

Global Markets Research

Daily Market Highlights

Key Takeaways

- Wall Street stocks staged a comeback rally on Monday on growing optimism that global central banks would ease monetary policies to counter Covid-19 economic fallout.** The Dow Jones added 1,293 pts or 5.1% in what appears to be its largest point gain in history, while the S&P 500 and NASDAQ rose 4.6% and 4.5%, partially retracing last week's more-than-10% sell-off that was triggered by fear over the virus' rapid spread. ECB President Christine Lagarde said that the ECB is ready to take "appropriate and targeted measures" to fight the economic impact Covid-19. This came after Fed chair Jerome Powell pledged last week that the Fed will use its tools and act appropriate to support the economy. **Treasuries yields were little changed** - 10Y UST yield closed slightly higher at 1.16% but **still at historical low, signalling ongoing risk aversion.** Gold price gained a little to \$1589.44/barrel. **Crude oil rebounded by 2.7-4.5% on expectation of deeper OPEC cut.** Investors are anticipating the RBA's cash rate decision today and the BOC's tomorrow. Markets are looking at a cut while economists surveyed by Bloomberg appeared split with half expecting the RBA to stay put. Back home, we expect BNM to deliver another cut at today's MPC meeting.
- On the data front, a slew of PMIs show that global manufacturing has already felt the impact of Covid-19 in February in the form of supply chain disruption and weaker demand from China.** Except for the UK that saw its PMI recovered over Brexit relief and the smaller contraction in Eurozone PMI, the rest of the PMIs including that of the US, Japan, China, Malaysia and Vietnam all recorded lower readings. On a brighter note for the US, construction spending jumped 1.8% MOM in Jan. **Hong Kong retail sales extended its double-digit losing streak in Jan,** recording a sharper 21.4% YOY decline.
- The dollar sell-off persisted for a third consecutive day, notably as the euro and the yen gained. DXY closed Monday at 97.36, down around 0.8% DOD.** A shift in Fed positioning towards rate cuts likely prompted this, and should likely continue ahead. **We are bearish on the USD today.** We are now neutral on the 1-month outlook as the US Fed in particular look to maintain accommodative stances against the current economic downturn. However, resilient US fundamentals may prevent further dollar weakness from current levels.
- USD/MYR closed 0.28% lower at 4.2030 after briefly slipping below 4.2000 twice** during Monday session on the back of dollar weakness and some reduced political uncertainties in response to the appointment of a new PM over the weekend. **We are neutral to slightly bearish on USD/MYR today,** mainly on weaker dollar but is expecting the MYR market to remain cautious ahead of today's BNM OPR decision. Our house view is for the central bank to cut the benchmark rate by 25bps to 2.50% in a move 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

Malaysia	↓
US	→
Eurozone	↑
UK	↑
Japan	↓
Hong Kong	↓
China	↓
Vietnam	↓

What's Coming Up Next

Major Data

- Eurozone PPI, Unemployment Rate
- Singapore PMI

Major Events

- BNM Overnight Policy Rates
- RBA Cash Rates

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1046	1.1096	1.1145	1.1213	1.1277	↗
GBPUSD	1.2600	1.2650	1.2771	1.2850	1.2950	↘
USDJPY	106.52	107.09	108.44	108.50	109.82	→
AUDUSD	0.6450	0.6500	0.6545	0.6600	0.6655	↘
EURGBP	0.8530	0.8635	0.8727	0.8864	0.8950	↗
USDSGD	1.3850	1.3900	1.3886	1.4000	1.4083	↘
USDMYR	4.1850	4.1950	4.2005	4.2100	4.2200	↘
EURMYR	4.6384	4.6500	4.6778	4.6842	4.6900	↗
JPYMYR	3.8550	3.8709	3.8777	3.8914	3.9000	→
GBPMYR	5.3100	5.3400	5.3640	5.3860	5.4098	→
SGDMYR	3.0150	3.0200	3.0237	3.0300	3.0340	→
AUDMYR	2.7360	2.7420	2.7461	2.7580	2.7688	→
NZDMYR	2.6144	2.6250	2.6311	2.6382	2.6450	→

* 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	1,466.94	-1.06	-7.67	CRB Index	163.50	2.54	-12.00
Dow Jones Ind.	26,703.32	5.09	-6.43	WTI oil (\$/bbl)	46.75	4.45	-23.44
S&P 500	3,090.23	4.60	-4.35	Brent oil (\$/bbl)	51.90	2.73	-21.36
FTSE 100	6,654.89	1.13	-11.77	Gold (\$/oz)	1,589.44	0.24	4.93
Shanghai	2,970.93	3.15	-2.60	CPO (RM/tonne)	2,413.50	-2.94	-20.23
Hang Seng	26,291.68	0.62	-6.73	Copper (\$/tonne)	5,700.00	1.15	-7.68
STI	3,007.72	-0.11	-6.67	Rubber (sen/kg)	456.00	-0.22	0.77

