

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Global stocks staged a relief rally on Tuesday as markets took respite in the PBOC's 1.7 trillion yuan (\$242.7b) stimulus injection** via reverse repos to counter Coronavirus outbreak related economic slowdown. The Shanghai Composite Index (+1.3%) managed to recoup some losses following a sharp selloff in the previous session. Tracking higher Asian and European markets, major US indexes gained 1.5-2% overnight, their largest one day gains in months; Nasdaq climbed to an all-time high. **Treasuries yields rose 5-7bps as investors exited safe havens assets. Gold prices continued to retreat** by 1.5% to \$1552.92/ounce, **but crude oil futures failed to regain footing** despite a return of risk sentiment and lost around 1%; Brent crude closed at \$53.96/barrel on Tuesday. The greenback partially weakened, recording mixed performance across the FX board. **Asian stocks futures climbed this morning indicating another good day for equities.**
- **On the macro front, RBA held rates unchanged and sounded optimistic over growth prospects** although it was the first central bank that mentioned about the impact from Coronavirus outbreak. **Despite this, RBA remained dovish and stood ready to cut, hence our unchanged view for a cut going forward.** US factory orders were mixed but still managed to show some signs of recovery. Eurozone PPI posted a smaller decline but failed to break the deflationary condition. Hong Kong retail sales continued to fall as its economy witnessed its first recession in a decade. Malaysia exports surprisingly rebounded in December thanks to commodity exports and increased shipment to the US and China. Full year 2019 exports fell for the first time since 2009 and we expect exports to remain under pressure this year taking cue from a still sluggish external environment, compounded by adverse impact from the Coronavirus on the global value chain.
- **The dollar index added 0.16% to 97.96.** The dollar outperformed EUR as well as traditional safe havens like JPY and CHF but slipped against other key rivals. **The dollar will remain strong in our view.** Investors are trying to look beyond the coronavirus outbreak for now but we reckon that the lack of positive virus-related headlines thus far would risk sending markets easily back into a risk-off mode, boosting the USD and dragging down overall emerging market currencies. Next up in the calendar are ISM non-manufacturing and ADP private payrolls.
- **USDMYR** briefly breached 4.1200 big figure on Tuesday before retreating to **close little changed at 4.1105. USDMYR outlook remains bullish today**, from both technical and fundamental perspectives but a return of risk sentiment is likely to push USDMYR lower today back to 4.0950-4.1100 range.
- **USDSGD finished 0.13% higher at 1.3704** as the SGD was the sole loser among EMEAs. **USDSGD remains bullish in the short term** due to ongoing virus concerns and the potential impact it would have on the Singapore economy.

#### Overnight Economic Data

Malaysia	↑
US	→
Eurozone	↑
Hong Kong	↑
New Zealand	→

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications, ADP Employment Change, Trade Balance, ISM Non-Manufacturing Index
- Markit Services PMI for US, Eurozone, UK, Japan, China
- Markit PMI for Hong Kong and Singapore

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1010	1.1030	1.1045	1.1050	1.1065	↘
GBPUSD	1.2950	1.3000	1.3031	1.3050	1.3080	→
USDJPY	108.80	109.00	109.40	109.50	109.80	→
AUDUSD	0.6700	0.6720	0.6734	0.6750	0.6770	→
EURGBP	0.8400	0.8450	0.8477	0.8500	0.8540	→
USDMYR	4.1000	4.1100	4.1117	4.1200	4.1300	↗
EURMYR	4.5220	4.5300	4.5412	4.5465	4.5570	→
JPYMYR	3.7340	3.7478	3.7603	3.7700	3.7900	↘
GBPMYR	5.3000	5.3250	5.3583	5.3750	5.4000	→
SGDMYR	2.9930	2.9950	2.9964	3.0000	3.0050	↘
AUDMYR	2.7530	2.7630	2.7691	2.7780	2.7909	↗
NZDMYR	2.6500	2.6600	2.6686	2.6770	2.6850	↗
USDSGD	1.3680	1.3700	1.3723	1.3730	1.3750	↗
EURSGD	1.5115	1.5130	1.5155	1.5200	1.5225	↗
GBPSGD	1.7775	1.7833	1.7878	1.7950	1.8040	→
AUDSGD	0.9188	0.9215	0.9237	0.9250	0.9270	→

