

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks retreated from record highs on Tuesday as markets reacted to news that the first case of Coronavirus (or Wuhan Virus) originated in China with SARS-like outbreak potentials has been reported in the US.** The Dow Jones lost 152pts or 0.5%, partly because of the 3.3% drop in Boeing's share price following announcement that its 737 Max model would be grounded through mid-2020. The S&P500 slipped by 0.3% weighed down by energy, industrial and materials sectors while NASDAQ edged lower by 0.2%. **Higher haven demand for treasuries pushed yields lower by 3-5bps.** 10Y UST last traded on Tuesday with a yield of 1.77%. **Gold price was little changed** at \$1,558.17/troy ounce, **crude oils dropped as markets shrugged off Libyan crisis**, taking comfort in ample market supply – Brent crude lost nearly 1% to \$64.59/barrel. **The Bank of Canada is expected to keep its benchmark overnight lending rate steady at 1.75% while on the home front, BNM is most likely to hold OPR at 3.0%.**
- **The Bank of Japan (BOJ) kept its policy lever unchanged as widely expected and upgraded its growth projection** for 2019-2021 fiscal years in its January Outlook report. The upgrade reflects its more optimistic growth outlook and suggests that it would keep its ultra-loose policy unchanged for the rest of 2020. **Investors in the Eurozone are also turning more optimistic** following abating trade tension while the **job reports from the UK offered a breather** to recent downbeat dataflow. On the contrary, **Australian consumers continued to turn less optimistic over growth outlook.**
- **USD strengthened against most of the major currencies** save for the JPY and GBP amid risk-off in the markets. **The dollar index was little changed at 97.53.** The dollar is likely to benefit from the renewed sense of risk aversion as investors become alert over the development of the early stage of Coronavirus outbreak. The outcome of the WHO emergency meeting could also be a market driver. Data focus will still be on initial jobless claims and the PMI figures this week.
- **MYR closed 0.30% weaker against the USD at 4.0715 on Tuesday** as USDMYR continued to recover after hitting a recent trough. **USDMYR outlook remains bullish**, expecting the dollar to strengthen today amidst risk-off sentiments but we reckon that CPI and BNM policy decision today as well as upcoming Chinese New Year celebration are to keep MYR markets in cautious mood, unless there are any surprises. We now expect USDMYR to be well supported above 4.0700 and look towards a test of 4.08-4.09 ranges.
- **SGD closed 0.24% softer against the USD at 1.3499 alongside its weaker regional peers.** **SGD daily outlook is bearish** as the return of risk aversion likely leads the pair back above 1.3500. **Medium term outlook is bearish** on stronger US data and growth outlook.

Overnight Economic Data

Eurozone	↑
UK	↑
Hong Kong	↓
Australia	↓

What's Coming Up Next

Major Data

- Malaysia CPI
- US MBA Mortgage Applications, Chicago Fed Nat Activity Index, FHFA House Price Index, Existing Home Sales
- UK CBI Trends Total Orders

Major Events

- BNM OPR Decision
- BOC Overnight Lending Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1065	1.1080	1.1086	1.1100	1.1120	➔
GBPUSD	1.2950	1.3000	1.3052	1.3080	1.3100	➔
USDJPY	109.50	109.75	109.92	110.00	110.20	➔
AUDUSD	0.6800	0.6830	0.6842	0.6855	0.6880	➔
EURGBP	0.8430	0.8475	0.8493	0.8535	0.8550	➔
USDMYR	4.0530	4.0600	4.0782	4.0800	4.0900	↗
EURMYR	4.5000	4.5100	4.5198	4.5300	4.5414	↗
JPYMYR	3.6760	3.6930	3.7105	3.7200	3.7350	↗
GBPMYR	5.2760	5.3000	5.3220	5.3400	5.3600	↗
SGDMYR	3.0125	3.0155	3.0206	3.0235	3.0270	↗
AUDMYR	2.7800	2.7880	2.7891	2.7960	2.8000	➔
NZDMYR	2.6700	2.6800	2.6880	2.6930	2.7035	➔
USDSGD	1.3445	1.3470	1.3502	1.3525	1.3550	↗
EURSGD	1.4920	1.4930	1.4967	1.4980	1.5000	➔
GBPUSD	1.7500	1.7564	1.7624	1.7655	1.7700	➔
AUDSGD	0.9215	0.9225	0.9234	0.9250	0.9275	➔

