

Global Markets Research

Daily Market Highlights

Key Takeaways

- Stocks tumbled on Covid19 fear, oil prices crashed after OPEC+ agreement collapsed.** Global equities extended losses on Friday on Covid-19 fear - US stocks benchmarks fell by around 1-1.9% ending the week little changed; European markets slumped into deep reds by recording more than 3% losses; Asian equities sold off around 1-3%. **The flight to safety pressured global yields lower to fresh low** - 10Y UST yield plunged 15bps DOD to 0.762%, marking its third consecutive week of decline since late Feb that saw a total change of -82bps. Similarly 10Y German bund yields slipped lower to -0.714%, lowest since Aug-19. Gold price was little changed (+0.1%) but notched a weekly gain of 5.6%. **CHF and JPY are top gainers on their safe havens appeals.** Despite a better-than-expected US job number, the dollar continued to slide against the majors. OPEC+'s failed negotiations led to the collapse of the existing output cut agreement, resulting in a dramatic drop in crude oil benchmarks on Friday; **Brent closed at \$45.27 last Friday and was last seen trading at \$36.68/barrel this morning.**
- On the data front, latest NFP and other job prints confirmed that the US economy remains on firm footing prior to the Covid-19 outbreak.** Strong headline of +273k was accompanied by net 2-month revision of +85k and lower unemployment rate despite marginally slower wage growth. Meanwhile, **the fall in China exports over Jan-Feb testified to the impact of Covid-19** that disrupted production and logistics. **Similarly dismal was Japan's 4Q GDP** that printed a bigger than initially estimated decline of 1.8% QOQ, **reaffirming expectations for BOJ easing next week.**
- Despite a better-than-expected US job number, the dollar continued to slide against the majors** and nearly all G10s (except CAD) in response to Fed's 50bps rate cut last week. The Dollar Index closed 0.90% down at 95.95. **We are bearish on the dollar today.** Oversold position and last week's massive decline is expected to result in some consolidation in the USD but overall trend in the greenback remains bearish as the US economy comes under increasing scrutiny of the Covid-19 fallout. No change to our neutral 1-month outlook. Global government and central bank support is likely to cushion fears from the Covid-19 outbreak.
- USDMYR regained footing** on Friday ahead of the job report, **closing 0.23% higher at 4.1725** as risk aversion favoured the greenback vs the MYR. **We are bullish on USDMYR today** amid risk aversion and expect MYR to weaken in tandem with the collapse of crude oil prices. USD's oversold condition also suggests a consolidation in the broad dollar this week. 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.

Overnight Economic Data

US	→
Japan	↓
China	↓

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	1.1300	1.1350	1.1365	1.1400	1.1412	↗
GBPUSD	1.2970	1.3000	1.3074	1.3130	1.3200	↗
USDJPY	103.50	104.00	104.22	105.00	105.39	↘
AUDUSD	0.6500	0.6550	0.6613	0.6686	0.6723	↘
EURGBP	0.8550	0.8621	0.8694	0.8750	0.8800	→
USDSGD	1.3700	1.7330	1.3767	1.3800	1.3864	→
USDMYR	4.1700	4.1800	4.1945	4.2000	4.2100	↗
EURMYR	4.6500	4.7500	4.7743	4.7903	4.8000	↗
JPYMYR	3.9834	4.0000	4.0312	4.0350	4.0400	↗
GBPMYR	5.4000	5.4400	5.4887	5.5000	5.5189	↗
SGDMYR	3.0300	3.0400	3.0476	3.0500	3.0550	↗
AUDMYR	2.7500	2.7600	2.7773	2.7816	2.7880	↗
NZDMYR	2.6188	2.6381	2.6614	2.6700	2.6800	→

* 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	1,483.10	-0.53	-6.65	CRB Index	155.85	-4.02	-16.12
Dow Jones Ind.	25,864.78	-0.98	-9.37	WTI oil (\$/bbl)	41.28	-10.07	-32.39
S&P 500	2,972.37	-1.71	-8.00	Brent oil (\$/bbl)	45.27	-9.44	-44.35
FTSE 100	6,462.55	-3.62	-14.32	Gold (\$/oz)	1,673.83	0.10	11.89
Shanghai	3,034.51	-1.21	-0.51	CPO (RM/tonne)	2,517.00	3.50	-16.81
Hang Seng	26,146.67	-2.32	-7.25	Copper (\$/tonne)	5,607.00	-1.18	-9.18
STI	2,960.98	-1.90	-8.12	Rubber (sen/kg)	448.00	-0.55	-0.99

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US Trade Balance	Jan	-\$45.3b	-\$48.6b (revised)	-\$46.1b
US Change in Nonfarm Payrolls	Feb	273k	273k (revised)	175k
US Unemployment Rate	Feb	3.5%	3.6%	3.6%
US Average Hourly Earnings YoY	Feb	3.0%	3.1%	3.0%
US Labor Force Participation Rate	Feb	63.4%	63.4%	63.4%
JP GDP SA QOQ	4Q	-1.8%	0.1%	-1.7%
JP Leading Index CI	Jan P	90.3	91.0 (revised)	91.1
CN Exports YoY	Jan-Feb	-17.2%	7.9% (Dec)	-16.2%
CN Imports YoY	Jan-Feb	-4.0%	16.5% (Dec)	-16.1%
CN Trade Balance	Jan-Feb	-\$7.09b	\$47.2b (Dec)	\$38.85b

