Imports YOY	Dec	1.0%	4.7% (revised)	1.3%
US MBA Mortgage Applications	25 Jan	-3.0%	-2.7%	--
US ADP Employment Change	Jan	213k	263k (revised)	181k
US Pending Home Sales MOM	Dec	-2.2%	-0.9% (revised)	0.5%
US FOMC Rate Decision	30 Jan	2.25-2.5%	2.25-2.5%	2.25-2.5%
EU Consumer Confidence	Jan F	-7.9	-8.3	-7.9
HK Retail Sales Value YOY	Dec	0.1%	1.4%	1.4%
AU CPI YOY	4Q	1.8%	1.9%	1.7%

Source: Bloomberg

Macroeconomics

- ***Fed held rates steady, adopting patient stance***: The Fed left the Fed funds rate target unchanged at 2.25-2.5% as widely expected. Major changes were made to the newly released statement - Economic activity is said to have been rising at a "solid" instead of a "strong" rate. Notably, it removed its longstanding reference to "further gradual increases" in hiking rates as well as the line on risks to economic outlook being "roughly balanced". It maintained that inflation is likely to reach its target of 2% but has removed the "medium term" time horizon. Against this backdrop of muted inflation pressure, it added in the statement that the committee will be "patient" as it determines the future adjustments to the target range. In the post meeting press conference, Fed Chair Jerome Powell said that the US economy is in good place, but financial conditions tightened considerably in late 2018. Recent developments warrant patience and the case for raising rates has weakened somewhat. Inflation outlook is favourable and a big part of a need for future rate increases could be inflation. He also said that the Fed will be finalizing balance sheet plans at coming meetings and there is no plan to use the balance sheet as an active tool. The narrative of slowing global growth continued whereas at the domestic front, government shutdown will leave an imprint on 1Q19 GDP. In light of the above, we reaffirm our earlier view that the Fed will postpone its plan to normalize interest rate, leaving no hike in 1H2019 and probably the whole of 2019.

- ***US private sector added more jobs than expected, housing data disappointed:*** The ADP employment report shows that private sector added a solid 213k jobs in January (Dec: +263k revised), higher than consensus estimate of 181k, a sign that US labour market remained in tightening mode. Housing data weakened with pending home sales continued to decline for the third consecutive month by 2.2% MOM in December (Nov: -0.9%), suggesting a lackluster performance in existing home sales in the months ahead. Mortgage applications fell for the second straight week by 3.0% for the week ended 25 Jan (previous: -2.7%) following an impressive rebound in the first two weeks of January when interest rates declined considerably. Both purchases and refinancing segments dropped as interest rates rose across the board – the average rate for a 30y fixed rate loan was 4.76% (up from 4.75%).

- ***Eurozone economic sentiment deteriorated; consumer confidence improved slightly:*** The headline European Commission Economic Sentiment Indicator (ESI) dropped by 1.2pts to 106.2 in January (Dec: 107.4) marking its third month of consecutive fall. The deteriorating sentiments were largely driven by the substantial ease in confidence level in the manufacturing (0.5 vs 2.3) and services sector (11.0 vs 12.2) and the deterioration in the retail sector (-1.9 vs -0.1). Consumer confidence improved slightly to -7.9 (Dec: -8.3) whereas the construction sentiments also picked up to 8.2 (Dec: 7.3). The marked decrease in the headline index reflects weakening sentiments in the euro area amidst broad-based economic slowdown and political uncertainty in certain countries.

- ***Hong Kong retail sales posted slowest gain in 1.5 years:*** Retail sales eked out a mere gain of 0.1% YOY in December (Nov: +1.4%),the slowest gain in one and a half years. The number was way below consensus estimate of 1.4% YOY suggesfing that demand conditions in the SAR has become much softer than expected as consumers turned cautious amidst economic uncertainty. Sales were lacklustre across despite despite the celebration of Christmas- food, alcohol and tobacco rose 1.0% YOY (Nov: +1.9%), while lower global oil prices in December led to softer sales in fuels (1.0% vs 3.1%). Notably, sales of consumer durable goods fell at a faster rate of 9.3% YOY (Nov: -2.6%) driven by a whopping 15.2% drop in electronics. Jewelry, watches & clocks also dropped for the second consecutive month by 4.9% (Nov: -3.4%) while clothing & footwear managed to rebound only slighty by 0.7% YOY after a decline in the previous month.

