

Global Markets Research

Daily Market Highlights

Key Takeaways

- Deepening risk aversion sent stocks tumbling worldwide on Thursday. **In the US overnight, the Dow Jones industrial Average plunged 10% to mark its sharpest single-day losses since the 1987 Black Monday crash.** In fact the S&P 500 fell more than 7% as market opened that triggered a 15-minute circuit breaking halt, the second time this occurred this week. DOD, the S&P 500 and Nasdaq plummeted more than 9% and joined the Dow in the bear market territory despite the Federal Reserve's \$1.5trillion intervention in the repo market. **Elsewhere global equities extended losses with deep sell-off seen in European major markets.** The CAC, DAX, FTSE 100 all plunged more than 10%; similarly Asian stocks ended in deep reds where losses as high as 12% hitting the Thailand market. UST yields fell again around 4-10bps, save for the 30Y benchmark; gold price continued to come off recent high, dropping 3.6% DOD. Crude oils dipped further as Brent crude settled 7.2% lower at \$33.22/barrel.
- **The ECB ramped up stimulus** by introducing cheaper loans for banks and adding an "envelope of €120b" on its existing monthly APP program, **all while keeping its key interest rates unchanged.** ECB president Christine Lagarde called on Eurozone governments to implement "ambitious and coordinated" fiscal policies. On the data front, US PPI inflation slipped 0.6% MOM and moderated on a yearly basis. Initial jobless claims fell by 4k to 211k last week prior to the disruption caused by Covid-19. Eurozone Jan industrial production surprised with a 2.3% MOM gain again before Covid-19 outbreak. New Zealand Manufacturing PMI recovered back above 50 after two months of contraction.
- **The US dollar gained on risk aversion alongside the Japanese yen.** Market uncertainty and some loss of policy confidence are likely a partial trigger. Policymakers' warning that Covid-19 is escalating and here to stay also rattled markets. We are bullish on the daily outlook, expecting some flight to safety. We are bullish on a 1-month outlook, after hitting prior lows. Prior USD weakness stems from Covid-19 and oil price collapses. Still, it is still viewed as a safe haven in terms of currencies. Resilient US fundamentals will also likely support against sustained dollar weaknesses. Still, it will likely be a volatile month ahead.
- **USDMYR closed 0.76% higher at 4.2645 as deepening risk aversion favoured the dollar and sent all Asian regional currencies down.** We are now bullish on USDMYR after the breach of 4.25 key resistance and with RSI residing just a touch above its overbought level, we reckon that there is still room for further upside. Pair's medium term outlook remains bullish on the back of oil prices volatilities and growing risk aversion. We see limited downside to USD as markets have fully priced in at least another Fed's 25 bps cut next week.

Overnight Economic Data

US	→
Eurozone	↑
New Zealand	↑

What's Coming Up Next

Major Data

- US Import Price Index, U. of Mich. Sentiment

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1000	1.1134	1.1157	1.1300	1.1495	↘
GBPUSD	1.2195	1.2500	1.2529	1.3000	1.3257	↘
USDJPY	100.00	101.19	105.06	106.00	107.74	↘
AUDUSD	0.6009	0.6100	0.6274	0.6500	0.6600	↘
EURGBP	0.8298	0.8565	0.8906	0.9040	0.9426	→
USDSGD	1.3760	1.3800	1.4117	1.4200	1.4253	↗
USDMYR	4.2200	4.2500	4.2880	4.3000	4.3128	↗
EURMYR	4.7132	4.7500	4.7870	4.8000	4.8327	↗
JPYMYR	4.0000	4.0400	4.0810	4.1372	4.2000	↗
GBPMYR	5.3000	5.3270	5.3635	5.4000	5.4650	→
SGDMYR	3.0145	3.0215	3.0305	3.0350	3.0400	↘
AUDMYR	2.6570	2.6700	2.6841	2.7000	2.7255	↘
NZDMYR	2.6000	2.6075	2.6168	2.6270	2.6400	↘

* 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	1,419.43	-1.69	-10.66	CRB Index	141.94	-3.96	-23.60
Dow Jones Ind.	21,200.62	-9.99	-25.71	WTI oil (\$/bbl)	31.50	-4.49	-48.41
S&P 500	2,480.64	-9.51	-23.22	Brent oil (\$/bbl)	33.22	-7.18	-50.05
FTSE 100	5,237.48	-10.87	-30.56	Gold (S/oz)	1,576.15	-3.60	4.25
Shanghai	2,923.49	-1.52	-4.15	CPO (RM/tonne)	2,346.00	-1.01	-22.46
Hang Seng	24,309.07	-3.66	-13.77	Copper (\$/tonne)	5,440.00	-1.61	-11.89
STI	2,678.64	-3.77	-16.89	Rubber (sen/kg)	439.50	-1.01	-2.87

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US PPI Final Demand YoY	Feb	1.3%	2.1%	1.8%
US Initial Jobless Claims	Mar-07	211k	215k (revised)	220k
EU Industrial Production SA MoM	Jan	2.3%	-1.8%	1.5%
EU ECB Deposit Facility Rate	Mar-12	-0.5%	-0.5%	-0.5%
NZ BusinessNZ Manufacturing PMI	Feb	53.2	49.8 (revised)	--

