

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **The Fed slashed rates this morning by 100 basis points and announced that it will restart purchases of \$700b worth of bonds, marking its back-to-back off schedule reduction within two weeks. The RBNZ too made an emergency 75 basis points cut in its OCR ahead of its scheduled 25-Mar meeting and is mulling QE. Futures tied to US key stock benchmarks fell; the dollar is seen tanking against its major rivals as of writing. Gold rebounded after falling nearly 9% last week, Brent crude seen trading lower at \$32.76/barrel this morning after losing 25% last week. Focus now turns to the BOJ which has just brought forward its Thursday meeting to today's noon. China is releasing its key economic data today and it is just a matter of how bad will it be.**
- US stocks managed to pull off a last minute rally ahead of Friday's closing hour; the Dow Jones, S&P 500 and NASDAQ notched more-than-9% DOD gain, their best daily performance since the 2008. This followed rebounds in European market earlier as markets staged a strong recovery from the ruthless global sell-off on Thursday. That said, US stocks still closed the volatile week lower by 8-10% as Covid-19 pandemic sharply raised the risk of a global recession. Trump declared a national emergency on Friday. **On Saturday, the US Administration closed in on a deal with Congress to approve an aid package that offers paid sick leave and free virus testing to Americans.** On the data front, US University of Michigan Consumer Sentiment Index slipped to a five-month low in early March; US imported price index dropped, signalling no imported inflation. UK house prices jumped in March post-Brexit. Japan core machine orders registered gains prior to Covid-19. New Zealand services PMI slipped but still at expansion. Malaysia IPI grew a mere 0.6% YOY.
- **USDMYR retreated** from intra-day high of 4.2955 to close the week at 4.2775 on Friday, its highest level since 3Q17. The pair advanced 2.5% WOW as renewed recession risk favoured the dollar while MYR fell victim to crashing oil prices. **Daily USDMYR outlook is bullish** amid heightening risk aversion as the Fed made its second emergency rate cut by a full one-percentage point this morning and announced the restart of QE. 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.
- **USD gained on Friday** after US stocks rebounded. DXY closed Friday at 98.749. US government and central bank remains a key driver and shaping currency movements. DXY is last seen a little lower on Monday open after the Fed cut unexpectedly. **We are bullish on a 1-day basis on risk aversion.** However, there is likely to be some volatility given the uncertainty from markets. We are bullish on a 1-month outlook, after hitting prior lows. USD is likely supported by safe haven positioning during risk volatility and US fundamentals. Still, it will likely be a volatile month ahead.

#### Overnight Economic Data

Malaysia	↓
US	↓
UK	↑
Japan	↑
New Zealand	↓

#### What's Coming Up Next

##### Major Data

- US Empire Manufacturing
- UK Rightmove House Prices YoY
- China Retail Sales, Industrial Production, Fixed Assets Ex Rural, Surveyed Jobless Rate

##### Major Events

- BOJ policy meeting

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.0924	1.1000	1.1150	1.1300	1.1495	↘
GBPUSD	1.2000	1.2195	1.2391	1.2600	1.2800	↘
USDJPY	105.00	106.00	106.32	107.74	109.15	↘
AUDUSD	0.6009	0.6100	0.6180	0.6500	0.6600	↘
EURGBP	0.8534	0.8730	0.8998	0.9266	0.9579	→
USDSGD	1.3760	1.3800	1.4142	1.4200	1.4253	↗
USDMYR	4.2200	4.2500	4.2945	4.3000	4.3128	↗
EURMYR	4.7132	4.7462	4.7747	4.8000	4.8327	→
JPYMYR	3.9850	4.0000	4.0161	4.0385	4.0700	→
GBPMYR	5.2325	5.2650	5.2983	5.3400	5.3820	↘
SGDMYR	3.0145	3.0215	3.0310	3.0350	3.0400	↘
AUDMYR	2.6200	2.6300	2.6311	2.6570	2.6700	↘
NZDMYR	2.5700	2.5800	2.5961	2.6075	2.6177	↘

\* 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	1,344.75	-5.26	-15.36	CRB Index	140.84	-0.78	-24.19
Dow Jones Ind.	23,185.62	9.36	-18.76	WTI oil (\$/bbl)	31.73	0.73	-48.03
S&P 500	2,711.02	9.29	-16.09	Brent oil (\$/bbl)	33.85	1.90	-50.36
FTSE 100	5,366.11	2.46	-28.85	Gold (\$/oz)	1,529.83	-2.94	2.48
Shanghai	2,887.43	-1.23	-5.33	CPO (RM/tonne)	2,326.00	-0.85	-23.12
Hang Seng	24,032.91	-1.14	-14.75	Copper (\$/tonne)	5,460.00	0.37	-11.56
STI	2,634.00	-1.67	-18.27	Rubber (sen/kg)	435.50	-1.25	-3.76