- ***Australia posted lowest inflation in five quarters:*** CPI rose 1.8% YOY in the final quarter of 2018 (3Q: +1.9%), marking its slowest rise since 3Q17 but was above consensus estimate of 1.7% YOY. On a quarterly basis, inflation went up by 0.5% QOQ (3Q: +0.4%). The significant rises of tobacco (+9.4%), domestic holiday travel and accommodation (+6.2%), fruit (+5.0%), new dwellings purchased by owner-occupiers were partially offset by falls in automotive fuel (-2.5%), audio visual and computing equipment, wine and telecommunications equipment & services. The RBA trimmed mean CPI, a measure of core inflation was held steady at 1.8% YOY. Both headline and core readings remained weak indicating a lack of price pressure in the Australian economy, thus reaffirming that the RBA will leave cash rate unchanged at 1.5% for the rest of the year.

- ***Malaysia exports sustained modest growth in December:*** Exports regained some traction to increase at a moderate pace of 4.8% YOY in December (Nov: +1.6%), exceeded consensus estimate but was below our expectations. As a result, this set of trade figures reaffirmed our view that exports demand has weakened in tandem with softening global growth outlook and is poised to taper off going forward. The pick-up was uneven and only limited to selected manufacturing exports, while commodity exports were largely softer. On the contrary, imports saw easier growth of 1.0% YOY in December, softening for the 2nd straight month from +11.4% YOY in October and +5.0% YOY in November. This was solely dragged by the massive 21.7% YOY decline in capital goods imports, offsetting quicker gains in the imports of intermediate and consumption goods. MOM, exports fell 1.8% vis-à-vis the faster 5.7% decline in imports, hence widening the trade surplus to RM10.4bn in December (Nov: RM7.8bn revised). Amid mounting external challenges, sustainability of domestic demand will be key in supporting overall economic expansion, hopefully not too far off from the potential growth level. We are keeping to our full year 2019 growth forecast of 4.7% at this juncture.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
31/01	**US**	**Initial Jobless Claims**	**26 Jan**	**215k**	**199k**	**--**
		Chicago Purchasing Manager	**Jan**	**61.5**	**65.4**	**--**
01/02		Change in Nonfarm Payrolls	Jan	175k	312k	--
		Unemployment Rate	Jan	3.9%	3.9%	--
		Average Hourly Earnings YoY	Jan	3.2%	3.2%	--
		Labor Force Participation Rate	Jan	63.0%	63.1%	--
		Markit US Manufacturing PMI	Jan F	54.9	53.8	--
		ISM Manufacturing	Jan	54.0	54.1	--
		ISM Prices Paid	Jan	54.4	54.9	--
		Construction Spending MoM	Nov	0.2%	-0.1%	--
		U. of Mich. Sentiment	Jan F	90.7	98.3	--
31/01	**Eurozone**	**Unemployment Rate**	**Dec**	**7.9%**	**7.9%**	**--**
		GDP SA QOQ	**4Q A**	**0.2%**	**0.2%**	**--**
01/02		Markit Eurozone Manufacturing PMI	Jan F	50.5	51.4	--
		CPI Core YoY	Jan A	1.0%	1.0%	--
		CPI Estimate YoY	Jan	1.4%	1.6%	--
31/01	**UK**	**GfK Consumer Confidence**	**Jan**	**-15.0**	**-14.0**	**--**
		Lloyds Business Barometer	**Jan**	**--**	**17.0**	**--**
		Nationwide House Price MOM	**Jan**	**0.2%**	**-0.7%**	**--**
01/02		Markit UK PMI Manufacturing SA	Jan	53.5	54.2	--
31/01	**Japan**	**Industrial Production YOY**	**Dec P**	**-2.3%**	**1.5%**	**--**
		Housing Starts YOY	**Dec**	**2.0%**	**-0.6%**	**--**
01/02		Job-To-Applicant Ratio	Dec	1.63	1.63	--
		Jobless Rate	Dec	2.5%	2.5%	--
		Nikkei Japan PMI Mfg	Jan F	--	52.6	--
31/01	**China**	**Non-manufacturing PMI**	**Jan**	**53.8**	**53.8**	**--**
		Manufacturing PMI	**Jan**	**49.3**	**49.4**	**--**
01/02		Caixin China PMI Mfg	Jan	49.6	49.7	--
01/02	Australia	AiG Perf of Mfg Index	Jan	--	49.5	--
01/02		ANZ Consumer Confidence Index	Jan	--	121.9	--
01/02	Vietnam	Nikkei Vietnam PMI Mfg	Jan	--	53.8	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1480	0.41	1.1502	1.1406	0.15
GBPUSD	1.3116	0.38	1.3146	1.3055	2.85
USDJPY	109.04	-0.33	109.74	108.81	-0.60
AUDUSD	0.7248	1.30	0.7273	0.7150	2.78
EURGBP	0.8753	0.04	0.8764	0.8715	-2.61
USDMYR	4.1060	-0.13	4.1175	4.1045	-0.66
EURMYR	4.6945	-0.21	4.7071	4.6933	-0.69
JPYMYR	3.7569	-0.14	3.7682	3.7557	-0.02
GBPMYR	5.3877	-0.50	5.3932	5.3690	2.28
SGDMYR	3.0417	-0.02	3.0472	3.0378	0.19
AUDMYR	2.9569	0.27	2.9604	2.9387	1.16
NZDMYR	2.8095	-0.35	2.8186	2.8036	1.11
CHFMYR	4.1246	-0.56	4.1372	4.1226	-1.78
CNYMYR	0.6116	0.17	0.6130	0.6110	1.05
HKDMYR	0.5237	-0.10	0.5245	0.5235	-0.85
USDSGD	1.3473	-0.36	1.3527	1.3460	-1.16
EURSGD	1.5467	0.06	1.5482	1.5426	-1.02
GBPSGD	1.7673	0.04	1.7722	1.7641	1.65
AUDSGD	0.9765	0.93	0.9791	0.9667	1.60

