

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks closed the week down by more than 10% on the back of deepening Covid-19 fear.** Last week marked US stocks' worst week in more than a decade during the financial crisis in 2008 as investors fled riskier assets in favour of safe havens like bonds and gold that led equities to tumble worldwide. WOW, the Dow Jones, S&P500 and Nasdaq lost 12.4%, 11.5% and 10.5% respectively; **10Y UST yields lost 32bps WOW to a record low of 1.15%.** Gold price reversed gains on Friday, dropping 3.6% DOD to \$1585.69/ounce amid profit taking. **JPY surged 1.6% DOD and was the top performer last week (+3.5% WOW).** Dollar weakness persisted on Friday, losing out against most majors. Brent broke below \$50.0/barrel. Crude oils were the biggest losers last week, **WTI lost 16% WOW to \$44.76/barrel while Brent closed down 13.6% WOW** and was seen trading around \$49 this morning, a level last seen in late 2018. **Futures tied to Asian, European and US stocks are down this morning, pointing to a another day of selling. RBA and BOC rate decisions will be in focus this week; at home BNM is also expected to announce its OPR decision tomorrow.**
- On the data front, **US data remained decent.** Personal income jumped 0.6% MOM boosted by higher pay in the services sector but personal spending growth moderated to 0.2% MOM. Core PCE price index (Fed's inflation gauge) rose 1.6% YOY, still below 2%. University of Michigan Consumer Sentiment Index picked up to 101.0 despite growing worries over Covid-19 outbreak. **China official PMIs plunged to all-time low** reflecting impact of the virus and efforts to contain it. Japan's 2020 business outlook appears to be weak as capital spending dropped 3.5% YOY in 4Q. Corporate profit fell for three straight quarters by 4.6% YOY. Australia manufacturing activities contracted again in Feb and Vietnam exports were boosted by higher Samsung shipment.
- USD continued on an offered trend on Friday, with **DXY down to 97.132** from 98.508 a day earlier. Overall, the dollar weakened against the yen (1.55%) and euro (0.23%) but strengthened against the pound (0.50%) and Australian dollar (0.82%). Risk aversion partly caused this, as the Covid-19 outbreak escalated in South Korea, Italy and Iran. **We are bearish on the USD today and for the week.** The week ahead tests further USD weakness particularly if stock positions continue to unwind. ISM and non-farm payrolls data possibly can shape USD movements this week, particularly if markets sense some vulnerabilities.
- USDMYR gave up gains to finish little changed at 4.2150 (+0.1%)** after being rejected at the 4.2300 handle on Friday. **We are bearish on USDMYR,** expecting some relief support for MYR as the appointment of a new PM somewhat reduces political uncertainty thus making a move towards 4.2000 likely in the short term. Nonetheless, **we expect the MYR market to remain cautious ahead of BNM meeting tomorrow. Our house view is for the central bank to cut OPR by 25bps to 2.5%** in a bid to counter Covid-19 related economic fallout, marking its second cut of the year following the 25bps surprise pre-emptive cut in January.

Overnight Economic Data

US	→
UK	↑
China	↓
Japan	↓
Australia	↓
Vietnam	→

What's Coming Up Next

Major Data

- Markit Manufacturing PMI for Malaysia, US, Eurozone, UK, Japan, China and Vietnam
- US ISM Manufacturing PMI, Construction Spending
- Hong Kong Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.0850	1.0914	1.1042	1.1046	1.1096	→
GBPUSD	1.2600	1.2650	1.2797	1.2850	1.2950	↘
USDJPY	106.52	107.09	107.84	108.50	109.82	→
AUDUSD	0.6450	0.6500	0.6509	0.6600	0.6655	↘
EURGBP	0.8378	0.8493	0.8629	0.8732	0.8806	↗
USDSGD	1.3850	1.3900	1.3924	1.4000	1.4083	↘
USDMYR	4.2000	4.2050	4.2155	4.2200	4.2300	↘
EURMYR	4.6300	4.6400	4.6558	4.6652	4.6723	→
JPYMYR	3.8849	3.9000	3.9154	3.9240	3.9350	↗
GBPMYR	5.3600	5.3800	5.3977	5.4128	5.4393	↘
SGDMYR	3.0160	3.0210	3.0269	3.0300	3.0336	→
AUDMYR	2.7320	2.7360	2.7405	2.7530	2.7600	↘
NZDMYR	2.6100	2.6158	2.6201	2.6300	2.6350	↘