\* 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	1,535.80	0.91	-3.33	CRB Index	167.93	-0.07	-9.61
Dow Jones Ind.	28,807.63	1.44	0.94	WTI oil (\$/bbl)	49.61	-1.00	-18.75
S&P 500	3,297.59	1.50	2.07	Brent oil (\$/bbl)	53.96	-0.90	-18.24
FTSE 100	7,439.82	1.55	-1.36	Gold (\$/oz)	1,552.92	-1.51	2.35
Shanghai	2,783.29	1.34	-8.75	CPO (RM/tonne)	2,658.50	-0.80	-12.13
Hang Seng	26,675.98	1.21	-5.37	Copper (\$/tonne)	5,525.00	-0.75	-10.51
STI	3,156.57	1.29	-2.06	Rubber (sen/kg)	430.00	-0.46	-4.97

Source: Bloomberg

## ➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA Exports YOY	Dec	2.7%	-5.5%	-3.1%
US Factory Orders	Dec	1.8%	-1.2% (revised)	1.2%
US Durable Goods Orders	Dec F	2.4%	-3.1%	2.4%
US Cap Goods Orders Nondef Ex Air	Dec F	-0.8%	0.0%	--
EU PPI YOY	Dec	-0.7%	-1.4%	-0.7%
HK Retail Sales Value YOY	Dec	-19.4%	-23.7% (revised)	-22.3%
AU RBA Cash Rate Target	Feb-04	0.75%	0.75%	0.75%
NZ Unemployment Rate	4Q	4.0%	4.1% (revised)	4.2%
NZ Employment Change QOQ	4Q	0.0%	0.3% (revised)	0.3%
NZ Pvt Wages Inc Overtime QOQ	4Q	0.6%	0.6%	0.5%

Source: Bloomberg

- RBA hold rate unchanged:** The RBA left cash rate unchanged at 0.75%, ending weeks of speculations over the central bank's potential response to the recently devastating wildfire crisis. RBA said that there have been signs that the slowdown in global growth is coming to an end, and global growth is expected to be "a little stronger" this year and next. It however cautioned the continuing US-China trade uncertainty as well as the new coronavirus outbreak which is having a significant effect on the Chinese economy. RBA expects GDP growth to be around 2.75% in 2020 and 4% in 2021, a step up from past two years' growth rates. "Bushfires and coronavirus outbreak will temporarily weigh on domestic growth", but consumption is expected to pick up gradually. Unemployment rate is expected to remain around 5.1% for some time before slipping below 5% in 2021 while CPI inflation is to be around 2% in the near term. RBA also reiterated how the easing of policy last year had helped supporting growth and returning inflation back to its medium-term target rate. It concluded by saying that the decision to hold rate steady was made as interest rates have already been "reduced to a very low level" and it recognised "the long and variable lags in the transmission of monetary policy". It is reasonable to expect that an extended period of low interest rates will be required in Australia. RBA maintained its dovish stance, adding that it "remains prepared to ease monetary policy further if needed to support sustainable growth in the economy, full employment and inflation.
- Defense boosted US factory orders recovered at year end:** The headline factory orders rebounded to increase 1.8% MOM in December (Nov: -1.2% revised) following a newly revised loss in the previous month. Breakdown shows that durable good orders recovered by 2.4% MOM (Nov: -3.1%) mainly driven by a surge in defense aircrafts. Core capital orders, a key gauge of US business investment however dropped by 0.8% MOM (Nov: 0.0%) following a flatline reading.
- Eurozone factory prices continued to fall:** Eurozone producer prices index was unchanged in December (Nov: +0.1%), leaving the PPI index to record a smaller drop of 0.7% YOY (Nov: -1.4%). December print marks the index's fifth consecutive month of annual decline, extending its current state of deflation at Eurozone factories amidst a manufacturing downturn.
- Hong Kong retail sales plunged at year end:** Hong Kong retail sales plunged by 19.4% YOY in December (Nov: -23.7% revised), its 11<sup>th</sup> month of decline as the economy was mired in recession amidst prolonged protests despite one month ahead of the Lunar New Year.
- Mixed New Zealand job report:** New Zealand unemployment rate beat estimate as it slipped to 4.0% in the fourth quarter of 2019 (3Q: 4.1% revised), its lowest level since 3Q18. The lower participation rate (70.1% vs 70.4%) explains the lower unemployment rate as the economy did not record job gains in that period; employment change came in at 0% QOQ (3Q: +0.3% revised) and compared to a year ago, employment rose by a steady 1.0% YOY (3Q: +1.0% revised). Wage growth was consistent as well – private wages inclusive of overtime payment picked up 0.6% QOQ (3Q: +0.6%), wage excluding overtime also rose 0.6% QOQ (3Q: +0.6%).

