

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks staged a strong comeback** that led its main indexes to notch nearly 4-4.5% gain overnight as investors reacted to US lawmakers' bipartisan agreement to pass an \$8b emergency funding bill to combat Covid-19 outbreak in the US. This came alongside a narrowing Democratic presidential race that saw former Vice President Joe Biden surging to become the front runner as the party's nominee. Equities rose in Europe but was mixed in Asia on growing optimism that governments and central banks worldwide are introducing fiscal packages and reinforcing easier monetary policies to fight Covid-19-related economic fallout. The latest being the Bank of Canada (BOC)'s decision to cut its overnight lending rate by 50bps to 1.25%, citing Covid-19 as a "negative material shock" to the Canadian outlook and "monetary and fiscal authorities (worldwide) are responding". The move matched the Fed's larger-than-usual 50 basis points emergency cut yesterday. Treasuries yields recovered by 1-9bps of which 10Y UST yields rose to 1.05%. Gold price fell slightly (-0.2%) to \$1636.93/ounce.
- US indicators remain healthy** with ADP private payrolls recording a better than expected 183k gains. This was alongside the super upbeat ISM non-manufacturing index at one-year high of 57.3, mainly because the impact of Covid-19 wasn't yet showing up given a much later wider outbreak there. Similarly, Eurozone and UK Services PMIs reflected the same. In the highly affected part of Asia, Japan PMI unsurprisingly dropped below 50.0 on battered tourism sector while China Caixin PMI slumped to its record low. Australia recorded smaller trade surplus; Malaysia exports resumed a mild contraction, paving way for a drastic drop in Feb as virus impact weighed.
- The US dollar was in a consolidative stance on Wednesday. A mixed performance saw gains against the euro and the yen but it reversed against the Australian dollar and the pound. Overall, DXY partially rebounded back towards Monday levels, last at 97.336. We are bearish-to-neutral on the dollar on Thursday. We anticipate some range moves against currencies with stretched positions in the immediate term (such as the EUR and JPY). However, the dollar may well weaken slightly against currencies at their lows (GBP and AUD).
- USDMYR deep-dived on Wednesday, closing 0.65% lower at 4.1790**, making its largest single-day drop in two years after the Federal Reserve abruptly cut rate by 50bps the night before. We are neutral to slightly bearish on the pair over USD's short-term loss in momentum while the widening USD and MYR interest rate differentials should keep MYR supported in the short term. We maintain our view that downside to the pair is limited as global markets is still expected to be largely risk-off on the back of growing Covid-19 uncertainties, thus likely restricting the pair within 4.1700-4.1900 towards the end of the week, awaiting further Covid-19 development.

Overnight Economic Data

Malaysia	↓
US	↑
Eurozone	↑
UK	↑
Japan	↓
China	↓
Australia	↓

What's Coming Up Next

Major Data

- US Initial Jobless Claim, Factory Orders

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1046	1.1096	1.1139	1.1213	1.1277	➔
GBPUSD	1.2726	1.2830	1.2872	1.2927	1.3000	↗
USDJPY	106.52	107.09	107.68	108.50	109.82	➔
AUDUSD	0.6500	0.6550	0.6629	0.6686	0.6723	↗
EURGBP	0.8497	0.8584	0.8653	0.8740	0.8861	↘
USDSGD	1.3773	1.3800	1.3846	1.3900	1.3942	↘
USDMYR	4.1600	4.1700	4.1775	4.1900	4.2000	↘
EURMYR	4.6306	4.6384	4.6514	4.6625	4.6806	↘
JPYMYR	3.8600	3.8756	3.8828	3.9000	3.9139	➔
GBPMYR	5.3450	5.3619	5.3772	5.4000	5.4268	➔
SGDMYR	3.0047	3.0115	3.0159	3.0213	3.0270	➔
AUDMYR	2.7508	2.7570	2.7643	2.7720	2.7780	➔
NZDMYR	2.6100	2.6188	2.6260	2.6400	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	1,489.95	0.76	6.22	CRB Index	164.67	-0.16	-11.37
Dow Jones Ind.	27,090.86	4.53	5.07	WTI oil (\$/bbl)	46.78	-0.85	-23.39
S&P 500	3,130.12	4.22	3.12	Brent oil (\$/bbl)	51.13	-1.41	-22.53
FTSE 100	6,815.59	1.45	9.64	Gold (\$/oz)	1,636.93	-0.24	8.01
Shanghai	3,011.67	0.63	1.26	CPO (RM/tonne)	2,378.00	-0.71	-21.40
Hang Seng	26,222.07	-0.24	6.98	Copper (\$/tonne)	5,666.50	-0.59	-8.22
STI	3,025.03	0.18	6.14	Rubber (sen/kg)	453.50	-0.55	0.22