Source: Bloomberg

➢Forex

MYR

- **MYR advanced 0.13% to 4.1060 against a soft USD** and climbed against 8 G10s.
- **MYR is bullish against a weak USD** after opening on a stronger footing, and likely to be supported further by improving risk appetite in the markets. USDMYR has broken below 4.0940, which has increased its bearish bias. There is room to slide to circa 4.0855 in the next leg lower.

USD

- **USD slipped against all G10s** while the DXY closed 0.5% lower at 95.34 after slumping on FOMC decision to keep interest rate unchanged while signaling patience in its approach towards policy going forward.
- **Stay bearish on USD** as markets are likely to turn more convicted of a slowdown in the Fed's tightening path. DXY remains bearish in our view; a test at 95.04 is next in line, below which 94.78 will be targeted.

EUR

- **EUR jumped 0.41% to 1.1480 against a weak USD** reversing early losses right up until FOMC decision. EUR ended mixed against the G10s.
- **Maintain a bullish view on EUR against a weak USD**. EURUSD beating 1.1471 is yet another bullish signal that suggests further gains are likely going forward. We expect a test at 1.1540 next, but caution that risk of rejection will rise approaching 1.1581. Beating this level exposes a move to 1.1623.

GBP

- **GBP** weakened against 6 G10s as Brexit sentiment sagged heading into a potentially difficult re-negotiation of Brexit deal with the EU. **GBP climbed 0.38% to 1.3116 against a weak USD**.
- **We now turn bearish on GBP against USD**, anticipating further rise in risk aversion relating to Brexit sentiment. GBPUSD outlook continues to turn more bearish and while we opine that there may still be 1-2 more bounces higher, the overall direction going forward is likely down. We set sights on a break below 1.3043, below which 1.2935 will be aimed.

JPY

- **JPY strengthened 0.33% to 109.04 against a weak USD** but slipped against 7 G10s as risk appetite in equities improved, damping demand for refuge.
- **Continue to expect a slightly bullish JPY against a weak USD** though gains may be modest given improved risk appetite in equities. A minor bearish trend continues to prevail and we set sights on a drop to 108.37 next. Rebounds, if any, will be limited by 109.40.

AUD

- **AUD surged 1.3% to 0.7248 against a weak USD** and rallied to beat all G10s, lifted by improved risk appetite in equities and commodities.
- **AUD remains bullish against a weak USD**, further supported by improving risk appetite in the markets. Beating 0.7229 has exposed AUDUSD to further gains, potentially testing 0.7295 next. We are cautious on rising risk of rejection approaching 0.7295 – 0.7300, which could push AUDUSD back below 0.7229. Beating this range increases the sustainability of AUDUSD's upward move.

SGD

- **SGD strengthened 0.36% to 1.3473 against a weak USD** but retreated against 7 G10s.
- **Stay bullish on SGD in anticipation of a weak USD**. USDSGD remains technically bearish and further losses are in the works. There is room to test 1.3435 – 1.3440 in the next leg lower, but we caution that risk of a rebound increases approaching this range.

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