

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded overnight from last Friday's large sell-off as investors temporarily looked past Coronavirus concerns and took comfort in an upbeat ISM manufacturing print.** Major US indexes rose 0.5-1.3%, tracking higher European equities while markets across Asia finished generally in the reds as Chinese markets reopened yesterday following an extended Lunar New Year break. The Shanghai Composite Index slumped by 7.7% and PBOC slashed its reverse repo rate by 10bps in its latest move to address the virus fallout in addition to liquidity injection announced earlier. **US treasuries yields recovered by 1-4bps along the curve as risk sentiment improved;** 10Y UST yield picked up 2bps to 1.53%. **Gold retreated** by nearly 0.8% to \$1576.73/ounce while crude oils suffered from major losses on virus concerns despite news that Saudi Arabia was pushing for production cuts; global benchmark **Brent crude plunged by a whopping 6.4% overnight,** its biggest drop since mid-September last year. **The dollar was the top winner,** strengthening against nearly all major rivals, whereas the pound and Chinese yuan were the biggest losers. **Investors will remain watchful of the development of Coronavirus outbreak, focus turns to the RBA's cash rate decision later this morning** to which markets are looking at a hold.
- **Dataflow brought some reliefs as ISM manufacturing along with PMI readings offered some pleasant surprises suggesting manufacturing conditions were improving before the outbreak of the coronavirus.** Manufacturing activities picked up in the US (as per the official ISM report), Eurozone, UK, Japan and Singapore but softened in China, Malaysia and Vietnam. Other indicators were downbeat evident in declines in US construction spending and China industrial profits.
- **The dollar index added 0.4% to 97.80. The dollar is likely to remain strong** given that persistent virus concerns will only serve to benefit dollar and drag down overall emerging market currencies. Next up in the calendar are ISM non-manufacturing and ADP private payrolls.
- **USDMYR closed 0.38% higher at 4.1135 on Monday,** as the ringgit tracked weaker yuan and continued to slip against the dollar amidst rising risk aversion, spurred by heightening fear over the Coronavirus outbreak. **USDMYR outlook remains bullish in the short term,** taking cue from dollar's overnight strength and given that persistent virus concerns will only serve to benefit dollar and drag down overall emerging market currencies, meaning that a breach above 4.1200 is possible today.
- **SGD continued to weaken against the USD to close 0.28% weaker at 1.3686** alongside weaker emerging market currencies. **USDSGD remains bullish in the short term** as risk-aversion likely to dominate and drag down emerging market currencies.

Overnight Economic Data

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

What's Coming Up Next

Major Data

- Malaysia Exports
- US Factory Orders
- Eurozone Producer Prices Index
- Hong Kong Retail Sales

Major Events

- Australia RBA Cash Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1030	1.1050	1.1061	1.1080	1.1100	→
GBPUSD	1.2915	1.2960	1.2994	1.3000	1.3080	→
USDJPY	108.00	108.30	108.64	108.80	109.00	→
AUDUSD	0.6670	0.6680	0.6684	0.6700	0.6720	→
EURGBP	0.8400	0.8450	0.8513	0.8540	0.8590	→
USDMYR	4.1000	4.1100	4.1215	4.1300	4.1400	↗
EURMYR	4.5300	4.5464	4.5586	4.5700	4.5850	→
JPYMYR	3.7550	3.7745	3.7944	3.8070	3.8350	→
GBPMYR	5.3000	5.3250	5.3545	5.3800	5.4000	↘
SGDMYR	3.0000	3.0015	3.0048	3.0085	3.0100	↗
AUDMYR	2.7350	2.7400	2.7487	2.7530	2.7650	→
NZDMYR	2.6400	2.6500	2.6585	2.6640	2.6700	→
USDSGD	1.3650	1.3680	1.3717	1.3735	1.3750	↗
EURSGD	1.5115	1.5130	1.5172	1.5200	1.5225	↗
GBPSGD	1.7700	1.7745	1.7824	1.7870	1.8000	→
AUDSGD	0.9125	0.9150	0.9170	0.9180	0.9200	↗