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA Exports YoY	Jan	-1.5%	2.7%	-1.6%
US MBA Mortgage Applications	Feb-28	15.1%	1.5%	--
US ADP Employment Change	Feb	183k	209k (revised)	170k
US Markit US Services PMI	Feb F	49.4	53.4	49.4
US ISM Non-Manufacturing Index	Feb	57.3	55.5	54.9
EU Markit Eurozone Services PMI	Feb F	52.6	52.5	52.8
EU Retail Sales MoM	Jan	0.6%	-1.1% (revised)	0.6%
UK Markit/CIPS UK Services PMI	Feb F	53.2	53.9	53.3
JP Jibun Bank Japan PMI Services	Feb F	46.8	51.0	--
CN Caixin China PMI Services	Feb	26.5	51.8	48.0
AU Trade Balance	Jan	A\$5210m	A\$5376m (revised)	A\$4,800m

Source: Bloomberg

- US private sector added 183k jobs:** The US private sector added 183k jobs in February (Jan: +209k revised) according to the ADP National Employment Report. The number topped consensus estimate of 170k and reaffirms the solid state of US labour market. This was also accompanied by a downward 82k revision to January reading. Feb's job gains came primarily from the services sector (+172k) and partially from construction (+18k) while manufacturing continued to report job losses.
- US ISM non-manufacturing PMI beat estimate prior to Covid-19 impact; Markit Services PMI slumped into contraction:** The ISM non-manufacturing index recorded an upbeat 57.3 reading in February (Jan: 55.3), beating consensus estimate of 54.8 again showcasing the resilience and strength of the services sector that is supported by a firm job market. Feb print was the index highest in one year and was led by higher new orders, employment and new exports order; output continued to gain albeit at slower pace. While business sentiments appeared to be favourable, surveyed firms began to flag worries over the Covid-19 outbreak in China and its related economic fallout. It's worth noting that the impact of Covid-19 wasn't fully reflected in Feb reading and there is possibility of sharp reversal in March. In fact the Feb Markit US Services PMI registered its first contraction in four years at 49.4 (Jan: 53.4) on the back of slower overseas demand that led to fall in exports sales.
- Fed Beige Book points to modest and moderate growth:** Fed second Beige Book of 2020 reported modest to moderate expansion of economic activity, supported by consumer spending. Covid-19 outbreak was said to have caused flat growth in tourism as well as some supply chain delays in certain districts. Employment increased but hiring was still constrained by a tight labour market. Prices increased modestly as well.
- US mortgage refinancing jumped on lower rates:** Mortgage applications surged 15.1% WOW last week (previous +1.5%) led by gains in refinancing (+26%) as current homeowners took advantage of the low interest rates (thanks to lower treasury yields) to refinance their homes.
- Eurozone services PMI yet to reflect Covid-19 impact:** The Eurozone Markit PMI rose a little to 52.6 in February (Jan: 52.5) to mark continuous expansion of Eurozone services sector. We suspect that the impact of Covid-19 spread again was not reflected in the latest reading given that the outbreak in the region only happened much later and foresee downside risk to March print given that the bloc's largest economies Italy, Germany and France were hit with the highest number of cases in the region. On a separate note, retail sales rose 0.6% MOM in January (Dec: -1.1% revised) thanks to higher sales of food, drink & tobacco, fuel, medical goods and electric goods.
- UK services activity supported by post Brexit demand:** The Markit Services PMI for UK slipped to 53.2 in February (Jan: 53.9) to mark a softer gain in services business activity. Nonetheless, growth was supported by rebounding consumer demand following December's general election and Britain's ensuing withdrawal from the European Union.
- Japan services sector struggled on slowing tourism:** Japan Markit Services PMI fell to 46.8 in February (Jan: 51.0), after a rebound in January to signal a renewed contraction in the services sector activity. The survey reported that the spread of Covid-19 has "squeezed new business" due to falling inbound tourist arrivals and has weighed business optimism to near four-year low.

