

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks pared early gains to finish little changed overnight as investors remained cautious and concerned over the Coronavirus outbreak that has spread beyond China just ahead of the lunar New Year holidays that would see approximately 450mil Chinese traveling for the annual celebration.** Stocks were boosted earlier as computer maker IBM announced an unexpected gain in 4Q revenue and offered higher profit guidance but lost momentum towards the end of the session. The Dow and S&P 500 were virtually unchanged while NASDAQ edged up by a mere 0.1%. Bond yields barely moved as well – 10Y UST yields closed at 1.77%. **Crude oil prices extended further losses as the API reported a surprise crude oil inventory build of 1.57mil barrels last week.** The greenback generally slipped across the board – **Canadian dollar was the worst performer after the Bank of Canada left its overnight lending rate at 1.75% as expected but opened door for rate cut.** The pound gained as the House of Lords approved Boris Johnson's Brexit bill; the PM said he was confident a deal could be achieved with the EU by year end. **At home, BNM delivered a surprise "pre-emptive" cut in the OPR by 25bps to 2.75%.** Only 2 out of 26 surveyed economists had made this call. Focus is in the ECB's Governing Council Meeting today; markets are expecting a hold in its key interest rates.
- **On the data front, US existing home sales rose more than expected by 3.6% MOM in December while the Chicago Fed National Activity Index slipped to -0.35 in the same month.** UK CBI Trends Total Order Index rose by 6pts to -22 in January of which business optimism rebounded to positive level. Japan exports slipped more than expected by 6.3% YOY in December, its 13th month of back-to-back decline. **Malaysia CPI rose 0.1% YOY in December** leaving the full-year CPI inflation at 0.7% in 2019.
- The greenback generally slipped across the board. **The dollar index was flat at 97.53. The dollar is likely to trade sideways today ahead of ECB's meeting** while markets continue to watch out for any development of the Coronavirus outbreak. The outcome of the WHO emergency meeting today could also be a market driver. Data focus will still be on initial jobless claims tonight and the PMI figures tomorrow.
- **MYR closed 0.15% stronger versus the USD at 4.0655 on Wednesday** as market shrugged off BNM's surprise OPR cut. With the dollar weakening overnight, **USDMYR might retreat back towards 4.0550- 4.07 range in the short term** before rebounding back to the 4.07-4.08 band. Chinese New Year celebration is also likely to keep MYR markets quiet.
- **SGD closed 0.08% stronger against the USD at 1.3488** as the dollar turned weaker. **SGD daily outlook is neutral** and is likely staying below 1.3500 in the short term over the lack of fresh impetus.

Overnight Economic Data

Malaysia	↑
US	→
Japan	↓
Australia	↑
UK	↑

What's Coming Up Next

Major Data

- US Initial Jobless Claims, Leading Index
- Eurozone Consumer Confidence
- Japan All Industry Activity Index, Leading Index, Machine Tool Orders
- Singapore CPI

Major Events

- ECB Governing Council Meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1065	1.1080	1.1095	1.1100	1.1120	→
GBPUSD	1.2950	1.3100	1.3145	1.3050	1.3080	↗
USDJPY	109.25	109.50	109.71	110.00	110.20	↘
AUDUSD	0.6840	0.6860	0.6872	0.6880	0.6900	↗
EURGBP	0.8400	0.8430	0.8440	0.8470	0.8500	→
USDMYR	4.0530	4.0600	4.0658	4.0700	4.0800	↘
EURMYR	4.5000	4.5050	4.5121	4.5200	4.5300	→
JPYMYR	3.6850	3.6971	3.7064	3.7140	3.7220	→
GBPMYR	5.3060	5.3250	5.3461	5.3620	5.3800	↗
SGDMYR	3.0100	3.0125	3.0147	3.0160	3.0190	→
AUDMYR	2.7800	2.7880	2.7938	2.7980	2.8030	↗
NZDMYR	2.6700	2.6760	2.6824	2.6900	2.7000	→
USDSGD	1.3445	1.3470	1.3502	1.3525	1.3550	↗
EURSGD	1.4920	1.4930	1.4967	1.4980	1.5000	→
GBPSGD	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	1,577.98	-0.59	-0.68	CRB Index	180.03	-0.84	-3.10
Dow Jones Ind.	29,186.27	-0.03	2.27	WTI oil (\$/bbl)	56.74	-2.74	-7.24
S&P 500	3,321.75	0.03	2.82	Brent oil (\$/bbl)	62.67	-2.97	-5.05
FTSE 100	7,571.92	-0.51	0.39	Gold (\$/oz)	1,558.78	0.04	2.75
Shanghai	3,060.75	0.28	0.35	CPO (RM/tonne)	2,942.50	-0.89	-2.74
Hang Seng	28,341.04	1.27	0.54	Copper (\$/tonne)	6,160.00	-1.58	-0.23
STI	3,253.93	0.21	0.96	Rubber (sen/kg)	462.00	-0.43	2.10

