

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Yesterday marked a busy day packed with central bank actions** that saw the Fed, BOE, RBA and BNM putting their available tools to good use in a bid to fight an incoming recession. **Overnight, global stocks recovered some ground** in response to these interventions. The Dow Jones rose nearly 1.0% alongside higher S&P 500 (+0.5%) and NASDAQ (+2.3%). European equities experienced larger gains of more than 2% after Asian markets sold off earlier. Nonetheless, Asian futures are up this morning indicating a rebound. Gold prices retreated further, shedding 1.0% to \$1471.24/ounce. Crude oil benchmarks snapped three-day losing streak and staged a strong 14-24% rebound that saw Brent crude climbing back to \$28.47/barrel. Momentum in the US dollar gathered further strength and shows no signs of abating as it strengthened against nearly all majors.
- On the home front, **BNM cut SRR by 100 basis points from 3% to 2%** effective today which is not a surprising move. This is expected to release RM15bn liquidity into the system; and up to the tune of RM30bn if include the (up to) RM1bn recognized by each Principal Dealers from MGS and GII as part of the SRR compliance. **All eyes will be on its Annual Report release next Wednesday which will encompass new macro forecasts.**
- **Impact of Covid-19 is showing up in weaker US data.** Initial jobless claims surged by 70k last week to 281k, reflecting firsthand virus' effect on the labour market. The Philly Fed Index tumbled nearly 50pts, adding to signs of stressed manufacturing conditions. Conference Board warned that its leading index (+0.1% in Feb) did not reflect Covid-19 factor, and suggests that US economy may already be in contraction.
- **The USD continued to gain grounds** amid haven appeal, strengthening against all G10s save for NOK (+0.38%). The Dollar Index rose another 1.6% DOD to 102.76, its highest since Jan-17. The JPY and EUR weakened the most by over 2.0%. **We remain bullish USD today** as it will be tough to defy current upward momentum given prevailing market jitters. We however caution today's advance could be more muted as the Index is slightly overbought.
- **USDMYR extended ongoing winning streak** to its sixth consecutive session on Thursday, closing 0.91% at 4.4135 as global risk-off continues to work in the dollar's favour and because of that **we are still bullish on the pair** despite MYR being severely oversold given that sentiments now takes precedence over technicals. Markets are expected to remain volatile in the near term. Medium term outlook remains bullish on expected dollar strength as markets turn to crisis mode, while crashing oil prices added extra pressure on MYR and other commodities currencies.

Overnight Economic Data

US	↓
Japan	↑

What's Coming Up Next

Major Data

- Malaysia foreign reserves
- US Existing Home Sales
- China PBOC 1-year Loan Prime Rate

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.0451	1.0577	1.0665	1.0783	1.0830	↘
GBPUSD	1.1420	1.1445	1.1512	1.1602	1.2060	→
USDJPY	104.45	110.70	111.24	111.60	112.11	→
AUDUSD	0.5661	0.5704	0.5798	0.5963	0.5996	↘
EURGBP	0.9036	0.9123	0.9245	0.9309	0.9394	↘
USDSGD	1.4289	1.4443	1.4531	1.4566	1.4600	↗
USDMYR	4.3572	4.3729	4.4200	4.4284	4.4327	↗
EURMYR	4.6844	4.7015	4.7157	4.7514	4.7665	↘
JPYMYR	3.9140	3.9483	3.9739	4.0170	4.0317	↘
GBPMYR	5.0377	5.0712	5.0971	5.1219	5.1452	→
SGDMYR	3.0315	3.0367	3.0416	3.0450	3.0500	↘
AUDMYR	2.5188	2.5356	2.5559	2.5575	2.5911	↗
NZDMYR	2.4934	2.5109	2.5336	2.5600	2.5890	↗

* 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	1,219.72	-1.56	-23.23	CRB Index	127.63	6.06	-31.30
Dow Jones Ind.	20,087.19	0.95	-29.61	WTI oil (\$/bbl)	25.22	23.81	-58.70
S&P 500	2,409.39	0.47	-25.42	Brent oil (\$/bbl)	28.47	14.43	-55.24
FTSE 100	5,151.61	1.40	-31.70	Gold (S/oz)	1,471.24	-1.00	-3.16
Shanghai	2,702.13	-0.98	-11.41	CPO (RM/tonne)	2,300.50	-0.99	-23.96
Hang Seng	21,709.13	-2.61	-22.99	Copper (\$/tonne)	4,745.00	-7.76	-23.15
STI	2,311.00	-4.73	-28.29	Rubber (sen/kg)	426.50	-2.29	-5.75

