

Global Markets Research

Daily Market Highlights

Key Takeaways

- Stocks sputtered, safe havens jumped on mounting Covid-19 fear.** Equities sold off again in the US and Europe overnight following Wednesday's brief rebound as extended Covid-19 fear weighed on investor sentiment, dragging down major indexes back into the reds. Markets grappled with headlines of mounting cases and death tolls around the world; **California declared a state of emergency after reporting its first death.** Thursday's painful session saw the Dow Jones losing nearly 970pts or 3.6% and the S&P 500 and NASDAQ closing down 3.4% and 3.1%; European key stock benchmarks dropped around 1.5-2% while Asian markets finished on a mixed note. Investors bid up safe safe havens assets amid flight to safety, pushing treasuries yields lower by 10-16bps; **10Y UST yield plummeted 14bps DOD to below 1% again at an all-time low of 0.912%.** **Gold prices resumed more-than-2% climb to a seven-year high of \$1672.23/ounce.** **Crude oils fell despite news that OPEC has agreed to cut by an extra 1.5mil barrels per day until end 2Q2020 (in addition to current - 2.1mil BPD that would last throughout 2020) on condition that Russia and other OPEC+ members would join in the effort to support falling crude oil prices hit bby Covid-19.** **Focus shifts to today's US nonfarm job report. Futures show that Asian shares are set to open lower today after the sell-off at Wallstreet.**
- US data looked decent.** Initial jobless claims fell by 3k to 216k last week, adding to signs of firm labour market. Core capital orders and shipments both recorded around 1% increases MOM pointing to larger business capex at the start of 2020. Japan household spending failed to recover even before Covid-19. Higher wage growth (+1.5%) however offered some short-term relief. **Australia data underperformed** as Jan retail sales fell 0.3% before Covid-19 hit and Feb services PMI dipped further in contraction area.
- US dollar continued to lose its lustre on Thursday.** Pair notably weakened against the yen, Swiss franc, euro and pound. This came as equity markets returned to some nervousness. Markets are thinking that US data is looking backwards, with Covid-19 expected to spread further in the US. **We are bearish-to-neutral on the dollar today.** We still 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 closed lower for the second day, at 4.1630 (-0.38%)** on extended dollar weakness resulting from Wednesday's Fed emergency rate cut. **We are bearish on USDMYR** on severe loss in momentum; bears are targeting 4.1600 before heading towards 4.1500 in the short term. That said, downside was capped by risk-aversion with markets now turning attention to tonight's US job report to assess the US labour market, pushing USDMYR back to 4.17-4.1800 in our view. Consensus is looking at a gain of 175k (Jan: +225k). A better than expected reading would give USD a much needed boost.

Overnight Economic Data

US	→
Japan	↓
Singapore	↓
Australia	↓

What's Coming Up Next

Major Data

- US Trade Balance, Nonfarm Job Report, Wholesale Inventories
- Japan Leading Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1096	1.1096	1.1220	1.1300	1.1412	→
GBPUSD	1.2726	1.2830	1.2951	1.3000	1.3074	↗
USDJPY	104.46	106.00	106.27	107.50	108.39	↘
AUDUSD	0.6500	0.6550	0.6618	0.6686	0.6723	↗
EURGBP	0.8487	0.8535	0.8663	0.8807	0.8967	↘
USDSGD	1.3773	1.3800	1.3840	1.3900	1.3942	→
USDMYR	4.1600	4.1700	4.1757	4.1900	4.2000	↘
EURMYR	4.6500	4.6625	4.6844	4.7016	4.7060	↗
JPYMYR	3.9000	3.9139	3.9316	3.9350	3.9500	↗
GBPMYR	5.3400	5.3619	5.4078	5.4200	5.4500	↗
SGDMYR	3.0030	3.0100	3.0174	3.0213	3.0270	↗
AUDMYR	2.7407	2.7500	2.7597	2.7696	2.7780	→
NZDMYR	2.6100	2.6188	2.6372	2.6400	2.6500	→