Source: Bloomberg

## ➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA Industrial Production	Jan	0.6%	1.3%	0.8%
US Fed Funds Rate	Mar 16	0-0.25%	1-1.25%	--
US Import Price Index YoY	Feb	-1.2%	0.3%	-1.5%
US U. of Mich. Sentiment	Mar P	95.9	101.0	95.0
UK Rightmove House Prices YoY	Mar	3.5%	2.9%	--
JP Core Machine Orders	Jan	2.9%	-11.9% (revised)	-1.0%
RBNZ Official Cash Rate	Mar 16	0.25%	1.0%	--
NZ Performance Services Index	Feb	52.0	57.2 (revised)	--

Source: Bloomberg

- Fed cut rates to near 0% in second emergency move, to restart QE:** The Federal Reserve slashed the fed funds target rate by 100 basis points in an emergency move this morning and announced that it would purchase \$700b worth of bonds that include treasuries and mortgage-backed securities, effectively launching a new round of quantitative easing. The Fed's move was unprecedented as this marked a back-to-back off-schedule cut in less than two weeks. It came just days ahead of this week's scheduled FOMC meeting and barely two weeks after its recently first off-schedule 50 basis points cut on 3 March, bringing the total reduction to a massive 150basis points to a range of 0-0.25% in less than a fortnight. In its statement, Fed said that the effects of the coronavirus will weigh on economic activity in the near term and pose risks to the economic outlook. It is expected to maintain this new levels of rates until it is confident that the economy has "weathered recent events" and on track to meet maximum employment and inflation target. Chairman Jerome Powell held a press conference after the announcement. He reassured that Fed still has tools and rooms to act to counter this economic slump. There is no forecast this month and the next one is likely in June, mentioning that the second quarter will be very weak and outlook beyond that is highly uncertain. Futures tied to US key stock benchmarks fell; the dollar is seen tanking against its major rivals as of writing. Gold rebounded after falling nearly 9% last week, Brent crude seen trading lower at \$31.89/barrel this morning after losing 25% last week. Focus now turns to the BOJ which is slated to announce its policy decision this Thursday.
- RBNZ jumped in with 75 basis point emergency cut:** The RBNZ too kicked the week off by cutting its official cash rate by 75 basis points, an emergency decision as the scheduled meeting was on 25 March. The move brought the OCR down from 1.00% to 0.25%, the level at which it would be "for at least the next 12 months" according to the central bank. RBNZ cited rising economic implications of Covid-19 outbreak and the negative impact on the New Zealand economy will continue to be significant. RBNZ said that further stimulus is required and added that it is mulling a QE program; "a Large Scale Asset Purchase programme of New Zealand government bonds would be preferable to further OCR reductions".
- Weaker US consumer sentiment in early March:** The University of Michigan Consumer Sentiment Index slipped to a five-month low of 95.9 in early March (Feb: 101.0) according to a preliminary reading, reflecting concerns over Covid-19 outbreak and falling stock prices. The index only covers the first 11 days of March and predated the negative development of Covid-19 in the country that has led to eventual cancellation of numerous sports and culture events, closure of museums and Trump's declaration of a national emergency.
- Low imported inflation on oil price weakness:** US import price index dropped 0.5% MOM in February (Jan: +0.1% revised), its first decline in four months thanks to the sharper than usual fall in imported fuel prices (-7.7% vs -0.6%) that was led by lower cost of petroleum and to some extent lower natural gas prices. YOY, import prices extended further decline of 1.2% (Jan: +0.3%) after a modest increase, contributing to overall subdued inflation in the system. Inflation is expected to moderate further in March onwards following the severe drop in oil prices amid a Saudi and Russian oil feud as well as softer demand stemming from the Covid-19 pandemic that had only accelerated in March.
- UK house price jumped to record:** The UK Rightmove House Price Index rose 1.0% MOM (Feb: +0.8%) and jumped 3.5% YOY (Feb: +2.9%) to its record high in March as the housing sector recovery continued post Brexit. The recent BOE's 50basis point rate cut could help propel demand further but Covid-19 outbreak poses a significant downside to the sector in the short term.