* 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	1,587.33	-0.10	-0.09	CRB Index	181.56	-0.72	-2.27
Dow Jones Ind.	29,196.04	-0.52	2.30	WTI oil (\$/bbl)	58.34	-0.34	-4.45
S&P 500	3,320.79	-0.27	2.79	Brent oil (\$/bbl)	64.59	-0.94	-2.14
FTSE 100	7,610.70	-0.53	0.91	Gold (\$/oz)	1,558.17	-0.17	2.66
Shanghai	3,052.14	-1.41	0.07	CPO (RM/tonne)	2,969.00	-0.10	-1.87
Hang Seng	27,985.33	-2.81	-0.73	Copper (\$/tonne)	6,259.00	-0.22	1.38
STI	3,247.17	-1.00	0.76	Rubber (sen/kg)	465.00	-0.85	2.76

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
EU ZEW Survey Expectations	Jan	25.2	11.2	--
UK Average Weekly Earnings 3M/YOY	Nov	3.2%	3.2%	3.1%
UK ILO Unemployment Rate 3Mths	Nov	3.8%	3.8%	3.8%
UK Employment Change 3M/3M	Nov	208k	24k	110k
JP BOJ Policy Balance Rate	Jan-21	-0.1%	-0.1%	-0.1%
HK CPI Composite YOY	Dec	2.9%	3.0%	3.0%
AU Westpac Consumer Conf Index	Jan	93.4	95.1	--

Source: Bloomberg

- BOJ's more optimistic growth outlook suggests no change to policy in 2020.:** The Bank of Japan (BOJ) kept its policy lever unchanged as widely expected and revised its growth projection for 2019, 2020 and 2021 fiscal years in its January Outlook report. The upgrade reflects its more optimistic growth outlook and suggests that it would keep its ultra-loose policy unchanged for the rest of 2020. The impact of global slowdown is expected to be limited although likely to remain for the time being. Domestic demand is likely to follow an uptrend on highly accommodative financial condition and active government spending although (demand) has recently declined due to the effects of consumption tax hike and natural disaster. The BOJ still expects its main inflation gauge, the CPI less fresh food to increase towards its 2% target but the momentum toward achieving the target is "not yet sufficiently firmed". Risks to economic activity remained skewed to the downside particularly regarding overseas development. Risks to prices are skewed to downside due to downside risk to the economy and "uncertainties over developments in medium-to long term inflation expectation. It made upward revision to 2019-2021 growth forecast but revised down inflation projection for the same period. Median forecast for real GDP growth was revised higher to 0.8% (revised from +0.6%) for 2019, 0.9% (+0.7%) for 2020 and 1.1% (+1.0%) for 2021. For 2019, CPI ex fresh food inflation is expected to be at 0.6% (revised from +0.7%) in 2019, 1.0% (+1.1%) in 2020 and 1.4% (+1.5%) in 2021.
- German ZEW Index jumped in response to trade deal:** The Germany ZEW Investor Sentiment Index for the Eurozone jumped by 14pts to 25.2 in January (Dec: 11.2), reflecting German investors' significant gain in confidence in response to the inking of US-China Phase One trade deal that has lifted much uncertainties surrounding both countries' trade relation. A similar index for Germany's outlook also spiked by 16pts to 26.7 (Dec: 10.7).
- UK job report offered a breath of relief:** The UK economy added a whopping 208k in the three months to November (Oct: +24k), its largest gain since January 2019, making up for the minimal gain in October and the two back-to-back contractions in August and September. The unemployment rate was held steady at 3.8% in the same period (Oct: 3.8%) matching consensus forecast. The gain in average weekly earnings, a key gauge of wage growth meanwhile managed to remain unchanged at 3.2% YOY, better than consensus estimate. November job report turned out to be better than expected, offering relief to markets that the labour market has regained some strength following a period of slight weakness and has led investors to price in lower probability of a BOE rate cut at the end of this month. Nonetheless, UK data remained weak in general and the chances of a 25bps reduction remained above 60% as of writing.
- Hong Kong inflation eased a little in December:** Hong Kong CPI rose 2.9% YOY in December (Nov: +3.0%), a smaller increase compared to the previous month due to the smaller rise in local transport fares and costs for meals away from home. Taking away the effects of all Government's one-off relief measures, underlying inflation also picked up 2.9% YOY (Nov: +2.9%), unchanged from November 2019.
- Australia consumer confidence slipped in January:** Australia Westpac Consumer Confidence Index slipped for the second month to 93.4 in January (Dec: 95.1) as consumers turned less optimistic over growth outlook with the index for "Economy 1 year ahead" dropping by 5.4%.

