March 12, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Dow slumped into bear market, ending 11 years of bull run.** US stocks failed to hold on to Tuesday's gains and plunged around 4.7% - 6.0% overnight on deepening Coronavirus fear, leading the Dow to slip into a bear market territory (-20% from its recent high). **President Trump disappointed markets with a no-show after promising to hold a press conference on Tuesday to announce a major stimulus package.** Equities generally closed down elsewhere, fuelled by worldwide concerns over the rapid spread of Covid-19, **now declared a global pandemic by the World Health Organisation**. While equities bled, bond yields managed to recover earlier losses; **US treasuries yields were off recent lows** where 10Y UST yield climbed 7bps to 0.87%. Gold price slipped 0.9% DOD but was seen rebounding this morning. **Crude oil prices dropped around 4% amid a lack of development on Saudi-Russian possible talks.** On the FX front, JPY (+1%) regained strength to 104.54 alongside higher CHF. Other than than, **USD generally consolidated losses against major rivals** and strengthened overnight.

- **The BOE made an off-schedule 50 basis point rate cut yesterday** just ahead of the government's announcement of a **£12b fiscal stimulus to counter Covid-19 shock**. This was added on top of the £18b non-virus-related spending, ending a decade of Conservative austerity. **Australia had also unveiled a A$17.6b packaged to support the economy. Focus now turns to today's ECB Governing Council Meeting**; its president Christine Lagarde had earlier warned of a 2008-style crisis should Europe does not act swiftly to combat the fallout. Markets are expecting a 10 basis points cut in its deposit rate,alongside higher monthly asset purchases and some form of adjustment to its current TLTRO program.

- On the data front, **US CPI inflation remained low** as higher food and rent prices were offset by cheaper gasoline. Lower borrowing costs had spurred a near 80% jump in mortgage refinancing last week. **UK Jan GDP, industrial output and trade data were generally weak**, the bright spot was higher house price in Feb. **In Japan, PPI inflation was softer; large firms expect currently weak business condition to last through 2Q** according to BSI survey.

- **The USD gained** compared to most major peers, except the JPY. DXY ended Tuesday at 96.601, marginally 0.01% higher on the day. This comes after Fed is said to ramp up cash injections in the coming weeks to maintain liquidity. **We are bullish on the daily outlook**, expecting some rebound after the consolidation.

- **USDMYR retreated 0.14% DOD**, snapping a 3-day winning streak to finish at 4.2325 after briefly hitting 4.2500 on Tuesday morning. Pair opened higher near 4.25 this morning and is seenn trading around 4.2465 as of writing in response to overnight's USD strength. No change to yesterday's view **that the pair is in consolidation mode and likely to stick within 4.2200- 4.2400 in the short term.**

Overnight Economic Data

US	➔
UK	↓
Japan	↓

What's Coming Up Next

Major Data

- ➢ US PPI, Initial Jobless Claims
- ➢ Eurozone Industrial Production

Major Events

- ➢ ECB Governing Council Meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1134	1.1213	1.1267	1.1543	1.1621	↘
GBPUSD	1.2700	1.2800	1.2817	1.3000	1.3257	↘
USDJPY	100.00	101.19	104.58	106.00	107.74	↘
AUDUSD	0.6313	0.6450	0.6479	0.6686	0.6723	↘
EURGBP	0.8399	0.8625	0.8791	0.9018	0.9150	↘
USDSGD	1.3760	1.3800	1.3963	1.4000	1.4083	↗
USDMYR	4.2000	4.2200	4.2465	4.2500	4.2600	➔
EURMYR	4.7500	4.7660	4.7879	4.8000	4.8327	↘
JPYMYR	3.9888	4.0136	4.0654	4.1000	4.1158	↗
GBPMYR	5.4000	5.4240	5.4466	5.5014	5.5400	↘
SGDMYR	3.0285	3.0317	3.0419	3.0500	3.0550	➔
AUDMYR	2.7225	2.7294	2.7519	2.7660	2.7880	➔
NZDMYR	2.6400	2.6508	2.6604	2.6730	2.6870	➔