* 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	1,521.95	-0.60	-4.23	CRB Index	168.05	-1.32	-9.55
Dow Jones Ind.	28,399.81	0.51	-0.49	WTI oil (\$/bbl)	50.11	-2.81	-17.93
S&P 500	3,248.92	0.73	0.56	Brent oil (\$/bbl)	54.45	-6.38	-17.50
FTSE 100	7,326.31	0.55	-2.87	Gold (\$/oz)	1,576.73	-0.78	4.07
Shanghai	2,746.61	-7.72	-9.95	CPO (RM/tonne)	2,680.00	-0.33	-11.42
Hang Seng	26,356.98	0.17	-6.50	Copper (\$/tonne)	5,567.00	-0.37	-9.83
STI	3,116.31	-1.19	-3.33	Rubber (sen/kg)	434.00	-3.23	-4.09

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA Markit Malaysia PMI Mfg	Jan	48.8	50.0	--
US Markit Manufacturing PMI	Jan F	51.9	52.4	51.7
US Construction Spending MoM	Dec	-0.2%	0.7% (revised) 47.8	0.5%
US ISM Manufacturing	Jan	50.9	(revised) 47.8	48.5
EU Markit Manufacturing PMI	Jan F	47.9	46.3	47.8
UK Markit UK PMI Manufacturing SA	Jan F	50.0	47.5	49.8
JP Jibun Bank Japan PMI Mfg	Jan F	48.8	48.4	--
CN Industrial Profits YoY	Dec	-6.3%	5.4%	--
CN Caixin China PMI Mfg	Jan	51.1	51.5	51.0
HK GDP YoY	4Q A	-2.9%	-2.8% (revised)	-3.9%
SG Purchasing Managers Index	Jan	50.3	50.1	50.0
VN Markit Vietnam Manufacturing PMI	Jan	50.6	50.8	--

Source: Bloomberg

- US ISM PMI returned to expansion:** The ISM Manufacturing Index beat expectations at 50.9 in January (Dec: 47.8), marking its first above 50 reading in six months to indicate an expansion in manufacturing activity at the start of the new year. The upturn in PMI reflects rebounds in new orders, productions, new exports orders, imports as well as higher prices. ISM said that comments from respondents were generally positive but added that “global trade remains a cross-industry” but many were positive for the first time in many months. Meanwhile, the separate IHS Markit PMI ticked lower to 51.9 in January (Dec: 52.4) to suggest slower growth in overall manufacturing conditions, dragged down by a “renewed drop in exports orders”, yet business sentiment picked up to 7-month high.
- US construction spending slipped at year end:** On a less positive note, construction spending dropped 0.2% MOM in December (Nov: +0.7% revised) versus analysts’ forecast of 0.5% gain. Breakdown shows that spending on residential projects rose by a steadier 1.4% MOM (Nov:+1.5%), in line with a gradually recovering housing market whereas spending on commercial projects dropped for the first time in six months by 1.2% MOM (Nov: +0.2%). The newly revised November figure nonetheless suggests an upward revision to 4Q GDP growth which had come in at 2.1% QOQ in the advance reading. Compared to 2018, total 2019 spending dropped by 0.3% to \$1.3 trillion (2018: +3.3%).
- Eurozone manufacturing downturn continued in January:** The IHS Markit Eurozone Manufacturing PMI rose to 47.9 in January (Dec: 46.3), confirming that operating conditions in the euro area manufacturing sector continued to weaken at the start of the year. Germany again was the weakest performing country reflecting its struggling auto industry that is simultaneously facing transition and weaker global demand.
- UK manufacturing PMI at neutral 50:** The IHS Markit/CIPS Markit PMI jumped to 50.0 in January (Dec: 47.5) as the manufacturing sector bounced back from eight months of downturn at the start of the year, thanks to reduced political uncertainties just ahead of Brexit day on 31 January. The survey reported that signs of stabilization is showing in hiring and business confidence while new exports remain weak.
- Japan manufacturing PMI indicates still-weak manufacturing industry:** The headline Jibun Bank Manufacturing PMI rose a little to 48.4 in January (Dec: 48.8) to mark its ninth consecutive month of sub-50 reading. The negligible rise in PMI suggests that Japanese manufacturers continued to face a challenging start to the year as demand condition remains fragile.
- China manufacturing PMI indicates slower growth in manufacturing; industrial profit plunged:** The Caixin General Manufacturing PMI slipped to a five month low of 51.1 in January (Dec: 51.5) to signal a softer operating conditions in China’s manufacturing sector that was a result of slower increases in new orders and output. Similar to the official reading (at 50.0 in January), the PMI hasn’t taken into account the impact of the recent coronavirus outbreak, meaning that the February PMI could easily go below 50.0 in the contraction area as holidays were extended and business sentiment deteriorates this month. On a separate note, China industrial profit took another hit at year-end to record a loss of 6.3% YOY in December (Nov: +5.4%) leaving the full year 2019 profit at -3.3%, thanks to falling producer prices throughout most part of the year and rising costs. The decline reflect a 12% drop in profits of state-owned firms and a modest 2.2% increase in private firms profits.