* 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	1,482.64	-1.52	-6.68	CRB Index	159.45	-2.25	-14.18
Dow Jones Ind.	25,409.36	-1.39	-10.96	WTI oil (\$/bbl)	44.76	-4.95	-26.70
S&P 500	2,954.22	-0.82	-8.56	Brent oil (\$/bbl)	50.52	-3.18	-25.73
FTSE 100	6,580.61	-3.18	-12.75	Gold (S/oz)	1,585.69	-3.61	4.12
Shanghai	2,880.30	-3.71	-5.57	CPO (RM/tonne)	2,486.50	-0.92	-17.82
Hang Seng	26,129.93	-2.42	-7.31	Copper (\$/tonne)	5,635.00	0.34	-8.73
STI	3,011.08	-3.23	-6.57	Rubber (sen/kg)	457.00	-1.51	0.99

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US Advance Goods Trade Balance	Jan	-\$65.5b	-\$68.7b (revised)	-\$68.5b
US Personal Income	Jan	0.6%	0.1% (revised)	0.4%
US Personal Spending	Jan	0.2%	0.4% (revised)	0.3%
US PCE Core Deflator YoY	Jan	1.6%	1.5% (revised)	1.7%
US MNI Chicago PMI	Feb	49.0	42.9	46.0
US U. of Mich. Sentiment	Feb F	101.0	99.8	100.7
UK Nationwide House Px NSA YoY	Feb	2.3%	1.9%	2.3%
CN Manufacturing PMI	Feb	35.7	50.0	45.0
CN Non-manufacturing PMI	Feb	29.6	54.1	51.0
JP Capital Spending YoY	4Q	-3.5%	7.1%	-2.5%
JP Company Profits YoY	4Q	-4.6%	-5.3%	--
AU AiG Perf of Mfg Index	Feb	44.3	45.4	--
VN CPI YoY	Feb	5.4%	6.43%	5.88%
VN Exports YoY	Feb	34.0%	-14.3%	-9.3%
VN Retail Sales YTD YoY	Feb	8.3%	10.2%	--
VN Industrial Production YoY	Feb	23.7%	-5.5%	--