- **Japan core machine orders expected to fall after Jan gain:** The core machine orders, a key gauge of Japan's business spending rose 2.9% MOM in January (Feb: -11.9% revised). This is better than survey estimate of 1.0% and paves way for sharper declines in February and the months to come amid Covid-19 outbreak.
- **Worst yet to come for New Zealand services sector:** The BNZ Performance of Services Index slipped to 52.0 in February (Jan: 57.2 revised), still an expansion despite being the weakest reading since Jan-2012. This suggests that the PMI hasn't fully reflected the impact of the Covid-19 outbreak on the services sector, nonetheless weakness in activity, employment and new orders suggest that the worst is yet to come for the economy that relies significantly on the tourism sector.
- **Malaysia industrial production continues to lose steam:** Industrial production saw further moderation, increasing at a slower pace of 0.6% YOY in January (Dec: +1.3% YOY), below ours as well as market expectations. The slower growth was dampened by slower growth in manufacturing, as well as declines in mining and electricity output. Save for the fluctuations in mining IPI which was due to supply disruption, we noted a slow and steady decline in momentum in other components and overall IPI since 2Q19. This downward momentum will be exacerbated as growth condition and outlook turn more vulnerable in the near future in the wake of deepening Covid-19 fallout and plunge in global crude oil prices that has resulted in massive meltdown in global financial markets. We believe the current downward trajectory in production would continue to deepen. While China may see a sharp rebound in March readings, we suspect macro condition could continue to weaken in other parts of the world, mirroring the involvement of the demographic of the virus contagion. We maintain that there are downside risks to our 2020 GDP forecast of 4.0% amid looming challenges from both the domestic and external front. This shall justify the case for further policy easing by BNM later this year.