- **Hong Kong 2019 GDP contracted by 1.2%:** Hong Kong GDP contracted by 0.4% QOQ in the last quarter of 2019 (3Q: -3.0% revised) according to an advance reading, smaller than consensus estimate of 1.5% decline and marked its third back-to-back quarterly contraction since 2Q19. Compared to the same period last year, the pace of decline accelerated slightly to 2.9% YOY (3Q: -2.8% revised) and that leaves full-year 2019 GDP to fall by 1.2%, its first recession in 10 years since 2009 during the global financial crisis. Hong Kong economy was hit heavily by domestic unrests that severely disrupt business activities and consumption as well as poor demand from its key trading partner China that weighed on its trade sector.
- **Singapore PMI improved in January:** The official Singapore Purchasing Manager Index rose to 50.3 in January (Dec: 50.1), its best reading in ten months, a result of broadbased expansion across all sub-categories from new orders, output to employment, offering tentative signs that the manufacturing sector is gradually regaining footing. Notably, the Electronics sub-index rose to 50.1 to mark its first expansion in more than a year to signal growth in the electronics manufacturing sector.
- **Nearly flat Vietnam PMI:** Vietnam Manufacturing PMI was little changed at 50.6 in December (Nov: 50.8), just a tad above the 50.0 neutral threshold, reflecting a moderate rise in new orders that was offset by falling production.
- **Malaysia manufacturing PMI slumped back to contraction:** The headline IHS Markit Malaysia Manufacturing PMI fell to 48.8 in January (Dec: 50.0) to suggest a loss of growth momentum in the manufacturing industry. Exports were the main drag on the PMI as exports sales recorded its first drop since October last year, of which some respondents attributed to tough global trading environment.

Economic Calendar									
Date	Time	Country	Event	Reporting Period	Survey	Actual	Prior	Revised	
03/02	08:30	Malaysia	Markit Malaysia PMI Mfg	Jan	--	48.8	50.0	--	
04/02	12:00		Exports YoY	Dec	-3.1%	--	-5.5%	--	
07/02	12:00		Industrial Production YoY	Dec	2.0%	--	2.0%	--	
	15:00		Foreign Reserves	Jan-31	--	--	\$103.7b	--	
03/02	22:45	US	Markit US Manufacturing PMI	Jan F	51.7	51.9	52.4	--	
	23:00		Construction Spending MoM	Dec	0.5%	-0.2%	0.6%	0.7%	
	23:00		ISM Manufacturing	Jan	48.5	50.9	47.2	47.8	
04/02	23:00		Factory Orders	Dec	1.2%	--	-0.7%	--	
	23:00		Durable Goods Orders	Dec F	2.4%	--	2.4%	--	
	23:00		Cap Goods Orders Nondef Ex Air	Dec F	--	--	-0.9%	--	
05/02	20:00		MBA Mortgage Applications	Jan-31	--	--	7.2%	--	
	21:15		ADP Employment Change	Jan	150k	--	202k	--	
	21:30		Trade Balance	Dec	-\$48.1b	--	-\$43.1b	--	
05/02	22:45		Markit US Services PMI	Jan F	53.2	--	53.2	--	
	23:00		ISM Non-Manufacturing Index	Jan	55.1	--	55.0	54.9	
06/02	21:30		Initial Jobless Claims	Feb-01	215k	--	216k	--	
07/02	21:30		Change in Nonfarm Payrolls	Jan	160k	--	145k	--	
	21:30		Unemployment Rate	Jan	3.5%	--	3.5%	--	
	21:30		Average Hourly Earnings YoY	Jan	3.0%	--	2.9%	--	
	21:30		Labor Force Participation Rate	Jan	63.2%	--	63.2%	--	
	23:00		Wholesale Inventories MoM	Dec F	-0.1%	--	-0.1%	--	