Source: Bloomberg

- US personal income soared on higher services pay; inflation remained subdued:** US personal income jumped 0.6% MOM in January (Dec: +0.1% revised) according to the latest personal outlay report by BEA, thanks to the boost in income earned by employees of the services sector (+0.7% vs +0.2%). Manufacturing employees' recorded lower income (-0.4% vs 0%). Personal consumption expenditure (PCE), a gauge of consumer spending however saw a smaller increase of 0.2% MOM (Dec: +0.4%). The core PCE price index, the Fed's key inflation gauge rose 0.1% MOM (Dec: +0.2%) with the annual gain at 1.6% YOY (Dec: +1.5%, revised down from +1.6%), reaffirming the lack of inflationary pressure in the system. The growing concerns over Covid-19 in the US pose a downside risk to consumer spending in the coming months. In fact, the February University of Michigan Surveys of Consumers reported that consumers expressed concerns over the coronavirus outbreak due to the steep drop in equity prices and CDC warnings, although it is unlikely that US consumers would engage in extreme measures (eg. Avoiding stores) in the short term. Thus far, sentiment looks to be solid, with the headline index coming in higher at 101.0 compared to 99.8 in January.
- Smaller US goods trade deficit; better Chicago PMI:** Advance report shows that US good trade deficit narrowed to \$65.5b in January (Feb: -\$68.7b) thanks to a larger drop in imports (-2.2%) versus exports' (-1.0%). The MNI Chicago PMI rose to 49 in Feb (Jan: 42.9), adding to recent signs of manufacturing recovery in the US.
- UK house prices climbed after Brexit:** The Nationwide House Price Index rose 2.3% YOY in February (Jan: +1.9%) following Britain's official withdrawal from the European Union in late January as the immediate removal of Brexit uncertainties prompted the return of buyers back into the housing market, effectively boosting prices.
- China PMIs plunged to all-time lows:** The official NBS PMI for manufacturing fell sharply to 35.7 in February (Jan: 50.0) while the same reading for services and construction sector (non-manufacturing PMI) plummeted to 29.6 (Jan: 54.1), reflecting the impact of the Covid-19 outbreak and the measures put in place by the Chinese government to contain the virus including temporary shutdown of factories, cancellation of events, the closing of outbound traffic from the virus heartland that partially halted economic activity.
- Japan capital spending, company profits dropped in 4Q:** Japan capital spending plunged more than expected by 3.5% YOY in 4Q19 (3Q: +7.1%), its first decline in three years, painting a weaker business outlook in 2020. Company sales plummeted 6.4% YOY (3Q: -2.6%) while company profits contracted for the third consecutive quarter by 4.6% YOY (3Q: -5.3%), reaffirming the continuously weak state of corporate activity in Japan.
- Australia manufacturing dipped deeper into contraction:** The AiG Performance of Services Index slid deeper into contraction territory this month at 44.3 (Jan: 45.4), marking its fourth consecutive month of sub-50 reading. This reflects declines in production (-5bps) and new orders (-2pts) to near levels near 40.
- Upturn in Vietnam exports and production data:** Vietnam industrial production surged 23.7% YOY in February (Jan: -5.5%), making up for the losses in Jan and the weaker gains of late last year. This was also in concurrent with the jump in exports (+34% vs -14.3%) and imports (+26.0% vs -11.3%). The General Statistics Office attributed February's exports boost to the increase in Samsung' shipments ahead of the launch of its new S20 smartphone model despite the covid-19 outbreak. CPI inflation moderated to 5.4% YOY (Jan: +6.4%) thanks to the slower gain in prices of food. Retail sales underperformed with a mere 8.3% growth for the first two months of 2020 (2M19: +12.2%), softer than the double-digit growth recorded throughout 2019.