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA CPI YoY	Dec	1.0%	0.9%	1.0%
MA Foreign Reserves	Jan-15	\$103.7b	\$103.6b	--
MA BNM Overnight Policy Rate	Jan-22	2.75%	3.0%	3.0
US MBA Mortgage Applications	Jan-17	-1.2%	30.2%	--
US Chicago Fed Nat Activity Index	Dec	-0.35	0.41 (revised)	0.13
US FHFA House Price Index MoM	Nov	0.2%	0.4% (revised)	0.3%
US Existing Home Sales MoM	Dec	3.6%	-1.7%	1.5%
UK CBI Trends Total Orders	Jan	-22	-28	-25
JP Exports	Dec	-6.3%	-7.9%	-4.3%
AU Westpac Consumer Conf Index	Jan		95.1	--
AU Employment Change	Dec		39.9k	10.0k
AU Unemployment Rate	Dec		5.2%	5.2%

Source: Bloomberg

- US Chicago Fed National Activity Index points to slower December growth:** The Chicago Fed National Activity Index slipped to -0.35 in December (Nov: 0.41 revised), led by the declines in production-related indicators, thus pointing to slower economic growth at the end of 2019. Three of the four broad categories recorded lower readings while three of them also made negative contributions. Production related indicators made negative contribution as December industrial production fell 0.3%. Sales, orders, and inventories contributed negatively due to continuous contraction in the ISM manufacturing index. Employment indicator also made negative contribution due to a smaller gain in NFP payrolls.
- US existing home sales rose at year-end:** The US existing home market recorded a better than expected 3.6% MOM gain in sales in December (Nov: -1.7%), according to the National Association of Realtors. The annualized rate stood at 5.54million (Nov: 5.35mil), its best pace in nearly two years, as lower interest rates pushed up demand at year end. While the US housing market is on course for a solid recovery, it is worth noting that the NAR also reported that supply of existing homes dropped for the third straight month to an all-time low, suggesting that limited inventory is likely to keep home sales in check. Other housing-related data include the FHFA House Price Index that picked up a mere 0.2% MOM in November (Oct: +0.4%) , easing from the revised October gain. Mortgage applications slipped a little by 1.2% last week (previous: 30.2%) after an outsized jump in the week before.
- UK manufacturing business optimism jumped in January:** The CBI Trends Total Order Index rose by 6pts to -22 in January (Dec: -28), reflecting a much smaller shrinkage of UK manufacturers' exports orders, higher output volume, finished stocks. Notably, the quarterly business optimism index jumped to 23 at the start of 1Q (4Q: -44), its first positive reading since 1Q18, reflecting manufacturers' significant gain in confidence following the signing of US-China phase one trade deal alongside tremendous easing in Brexit uncertainties.
- Japan exports slumped more than expected in late 2019:** Japan exports slipped more than expected by 6.3% YOY in December (Nov: -7.9%), marking its 13th consecutive month of decline since late 2018 despite a recent uptick in global manufacturing outlook. Nonetheless, the worst may soon be over especially after world trade volume is expected to lift in 2020 following the signing of the US-China trade deal in December. The US and China are among Japan's largest trading partners.
- Australia job report surprised to the upside:** This morning's job report surprised to the upside as the Australian economy was reported to have added 28.9k jobs in December (Nov: +38.5k revised), more than analysts' forecast of 10.0k. The job gains however came primarily from the 29.2k gain in part time jobs as full time employments slipped by 0.3k. Unemployment rate went down unexpectedly to 5.1% (Nov: 5.2%) while participation rate was unchanged at 66%. Economists had been expecting unemployment rate to stay unchanged at 5.2%.

- **BNM delivered another preemptive OPR cut:** BNM cut the Overnight Policy Rate (OPR) by 25bps to 2.75%, a move that surprised us and markets. BNM highlighted that this is a preemptive cut aimed at securing the improving growth trajectory, based on overall assessment that downside risks remain despite signs of improvement in the macro outlook. The latest policy statement is not dovish in our view, even though it remains cautious and mindful of downside risks, suggesting another rate cut is not imminent. Taking cognizance of still sound macro fundamentals and our projection for resilient growth at 4.3% for this year, we believe BNM would be able to fend off further adjustment in the OPR unless black swan events in the like of geopolitical risks and outbreak of coronavirus evolving into a global pandemic balloon up. Our base view is for no further change in the OPR this year even though we concur with BNM that downside risks to growth remain. We do acknowledge risks of further adjustment may increase should US trade protectionism policy and political risks pose greater risks to the world economy that would ultimately spill over to the domestic economy. Post today's 25bps cut, BNM reiterates that the stance of monetary policy remains appropriate in sustaining economic growth with price stability.
- **Malaysia inflation at its slowest in a decade, to remain benign in 2020:** Consumer Price Index (CPI) expectedly picked up marginally to increase 1.0% YOY in December (Nov: +0.9% YOY), driven by slightly quicker gain in food prices and smaller decline in transport prices. For the full year of 2019, CPI averaged 0.7% YOY as expected (2018: +1.0% YOY), marking the least inflation since 2009. The latest CPI print continued to reaffirm benign price pressure in the system, with core CPI stabilizing at 1.4% YOY in December (Nov: +1.4% YOY), bringing full year core CPI to a mere 0.1% YOY for 2019. MOM, inflation rose 0.2% in December (Nov: +0.1% MOM), mainly driven by faster gains in food & beverages and restaurants/ hotels prices. Overall inflation is expected to accelerate to 1.4% YOY next year, primarily driven by the absence of low base effect from tax adjustment seen in 2019. Meanwhile, the delay in the implementation of petrol subsidy scheme to the targeted segment and removal of price ceiling on RON95 pump prices could potentially pose downside risks to our CPI forecast, much depend on the eventual roll-out of the scheme and movement in global crude oil prices.
- **Malaysia foreign reserves went up in mid-Jan:** The international reserves of Bank Negara Malaysia rose to USD103.7 billion as at 15 January 2020 (31 Dec: USD103.6b). The reserves position is sufficient to finance 7.4 months of retained imports and is 1.1 times total short-term external debt.