* 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	1,491.03	0.07	-6.15	CRB Index	162.37	-1.40	-12.61
Dow Jones Ind.	26,121.28	-3.58	-8.47	WTI oil (\$/bbl)	45.90	-1.88	-24.83
S&P 500	3,023.94	-3.39	-6.40	Brent oil (\$/bbl)	49.99	-2.23	-24.26
FTSE 100	6,705.43	-1.62	-11.10	Gold (S/oz)	1,672.23	2.16	10.11
Shanghai	3,071.68	1.99	0.71	CPO (RM/tonne)	2,432.00	2.27	-19.62
Hang Seng	26,767.87	2.08	-5.04	Copper (\$/tonne)	5,684.00	0.31	-7.94
STI	3,018.27	-0.22	-6.85	Rubber (sen/kg)	453.00	-0.22	0.11

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US Initial Jobless Claims	Feb-29	216k	219k	215k
US Factory Orders	Jan	-0.5%	1.9% (revised)	-0.1%
US Durable Goods Orders	Jan F	-0.2%	2.8%	-0.2%
US Cap Goods Orders Nondef Ex Air	Jan F	1.2%	-0.8%	--
JP Household Spending YoY	Jan	-3.9%	-4.8%	-4.0%
JP Labour Cash Earnings YoY	Jan	1.5%	-0.2% (revised)	0.2%
SG Retail Sales YoY	Jan	-5.3%	-3.4%	--
AU AiG Perf of Services Index	Feb	47.0	47.4	--
AU Retail Sales MoM	Jan	-0.3%	-0.7% (revised)	0.0%

Source: Bloomberg

- US initial jobless claims dropped to 216k:** The number of Americans claiming for unemployment benefits fell by 3k to a seasonally adjusted 216k last week according to the Labor Department data. Number for the previous week was unrevised at 219k. The 4-week moving average of initial jobless claims, that removes week-to-week volatility, added 3.25k to 213k last week (previous: 209.75k)
- US business investment picked up in Jan:** US headline factory orders dropped 0.5% MOM in January (Dec: +1.9% revised) thanks to a sharp fall in the volatile defense orders (-39.8%). Durable goods orders were little changed (-0.2% vs +2.8%). Notably, orders and shipments of core capital goods orders (non-defense capital goods excluding aircrafts) rose 1.1% and 1.0% MOM respectively, indicating a rebound in business investment.
- Japan household spending failed to recover before virus hit; Jump in pay likely temporary:** Household spending dropped 3.9% YOY in January (Dec: -4.8%), marking its fourth month of back-to-back contraction since October when the government raised consumption tax (8% to 10%). The poor January print hasn't reflected the impact of Covid-19 spread in the country and was largely an extension of weak spending following the tax hike. The rapid spread of the virus in Japan removes hope of any recovery (in spending) in the near term on the back of weakening demand amid cautious consumer sentiment and falling visitor arrivals. On a brighter note, labour cash earnings, a gauge of wage growth topped estimate to record a 1.5% YOY growth thanks to a jump in regular or base pay (+1.4% vs +0.3%) alongside higher bonus payout (+10.4% vs -0.4%). Overtime pay continued to fall (-1.8% vs -2.3%) to indicate weak corporate activity at the start of the year, in line with the softer capital spending seen in the prior months. The stronger headline cash earnings in Jan looks to be temporary in our view as the job market, while remains tight has recently flashed signs of weaknesses.
- Singapore retail sales slipped in Jan, expect further decline in coming months:** Singapore's retail sales fell 5.3% YOY in January, from -3.4% in December. Much of the drag is from motor vehicle sales, which contracted 33.6% YOY after a 24.1% decrease prior. Underlying retail sales (excluding motor vehicles) rose 0.6% YOY after a 0.1% increase a month ago. This was weighed down by department stores (-6.9% YOY), and telecommunications/computers (-6.4%). Supermarkets (8.7% YOY) and watches/jewelry (5.7%) was relatively strong. Retail sales is set to fall further in the coming months, as the impact of the Covid-19 outbreak set in.
- Australia services sector hit by Covid-19:** Australia AiG Performance of Services Index slumped deeper into contraction area at 44.0 in February (Jan: 44.7), its third consecutive month of sub-50 reading to signal an even larger fall in Australian services activity. This reflects the impact of travelling bans and general aversion to travelling on the inbound tourism sector amid Covid-19 outbreak.
- Australia retail sales dropped before Covid-19:** Adding to the bad news was the larger-than-expected fall in January retail sales. Retail sales dropped 0.3% MOM while Dec contraction was revised further down from -0.5% to -0.7% MOM. Analysts had been expecting sales to be flat. Dec and Jan prints reflected the effect of bushfire, before the acceleration of the Covid-19 spread in China that led to travelling bans, suggesting that retail sales could fall further in Feb and March onwards.