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA Markit Malaysia PMI Mfg	Feb	48.5	48.8	--
US Markit US Manufacturing PMI	Feb F	50.7	51.9	50.8
US Construction Spending MoM	Jan	1.8%	-0.2%	0.6%
US ISM Manufacturing	Feb	50.1	50.9	50.5
EU Markit Eurozone Manufacturing PMI	Feb F	49.2	47.9	49.1
UK Markit UK PMI Manufacturing SA	Feb F	51.7	50.0	51.9
JP Jibun Bank Japan PMI Mfg	Feb F	47.8	48.8	--
HK Retail Sales Value YoY	Jan	-21.4%	-19.4%	-20.5%
CN Caixin China PMI Mfg	Feb	40.3	51.1	46.0
VN Markit Vietnam PMI Mfg	Feb	49.0	50.6	--

Source: Bloomberg

- US manufacturing sector felt Covid-19 impact:** The ISM Manufacturing Index came in lower at 50.1 in February (Jan: 50.9), a result of new orders contraction and slower gain in production (-4pts) and exports orders as US manufacturers began to feel the impact of Covid-19 outbreak that has disrupted the global supply chain. Most industry panels cited the virus as the main source of concerns, with ISM concluding that "Global supply chains are impacting most, if not all, of the manufacturing industry sectors". Notably the prices paid index slumped way below 50 (45.9 vs 53.3) to suggest a huge loss in inflationary pressure this month. Separately, the Markit Manufacturing PMI slipped to 50.7 in the same month (Jan: 51.9), adding to sign of the slowdown.
- US construction spending surged in Jan:** Construction spending growth accelerated to 1.8% MOM in January (Dec: +0.2% revised) after an upwardly December revision, driven by the spending on both residential and nonresidential work as homebuilders are raising inventories to meet higher demand in a housing sector that is getting vibrant.
- UK manufacturing recovered after Brexit:** UK Markit PMI bucked global trend and picked up to 51.7 in February (Jan: 50) mainly because domestic demand recovered on the back of reduced Brexit uncertainty after the country's formal withdraw from the EU in late January. That said, the impact of Covid-19 had on the supply chain was nonetheless felt by the industry judging from the drop in supply delivery time.
- Eurozone manufacturing PMI remained below 50:** The Eurozone Manufacturing PMI rose to 49.2 in February (Jan: 47.9), but still in contraction territory, reflecting continuous decline in new orders and output albeit at slower paces. Average lead time rose sharply to indicate a constrained supply chain, again attributing to the Covid-19 outbreak in China.
- Caixin China manufacturing PMI plunged to record low:** Caixin Manufacturing PMI fell to a record low of 40.3 in February (Jan: 51.1), reflecting the impact of measures being put in place such as travel restriction to contain the spread of Covid-19.
- Japan manufacturing PMI slipped further on poor demand:** Japan Markit PMI dropped to 47.8 in February (Jan: 48.8) as firms cut production in response to deteriorating demand, particularly from China. The Covid-19 outbreak has also severely disrupted supply chain preventing Chinese raw materials from being shipped into Japan.
- Vietnam manufacturing slumped into contraction:** The Markit Vietnam Manufacturing PMI fell below 50.0 to 49.0 in February (Jan: 50.6), marking its first sub-50 reading in four years. Similarly this was attributed to weaker demand from China amid the Covid-19 outbreak.
- Malaysia manufacturing activities declined amid supply chain disruption:** The Markit Malaysia PMI came in at 48.5 in February (Jan: 48.8) as supply-side disruption heavily impacted business operations. Covid-19 outbreak in China and the resulting restriction had delayed the shipment of key raw materials to the country.
- Hong Kong retail sales plunged more than 20%:** Hong Kong retail sales plummeted 21.4% YOY in January (Dec: -19.4%), extending its now seven-month double-digit losing streak as the Covid-19 outbreak further hurt an already battered retail sector following months of domestic unrests.