- **First annual decline in Malaysian exports since 2009:** Exports surprised on the upside by increasing for the first time in five months, notching a 2.7% YOY gain in December (Nov: -5.5% YOY) thanks to improvement in commodity-related exports and continuous growth in shipment to the US and China. Despite the late-year rebound, exports still contracted by 1.7% YOY for the whole of 2019 (2018: +7.3% YOY), its first contraction since 2009 during the global financial crisis, testifying to weaker global demand amid a challenging macro backdrop. MOM, exports bounced back to increase 6.8% YOY in December (Nov: -10.7%) while imports posted a marginal 0.6% MOM decrease, widening the trade surplus again to RM12.6bn, almost doubled from the RM6.6bn in November. While the IMF projected that world trade volume would pick up again to 2.9% YOY this year, we are skeptical on prospects of a still lackluster macro outlook globally especially among the major economies. Abating but unresolved trade tensions between the US and China, lingering geopolitical risks, as well as global health uncertainties following the recent outbreak of of Coronavirus in addition to various strains of influenza, are all expected to impose further challenges to the already sluggish world economy. We are maintaining our projection for further 1-2% contraction in Malaysia exports, and full year real GDP growth at 4.3% this year, pending further developments and clarity on the external front.

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%	2.7%	-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%	1.8%	-0.7%	-1.2%
	23:00		Durable Goods Orders	Dec F	2.4%	2.4%	-3.1%	--
	23:00		Cap Goods Orders Nondef Ex Air	Dec F	--	-0.8%	0.0%	--
<b>05/02</b>	<b>20:00</b>		<b>MBA Mortgage Applications</b>	<b>Jan-31</b>	<b>--</b>	<b>--</b>	<b>7.2%</b>	<b>--</b>
	<b>21:15</b>		<b>ADP Employment Change</b>	<b>Jan</b>	<b>158k</b>	<b>--</b>	<b>202k</b>	<b>--</b>
	<b>21:30</b>		<b>Trade Balance</b>	<b>Dec</b>	<b>-\$48.2b</b>	<b>--</b>	<b>-\$43.1b</b>	<b>--</b>
	<b>22:45</b>		<b>Markit US Services PMI</b>	<b>Jan F</b>	<b>53.2</b>	<b>--</b>	<b>53.2</b>	<b>--</b>
	<b>23:00</b>		<b>ISM Non-Manufacturing Index</b>	<b>Jan</b>	<b>55.1</b>	<b>--</b>	<b>55.0</b>	<b>54.9</b>
06/02	21:30		Initial Jobless Claims	Feb-01	215k	--	216k	--
07/02	21:30		Change in Nonfarm Payrolls	Jan	162k	--	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%	-0.7%	-1.4%	--
<b>05/02</b>	<b>17:00</b>		<b>Markit Eurozone Services PMI</b>	<b>Jan F</b>	<b>52.2</b>	<b>--</b>	<b>52.2</b>	<b>--</b>
	<b>18:00</b>		<b>Retail Sales MoM</b>	<b>Dec</b>	<b>-1.1%</b>	<b>--</b>	<b>1.0%</b>	<b>--</b>