Source: Bloomberg

➤ Macroeconomics

Economic Data

	<u>For</u>	<u>Actual</u>	<u>Last</u>	<u>Survey</u>
UK BOE Bank Rate	Mar-19	0.10%	0.25%	--
AU RBA Cash Rate	Mar-19	0.25%	0.50%	--
US Philadelphia Fed Business Outlook	Mar	-12.7	36.7	8.0
US Initial Jobless Claims	Mar-14	281k	211k	220k
US Conference Board Leading Index	Feb	0.1%	0.7% (revised)	0.1%
JP All Industry Activity Index MoM	Jan	0.8%	0.0%	0.3%

Source: Bloomberg

- BOE slashed rate to record low and raised QE in second intermeeting decision since Covid-19 outbreak:** The Bank of England cut bank rate by 15 basis points from 0.25% to an all-time-low of 0.1% overnight, marking its second emergency move that brought the total reduction to 65 basis points in just over one week. The central bank also stepped up its current bond buying program by £200b to £645b. It was also raising the size of its Term Funding Scheme for smaller businesses (TFSME) that was just announced last week. All decisions were unanimous. BOE said that containment measures taken will result in a “sharp and large” but temporary economic shock. Conditions in the UK gilt market (as in other developed economies’ bond markets) have deteriorated that led the UK and global financial conditions to tighten. The next scheduled meeting on 26 March to be carried on. The number of confirmed cases in the UK was 2626 according to the WHO, still far behind neighbouring France, Germany, Spain and Italy but government’s perceivably lax approach in managing the crisis has many worried its National Health Services (understaffed and underfunded for many years) would not be able to cope with a sudden surge in cases sooner or later.
- Fed set up new swap lines with nine central banks:** The Federal Reserve had also set up dollar-liquidity swap lines with nine additional central banks to its five existing ones in another rapid move to ward off potential Covid-19 crisis. The respective amount for each central bank varied from \$30b to \$60b.
- RBA cut cash rate to 0.25% and launched QE in historic move:** The RBA trimmed cash rate by 25 basis points further to 0.25%, its first inter-meeting rate cut since 1997 during the Asian Financial Crisis while emphasizing that it would not raise rate until hitting full employment and inflation target of 2–3%. This came as a part of a broader package aiming to support the economy during the Covid-19 slump that includes the historic introduction of a quantitative easing program under which the central bank would purchase government bonds in the secondary market to keep the yield on 3-year Australian government bonds at around 0.25%, and at least \$90b term funding facility for banks to extend lending to SMEs and exchange settlements at RBA is raised to 0.1% from 0%. Apart from that, RBA will conduct 1M and 3M repo operations to support liquidity in the short term market. It would also carry out longer term (6M or more) repo operations if necessary. RBA stressed that Covid-19 is “first and foremost a public health issue”, it said that monetary policy complements the government’s fiscal response to support the economy.
- BNM cut SRR by 100bps:** On the home front, BNM cut SRR by 100 basis points from 3% to 2% effective today which is not a surprising move. This is expected to release RM15bn liquidity into the system; and up to the tune of RM30bn if include the (up to) RM1bn recognized by each Principal Dealers from MGS and GII as part of the SRR compliance. All eyes will be on its Annual Report release next Wednesday which will encompass new macro forecasts
- US jobless claims surged last week:** Initial jobless claims jumped by 70k to 281k for the week ended 14 March (previous: +211k), reflecting firsthand impact of Covid-19 outbreak on the labour market as the lockdown of cities severely curbed economic activities, resulting in job losses.
- Philly Fed Index tumbled nearly 50pts:** The Philadelphia Fed Manufacturing Index dipped by nearly 50pts to -12.7 in March (Feb: 36.7), to indicate the tremendous stress faced by local manufacturing industry in response to Covid-19 related demand slump and supply chain disruption.