* 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	1,443.83	0.93	-9.12	CRB Index	147.80	-1.90	-20.45
Dow Jones Ind.	23,553.22	-5.86	-17.47	WTI oil ($/bbl)	32.98	-4.02	-45.99
S&P 500	2,741.38	-4.89	-15.15	Brent oil ($/bbl)	35.79	-3.84	-45.77
FTSE 100	5,876.52	-1.40	-22.09	Gold (S/oz)	1,635.04	-0.87	8.26
Shanghai	2,968.52	-0.94	-2.68	CPO (RM/tonne)	2,370.00	4.15	-21.67
Hang Seng	25,231.61	-0.63	-10.49	Copper ($/tonne)	5,566.00	0.56	-9.85
STI	2,783.72	-1.72	-13.62	Rubber (sen/kg)	447.00	0.00	-1.22

Source: Bloomberg

Macroeconomics

Economic Data	For	Actual	Last	Survey
US MBA Mortgage Applications	06 Mar	55.4%	15.1%	--
US CPI YoY	Feb	2.3%	2.5%	2.2%
UK BOE Bank Rate	11 Mar	0.25%	0.75%	--
UK Monthly GDP (MoM)	Jan	0.0%	0.3%	0.2%
UK Industrial Production MoM	Jan	-0.1%	0.1%	0.3%
UK Visible Trade Balance GBP/Mn	Jan	-£3.7b	-£1.4b (revised)	-£7b
UK RICS House Price Balance	Feb	29%	18% (revised)	20%
JP PPI YoY	Feb	0.8%	1.7%	1.1%
JP BSI Large Manufacturing QoQ	1Q	-17.2	-7.8	--

Source: Bloomberg

- ***BOE made emergency rate cut after Fed's:*** The Bank of England unexpectedly cut its Bank Rate by 50basis points from 0.75% to 0.25%, way ahead of a scheduled 26 March meeting in a bid to combat Covid-19 related economic fallout. The decision was unanimous among the MPC and was accompanied by the introduction of a new Term Funding Scheme for SMEs. BOE said that the magnitude of the economic shock from Covid-19 is highly uncertain and activity is likely to weaken materially in the UK over the coming months. The move will help to support business and consumer confidence at a difficult time to bolster cashflows, reduce cost and improve availability of finance. However it added that the disruption caused by Covid-19 could be sharp and large but should be temporary. The reduction was significant in the sense that it was the BOE's first cut since Aug 2016 in the aftermath of Brexit referendum to stave off recession although the magnitude of the cut at that point however was smaller at 25bps. It was also its first off-schedule move since the Global Financial Crisis more than a decade ago. The central bank has since then embarked on a policy normalization path in late 2017 and was among the few that had refrained to ease policy amid weaker 2019 environment. In fact it was the only major central bank to have maintained its hawkishness throughout 2019, reiterating its stance to raise rate after Brexit uncertainties dissipated. This was markedly in contrast with the Fed which had trimmed rates for 3 times in 2019, the latest being its emergency 50bps cut just last week.

- ***US inflation remained low; higher food and rest cost offset by cheaper US gasoline***: US consumer price index rose 0.1% MOM IN February (Jan: +0.1%) as rising cost of food and accommodation offset cheaper gasoline. Cost of food gained 0.4% MOM, its largest increase in a year due to higher grocery prices. Core CPI rose 0.2% MOM (Jan: +0.2%). YOY, CPI picked up 2.3% (Jan: +2.5%) and core CPI edged up 2.4% after staying consistently unchanged at 2.3% for four successive months. US inflation nonetheless has remained low and is expected to turn weaker this month and next in response to the collapse in oil prices and weaker demand stemming from Covid-19 outbreak.

- ***US refinancing applications jumped nearly 80% amid record low rates:*** The MBA mortgage applications spiked 55.4% last week (previous: +15.1%), reacting to the significant drops in US treasuries yields to record lows that had resulted in much cheaper borrowing cost. Gains came mostly from the refinancing category that registered a phenominal WOW 78.6% increase.

