

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks closed higher in another record-setting session overnight** as worries over the Coronavirus outbreak continued to wane. **Fed Chair Jerome Powell reaffirmed before the Senate Banking Committee the central bank's confidence in the US current economic expansion but did point out that there will be some effects (of the virus) on the US economies.** All US main indexes rose 0.7-0.9% to their all-time highs, led by gains in the energy sector as oil prices surged. Wednesday's session marked the S&P 500 and NASDAQ third consecutive record-closing day. Earlier, **European stocks pocketed gains as well but Asian main indexes ended on a mixed note. Bond yields climbed further by 2-3bps amidst broad-based recovery in risk sentiment** - 10Y UST yield picked up 3bps to 1.63%. Gold price retreated a little to \$1566.06/ounce while crude oils jumped by more than 2.5% - the global oil benchmark Brent crude settled 3.3% higher at \$55.79/barrel. **On the FX front, kiwi was the top gainer after the RBNZ signaled no more rate cut in 2020**, euro plunged after poor industrial production number. Futures show that Asian stocks are set to rise this morning, following the rally in US markets overnight.
- US mortgage demand slowed last week, Eurozone industrial production dropped by a whopping 2.1% MOM in December leaving the YOY decline at 4.1%. Japan producer prices rose 1.7% YOY on base effect and machine tools orders continued to record double-digit contraction. Singapore retail sales fell by 3.4% YOY in December due to a large fall in motor vehicle sales. Notably, Malaysia 4Q GDP growth clocked in at a disappointing 3.6% YOY, leading the full-year 2019 growth rate to moderate further to 4.3%.
- **The Dollar index added 0.33% to just a touch above 99.00, its first above 99 closing since October last year.** USD performance was mixed as it continued to strengthen against key rivals like EUR, JPY and CHF but was losing out to the Aussie and Kiwi dollars and some emerging market Asians. **Demand for USD has eased a little for the next two days** thanks to a broad-based recovery in risk sentiment but we expect the greenback to stay supported in the short to nearer medium term amid potential reemergence of negative Coronavirus-related headlines.
- **USDMYR was little changed, picking up 0.07% to 4.1365** and barely reacted to the softer Malaysia 4Q GDP reading. Asian currencies were generally kept around their recent ranges as markets paused to assess the overall Coronavirus outbreak amidst a broad-based recovery in risk sentiment. USDMYR is likely trending higher testing 4.1400-4.1500 ranges as investors weighed the domestic growth outlook following disruption from the still uncertain Coronavirus-related development.
- **USDSGD was virtually unchanged at 1.3865.** Daily outlook is bullish as markets look likely to push USDSGD further to test 1.3900. We note that SGD remains severely oversold thus a change in market sentiment could push USDSGD back to around 1.3800 in the short term **as the market corrects.**

Overnight Economic Data

Malaysia	↓
US	↓
Eurozone	↓
Japan	→
Singapore	↓

What's Coming Up Next

Major Data

- US CPI, Initial Jobless Claims
- UK RICS House Price Balance

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.0855	1.0865	1.0873	1.0890	1.0900	→
GBPUSD	1.2850	1.2900	1.2956	1.3000	1.3050	↗
USDJPY	109.50	109.70	109.88	110.00	110.20	↘
AUDUSD	0.6680	0.6700	0.6719	0.6750	0.6800	↘
EURGBP	0.8360	0.8380	0.8392	0.8431	0.8460	→
USDMYR	4.1300	4.1350	4.1427	4.1500	4.1600	↗
EURMYR	4.4900	4.5000	4.5042	4.5175	4.5252	↘
JPYMYR	3.7280	3.7478	3.7706	3.7800	3.8000	↗
GBPMYR	5.3100	5.3415	5.3667	5.3876	5.4000	→
SGDMYR	2.9750	2.9800	2.9840	2.9870	2.9900	→
AUDMYR	2.7668	2.7750	2.7831	2.7900	2.8000	→
NZDMYR	2.6509	2.6600	2.6698	2.6783	2.6850	→
USDSGD	1.3825	1.3850	1.3884	1.3900	1.3925	↗
EURSGD	1.5030	1.5060	1.5095	1.5115	1.5145	↗
GBPSGD	1.7850	1.7900	1.7986	1.8000	1.8050	→
AUDSGD	0.9287	0.9300	0.9327	0.9350	0.9365	→