Source: Bloomberg

- Robust pre-Covid job numbers:** The US economy added 273k jobs in February (Jan: +273k revised), more than analysts' expectation of 175k. Strong Feb print was also accompanied by a total of +85k net revision to Dec and Jan data. As expected, gains came mostly from the services sector (+167k) followed by construction (+42k); manufacturing added a mere 15k jobs after two straight months of job losses, adding signs to weakness. Unemployment rate slipped back to 3.5% (Jan: 3.6%) with the labour force participation rate being unchanged at 63.4%, indicating that some of previous months' job-applicants were being absorbed by firms. Average hourly earnings rose 3.0% YOY, moderating from Jan's 3.1% growth, extending the current trend of subdued wage growth that underpins adamantly low inflation. Feb job report was more robust than expected, again highlighting the strength of the US economy in its ongoing expansion prior to the Covid-19 outbreak. As the number of cases rose rapidly in the States within the past week (the states of Maryland, California and Washington had declared emergency), the impact would most likely be felt in March; expect much lower NFP reading by then.
- Smaller US trade deficit:** Trade deficit narrowed by 6.7% MOM to \$45.3b in January (Feb: \$48.6b revised) mainly because of the larger decrease in imports (-1.6%) versus exports (-0.4%). Exports of civilian aircrafts dropped \$1.7b or nearly 41% as Boeing suspended production of its ill-fated 737 Max model in Jan. Looking at imports, firms reduced the purchase of industrial supplies, capital goods and automotive vehicles from overseas, offering signs of softer business investments. Consumer goods imports continued to increase (+1.1%) indicating solid demand. The goods trade deficit with China also narrowed to \$23.7b (Dec: -\$25.7b) due to the sharp drop in imports from China (-5.5%) mainly reflecting seasonal impact of the Lunar New Year celebration prior to the escalation of Covid-19 outbreak.
- China posted trade gap in Jan-Feb:** China exports fell 17.2% YOY in the period of Jan-Feb 2020, versus the 7.9% growth recorded in Dec. In the same period last year, exports had increased 9.3% YOY. Imports also posted a 4.0% YOY decline in the same period (Dec: +16.5%) down from pre-Lunar New Year surge recorded in Dec. Note that the Customs office had removed Jan figure and instead reported the Jan and Feb data collectively, the latest print thus reflects the combined impacts of Lunar New Year (extended) break and the measures imposed to contain Covid-19. Notably, it posted its first trade deficit of \$7.09b since Mar-18.
- Japan 4Q GDP revised down; contracted 1.8%:** The final reading of Japan 4Q GDP was revised down from an initial contraction of 1.6% QOQ to 1.8% QOQ (3Q: +0.1%), . The contraction reflects decline in private consumption and business spending as an October typhoon disrupted economic activity while the higher sales tax imposed in the same month temporarily dragged down consumer consumption. YOY, GDP slipped by 0.4% (3Q: +1.7%), leaving the full-year GDP growth at 0.8% (2018: 0.3%). Meanwhile, leading index came in at 90.3 in January (Dec: 91.0), the lowest level since Nov 2009 driven by lower readings of new job offers, new housing construction, commodity index and stock prices, not a good start for 2020.