- Conference Board said US economy may already enter contraction:**
 The Conference Board Leading Index rose slightly by 0.1% MOM in February (Jan: +0.7%) to 112.1, but does not reflect the impact of Covid-19 outbreak which happened much later in early March. Conference Board said that the recovery in manufacturing, will now be short-lived because of the disruption in global supply chains and falling demand. "Declines in stock prices, consumers' outlook on economic conditions, manufacturing new orders, average workweek in manufacturing, and rising unemployment claims will begin to negatively impact the economy". It said that the economy may already be entering into a period of contraction.
- Japan's All Industry Index suggests economy stabilized prior to Covid-19:** Japan All Industry Index rose 0.8% MOM in January (Feb: 0.0%) thanks to the gains in tertiary and manufacturing activities that suggest some form of stabilization before the outbreak of Covid-19 in the country.

Economic Calendar

Date	Time	Country	Event	Reporting Period	Survey	Actual	Prior	Revised
20/03	15:00	Malaysia	Foreign Reserves	Mar-13	--	--	\$103.4b	--
16/03	20:30	US	Empire Manufacturing	Mar	3.0	-24.5	12.9	--
17/03	20:30		Retail Sales Advance MoM	Feb	0.2%	-0.5%	0.3%	0.6%
	21:15		Industrial Production MoM	Feb	0.4%	0.6%	-0.3%	-0.5%
	22:00		NAHB Housing Market Index	Mar	73.0	72	74.0	--
18/03	19:00		MBA Mortgage Applications	Mar-13	--	-8.4%	55.4%	--
	20:30		Housing Starts MoM	Feb	-4.3%	-1.5%	-3.6%	1.4%
	20:30		Building Permits MoM	Feb	-3.2%	-5.5%	9.2%	--
19/03	20:30		Philadelphia Fed Business Outlook	Mar	8.0	-12.7	36.7	--
	20:30		Initial Jobless Claims	Mar-14	220k	281k	211k	--
	22:00		Conference Board Leading Index	Feb	0.1%	0.1%	0.8%	0.7%
20/03	22:00		Existing Home Sales MoM	Feb	0.9%	--	-1.3%	--
17/03	18:00	Eurozone	Labour Costs YoY	4Q	--	2.4%	2.6%	--
	18:00		ZEW Survey Expectations	Mar	--	-49.5	10.4	--
18/03	18:00		Trade Balance SA	Jan	19.2b	17.3b	22.2b	21.5b
	18:00		CPI YoY	Feb F	1.2%	1.2%	1.2%	--
	18:00		CPI Core YoY	Feb F	1.2%	1.2%	1.2%	--
16/03	08:01	UK	Rightmove House Prices YoY	Mar	--	3.5%	2.9%	--
17/03	17:30		Average Weekly Earnings 3M/YoY	Jan	3.0%	3.1%	2.9%	--
	17:30		ILO Unemployment Rate 3Mths	Jan	3.8%	3.9%	3.8%	--
	17:30		Employment Change 3M/3M	Jan	140k	184k	180k	--
16/03	07:50	Japan	Core Machine Orders MoM	Jan	-1.0%	2.9%	-12.5%	-11.9%
	00:00		BOJ Policy Balance Rate	Mar-16	--	-0.1%	-0.1%	--
17/03	12:30		Industrial Production YoY	Jan F	--	-2.3%	-2.5%	--
18/03	07:50		Trade Balance	Feb	¥929.5b	¥1109.8b	¥1312.6b	¥1313.2b
	07:50		Exports YoY	Feb	-4.2%	-1.0%	-2.6%	--
19/03	07:30		Natl CPI Ex Fresh Food YoY	Feb	0.6%	0.4%	0.8%	--
	12:30		All Industry Activity Index MoM	Jan	0.3%	0.8%	0.0%	-0.1%
16/03	10:00	China	Retail Sales YTD YoY	Feb	-4.0%	-20.5%	--	--
	10:00		Industrial Production YTD YoY	Feb	-3.0%	-13.5%	--	--
	10:00		Fixed Assets Ex Rural YTD YoY	Feb	-2.0%	-24.5%	--	--
20/03	09:30		1-Year Loan Prime Rate	Mar	3.98%	--	4.05%	--
17/03	08:30	Singapore	Non-oil Domestic Exports YoY	Feb	-6.9%	3.0%	-3.3%	--
17/03	08:30	Australia	RBA Minutes of March Policy Meeting					
18/03	07:30		Westpac Leading Index MoM	Feb	--	-0.43%	0.05%	0.03%
19/03	08:30		Employment Change	Feb	6.3k	26.7k	13.5k	12.9k
19/03	08:30		Unemployment Rate	Feb	5.3%	5.1%	5.3%	--
16/03	05:30	New Zealand	Performance Services Index	Feb	--	52.0	57.1	57.2
19/03	05:45		GDP SA QoQ	4Q	0.5%	0.5%	0.7%	0.8%
	05:45		GDP YoY	4Q	1.7%	1.8%	2.3%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0692	-2.04	1.0981	1.0655	-4.91
GBPUSD	1.1485	-1.06	1.1794	1.1474	-13.65
USDJPY	110.71	2.43	110.95	107.89	2.11
AUDUSD	0.5743	-0.52	0.5964	0.5510	-19.14
EURGBP	0.9308	-0.93	0.9501	0.9122	10.11
USDSGD	1.4509	0.44	1.4568	1.4383	7.90
USDMYR	4.4135	0.91	4.3515	4.3705	7.89
EURMYR	4.7766	-0.68	4.8240	4.7683	4.12
JPYMYR	4.0490	-0.84	4.0596	4.0198	7.45
GBPMYR	5.0863	-3.35	5.1155	5.0367	-5.41
SGDMYR	3.0433	-0.04	3.0462	3.0247	0.07
AUDMYR	2.5181	-2.82	2.5528	2.4205	-12.19
NZDMYR	2.4939	-2.61	2.5203	2.4049	-9.40
CHFMYR	4.5406	-0.08	4.5650	4.5038	7.40
CNYMYR	0.6211	-0.15	0.6234	0.6211	5.64
HKDMYR	0.5679	0.94	0.5682	0.5631	8.05