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	216k	219k	--
	23:00		Factory Orders	Jan	-0.1%	-0.5%	1.8%	1.9%
	23:00		Durable Goods Orders	Jan F	-0.2%	-0.2%	2.8%	--
	23:00		Cap Goods Orders Nondef Ex Air	Jan F	--	1.1%	-0.8%	--
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%	-3.9%	-4.8%	--
	07:30		Labour Cash Earnings YoY	Jan	0.2%	1.5%	0.0%	-0.2%
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	--	47.0	47.4	--
	08:30		Retail Sales MoM	Jan	0.0%	-0.3%	-0.5%	-0.7%
02/03	08:30	Vietnam	Markit Vietnam PMI Mfg	Feb	--	49.0	50.6	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1237	0.91	1.1245	1.1120	0.14
GBPUSD	1.2954	0.64	1.2969	1.2861	-2.28
USDJPY	106.16	-1.27	107.74	105.97	-2.31
AUDUSD	0.6614	-0.20	0.6637	0.6584	-5.81
EURGBP	0.8672	0.23	0.8682	0.8621	2.46
USDSGD	1.3830	-0.12	1.3878	1.3825	2.76
USDMYR	4.1630	-0.38	4.1800	4.1215	1.76
EURMYR	4.6515	-0.24	4.6553	4.5904	1.40
JPYMYR	3.8794	-0.25	3.8931	3.8288	2.95
GBPMYR	5.3661	0.39	5.3803	5.3052	-0.21
SGDMYR	3.0009	-0.55	3.0192	2.9984	-1.33
AUDMYR	2.7567	-0.16	2.7696	2.7311	-3.87
NZDMYR	2.6260	-0.07	2.6330	2.5963	-4.60
CHFMYR	4.3561	-0.42	4.3707	4.3085	3.04
CNYMYR	0.5994	-0.60	0.6020	0.5991	1.95
HKDMYR	0.5355	-0.45	0.5379	0.5303	1.88

Source: Bloomberg

Forex

MYR

- **USDMYR closed lower for the second day, at 4.1630 (-0.38%)** on extended dollar weakness resulting from Wednesday's Fed emergency rate cut. **We are bearish on USDMYR** on severe loss in momentum; bears are targeting 4.1600 before heading towards 4.1500 in the short term. That said, downside was capped by risk-aversion with markets now turning attention to tonight's US job report to assess the US labour market, pushing USDMYR back to 4.17-4.1800 in our view. Consensus is looking at a gain of 175k (Jan: +225k). A better than expected reading would give USD a much needed boost.
- 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

- **US dollar continued to lose its lustre on Thursday.** Pair notably weakened against the yen, Swiss franc, euro and pound. This came as equity markets returned to some nervousness. Markets are thinking that US data is looking backwards, with Covid-19 expected to spread further in the US.
- **We are bearish-to-neutral on the dollar today.** We still 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 gained 0.91% overnight against the USD.**
- **We stay neutral on EUR/USD today** as pair looks to consolidate at stretched levels. 1-month outlook is neutral as USD strength tapers and both central banks engage in dovish actions.

GBP

- **GBP strengthened 0.64% against the USD overnight.**
- **We are bullish on GBP/USD today,** from pound catch-up. We are neutral on a 1-month basis as Brexit negotiations may pose some concerns down the road.

JPY

- **JPY gained 1.27% against the greenback** on Thursday, last at 106.16, close to the low end of our view of 106-110 range.
- **We are bearish on USD/JPY today on momentum.** 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 0.20%** on Thursday against the greenback.
- **We are bullish on AUD/USD today** from USD reversal and AUD catchup. 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 0.12% against the USD** on Thursday, further stabilising.
- **We are neutral on USD/SGD today,** as pair looks to consolidate. 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.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.