Economic Calendar

Date	Time	Country	Event	Reporting Period	Survey	Actual	Prior	Revised
13/03	12:00	Malaysia	Industrial Production YoY	Jan	0.9%	--	1.3%	--
10/03	18:00	US	NFIB Small Business Optimism	Feb	103.0	--	104.3	--
11/03	19:00		MBA Mortgage Applications	Mar-06	--	--	15.1%	--
	20:30		CPI YoY	Feb	2.2%	--	2.5%	--
12/03	20:30		PPI Final Demand YoY	Feb	1.8%	--	2.1%	--
	20:30		Initial Jobless Claims	Mar-07	--	--	216k	--
13/03	20:30		Import Price Index YoY	Feb	-1.5%	--	0.3%	--
	22:00		U. of Mich. Sentiment	Mar P	95.0	--	101.0	--
09/03	17:30	Eurozone	Sentix Investor Confidence	Mar	-11.4	--	5.2	--
10/03	18:00		Employment QoQ	4Q F	--	--	0.3%	--
	18:00		GDP SA QoQ	4Q F	0.1%	--	0.1%	--
12/03	18:00		Industrial Production SA MoM	Jan	1.4%	--	-2.1%	--
	20:45		ECB Deposit Facility Rate	Mar-12	-0.5%	--	-0.5%	--
11/03	17:30	UK	Monthly GDP (MoM)	Jan	0.2%	--	0.3%	--
	17:30		Industrial Production MoM	Jan	0.3%	--	0.1%	--
	17:30		Visible Trade Balance GBP/Mn	Jan	£7000m	--	£845m	--
12/03	08:01		RICS House Price Balance	Feb	20%	--	17%	--
09/03	07:50	Japan	GDP SA QoQ	4Q F	-1.7%	-1.8%	+0.1%	--
	13:00		Eco Watchers Survey Current SA	Feb	35.7	--	41.9	--
	13:00		Eco Watchers Survey Outlook SA	Feb	37.5	--	41.8	--
10/03	14:00		Machine Tool Orders YoY	Feb P	--	--	-35.6%	--
12/03	07:50		PPI YoY	Feb	1.1%	--	1.7%	--
12/03	07:50		BSI Large Manufacturing QoQ	1Q	--	--	-7.8	--
10/03	09:30	China	PPI YoY	Feb	-0.3%	--	0.1%	--
			CPI YoY	Feb	5.2%	--	5.4%	--
10/03	08:30	Australia	NAB Business Confidence	Feb	--	--	-1	--
11/03	07:30		Westpac Consumer Conf Index	Mar	--	--	95.5	--
	08:30		Home Loans Value MoM	Jan	3.0%	--	4.4%	--
13/03	05:30	New Zealand	BusinessNZ Manufacturing PMI	Feb	--	--	49.6	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1284	0.42	1.1355	1.1212	1.44
GBPUSD	1.3048	0.73	1.3052	1.2947	-1.82
USDJPY	105.39	-0.73	106.34	104.99	-4.10
AUDUSD	0.6636	0.33	0.6658	0.6585	-5.84
EURGBP	0.8647	-0.29	0.8718	0.8646	2.79
USDSGD	1.3785	-0.33	1.3862	1.3771	2.33
USDMYR	4.1725	0.23	4.1890	4.1655	2.00
EURMYR	4.7127	1.32	4.7132	4.6151	2.73
JPYMYR	3.9479	1.77	3.9585	3.8702	4.77
GBPMYR	5.4163	0.94	5.4307	5.3272	0.73
SGDMYR	3.0237	0.76	3.0250	3.0083	-0.68
AUDMYR	2.7723	0.57	2.7766	2.7225	-3.32
NZDMYR	2.6558	1.13	2.6589	2.5977	-3.62
CHFMYR	4.4380	1.88	4.4396	4.3481	4.97
CNYMYR	0.6022	0.47	0.6028	0.6014	2.43
HKDMYR	0.5373	0.34	0.5390	0.5293	2.23

Source: Bloomberg

Forex

MYR

- **USDMYR regained footing** on Friday ahead of the job report, **closing 0.23% higher at 4.1725** as risk aversion favoured the greenback vs the MYR.
- **We are bullish on USDMYR today** amid risk aversion and expect MYR to weaken in tandem with the collapse of crude oil prices. USD's oversold condition also suggests a consolidation in the broad dollar this week. 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

- Despite a better-than-expected US job number, the dollar continued to slide against the majors and nearly all G10s (except CAD) in response to Fed's 50bps rate cut last week. The Dollar Index closed 0.90% down at 95.95.
- **We are bearish on the dollar today.** Oversold position and last week's massive decline is expected to result in some consolidation in the USD but overall trend in the greenback remains bearish as the US economy comes under increasing scrutiny of the Covid-19 fallout. No change to our neutral 1-month outlook. Global government and central bank support is likely to cushion fears from the Covid-19 outbreak. Relatively resilient US fundamentals will also likely support against sustained dollar weaknesses.

EUR

- **EUR continued to advance 0.42% against the USD** to 1.1284 on Friday.
- **We stay neutral to bullish on EUR/USD today** as pair looks to consolidate after rallying to stretched levels recently. 1-month outlook is neutral as USD strength tapers and both central banks engage in dovish actions.

GBP

- **GBP also extended gains vs the USD**, rising 0.73% to 1.3048 against a weaker USD.
- **We are neutral to bullish on GBP/USD today**, in view of potential consolidation in the USD. Monthly GDP due Wednesday could however pose some downside risks should the number disappoint. We are neutral on a 1-month basis as Brexit negotiations may pose some concerns down the road.

JPY

- **The JPY strengthened a further 0.73% vs the USD at 105.39, on continued haven bids.**
- **We remain bearish on USD/JPY today** as lingering risk off in the market will continue to keep refuge demand in JPY supported, but this morning's disappointing 4Q GDP print will likely negate some of the strength in JPY. We are also 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 rebounded and strengthened 0.33%** against the greenback to 0.6636.
- **We are bearish AUD/USD today** as weak China exports and ongoing risk off sentiments in the market would most likely than not overshadow potential consolidation in the USD. We are bearish on a 1-month basis as the AUD remains weighed down by the impact of the domestic bushfires and on RBA easing expectations.

SGD

- **SGD extended its gain, strengthening 0.33% to 1.3785 against a weaker USD.**
- **We are neutral 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.

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