* 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	1,542.94	-0.55	-2.88	CRB Index	171.76	1.27	-7.55
Dow Jones Ind.	29,551.42	0.94	3.55	WTI oil (\$/bbl)	51.17	2.46	-16.20
S&P 500	3,379.45	0.65	4.60	Brent oil (\$/bbl)	55.79	3.30	-15.47
FTSE 100	7,534.37	0.47	-0.11	Gold (S/oz)	1,566.06	-0.12	3.22
Shanghai	2,926.90	0.87	-4.04	CPO (RM/tonne)	2,774.50	-3.09	-8.30
Hang Seng	27,823.66	0.87	-1.30	Copper (\$/tonne)	5,745.00	1.38	-6.95
STI	3,223.37	1.51	0.02	Rubber (sen/kg)	466.00	0.54	2.98

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA GDP YoY	4Q	3.6%	4.4%	4.1%
US MBA Mortgage Applications	Feb-07	1.1%	5.0%	--
EU Industrial Production SA MoM	Dec	-2.1%	0.0% (revised)	-2.0%
JP Machine Tool Orders YoY	Jan P	-35.6%	-33.5%	--
JP PPI YoY	Jan	1.7%	0.9%	1.5%
SG Retail Sales YoY	Dec	-3.4%	-4.2%	-2.5%
NZ RBNZ Official Cash Rate	12/02	1.0%	1.0%	1.0%

Source: Bloomberg

- RBNZ signaled no change to OCR in 2020:** The RBNZ kept its official cash rate (OCR) unchanged at 1.0% as widely expected and signaled that it would leave the benchmark rate at this level for the remainder of 2020. It pointed out that employment was “at or slightly above its maximum sustainable level” and inflation was close to its 2% target midpoint. Growth is expected to accelerate over the second half of 2020, driven by both monetary and fiscal stimulus. Outlook for government investment and household spending are stronger. RBNZ did flag the downside risk posed by the Coronavirus but assumed that the overall economic impact on New Zealand will be of a short duration. It added that monetary policy has time to adjust if needed as more information becomes available.
- Slower US mortgages demand last week:** US mortgage application picked up modestly by 1.1% for the week ended 7-Feb (previous: +5.0%), supported by a smaller rise in refinancing applications as number of applications for purchases of a new houses dropped again last week.
- Eurozone industrial production fell further at year-end:** Industrial production dropped by a whopping 2.1% MOM in December (Nov: 0.0%) following a flat month earlier. The decline was broad based across all sub-categories with capital goods output taking the largest loss of 4%. Looking at country level, output of the bloc’s key economies all contracted save for that of Portugal. Germany output dropped 2.5% (Nov: +1.0%) after a brief rebound in November. On an annual basis, the contraction in industrial output enlarged to 4.1% YOY (Nov: -1.7%), its largest fall in a year and was its 14th month of consecutive decline, underscoring entrenched weakness in the Eurozone manufacturing sector, in line with its persistently poor PMI readings.
- Japan producer price index picked up in January; machine tools orders fell:** Japan producer price index gained larger than expected by 1.7% YOY in January (Dec: +0.9%), its biggest increase since late 2018, reflecting favourable base effect. On separate note, machine tool orders contracted by 35.6% in January (Dec: -33.6%), reflecting continuously weak global and domestic demand.
- Singapore retail sales continued to decline at year end:** Singapore retail sales contracted by 1.0% MOM in December (Nov: 0.0%) and by 3.4% compared to the same month last year (Nov: -4.2%), reflecting the plunge in sales of department store goods, motor vehicles, furniture & household equipment and computer and telecommunications products.
- Further deceleration in Malaysia 4Q19 GDP growth to a decade low:** The Malaysian economy decelerated further, and by a more than expected pace to print only a 3.6% YOY growth in 4Q19 (3Q: +4.4% YOY). For the full year 2019, growth also moderated for the 2nd straight year to 4.3% (2018: +4.7%), missing our estimate of 4.5% and was its lowest print since the 2008/09 Global Financial Crisis (GCF). As expected, the domestic sector remained the main growth pillar, staging a commendable pick-up to 4.9% YOY in 4Q (3Q: +3.5%), spearheaded by the private sector. Surprisingly resilient domestic demand was however offset by the contraction in net exports and inventories, which shaved 0.7ppt and 0.2ppt off total GDP growth. Net exports fell for the first time in five quarters, by 9.8% YOY in 4Q, a sharp reversal from the 15.9% YOY increase in the preceding quarter, pressured by a sharper fall in exports and smaller decline in imports. On a seasonally adjusted basis, 4Q GDP growth softened further to 0.6% QOQ (3Q: +0.9%).