- **China Caixin contracted for the first time:** The Caixin China Services PMI dipped to 26.5 in February (Jan: 51.8) to mark its first contraction (below 50) ever, indicating a sharp drop in business activity across the services sector. The downturn was driven mainly by the Covid-19 outbreak as firms faced extended closures after the Lunar New Year celebration and travel restriction.
- **Australia registered smaller trade surplus:** Australia recorded a slightly smaller trade surplus of A\$5.21b in January (Dec: A\$5.38b revised) as both exports and imports fell at a similar magnitude at the start of the year. Exports dropped 2.8% MOM after a modest 1.2% gain while imports also registered 2.8% decline versus 2.2% growth prior. Exports to China plunged 18.1% MOM following a seasonal surge in December. This was similar to the sharp fall in shipments to Korea (-22.7%) and Japan (-8.9%).
- **Malaysia Jan exports resumed contraction; expect drastic drop in Feb:** Exports started the year on a weak note following a surprise gain in December, dragged down by lower exports of Electrical & Electronics (E&E), energy commodities, timber/timber-based products and also natural rubber. The 1.5% YOY decline in January (Feb: +2.7%) was slightly better than consensus estimate but below ours, mainly because the impact of Covid-19 outbreak was not yet reflected fully in January reading, thus paving way for a potentially drastic drop in February exports. Imports meanwhile dropped 2.4% YOY (Dec: +1.0%) after a brief December rebound due to the contraction in capital goods (-15.0%) and consumption goods (-1.0%) while intermediate goods picked up 3.7% YOY. Against a backdrop of heightening uncertainties surrounding Covid-19 outbreak which is still at its evolving stage, particularly outside of China, we see a dismal growth outlook ahead in 2020. This was reaffirmed by poor PMI readings, attributing to supply chain disruption and slowing tourism sector worldwide. We are maintaining our projection for further 1-2% contraction in Malaysia full-year exports, and full-year real GDP growth at 4.0% this year. As mentioned before, we are mindful that this forecast is susceptible to downward revision should situation deteriorate either on the home front or abroad.