Economic Calendar

Date	Time	Country	Event	Reporting Period	Survey	Actual	Prior	Revised
02/03	08:30	Malaysia	Markit Malaysia PMI Mfg	Feb	--	--	48.8	--
03/03	15:00		BNM Overnight Policy Rate	Mar-03	2.50%	--	2.75%	--
04/03	12:00		Exports YoY	Jan	-1.6%	--	2.7%	--
	12:00		Imports YoY	Jan	-1.3%	--	0.9%	--
06/03	15:00		Foreign Reserves	Feb-28	--	--	\$104.3b	--
02/03	22:45	US	Markit US Manufacturing PMI	Feb F	50.8	--	50.8	--
	23:00		Construction Spending MoM	Jan	0.6%	--	-0.2%	--
	23:00		ISM Manufacturing	Feb	50.5	--	50.9	--
04/03	20:00		MBA Mortgage Applications	Feb-28	--	--	1.5%	--
	21:15		ADP Employment Change	Feb	170k	--	291k	--
	22:45		Markit US Services PMI	Feb F	49.5	--	49.4	--
	23:00		ISM Non-Manufacturing Index	Feb	55.0	--	55.5	--
05/03	03:00		U.S. Federal Reserve Releases Beige Book					
	21:30		Initial Jobless Claims	Feb-29	216k	--	219k	--
	23:00		Factory Orders	Jan	-0.2%	--	1.8%	--
	23:00		Durable Goods Orders	Jan F	-0.2%	--	-0.2%	--
	23:00		Cap Goods Orders Nondef Ex Air	Jan F	--	--	1.1%	--
06/03	21:30		Trade Balance	Jan	-\$47.0b	--	-\$48.9b	--
	21:30		Change in Nonfarm Payrolls	Feb	175k	--	225k	--
	21:30		Unemployment Rate	Feb	3.6%	--	3.6%	--
	21:30		Average Hourly Earnings YoY	Feb	3.0%	--	3.1%	--
	21:30		Labor Force Participation Rate	Feb	63.4%	--	63.4%	--
	23:00		Wholesale Inventories MoM	Jan F	--	--	-0.2%	--
02/03	17:00	Eurozone	Markit Eurozone Manufacturing PMI	Feb F	49.1	--	49.1	--
03/03	18:00		PPI YoY	Jan	-0.4%	--	-0.7%	--
	18:00		Unemployment Rate	Jan	7.4%	--	7.4%	--
04/03	17:00		Markit Eurozone Services PMI	Feb F	52.8	--	52.8	--
	18:00		Retail Sales MoM	Jan	0.6%	--	-1.6%	--
02/03	17:30	UK	Markit UK PMI Manufacturing SA	Feb F	51.9	--	51.9	--
04/03	17:30		Markit/CIPS UK Services PMI	Feb F	53.2	--	53.3	--
02/03	07:50	Japan	Capital Spending YoY	4Q	-2.5%	-3.5%	7.1%	--
	07:50		Company Profits YoY	4Q	--	-4.6%	-5.3%	--
	08:30		Jibun Bank Japan PMI Mfg	Feb F	--	--	47.6	--
04/03	08:30		Jibun Bank Japan PMI Services	Feb F	--	--	46.7	--
06/03	07:30		Household Spending YoY	Jan	-3.9%	--	-4.8%	--
	07:30		Labour Cash Earnings YoY	Jan	0.2%	--	0.0%	--
06/03	13:00		Leading Index CI	Jan P	91.3	--	91.6	--
02/03	16:30	Hong Kong	Retail Sales Value YoY	Jan	-20.5%	--	-19.4%	--
04/03	08:30		Markit Hong Kong PMI	Feb	--	--	46.8	--
02/03	09:45	China	Caixin China PMI Mfg	Feb	46.0	--	51.1	--
04/03	09:45		Caixin China PMI Services	Feb	48.0	--	51.8	--
07/03	NA		Exports YoY	Feb	-23.5%	--	--	--
	NA		Imports YoY	Feb	-14.7%	--	--	--
03/03	21:00	Singapore	Purchasing Managers Index	Feb	49.7	--	50.3	--
	21:00		Electronics Sector Index	Feb	--	--	50.1	--
04/03	08:30		Markit Singapore PMI	Feb	--	--	51.4	--
02/03	05:30	Australia	AiG Perf of Mfg Index	Feb	--	44.3	45.4	--
03/03	11:30		RBA Cash Rate Target	Mar-03	0.75%	--	0.75%	--
04/03	08:30		GDP SA QoQ	4Q	--	--	0.4%	--
05/03	08:30		Trade Balance	Jan	A\$4800m	--	A\$5223m	--
06/03	05:30		AiG Perf of Services Index	Feb	--	--	47.4	--
	08:30		Retail Sales MoM	Jan	0.0%	--	-0.5%	--
02/03	08:30	Vietnam	Markit Vietnam PMI Mfg	Feb	--	--	50.6	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1026	0.23	1.1053	1.0951	-1.30
GBPUSD	1.2823	-0.50	1.2920	1.2726	-3.42
USDJPY	107.89	-1.55	109.68	107.51	-1.05
AUDUSD	0.6515	-0.82	0.6585	0.6434	-7.41
EURGBP	0.8603	0.77	0.8642	0.8522	2.17
USDSGD	1.3932	-0.14	1.3991	1.3928	3.51
USDMYR	4.2150	0.09	4.2280	4.2080	3.03
EURMYR	4.6555	1.10	4.6581	4.6197	1.48
JPYMYR	3.8799	1.49	3.8849	3.8412	2.96
GBPMYR	5.4306	-0.12	5.4516	5.4089	0.99
SGDMYR	3.0233	0.23	3.0260	3.0043	-0.58
AUDMYR	2.7562	-0.32	2.7725	2.7373	-3.88
NZDMYR	2.6381	-0.76	2.6582	2.6202	-4.16
CHFMYR	4.3751	1.12	4.3754	4.3415	3.49
CNYMYR	0.6034	0.66	0.6035	0.5991	2.63
HKDMYR	0.5410	0.32	0.5422	0.5353	2.93