Economic Calendar								
Date	Time	Country	Event	Reporting Period	Survey	Prior	Revised	
22/01	12:00	Malaysia	CPI YoY	Dec	1.0%	0.9%	--	
	15:00		Foreign Reserves	Jan-15	--	\$103.6b	--	
	15:00		BNM Overnight Policy Rate	Jan-22	3.0	3.0%	--	
22/01	20:00	US	MBA Mortgage Applications	Jan-17	--	30.2%	--	
	21:30		Chicago Fed Nat Activity Index	Dec	0.13	0.56	--	
	22:00		FHFA House Price Index MoM	Nov	0.3%	0.2%	--	
	23:00		Existing Home Sales MoM	Dec	1.5%	-1.7%	--	
23/01	21:30		Initial Jobless Claims	Jan-18	215k	204k	--	
	23:00		Leading Index	Dec	-0.2%	0.0%	--	
24/01	0:00		Kansas City Fed Manf. Activity	Jan	-6	-8	--	
	22:45		Markit US Manufacturing PMI	Jan P	52.5	52.4	--	
	22:45		Markit US Services PMI	Jan P	53.0	52.8	--	
21/01	18:00	Eurozone	ZEW Survey Expectations	Jan	--	11.2	--	
23/01	20:45		ECB Deposit Facility Rate	Jan-23	-0.5%	-0.5%	--	
	23:00		Consumer Confidence	Jan A	-7.8	-8.1	--	
24/01	17:00		Markit Eurozone Manufacturing PMI	Jan P	46.8	46.3	--	
	17:00		Markit Eurozone Services PMI	Jan P	52.8	52.8	--	
20/01	8:01	UK	Rightmove House Prices YoY	Jan	--	0.8%	--	
21/01	17:30		Average Weekly Earnings 3M/YoY	Nov	3.1%	3.2%	--	
	17:30		ILO Unemployment Rate 3Mths	Nov	3.8%	3.8%	--	
	17:30		Employment Change 3M/3M	Nov	110k	24k	--	
22/01	19:00		CBI Trends Total Orders	Jan	-25	-28	--	
24/01	17:30		Markit UK PMI Manufacturing SA	Jan P	48.8	47.5	--	
	17:30		Markit/CIPS UK Services PMI	Jan P	51.1	50.0	--	
20/01	12:30	Japan	Industrial Production YoY	Nov F	--	-8.1%	--	
21/01	NA		BOJ Policy Balance Rate	Jan-21	-0.1%	-0.1%	--	
23/01	7:50		Exports YoY	Dec	-4.3%	-7.9%	--	
	12:30		All Industry Activity Index MoM	Nov	0.4%	-4.3%	--	
	13:00		Leading Index CI	Nov F	--	90.9	--	
	14:00		Machine Tool Orders YoY	Dec F	--	-33.6%	--	
24/01	7:30		Natl CPI Ex Fresh Food YoY	Dec	0.7%	0.5%	--	
	8:30		Jibun Bank Japan PMI Mfg	Jan P	--	48.4	--	
	8:30		Jibun Bank Japan PMI Services	Jan P	--	49.4	--	
20/01	9:30	China	1-Year Loan Prime Rate	Jan	4.10%	4.15%	--	
21/01	16:30	Hong Kong	CPI Composite YoY	Dec	3.0%	3.0%	--	
23/01	13:00	Singapore	CPI YoY	Dec	0.7%	0.6%	--	
24/01	13:00		Industrial Production YoY	Dec	-0.6%	-9.3%	--	
22/01	7:30	Australia	Westpac Consumer Conf Index	Jan	--	95.1	--	
23/01	8:30		Employment Change	Dec	10.0k	39.9k	--	
	8:30		Unemployment Rate	Dec	5.2%	5.2%	--	
21/01	5:30	New Zealand	Performance Services Index	Dec	--	53.3	--	
24/01	5:45		CPI YoY	4Q	1.8%	1.5%	--	