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	2.5%	2.5%	2.75%	--
04/03	12:00		Exports YoY	Jan	-1.6%	-1.5%	2.7%	--
	12:00		Imports YoY	Jan	-1.4%	-2.4%	0.9%	1.0%
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	--	15.1%	1.5%	--
	21:15		ADP Employment Change	Feb	170k	183k	291k	209k
	22:45		Markit US Services PMI	Feb F	49.4	49.4	53.4	--
	23:00		ISM Non-Manufacturing Index	Feb	54.9	57.3	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		CPI Estimate YoY	Feb	1.2%	1.2%	1.4%	--
	18:00		PPI YoY	Jan	-0.4%	-0.5%	-0.7%	-0.6%
	18:00		Unemployment Rate	Jan	7.4%	7.4%	7.4%	--
04/03	17:00		Markit Eurozone Services PMI	Feb F	52.8	52.6	52.5	--
	18:00		Retail Sales MoM	Jan	0.6%	0.6%	-1.6%	-1.1%
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	53.2	53.9	--
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	--	46.8	51.0	--
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	--	33.1	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	26.5	51.8	--
07/03	NA		Exports YoY	Feb	-17.5%	--	--	--
	NA		Imports YoY	Feb	-15.0%	--	--	--
03/03	21:00	Singapore	Purchasing Managers Index	Feb	49.5	48.7	50.3	--
04/03	08:30		Markit Singapore PMI	Feb	--	47.0	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%	0.5%	0.75%	--
04/03	08:30		GDP SA QoQ	4Q	0.4%	0.5%	0.4%	0.6%
05/03	08:30		Trade Balance	Jan	A\$4800m	A\$5210m	A\$5223m	A\$5376
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	1.1136	-0.33	1.1187	1.1096	-0.69
GBPUSD	1.2872	0.48	1.2873	1.2770	-2.93
USDJPY	107.53	0.37	107.69	106.85	-0.99
AUDUSD	0.6627	0.65	0.6628	0.6577	-5.73
EURGBP	0.8652	-0.79	0.8745	0.8650	2.29
USDSGD	1.3846	-0.27	1.3898	1.3831	2.85
USDMYR	4.1790	-0.65	4.1950	4.1775	2.15
EURMYR	4.6625	-0.39	4.7016	4.5342	1.63
JPYMYR	3.8892	-0.07	3.9139	3.7830	3.21
GBPMYR	5.3450	-0.35	5.3927	5.2050	-0.60
SGDMYR	3.0176	0.01	3.0322	3.0115	-0.73
AUDMYR	2.7611	0.25	2.7720	2.6797	-3.71
NZDMYR	2.6278	-0.17	2.6394	2.5503	-4.53
CHFMYR	4.3745	-0.23	4.4011	4.2456	3.47
CNYMYR	0.6030	0.14	0.6039	0.5858	2.56
HKDMYR	0.5379	-0.36	0.5413	0.5229	2.34

Source: Bloomberg

Forex

MYR

- **USDMYR deep-dived on Wednesday, closing 0.65% lower at 4.1790**, making its largest single-day drop in two years after the Federal Reserve abruptly cut rate by 50bps the night before.
- **We are neutral to slightly bearish on the pair** over USD's short-term loss in momentum while the widening USD and MYR interest rate differentials should keep MYR supported in the short term. We maintain our view that downside to the pair is limited as global markets is still expected to be largely risk-off on the back of growing Covid-19 uncertainties, thus likely restricting the pair within 4.1700-4.1900 towards the end of the week, awaiting further Covid-19 development. Medium term USD/MYR outlook remains bullish as EM currencies are vulnerable amid growing risk aversion but we are mindful of the possibility of further Fed's rate cut should the Covid-19 spread go out of hand in the US. While we expect more BNM OPR cut on the local front, the move is likely not imminent after a total of 50bps cut in January and March.

USD

- The US dollar was in a consolidative stance on Wednesday. A mixed performance saw gains against the euro and the yen but it reversed against the Australian dollar and the pound. Overall, **DXY partially rebounded back towards Monday levels, last at 97.336**.
- **We are bearish-to-neutral on the dollar** on Thursday. We anticipate some range moves against currencies with stretched positions in the immediate term (such as the EUR and JPY). However, the dollar may well weaken slightly against currencies at their lows (GBP and AUD). We are now neutral on the 1-month outlook. Global government and central bank support is likely to cushion fears from the Covid-19 outbreak. Resilient US fundamentals will also likely support against sustained dollar weaknesses.

EUR

- **EUR weakened 0.33% overnight against the USD**. This was a partial reversal of prior strengthening trend.
- **We stay neutral on EUR/USD today** as pair looks to consolidate. 1-month outlook is neutral as USD strength tapers and both central banks engage in dovish actions.

GBP

- **GBP strengthened 0.48% against the USD overnight**.
- **We are bullish on GBP/USD today**, from USD weakness. We are bearish on a 1-month basis as Brexit negotiations may pose some concerns down the road.

JPY

- **JPY weakened 0.37% against the greenback** on Wednesday, last at 107.53.
- **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 0.65% on Wednesday against the greenback**, closing at 0.6627.
- **We are bullish on AUD/USD today** from USD reversal. 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 0.27% against the USD** on Wednesday, as the SGD NEER is returning to its mid-point of the range.
- **We are bearish on USD/SGD today**, from further US weakness. We are neutral on a 1-month basis, expecting some USD response and as markets continue to price in the impact of the Covid-19 outbreak and MAS easing.

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