**Economic Calendar**

Date	Time	Country	Event	Reporting Period	Survey	Actual	Prior	Revised
20/03	15:00	Malaysia	Foreign Reserves	Mar-13	--	--	\$103.4b	--
<b>16/03</b>	<b>20:30</b>	<b>US</b>	<b>Empire Manufacturing</b>	<b>Mar</b>	<b>4.9</b>	--	<b>12.9</b>	--
17/03	20:30		Retail Sales Advance MoM	Feb	0.2%	--	0.3%	--
	21:15		Industrial Production MoM	Feb	0.4%	--	-0.3%	--
	22:00		NAHB Housing Market Index	Mar	74.0	--	74.0	--
18/03	19:00		MBA Mortgage Applications	Mar-13	--	--	55.4%	--
	20:30		Housing Starts MoM	Feb	-4.2%	--	-3.6%	--
	20:30		Building Permits MoM	Feb	-3.2%	--	9.2%	--
19/03	20:30		Philadelphia Fed Business Outlook	Mar	10.0	--	36.7	--
	20:30		Initial Jobless Claims	Mar-14	219k	--	211k	--
	22:00		Conference Board Leading Index	Feb	0.1%	--	0.8%	--
20/03	22:00		Existing Home Sales MoM	Feb	0.7%	--	-1.3%	--
17/03	18:00	Eurozone	Labour Costs YoY	4Q	--	--	2.6%	--
	18:00		ZEW Survey Expectations	Mar	--	--	10.4	--
18/03	18:00		Trade Balance SA	Jan	19.2b	--	22.2b	--
	18:00		CPI YoY	Feb F	1.2%	--	1.2%	--
	18:00		CPI Core YoY	Feb F	1.2%	--	1.2%	--
<b>16/03</b>	<b>08:01</b>	<b>UK</b>	<b>Rightmove House Prices YoY</b>	<b>Mar</b>	<b>--</b>	<b>3.5%</b>	<b>2.9%</b>	<b>--</b>
17/03	17:30		Average Weekly Earnings 3M/YoY	Jan	3.0%	--	2.9%	--
	17:30		ILO Unemployment Rate 3Mths	Jan	3.8%	--	3.8%	--
	17:30		Employment Change 3M/3M	Jan	140k	--	180k	--
<b>16/03</b>	<b>07:50</b>	<b>Japan</b>	<b>Core Machine Orders MoM</b>	<b>Jan</b>	<b>-1.0%</b>	<b>2.9%</b>	<b>-12.5%</b>	<b>-11.9%</b>
17/03	12:30		Industrial Production YoY	Jan F	--	--	-2.5%	--
18/03	07:50		Trade Balance	Feb	¥916.7b	--	¥1312.6b	¥1313.2b
	07:50		Exports YoY	Feb	-4.1%	--	-2.6%	--
19/03	07:30		Natl CPI Ex Fresh Food YoY	Feb	0.6%	--	0.8%	--
	12:30		All Industry Activity Index MoM	Jan	0.4%	--	0.0%	--
	00:00		BOJ Policy Balance Rate	Mar-19	--	--	-0.1%	--
17/03	16:30	Hong Kong	Unemployment Rate SA	Feb	3.6%	--	3.4%	--
<b>16/03</b>	<b>10:00</b>	<b>China</b>	<b>Retail Sales YTD YoY</b>	<b>Feb</b>	<b>-4.0%</b>	--	--	--
	<b>10:00</b>		<b>Industrial Production YTD YoY</b>	<b>Feb</b>	<b>-3.0%</b>	--	--	--
	<b>10:00</b>		<b>Fixed Assets Ex Rural YTD YoY</b>	<b>Feb</b>	<b>-2.0%</b>	--	--	--
	<b>10:00</b>		<b>Surveyed Jobless Rate</b>	<b>Feb</b>	<b>--</b>	--	--	--
20/03	09:30		1-Year Loan Prime Rate	Mar	3.95%	--	4.05%	--
17/03	08:30	Singapore	Non-oil Domestic Exports YoY	Feb	-6.6%	--	-3.3%	--
17/03	08:30	Australia	RBA Minutes of March Policy Meeting					
18/03	07:30		Westpac Leading Index MoM	Feb	--	--	0.05%	--
19/03	08:30		Employment Change	Feb	10.0k	--	13.5k	--
19/03	08:30		Unemployment Rate	Feb	5.30%	--	5.30%	--
<b>16/03</b>	<b>05:30</b>	<b>New Zealand</b>	<b>Performance Services Index</b>	<b>Feb</b>	<b>--</b>	<b>--</b>	<b>57.1</b>	<b>57.2</b>
19/03	05:45		GDP SA QoQ	4Q	0.5%	--	0.7%	--
	05:45		GDP YoY	4Q	1.7%	--	2.3%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1107	-0.70	1.1221	1.1055	-0.29
GBPUSD	1.2278	-2.33	1.2624	1.2265	-6.37
USDJPY	107.62	2.85	108.50	104.51	-2.27
AUDUSD	0.6203	-0.53	0.6326	0.6124	-11.51
EURGBP	0.9034	1.52	0.9048	0.8844	6.47
USDSGD	1.4150	0.40	1.4179	1.4062	4.95
USDMYR	4.2775	0.30	4.2955	4.2775	4.56
EURMYR	4.7758	-0.40	4.8183	4.7622	4.10
JPYMYR	4.0521	-1.37	4.0949	4.0364	7.53
GBPMYR	5.3993	-0.82	5.4097	5.3548	0.41
SGDMYR	3.0437	0.06	3.0509	3.0243	0.08
AUDMYR	2.6971	-1.68	2.7158	2.6768	-5.95
NZDMYR	2.6321	-1.30	2.6421	2.6093	-4.38
CHFMYR	4.5443	-0.17	4.5544	4.5089	7.49
CNYMYR	0.6136	0.60	0.6140	0.6094	4.36
HKDMYR	0.5520	0.66	0.5525	0.5482	5.02

Source: Bloomberg

## Forex

### MYR

- **USDMYR retreated** from intra-day high of 4.2955 **to close the week at 4.2775** on Friday, its highest level since 3Q17. The pair advanced 2.5% WOW as renewed recession risk favoured the dollar while MYR fell victim to crashing oil prices.
- **Daily USDMYR outlook is bullish** amid heightening risk aversion as the Fed made its second emergency rate cut by a full one-percentage point this morning and announced the restart of QE. 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.

### USD

- **USD gained on Friday** after US stocks rebounded. DXY closed Friday at **98.749**. US government and central bank remains a key driver and shaping currency movements. DXY is last seen a little lower on Monday open after the Fed cut unexpectedly. **We are bullish on a 1-day basis on risk aversion.** However, there is likely to be some volatility given the uncertainty from markets.
- We are bullish on a 1-month outlook, after hitting prior lows. USD is likely supported by safe haven positioning during risk volatility and US fundamentals. Still, it will likely be a volatile month ahead.

### EUR

- **EUR weakened 0.70% last Friday** 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 2.33% against the USD** on Friday, as the UK cancelled public events and domestic panic escalated.
- **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 2.85% compared to USD** on Friday, closing at 108.50.
- **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 0.53% on Friday** against the greenback, staying around 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 0.40 % against the USD** on last Friday, from some risk aversion.
- **We are bullish on USD/SGD today**, after Fed's latest announcement and rate cut. We are neutral on a 1-month basis, consolidative after previous volatility.

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