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	214k	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

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1093	0.10	1.1098	1.1070	-1.07
GBPUSD	1.3142	0.70	1.3153	1.3035	-0.89
USDJPY	109.84	-0.03	110.10	109.83	1.12
AUDUSD	0.6844	-0.01	0.6856	0.6827	-2.54
EURGBP	0.8441	-0.62	0.8501	0.8424	-0.18
USDMYR	4.0655	-0.15	4.0815	4.0625	-0.62
EURMYR	4.5091	-0.14	4.5231	4.5023	-1.71
JPYMYR	3.6962	-0.19	3.7139	3.6933	-1.91
GBPMYR	5.3059	0.13	5.3252	5.2995	-1.33
SGDMYR	3.0122	-0.15	3.0215	3.0101	-0.95
AUDMYR	2.7793	-0.39	2.7913	2.7783	-3.08
NZDMYR	2.6781	-0.25	2.6898	2.6762	-2.71
CHFMYR	4.1816	-0.58	4.2099	4.1772	-1.09
CNYMYR	0.5892	-0.09	0.5910	0.5886	0.21
HKDMYR	0.5230	-0.19	0.5252	0.5228	-0.49
USDSGD	1.3488	-0.08	1.3511	1.3485	0.22
EURSGD	1.4961	0.00	1.4972	1.4935	-0.83
GBPSGD	1.7726	0.63	1.7739	1.7596	-0.67
AUDSGD	0.9231	-0.10	0.9247	0.9219	-2.26

Source: Bloomberg

MYR

- **MYR closed 0.15% stronger versus the USD at 4.0655 on Wednesday** as market shrugged off BNM's surprise OPR cut.
- With the dollar weakening overnight, **USDMYR might retreat back towards 4.0550- 4.07 range in the short term** before rebounding back to the 4.07-4.08 band. Chinese New Year celebration is also likely to keep MYR markets quiet. **MYR medium term outlook is still bearish**, expecting the USD to be well supported by solid data in 1Q20.

USD

- The greenback generally slipped across the board. **The dollar index was flat at 97.53.**
- **The dollar is likely to trade sideways today ahead of ECB's meeting** while markets continue to watch out for any development of the Coronavirus outbreak. The outcome of the WHO emergency meeting today could also be a market driver. Data focus will still be on initial jobless claims tonight and the PMI figures tomorrow. 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 only minimally higher by 0.1% against the USD at 1.1093.**
- **EURUSD is still likely to range-trade** below 1.1100 today amidst a lack of fresh impetus ahead of today'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 among top winners on Tuesday as it extended further gains against the USD by 0.70% to 1.3142** after the House of Lords approved Boris Johnson's Brexit bill; the PM said he was confident a deal could be achieved with the EU by year end
- **GBP is likely to trade stay above 1.3100** for now with the bulls retesting 1.3150 handle today; a breach would pave for further upside movement in the short term, but gains are likely limited ahead of tomorrow's PMI data. Market's expectation of a BOE rate cut has eased significantly now compared to the start of the week and these PMI readings are expected to provide clearer picture, whether the state of the economy really warrants a rate cut at the end of this month.

JPY

- **JPY closed little changed against the USD at 109.9.84** amidst general dollar weakness.
- **USDJPY daily outlook is bearish as the pair slipped below 109.80 this morning and is now seen pressured around 109.70 as the greenback turned weaker. Medium term JPY outlook is neutral** for now amidst more positive trade and growth outlook but bear in mind that JPY would benefit if the Coronavirus outbreak intensifies.

AUD

- **AUD finished barely changed against the USD at 0.6844.**
- AUD daily outlook is bullish as the pair jumped as much as 36 pips in an immediate response to the upbeat Australian job and is seen trading around 0.6870 as of writing. **Medium term outlook is still bearish** over a potential RBA rate cut in early February.

SGD

- **SGD closed 0.08% stronger against the USD at 1.3488** as the dollar turned weaker.
- **SGD daily outlook is neutral** and is likely staying below 1.3500 in the short term over the lack of fresh impetus. **Medium term outlook is bearish** on stronger US data and growth outlook.

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