Source: Bloomberg

Forex

MYR

- **USDMYR gave up gains to finish little changed at 4.2150 (+0.1%)** after being rejected at the 4.2300 handle on Friday.
- **We are bearish on USDMYR**, expecting some relief rally for MYR as the appointment of a new PM somewhat reduces political uncertainty thus making a move towards 4.2000 likely in the short term. Nonetheless, we expect the MYR market to remain cautious ahead of BNM meeting tomorrow. Our house view is for the central bank to cut OPR by 25bps to 2.5% in a bid to counter Covid-19 related economic fallout, marking its second cut of the year following the 25bps surprise pre-emptive cut in January. Medium term USDMYR outlook is bullish on uncertainties surrounding the Covid-19 outbreak as we expect EM currencies to continue taking the hit in a risk-averse market not to mention that weaker domestic outlook.

USD

- USD continued on an offered trend on Friday, with **DXY down to 97.132** from 98.508 a day earlier. Overall, the dollar weakened against the yen (1.55%) and euro (0.23%) but strengthened against the pound (0.50%) and Australian dollar (0.82%). Risk aversion partly caused this, as the Covid-19 outbreak escalated in South Korea, Italy and Iran.
- **We are bearish on the USD today and for the week.** The week ahead tests further USD weakness particularly if stock positions continue to unwind. ISM and non-farm payrolls data possibly can shape USD movements this week, particularly if markets sense some vulnerabilities. We are bullish on the 1-month outlook, but is starting to reassess if the recent sell-off is gaining momentum. In our view, near-term USD strength is likely reaffirmed by continued US outperformance against other G10 economies.

EUR

- **EUR climbed against the USD** once more, up 0.23% overall at 1.1026.
- **We stay neutral on EUR/USD today** due to consolidation. 1-month outlook is still bearish as the Eurozone economy continues to underperform and set expectations for ECB easing.

GBP

- **GBP weakened 0.50% against the USD** to 1.2823 on Friday despite some dollar weakness.
- **We are bearish on GBP/USD today**, cautious on further dips towards 20 February low of 1.2849. We are bearish on a 1-month basis as Brexit negotiations may pose some concerns down the road.

JPY

- **JPY gained 1.55% against the greenback to 107.89 on Friday.** Risk aversion continues to gain steam and benefit long JPY positions.
- **We are neutral on USD/JPY today** on consolidation. We are bearish on a 1-month basis as potential risk aversion may improve yen positioning. Japan's economic data is already at a low, and any upside surprise could support the JPY.

AUD

- **AUD weakened 0.82% to 0.6515 on Friday.**
- **We are bearish on AUD/USD today** from risk aversion. We are bearish on a 1-month basis as the AUD remains weighed down by the impact of the domestic bushfires and on RBA expectations.

SGD

- **SGD gained 0.14% against the USD** on Friday.
- **We are bearish on USD/SGD today**, from further unwinding positions. We are bullish on a 1-month basis, expecting some USD strength and as markets continue to price in the impact of the coronavirus and MAS easing.

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