03/02	17:00	Eurozone	Markit Eurozone Manufacturing PMI	Jan F	47.8	47.9	46.3	--
04/02	18:00		PPI YoY	Dec	-0.7%	--	-1.4%	--
05/02	17:00		Markit Eurozone Services PMI	Jan F	52.2	--	52.2	--
	18:00		Retail Sales MoM	Dec	-1.1%	--	1.0%	--
03/02	17:30	UK	Markit UK PMI Manufacturing SA	Jan F	49.8	50.0	47.5	--
05/02	17:30		Markit/CIPS UK Services PMI	Jan F	52.9	--	52.9	--
03/02	08:30	Japan	Jibun Bank Japan PMI Mfg	Jan F	--	48.8	48.4	--
05/02	08:30		Jibun Bank Japan PMI Services	Jan F	--	--	52.1	--
07/02	07:30		Labor Cash Earnings YoY	Dec	-0.1%	--	-0.2%	0.1%
	07:30		Household Spending YoY	Dec	-1.6%	--	-2.0%	--
	13:00		Leading Index CI	Dec P	91.3	--	90.8	--
	13:00		Coincident Index	Dec P	94.7	--	94.7	--
03/02	09:30	China	Industrial Profits YoY	Dec	--	-6.3%	5.4%	--
	09:45		Caixin China PMI Mfg	Jan	51.0	50.1	51.5	--
05/02	09:45		Caixin China PMI Services	Jan	52.0	--	52.5	--
07/02	NA		Exports YoY	Jan	-4.5%	--	7.6%	7.9%
	NA		Imports YoY	Jan	2.0%	--	16.3%	16.0%
03/02	16:30	Hong Kong	GDP YoY	4Q A	-3.9%	-2.9%	-2.9%	2.8%
04/02	16:30		Retail Sales Value YoY	Dec	-22.3%	--	-23.60%	--
05/02	08:30		Markit Hong Kong PMI	Jan	--	--	42.1	--
03/02	21:00	Singapore	Purchasing Managers Index	Jan	50.0	50.3	50.1	--
05/02	08:30		Markit Singapore PMI	Jan	--	--	51.0	--
03/02	05:30	Australia	AiG Perf of Mfg Index	Jan	--	45.4	48.3	--
04/02	11:30		RBA Cash Rate Target	Feb-04	0.75%	--	0.75%	--
06/02	08:30		Trade Balance	Dec	A\$5600m	--	A\$5800m	--
	08:30		Retail Sales MoM	Dec	--	--	0.90%	--
	08:30		NAB Business Confidence	4Q	--	--	-2	--
07/02	05:30		AiG Perf of Services Index	Jan	--	--	48.7	--
07/02	08:30		RBA Statement on Monetary Policy			--		
05/02	05:45	New Zealand	Unemployment Rate	4Q	4.2%	--	4.2%	--
05/02	05:45		Employment Change QoQ	4Q	0.3%	--	0.2%	0.3%
	05:45		Pvt Wages Ex Overtime QoQ	4Q	0.5%	--	0.6%	--
03/02	8:30	Vietnam	Markit Vietnam Manufacturing PMI	Jan	--	50.6	50.8	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1060	-0.30	1.1096	1.1036	-1.35
GBPUSD	1.2995	-1.60	1.3215	1.2983	-1.98
USDJPY	108.69	0.31	108.80	108.32	0.00
AUDUSD	0.6692	0.00	0.6707	0.6682	-4.70
EURGBP	0.8511	1.32	0.8518	0.8402	0.63
USDMYR	4.1135	0.38	4.1165	4.0965	0.55
EURMYR	4.5547	0.79	4.5630	4.5415	-0.72
JPYMYR	3.7880	0.88	3.7944	3.7793	0.53
GBPMYR	5.3966	0.33	5.4180	5.3945	0.36
SGDMYR	3.0072	0.12	3.0089	3.0013	-1.12
AUDMYR	2.7533	0.43	2.7587	2.7407	-3.99
NZDMYR	2.6574	0.43	2.6642	2.6446	-3.46
CHFMYR	4.2607	1.03	4.2731	4.2514	0.78
CNYMYR	0.5863	-0.17	0.5875	0.5856	-0.28
HKDMYR	0.5297	0.51	0.5300	0.5274	0.78
USDSGD	1.3686	0.28	1.3695	1.3644	1.72
EURSGD	1.5137	-0.02	1.5171	1.5100	0.36
GBPSGD	1.7786	-1.60	1.8034	1.7776	-0.28
AUDSGD	0.9160	0.33	0.9176	0.9118	-2.99