- ***UK economy stagnated in Jan:*** The UK monthly nominal GDP growth disappointed with a flat reading in January versus 0.3% MOM growth prior. This reflects softer services sector growth (+0.1% MOM vs +0.3%) as well as contraction in industrial output (-0.1% MOM vs +0.1%) of which construction recorded decline while manufacturing slowed down. Visible or goods trade deficit widened to £3.7b from £1.4b) mainly because exports plunged 5.6% MOM after a post-election surge in Dec (+7.9%) while imports gained less than 1% MOM (Dec: -0.3%). Overall weaker showing for January confirms expectations that the post election and Brexit boost is set to fizzle out especially with Covid-19 weighing on demand.

- ***Further recovery in post-Brexit UK housing sector:*** The Royal Institute of Chartered Surveyor reported that its House Price Balance Index jumped to 29% in February (Jan: 18% revised), its highest level since Apr-16 prior to the Brexit conundrum. The stronger than usual print reflects solid price and sales expectations, buyer enquiries and new instruction as well as higher agrees sales. The housing market had commenced its much overdued and needed recovery following Britain's formal withdrawal from the EU in late January.

- ***Japan factory gate inflation lost momentum:*** Japan producer prices index slipped 0.4% MOM for the first time in six months in February (Jan: +0.1% revised), thanks to a fall in manufacturing prices, leaving the annual gain at a smaller 0.8% YOY (Jan: +1.5% revised) and pointing to a continuous lack of inflation momentum going forward.

- ***Japan MOF's gloomy quartelry business outlook survey:*** The MOF's quarterly Business Outlook Survey paints a picture of downbeat sentiment across all sectors amid the Covid-19 outbreak. The All Industry Present Condition Index for large firms dropped to -10.1 (4Q: -6.2) with the reading for manufacturing plunging shaprly to -17.2 (4Q: -7.8). Nontheless, according to the outlook index, these large firms across industries expect weaker outlook to only last through 2Q, before conditions set for a rebound in 3Q.

Economic Calendar

Date	Time	Country	Event	Reporting Period	Survey	Actual	Prior	Revised
13/03	12:00	Malaysia	Industrial Production YoY	Jan	0.8%	--	1.3%	--
10/03	18:00	US	NFIB Small Business Optimism	Feb	102.8	104.5	104.3	--
11/03	19:00		MBA Mortgage Applications	Mar-06	--	55.4%	15.1%	--
	20:30		CPI YoY	Feb	2.2%	2.3%	2.5%	--
12/03	**20:30**		**PPI Final Demand YoY**	**Feb**	**1.8%**	**--**	**2.1%**	**--**
	20:30		**Initial Jobless Claims**	**Mar-07**	**220k**	**--**	**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	-17.1	5.2	--
10/03	18:00		Employment QoQ	4Q F	--	0.3%	0.2%	--
	18:00		GDP SA QoQ	4Q F	0.1%	0.1%	0.3%	--
12/03	**18:00**		**Industrial Production SA MoM**	**Jan**	**1.5%**	**--**	**-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%	0.0%	0.3%	--
	17:30		Industrial Production MoM	Jan	0.3%	-0.1%	0.1%	--
	17:30		Visible Trade Balance GBP/Mn	Jan	£7000m	-£3.7b	£845m	-£1.4b
12/03	08:01		RICS House Price Balance	Feb	20%	29%	17%	18%
09/03	07:50	Japan	GDP SA QoQ	4Q F	-1.7%	-1.8%	0.1%	--
	13:00		Eco Watchers Survey Outlook SA	Feb	37.5	24.6	41.8	--
10/03	14:00		Machine Tool Orders YoY	Feb P	--	-30.1%	-35.6%	--
12/03	07:50		PPI YoY	Feb	1.1%	0.8%	1.7%	1.5%
12/03	07:50		BSI Large Manufacturing QoQ	1Q	--	-17.2	-7.8	--
10/03	09:30	China	PPI YoY	Feb	-0.3%	-0.4%	0.1%	
			CPI YoY	Feb	5.2%	5.2%	5.4%	
10/03	08:30	Australia	NAB Business Confidence	Feb	--	-4.0	-1.0	--
11/03	07:30		Westpac Consumer Conf Index	Mar	--	91.9	95.5	--
	08:30		Home Loans Value MoM	Jan	3.0%	4.6%	4.4%	4.5%
13/03	05:30	New Zealand	BusinessNZ Manufacturing PMI	Feb	--	--	49.6	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1270	-0.10	1.1367	1.1258	0.38
GBPUSD	1.2820	-0.70	1.2977	1.2805	-3.35
USDJPY	104.54	-1.04	105.66	104.10	-3.56
AUDUSD	0.6484	-0.32	0.6539	0.6480	-7.63
EURGBP	0.8791	0.59	0.8848	0.8715	3.85
USDSGD	1.3951	0.26	1.3952	1.3881	3.75
USDMYR	4.2325	-0.14	4.2500	4.2290	3.46
EURMYR	4.7846	-0.55	4.8131	4.7826	4.30
JPYMYR	4.0177	-0.95	4.0651	4.0171	6.62
GBPMYR	5.4692	-1.11	5.4879	5.4348	1.71
SGDMYR	3.0416	-0.28	3.0550	3.0416	0.01
AUDMYR	2.7589	-0.87	2.7657	2.7503	-3.79
NZDMYR	2.6708	-0.17	2.6785	2.6582	-2.97
CHFMYR	4.5157	-0.62	4.5403	4.5148	6.81
CNYMYR	0.6086	-0.15	0.6099	0.6084	3.52
HKDMYR	0.5444	-0.13	0.5470	0.5444	3.58