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1082	-0.12	1.1118	1.1081	-1.15
GBPUSD	1.3050	0.31	1.3084	1.2996	-1.58
USDJPY	109.87	-0.28	110.22	109.76	1.17
AUDUSD	0.6845	-0.41	0.6881	0.6843	-2.52
EURGBP	0.8494	-0.41	0.8535	0.8492	0.43
USDMYR	4.0715	0.30	4.0755	4.0570	-0.48
EURMYR	4.5155	0.31	4.5198	4.5027	-1.57
JPYMYR	3.7032	0.47	3.7060	3.6837	-1.73
GBPMYR	5.2990	0.60	5.3036	5.2762	-1.45
SGDMYR	3.0166	0.14	3.0182	3.0134	-0.81
AUDMYR	2.7901	-0.01	2.7949	2.7880	-2.70
NZDMYR	2.6848	0.05	2.6907	2.6808	-2.46
CHFMYR	4.2062	0.36	4.2108	4.1908	-0.51
CNYMYR	0.5897	-0.32	0.5911	0.5894	0.30
HKDMYR	0.5240	0.29	0.5243	0.5223	-0.30
USDSGD	1.3499	0.24	1.3505	1.3463	0.31
EURSGD	1.4961	0.13	1.4997	1.4938	-0.83
GBPSGD	1.7615	0.55	1.7648	1.7508	-1.26
AUDSGD	0.9240	-0.17	0.9275	0.9237	-2.15

Source: Bloomberg

Forex

MYR

- **MYR closed 0.30% weaker against the USD at 4.0715 on Tuesday** as USDMYR continued to recover after hitting a recent trough.
- **USDMYR outlook remains bullish**, expecting the dollar to strengthen today amidst risk-off sentiments but we reckon that CPI and BNM policy decision today as well as upcoming Chinese New Year celebration are to keep MYR markets in cautious mood, unless there are any surprises. We now expect USDMYR to be well supported above 4.0700 and look towards a test of 4.08-4.09 ranges. **MYR medium term outlook is still bearish**, expecting the USD to be well supported by solid data in 1Q20.

USD

- The greenback remained strong as markets turned risk-off; USD strengthened against most of the major currencies save for the JPY and GBP. **The dollar index was little changed at 97.53.**
- **The dollar is likely to benefit from the renewed sense of risk aversion** as investors become alert over the development of the early stage of Coronavirus outbreak. The outcome of the WHO emergency meeting could also be a market driver. Data focus will still be on initial jobless claims and the PMI figures this week. **Medium term dollar outlook remains bullish in our view**, reaffirmed by recently positive data that suggest that the ongoing trend of expansion is likely to extend in 1Q2020.

EUR

- **EUR finished weaker by 0.12% against the USD at 1.1082.**
- **EURUSD likely range-trades** within 1.1080-1.1095 today amidst a lack of fresh impetus ahead of tomorrow's ECB meeting. **Medium term outlook is still bearish** as the ECB is likely sticking to its accommodative monetary policy stance and mainly over poorer growth outlook compared to the US economy.

GBP

- **GBP was the top winner on Tuesday, strengthening against the USD by 0.31% to 1.3050** on better-than-expected job data.
- **GBP daily movement is likely confined** within a range of 1.3030-1.3080 as upside is limited amidst a strong dollar environment. Markets are likely to remain watchful of this week's Brexit progress ahead of the end-January timeline. **Medium term outlook hinges** on BOE's policy stance that would either suggest a hold or a further cut and more details on Brexit transition.

JPY

- **JPY was 0.28% stronger against the USD at 109.87**, closing below 110 for the first time in four sessions as risk aversion returned to markets.
- **USDJPY is likely to remain pressure below 110.00** as markets turned cautious over the development of the Coronavirus outbreak. **Medium term JPY outlook is neutral** for now amidst easing geopolitical risk and more positive trade outlook.

AUD

- **AUD continued its losing streak against the USD by 0.41% to 0.6845.**
- AUD breached below 0.6850, paving for further down move in a risk-off environment but we reckon the downside is limited for now, expecting **AUD to hover around 0.6840-0.6850 today** as markets turned cautious over the said virus outbreak and ahead of Thursday's job data. **Medium term outlook is bearish** on increasing prospect of an RBA rate cut in early February.

SGD

- **SGD closed 0.24% softer against the USD at 1.3499** alongside its weaker regional peers.
- **SGD daily outlook is bearish** as the return of risk aversion likely leads the pair back above 1.3500. **Medium term outlook is bearish** on stronger US data and growth outlook.

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