- Tweaking full year 2020 growth forecast to 4.0%, foresee room for further policy easing this year.*** Moving forward, we see increasing headwinds surrounding the world as well as the Malaysian economy. In addition to existing external challenges on trade protectionism policy, geopolitical risks, heightened financial market volatility, slower growth in China, as well as domestic challenges namely weakness in the commodity sectors and sluggish progress in investment activities, the world and Malaysian would now need to brace for uncertainties surrounding the Coronavirus outbreak. We estimate that the outbreak could potentially shave 0.3-0.5% off GDP growth this year, depending on the extent and duration of the epidemic. Taking into consideration its economic impact on slower China growth (and potentially world growth), disruption to global supply chain and trade and tourism-related activities, we have trimmed our full year 2020 real GDP growth by 0.3ppt from 4.3% to 4.0%. Bearing in mind today's weaker than expected 4Q GDP print suggests growth has already been losing momentum prior to the virus outbreak, we are mindful of downside risks to our growth projection, and foresee room for further policy easing to support overall growth going forward.

Economic Calendar

Date	Time	Country	Event	Reporting Period	Survey	Actual	Prior	Revised
12/02	12:00	Malaysia	GDP YoY	4Q	4.1%	3.6%	4.4%	--
11/02	19:00	US	NFIB Small Business Optimism	Jan	103.5	104.3	102.7	--
12/02	20:00		MBA Mortgage Applications	Feb-07	--	1.1%	5.0%	--
13/02	21:30		CPI YoY	Jan	2.4%	--	2.3%	--
	21:30		Initial Jobless Claims	Feb-08	210k	--	202k	--
14/02	21:30		Import Price Index MoM	Jan	-0.2%	--	0.3%	--
	21:30		Retail Sales Advance MoM	Jan	0.3%	--	0.3%	--
	22:15		Industrial Production MoM	Jan	-0.2%	--	-0.3%	--
	23:00		U. of Mich. Sentiment	Feb P	99.4	--	99.8	--
10/02	17:30	Eurozone	Sentix Investor Confidence	Feb	5.7	5.2	7.6	--
12/02	18:00		Industrial Production SA MoM	Dec	-2.0%	-2.1%	0.2%	0.0%
14/02	18:00		Trade Balance SA	Dec	19.3b	--	19.2b	--
	18:00		GDP SA QoQ	4Q P	0.1%	--	0.1%	--
11/02	17:30	UK	GDP QoQ	4Q P	0.0%	0.0%	0.4%	--
	17:30		Industrial Production MoM	Dec	0.3%	--	-1.2%	--
	17:30		Visible Trade Balance GBP/Mn	Dec	£10000m	-£845m	-£5256m	-£4947m
13/02	08:01		RICS House Price Balance	Jan	3%	--	-2%	--
10/02	13:00	Japan	Eco Watchers Survey Current	Jan	39.1	41.9	39.8	39.7
	13:00		Eco Watchers Survey Outlook	Jan	43.8	41.8	45.4	45.5
12/02	14:00		Machine Tool Orders YoY	Jan P	--	-35.6%	-33.5%	--
13/02	07:50		PPI YoY	Jan	1.5%	1.1%	0.9%	--
10/02	09:30	China	PPI YoY	Jan	0.0%	0.1%	-0.5%	--
	09:30		CPI YoY	Jan	4.9%	5.4%	4.5%	--
12/02	13:00	Singapore	Retail Sales YoY	Dec	-2.5%	-3.4%	-4.0%	-4.2%
11/02	08:30	Australia	Home Loans Value MoM	Dec	-1.6%	4.4%	1.8%	1.9%
	08:30		NAB Business Confidence	Jan	--	-1.0	-2.0	--
12/02	09:00	New Zealand	RBNZ Official Cash Rate	12/02	1.0%	1.0%	1.0%	--
14/02	05:30		BusinessNZ Manufacturing PMI	Jan	--	--	49.3	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0874	-0.38	1.0926	1.0865	-3.04
GBPUSD	1.2960	0.06	1.2991	1.2950	-2.29
USDJPY	110.09	0.27	110.13	109.77	1.34
AUDUSD	0.6737	0.34	0.6750	0.6712	-4.09
EURGBP	0.8390	-0.44	0.8431	0.8382	-0.79
USDMYR	4.1365	0.07	4.1415	4.1265	1.12
EURMYR	4.5175	0.13	4.5216	4.4719	-1.53
JPYMYR	3.7568	-0.19	3.7684	3.7284	-0.30
GBPMYR	5.3635	0.51	5.3698	5.3064	-0.25
SGDMYR	2.9859	0.18	2.9872	2.9543	-1.82
AUDMYR	2.7900	0.53	2.7929	2.7517	-2.71
NZDMYR	2.6771	1.22	2.6816	2.6235	-2.74
CHFMYR	4.2389	0.17	4.2429	4.1967	0.26
CNYMYR	0.5936	0.10	0.5945	0.5927	0.95
HKDMYR	0.5325	-0.06	0.5330	0.5274	1.31
USDSGD	1.3865	0.01	1.3878	1.3850	3.04
EURSGD	1.5076	-0.38	1.5144	1.5066	-0.09
GBPSGD	1.7969	0.07	1.8006	1.7952	0.70
AUDSGD	0.9341	0.35	0.9355	0.9306	-1.11