Source: Bloomberg

- ECB raised stimulus but kept key rates unchanged:** In a monetary policy announcement, the ECB steps up stimulus by introducing an additional longer-term refinancing operations (LTROs) to provide immediate liquidity support to the financial system. It also introduced cheaper loans for banks at an interest rate as low as -0.75% for its current TLTRO III program. The ECB also raised its monthly bond buying by adding an “envelope of €120b” on its existing monthly €20b asset purchase program (APP). This top-up will last until the end of 2020. Notably, the ECB kept its key interest rates unchanged but repeated that current low rates are expected to stay or being lowered until inflation hits its sub-2% target. Markets and economists had been divided over the central bank’s potential decision on the Deposit Facility Rate (now unchanged at -0.5%) with investors expecting at least a 10basis point cut. 2020 growth projection was revised lower from 1.1% to 0.8%, as latest indicators suggest a “considerable worsening of the near-term growth outlook” amid the rapid spread of Covid-19 in the region. The risks surrounding the euro area growth outlook are “clearly on the downside”. Headline inflation is expected to “decline considerably over the coming months” on lower oil prices. In her press conference, ECB president Christine Lagarde called on governments in the Eurozone to implement “ambitious and coordinated” fiscal policies and stressed the importance of joint efforts of all players to combat economic fallout.
- US factory gate inflation moderated sharply:** Producer prices index for final demand fell 0.6% MOM in February (Jan: +0.5%), its largest decline since Jan 2015, reflecting the broad-based decline in prices of energy, food and also services. Core PPI dropped 0.3% MOM (Jan: +0.5%). YOY, PPI inflation moderated back to 1.3% (Jan: +2.1%) and core PPI growth also slipped to 1.4% YOY (Jan: +1.7%) that could lead to even softer CPI in March onwards.
- US initial jobless claims at 211k:** US initial jobless claims fell by 4k to 211k last week (previous: 215k), still at historically low level, but we judge that claims will climb up in the coming weeks in response to activity disruption caused by the Covid-19 outbreak which had only started to escalate in the past one to two weeks.
- Eurozone industrial output rose prior to Covid-19:** Eurozone January industrial production surprised with a 2.3% MOM gain (Dec: -1.8% revised), its largest gain since late 2017 and was in line with the improved reading in manufacturing PMI earlier of the year prior to the Covid-19 outbreak in the region. YOY, output recorded a more moderate drop of 1.9% versus -3.6% prior.
- New Zealand Manufacturing recovered in Feb:** The BusinessNZ Manufacturing PMI jumped back above 50 to record a reading of 53.2 in February (Jan: 49.8), following two successive months of contraction. BNZ said Feb reading displayed the manufacturing sector’s “curious sense of resilience”.

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%	1.3%	2.1%	--
	20:30		Initial Jobless Claims	Mar-07	220k	211k	216k	215k
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%	2.3%	-2.1%	-1.8%
	20:45		ECB Deposit Facility Rate	Mar-12	-0.5%	-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	--	53.2	49.6	49.8

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1185	-0.75	1.1333	1.1056	-0.29
GBPUSD	1.2571	-1.94	1.2849	1.2491	-5.33
USDJPY	104.64	0.10	106.10	103.09	-3.45
AUDUSD	0.6236	-3.82	0.6492	0.6213	-10.54
EURGBP	0.8898	1.22	0.8914	0.8774	5.09
USDSGD	1.4094	1.03	1.4119	1.3937	4.68
USDMYR	4.2645	0.76	4.2655	4.2460	4.24
EURMYR	4.7950	0.22	4.8222	4.7660	4.52
JPYMYR	4.1082	2.25	4.1252	4.0596	9.02
GBPMYR	5.4440	-0.45	5.4650	5.4243	1.24
SGDMYR	3.0420	0.01	3.0472	3.0316	0.03
AUDMYR	2.7431	-0.57	2.7540	2.7409	-4.34
NZDMYR	2.6669	-0.15	2.6737	2.6553	-3.21
CHFMYR	4.5520	0.80	4.5652	4.5236	7.67
CNYMYR	0.6099	0.21	0.6107	0.6092	3.74
HKDMYR	0.5484	0.73	0.5485	0.5464	4.34

Source: Bloomberg

Forex

MYR

- **USDMYR closed 0.76% higher at 4.2645**, its highest level since 3Q17 as deepening risk aversion favoured the dollar and sent all Asian regional currencies down on Thursday.
- **We are now bullish on USDMYR** after the breach of 4.25 key resistance and with RSI residing just a touch above its overbought level, we reckon that there is still room for further upside in the pair as heightening risk aversion completely takes hold of global market. 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

- On a volatile day for FX markets, **the US dollar gained on risk aversion** alongside the Japanese yen. It saw a 3.82% gain against AUD on Thursday, also registering almost 2% upside against the GBP. Market uncertainty and some loss of policy confidence are likely a partial trigger. Policymakers' warning that Covid-19 is escalating and here to stay also rattled markets.
- **We are bullish on the daily outlook**, expecting some flight to safety. We are bullish on a 1-month outlook, after hitting prior lows. Prior USD weakness stems from Covid-19 and oil price collapses. Still, it is still viewed as a safe haven in terms of currencies. Resilient US fundamentals will also likely support against sustained dollar weaknesses. Still, it will likely be a volatile month ahead.

EUR

- **EUR weakened 0.75% overnight against the USD.**
- **We are bearish on EUR/USD today** from general market panic. We are bearish over the coming month after stretched positioning in long EUR/USD.

GBP

- **GBP weakened 1.94% against the USD overnight**, after the UK saw more escalation in Covid-19 cases.
- **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 weakened slightly only 0.10% compared to USD on Thursday, still 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 3.82% on Thursday against the greenback**, at record lows alongside NZD
- **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 1.03% against the USD on Thursday** (now around 1.41), as market panic resumed by US policy confusion.
- **We are bullish on USD/SGD today**, given recent volatility. We are neutral on a 1-month basis, consolidative after previous volatility.

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