03/02	17:30	UK	Markit UK PMI Manufacturing SA	Jan F	49.8	50.0	47.5	--
<b>05/02</b>	<b>17:30</b>		<b>Markit/CIPS UK Services PMI</b>	<b>Jan F</b>	<b>52.9</b>	--	<b>52.9</b>	--
03/02	08:30	Japan	Jibun Bank Japan PMI Mfg	Jan F	--	48.8	48.4	--
<b>05/02</b>	<b>08:30</b>		<b>Jibun Bank Japan PMI Services</b>	<b>Jan F</b>	--	--	<b>52.1</b>	--
07/02	07:30		Labor Cash Earnings YoY	Dec	-0.1%	--	-0.2%	0.1%
	07:30		Household Spending YoY	Dec	-1.7%	--	-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	--
<b>05/02</b>	<b>09:45</b>		<b>Caixin China PMI Services</b>	<b>Jan</b>	<b>52.0</b>	--	<b>52.5</b>	--
07/02	NA		Exports YoY	Jan	-3.5%	--	7.6%	7.9%
	NA		Imports YoY	Jan	-0.8%	--	16.3%	16.5%
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%	-19.4%	-23.6%	-23.7%
<b>05/02</b>	<b>08:30</b>		<b>Markit Hong Kong PMI</b>	<b>Jan</b>	--	--	<b>42.1</b>	--
03/02	21:00	Singapore	Purchasing Managers Index	Jan	50.0	50.3	50.1	--
<b>05/02</b>	<b>08:30</b>		<b>Markit Singapore PMI</b>	<b>Jan</b>	--	--	<b>51.0</b>	--
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%	0.75%	--
06/02	08:30		Trade Balance	Dec	A\$5500m	--	A\$5800m	--
	08:30		Retail Sales MoM	Dec	-0.2%	--	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%	4.0%	4.2%	4.1%
05/02	05:45		Employment Change QoQ	4Q	0.3%	0.0%	0.2%	0.3%
	05:45		Pvt Wages Inc Overtime QoQ	4Q	0.5%	0.6%	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	1.1044	-0.14	1.1064	1.1033	-1.49
GBPUSD	1.3031	0.28	1.3047	1.2941	-1.71
USDJPY	109.52	0.76	109.54	108.55	0.81
AUDUSD	0.6739	0.70	0.6742	0.6679	-4.02
EURGBP	0.8476	-0.41	0.8538	0.8465	0.21
USDMYR	4.1105	-0.07	4.1230	4.1095	0.48
EURMYR	4.5445	-0.22	4.5604	4.5428	-0.94
JPYMYR	3.7719	-0.43	3.7981	3.7702	0.10
GBPMYR	5.3395	-1.06	5.3593	5.3271	-0.70
SGDMYR	3.0006	-0.22	3.0061	2.9996	-1.34
AUDMYR	2.7629	0.35	2.7705	2.7508	-3.65
NZDMYR	2.6595	0.08	2.6650	2.6546	-3.38
CHFMYR	4.2460	-0.35	4.2692	4.2435	0.43
CNYMYR	0.5882	0.32	0.5889	0.5872	0.04
HKDMYR	0.5294	-0.06	0.5308	0.5293	0.72
USDSGD	1.3704	0.13	1.3730	1.3684	1.84
EURSGD	1.5135	-0.01	1.5186	1.5117	0.32
GBPUSD	1.7856	0.39	1.7880	1.7752	0.10
AUDSGD	0.9232	0.79	0.9236	0.9157	-2.19

Source: Bloomberg

## Forex

### MYR

- **USDMYR briefly breached 4.1200 big figure on Tuesday before retreating to close little changed at 4.1105.**
- **USDMYR outlook remains bullish today**, from both technical and fundamental perspectives but a return of risk sentiment is likely to push USDMYR lower today back to 4.0950-4.1100 range. **Medium term USDMYR outlook is bullish**, supported by relatively solid US data and uncertainties surrounding the Coronavirus outbreak.

### USD

- The dollar outperformed EUR as well as traditional safe havens like JPY and CHF but slipped against other key rivals. The dollar index added 0.16% to 97.96.
- **The dollar will remain strong in our view.** Investors are trying to look beyond the coronavirus outbreak for now but we reckon that the lack of positive virus-related headlines thus far would risk sending markets easily back into a risk-off mode, boosting the USD and dragging 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 surrounding the Coronavirus outbreak.

### EUR

- **EURUSD slipped by 0.14% to 1.1044.**
- **Daily outlook is slightly bearish** after the pair went below 1.1050 to indicate a loss of momentum in the short term with support being at 1.1030. **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 recovered a little to close 0.28% higher at 1.3031 on the back of a weaker dollar.**
- **GBP outlook appears to be neutral** for now as markets likely consolidate around 1.3030 in the short term over the lack of key drivers. **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 jumped back above 109.00, finished 0.76% higher at 109.52** as safe havens currencies lost appeal in a risk-on environment.
- **USDJPY looks set to stay above 109.00 today**, trading within a band of 109.40-109.60 alongside higher UST yields and equities. **Medium term USDJPY outlook is still bearish** in our view as markets are expected to remain risk averse in the foreseeable future with uncertainties surrounding the Coronavirus outbreak posing major downside risk to the currency pair.

### AUD

- **AUDUSD surged 0.70% to 0.6739** after RBA left cash rate unchanged and sounded optimistic over growth outlook.
- **AUDUSD is expected to stabilize today around 0.6730-0.6740 but bulls are looking to breach 0.6750** amidst improving risk sentiment. We reckon AUDUSD would recover back above 0.6800 in the medium term barring any major surprises from bushfire crisis. Major downside risk to the pair is a worsening scenario of the Coronavirus outbreak and the economic impact it has on China, Australia's largest trading partner.

### SGD

- **USDSGD finished 0.13% higher at 1.3704** as the SGD was the sole loser among EMEAs.
- **USDSGD remains bullish in the short term** due to ongoing virus concerns and the potential impact it would have on the Singapore economy. **Medium term USDSGD outlook is bullish**, supported by relatively solid US data and uncertainties surrounding the Coronavirus outbreak.

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