Source: Bloomberg

Forex

MYR

- **USDMYR was little changed, picking up 0.07% to 4.1365** and barely reacted to the softer Malaysia 4Q GDP reading. Asian currencies were generally kept around their recent ranges as markets paused to assess the overall Coronavirus outbreak amidst a broad-based recovery in risk sentiment.
- USDMYR is likely trending higher testing 4.1400-4.1500 ranges as investors weighed the domestic growth outlook following disruption from the still uncertain Coronavirus-related development. Medium term USDMYR outlook is still bullish, supported by relatively solid US data and ongoing uncertainties surrounding the virus outbreak.

USD

- On the FX front, the greenback's performance was mixed as it continued to strengthen against key rivals like EUR, JPY and CHF but was losing out to the Aussie and Kiwi dollars and some emerging market Asians. **The Dollar index added 0.33% to just a touch above 99.00, its first above 99 closing since October last year.**
- **Demand for USD has eased a little for the next two days** thanks to a broad-based recovery in risk sentiment but we expect the greenback to stay supported in the short to nearer medium term amid potential reemergence of negative Coronavirus-related headlines. **Medium term outlook is still bullish**, reaffirmed by solid US fundamentals, while the uncertainties surrounding virus outbreak could on-and-off send markets easily into risk aversion.

EUR

- **EURUSD plunged 0.38% to close at 1.0874** after a disappointingly poor industrial production number, marking its first closing below 1.0900 since May-17.
- **EURUSD daily outlook is neutral to slightly bullish** as the pair could recover slightly amidst an oversold RSI condition but is more likely to consolidate around 1.0870-1.0890 ahead of tonight's US CPI release. **Short and medium term outlook is bearish** on the back of stronger USD and poor Eurozone growth outlook.

GBP

- **GBPUSD was little changed (+0.06%) at 1.2960.**
- **GBP is likely to extend its ongoing recovery** but needs a break above 1.3000 big figure for a more decisive upward movement. **Medium term outlook is neutral** for now given the uncertainties over Coronavirus outbreak, US-EU trading relationship and likelihood that the BOE will hold rate for the rest of the year.

JPY

- **USDJPY extended gain of 0.27% to near-one-month high of 110.09.**
- **Daily USDJPY outlook is bearish** as USDJPY failed to stay above 110 and was sent back to around 109.85-109.90 rolling into Asia as markets digest new Coronavirus headlines that reported **even higher number of new cases and death tolls**. **Medium term USDJPY outlook is still bearish** mainly over the uncertainties surrounding the Coronavirus outbreak.

AUD

- **AUDUSD added 0.34% to 0.6737 alongside stronger NZD as risk sentiments improved.**
- **Daily outlook is bearish as AUDUSD** is expected to snap its recovering streak, weighed down by latest Coronavirus headlines. As reiterated earlier, negative virus and China headlines continued to be a market mover and could risk sending the pair back below 0.6700. **Medium term outlook is bearish** on grimmer and uncertain Australia growth outlook that is bound to be affected by the virus outbreak.

SGD

- **USDSGD was virtually unchanged at 1.3865.**
- Daily outlook is bullish as markets look likely to push USDSGD further to test 1.3900. We note that SGD remains severely oversold thus a change in market sentiment could push USDSGD back to around 1.3800 in the short term **as the market corrects**. **Medium term USDSGD outlook is bullish** due to ongoing virus concerns and the potential impact it would have on the Singapore economy, reaffirmed by the MAS's signal to ease in April.

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

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