Source: Bloomberg

Forex

MYR

- **USDMYR extended ongoing winning streak** to its sixth consecutive session on Thursday, closing 0.91% at 4.4135 as global risk-off continues to work in the dollar's favour and because of that **we are still bullish on the pair** despite MYR being severely oversold given that sentiments now takes precedence over technicals.
- Markets are expected to remain volatile in the near term. Medium term outlook remains bullish on expected dollar strength as markets turn to crisis mode, while crashing oil prices added extra pressure on MYR and other commodities currencies.

USD

- **The USD continued to gain grounds** amid haven appeal, strengthening against all G10s save for NOK (+0.38%). The Dollar Index rose another 1.6% DOD to 102.76, its highest since Jan-17. The JPY and EUR weakened the most by over 2.0%.
- **We remain bullish USD today** as it will be tough to defy current upward momentum given prevailing market jitters. We however caution today's advance could be more muted as the Index is slightly overbought. One-month outlook remains bullish, despite expectation for intense volatility. USD will likely be supported by safe haven positioning amid a risk-off environment and US fundamentals.

EUR

- **EUR extended its decline, falling 2.04% against the USD** at 1.0692 overnight, amid broad USD strength.
- **We are bearish on EUR/USD today** once again from general market aversion to risk. We are bearish over the coming month due to USD positioning.

GBP

- **GBP weakness remained albeit more contained, falling 1.06% against the USD** to 1.1485 overnight, its lowest on record dated back to 1970s.
- **We are more neutral on GBP/USD today**, as markets may consolidate after going through the hefty losses recently. We are still bearish on a 1-month basis, on the back of flight to safety.

JPY

- **JPY weakened for a 4th straight day, by another 2.43% against the USD** to 110.71, as investors flocked into USD for safety.
- **We are neutral to slightly bullish on USD/JPY today** on signs of consolidation. We remain bearish on a 1-month basis, supported by overall flight to safety.

AUD

- **AUD weakened for a 9th consecutive day, to its lowest since 2002** as RBA slashed its cash rate by another 25bps to a record low of 0.25% and introduced yield curve control. AUD/USD fell 0.52% DOD to 0.5743 at close.
- **We are slightly bearish AUD/USD today** as declines are likely more contained. We are bearish on a 1-month basis as the AUD remains weighed down by the impact of oil price drops, Covid-19 and now to a lesser extent domestic bushfires.

SGD

- **SGD extended its decline for a 9th straight session, weakening a further 0.44% against the USD** to 1.4509, its weakest since 2009.
- **USD/SGD remains slightly bullish today**, as USD positioning remains strong. We are neutral on a 1-month basis, expecting the pair to consolidate after previous volatility.

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