Economic Calendar

Date	Time	Country	Event	Reporting Period	Survey	Actual	Prior	Revised
02/03	08:30	Malaysia	Markit Malaysia PMI Mfg	Feb	--	48.5	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	-1.4%	--	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	50.7	51.9	--
	23:00		Construction Spending MoM	Jan	0.6%	1.8%	-0.2%	-0.2%
	23:00		ISM Manufacturing	Feb	50.5	50.1	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	49.4	--	49.4	--
	23:00		ISM Non-Manufacturing Index	Feb	54.9	--	55.5	--
05/03	03:00		U.S. Federal Reserve Releases Beige Book					
	21:30		Initial Jobless Claims	Feb-29	215k	--	219k	--
	23:00		Factory Orders	Jan	-0.1%	--	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	-\$46.1b	--	-\$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%	--	-0.2%	--
02/03	17:00	Eurozone	Markit Eurozone Manufacturing PMI	Feb F	49.1	49.2	47.9	--
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	51.7	51.9	--
04/03	17:30		Markit/CIPS UK Services PMI	Feb F	53.3	--	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	--	47.8	47.6	--
04/03	08:30		Jibun Bank Japan PMI Services	Feb F	--	--	46.7	--
06/03	07:30		Household Spending YoY	Jan	-4.0%	--	-4.8%	--
	07:30		Labour Cash Earnings YoY	Jan	0.2%	--	0.0%	--
06/03	13:00		Leading Index CI	Jan P	91.1	--	91.6	--
02/03	16:30	Hong Kong	Retail Sales Value YoY	Jan	-20.5%	-21.4%	-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	40.3	51.1	--
04/03	09:45		Caixin China PMI Services	Feb	48.0	--	51.8	--
07/03	NA		Exports YoY	Feb	-15.0%	--	--	--
	NA		Imports YoY	Feb	-14.9%	--	--	--
03/03	21:00	Singapore	Purchasing Managers Index	Feb	49.5	--	50.3	--
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	0.63%	--	0.75%	--
04/03	08:30		GDP SA QoQ	4Q	0.4%	--	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	--	49.0	50.6	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1134	0.98	1.1185	1.1003	-0.62
GBPUSD	1.2754	-0.54	1.2851	1.2740	-3.77
USDJPY	108.33	0.41	108.58	107.01	-0.33
AUDUSD	0.6537	0.34	0.6568	0.6460	-6.87
EURGBP	0.8730	1.48	0.8742	0.8595	3.19
USDSGD	1.3905	-0.19	1.3970	1.3880	3.28
USDMYR	4.2030	-0.28	4.2185	4.1945	2.74
EURMYR	4.6567	0.03	4.6608	4.6384	1.51
JPYMYR	3.8845	0.12	3.9159	3.8709	3.09
GBPMYR	5.3676	-1.16	5.4028	5.3590	-0.18
SGDMYR	3.0237	0.01	3.0309	3.0181	-0.58
AUDMYR	2.7534	-0.10	2.7582	2.7359	-3.98
NZDMYR	2.6307	-0.28	2.6348	2.6142	-4.43
CHFMYR	4.3561	-0.43	4.3784	4.3503	3.04
CNYMYR	0.6036	0.02	0.6042	0.6021	2.65
HKDMYR	0.5399	-0.20	0.5412	0.5358	2.72

Source: Bloomberg

Forex

MYR

- **USD/MYR closed 0.28% lower at 4.2030 after briefly slipping below 4.2000 twice** during Monday session on the back of dollar weakness and some reduced political uncertainties in response to the appointment of a new PM over the weekend.
- **We are neutral to slightly bearish on USD/MYR today**, mainly on weaker dollar but is expecting the MYR market to remain cautious ahead of today's BNM OPR decision. Our house view is for the central bank to cut the benchmark rate by 25bps to 2.50% in a move 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 USD/MYR outlook remains bullish as EM currencies are vulnerable amid growing risk aversion, not to mention weaker domestic growth outlook compared to stronger US fundamentals, even though the Fed has signaled preparedness to "act as appropriate" as Covid-19 related economic fallout continues to manifest.

USD

- The dollar sell-off persisted for a third consecutive day, notably as the euro and the yen gained. **DXY closed Monday at 97.36, down around 0.8% DOD.** A shift in Fed positioning towards rate cuts likely prompted this, and should likely continue ahead.
- **We are bearish on the USD today.** We are now neutral on the 1-month outlook. This comes as the US Fed in particular look to maintain accommodative stances against the current economic downturn. However, resilient US fundamentals may prevent further dollar weakness from current levels.

EUR

- **EUR rose 0.98% overnight** against the USD. This came despite ECB pledge of monetary policy support against downside risks.
- **We stay bullish on EUR/USD today** from momentum. 1-month outlook is neutral as USD strength tapers and both central banks engage in dovish moves.

GBP

- **GBP weakened 0.54%** against the USD overnight.
- **We are bearish on GBP/USD today**, as uncertainty remains a concern for the UK. We are bearish on a 1-month basis as Brexit negotiations may pose some concerns down the road.

JPY

- **JPY gained 0.41%** against the greenback on Monday. Markets remain long JPY even though equities rebounded.
- **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 rose 0.34% on Monday** against the greenback.
- **We are bearish on AUD/USD today** as the RBA announces its policy rate decision. 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 0.19%** against the USD on Monday, continuing towards 1.3900 big figure.
- **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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