Source: Bloomberg

Forex

MYR

- **USDMYR closed 0.38% higher at 4.1135 on Monday**, as the ringgit tracked weaker yuan and continued to slip against the dollar amidst rising risk aversion, spurred by heightening fear over the Coronavirus outbreak.
- **USDMYR outlook remains bullish in the short term**, taking cue from dollar's overnight strength and given that persistent virus concerns will only serve to benefit dollar and drag down overall emerging market currencies, meaning that a breach above 4.1200 is possible today. USDMYR medium term outlook is bullish, supported by relatively solid US data and a market that is turning risk-off.

USD

- The dollar was the top winner, strengthening against nearly all major rivals, whereas the pound and Chinese yuan were the biggest losers. **The dollar index added 0.4% to 97.80.**
- **The dollar is likely to remain strong** given that persistent virus concerns will only serve to benefit dollar and drag down overall emerging market currencies. Next up in the calendar are ISM non-manufacturing and ADP private payrolls. **Medium term dollar outlook remains bullish**, reaffirmed by still relatively positive US data as well as uncertainties over the virus outbreak.

EUR

- **EURUSD retreated to close 0.30% weaker at 1.1060 on the back of a stronger dollar.**
- **Daily outlook is neutral for now** as the pair lost momentum after US ISM data surprised on the upside and is likely to consolidate around 1.1050-70 in the short term. **Medium term outlook for EUR remains bearish** over Eurozone's weaker growth outlook as confirmed by latest 4Q GDP growth and poor PMI data.

GBP

- **GBPUSD was the biggest loser, plunging by 1.6% to 1.2995** to offset its Brexit related gains over renewed worries on UK-EU trade negotiations.
- **GBP outlook turns weaker in the short term** and is likely staying below 1.3000 today amidst stronger USD, unless there is any major (positive) surprise on the trade front. **Medium term outlook is neutral** for now given the uncertainties over US-EU trading relationship and likelihood that the BOE will hold rate for the rest of the year.

JPY

- **USDJPY rebounded to close 0.31% higher at 108.69 on the back of a stronger greenback.**
- **USDJPY looks likely to consolidate around 108.60-108.70** as risk-off sentiment eases in response to upbeat US ISM data. Technical outlook remains bearish as indicated by a super bearish MACD line. **Medium term JPY outlook is bullish** in our view as markets are expected to remain risk averse in the foreseeable future.

AUD

- **AUDUSD finished unchanged at 0.6692** in a muted session ahead of RBA meeting.
- AUDUSD is expected to move very little this morning ahead of 11.30am RBA cash rate decision. **Daily outlook is completely driven by RBA's decision** - markets are looking at a hold and is anticipating its rate guidance. **We look towards the RBA's statement to gauge the pair's medium term outlook.**

SGD

- **SGD continued to weaken against the USD to close 0.28% weaker at 1.3686** alongside weaker emerging market currencies.
- **USDSGD remains bullish in the short term** as risk-aversion likely to dominate and drag down emerging market currencies. **Medium term outlook for USDSGD is bullish on a firmer USD outlook.**

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