Source: Bloomberg

➢Forex

MYR

- **USDMYR retreated 0.14% DOD**, snapping a 3-day winning streak to finish at 4.2325 after briefly hitting 4.2500 on Tuesday morning.
- Pair opened higher near 4.25 this morning and is seenn trading around 4.2465 as of writing in response to overnight's USD strength. No change to yesterday's view **that the pair is in consolidation mode and likely to stick within 4.2200-4.2400 in the short term.** Pair's medium term outlook remains bullish on the back of oil prices volatilities and growing risk aversion that is exposing EM currencies to higher downside risk. We also see limited downside to USD as markets have fully priced in at least another 25 basis points cut in the Fed funds rate next week.

USD

- **The USD gained** compared to most major peers, except the JPY. DXY ended Tuesday at 96.601, marginally 0.01% higher on the day. This comes after Fed is said to ramp up cash injections in the coming weeks to maintain liquidity.
- **We are bullish on the daily outlook**, expecting some rebound after the consolidation. We are neutral-to-bullish on a 1-month outlook, after hitting prior lows. USD weakness stems from Covid-19 and oil price collapses. Resilient US fundamentals will also likely support against sustained dollar weaknesses. Still, it will likely be a volatile month ahead.

EUR

- **EUR weakened 0.10% overnight** against the USD at 1.1270.
- **We are bearish on EUR/USD today** as ECB decision is main focus. We are bearish over the coming month after stretched positioning in long EUR/USD.

GBP

- **GBP weakened 0.70% against the USD** overnight at 1.2820, after BOE emergency cut policy rates by 50bps on Wednesday.
- **We are bearish on GBP/USD today**, in view of USD reversal trends. We are neutral on a 1-month basis at current levels, given Brexit and BoE neutral outlook.

JPY

- **JPY strengthened by 1.04% compared to USD** on Wednesday, closing at 104.54, looking to head lower towards 100.
- **We are bearish on USD/JPY today** on market risk aversion. We are also bearish on a 1-month basis. BOJ is likely to disappoint sky-high expectations but JPY strength is already at multi-year highs.

AUD

- **AUD weakened 0.32% to 0.6484** on Wednesday against the greenback.
- **We are bearish AUD/USD today** from stretched low levels. We are bearish on a 1-month basis as the AUD remains weighed down by the impact of oil price drops, domestic bushfires and on RBA easing expectations.

SGD

- **SGD weakened 0.26% against the USD** on Wednesday. Risk aversion returned as WHO announces global pandemic.
- We are bullish on USD/SGD today, as the pair looks to consolidate. We are neutral on a 1-month basis, consolidative after previous volatility.

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