

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks sold off on Friday taking cue from lower European markets as major economies began to feel the effect of Covid-19 outbreak, proven by weaker services PMI in the US, Eurozone, UK and Japan.** Confirmed cases were creeping up in South Korea and Japan, adding to market jittery that we have yet to see the worst of the outbreak. The Dow Jones lost 227pts or 0.8% while the S&P500 and NASDAQ dropped by more than 1% in one day, leading all benchmarks to close more than 1% lower last week, marking stocks' first weekly decline in three weeks. Asian markets broadly fell with the exception of the modest 0.3% DOD gain in the Shanghai Composite Index. Investors piled into the relative safety of havens assets – **gold price jumped 1.5% to seven-year high of \$1643.41/ounce, JPY turned stronger and reversed some losses while treasuries yields slumped by 3-5bps.** Crude oils fell on weaker demand outlook- Brent crude tumbled by 1.4% to settle at \$58.5/barrel. Stock futures point to a mixed start for Asian markets this morning while stocks in the US and Europe look set to fall again.
- Flash Markit PMI data show that the impact of Covid-19 outbreak is beginning to show up in services sectors** across the US, Eurozone, UK and Japan. Manufacturing readings turned out to be mixed- higher in the Eurozone and UK and lower in the US and Japan. Other than that, existing home sales slipped 1.3% MOM in Jan, Eurozone final HICP inflation readings were unchanged and New Zealand saw its slowest 4Q retail sales in nine years
- The US dollar consolidated and dipped on Friday,** reversing a weekly gain trend. DXY ended Thursday at 99.431. This came after broad weaknesses against other major currencies like the euro, pound and yen. We are bullish on the USD today, as the Covid-19 outbreak looks to have spread more widely to South Korea, Japan and other countries like Italy. This should trigger more risk aversion moves. The 1-month outlook is bullish, reaffirmed by solid US fundamentals. Markets had been complacent on China's Covid-19 outbreak, but focus is now turning to spreads and casualty counts in other countries.
- USDMYR extended its winning streak to add 0.23% at 4.1915** on Friday as risk aversion favoured the dollar and pushed down the ringgit and EMEAs alike. For the week, USDMYR rose 1.29%. **We remain bullish on USDMYR this week** as markets likely turned more risk-off over a series of negative Covid-19 headlines emerging during the weekend not to mention that the outbreak was cited as main reason weighing down major economies' services PMIs, in addition to political noises on the local front. Pair opened at 4.20 this morning and broke 4.21 in no time where immediate resistance was seen at 4.2200. Medium term USDMYR outlook is bullish on uncertainties surrounding the Covid-19 outbreak as well as firmer USD outlook thanks to the US' solid fundamentals compared to the weaker domestic growth outlook that is likely to prompt another rate cut by BNM.

Overnight Economic Data

Malaysia	↑
US	↓
Eurozone	↑
UK	→
Japan	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US Chicago Fed National Activity Index, Dallas Fed Manufacturing Index
- Singapore CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.0700	1.0770	1.0839	1.0950	1.1032	↘
GBPUSD	1.2769	1.2850	1.2953	1.3132	1.3200	↘
USDJPY	109.00	111.59	111.52	112.40	113.00	↗
AUDUSD	0.6550	0.6600	0.6606	0.6721	0.6800	↘
EURGBP	0.8106	0.8201	0.8368	0.8521	0.8640	→
USDSGD	1.3900	1.3942	1.4019	1.4083	1.4100	↗
USDMYR	4.1900	4.2000	4.2130	4.2200	4.2300	↗
EURMYR	4.5253	4.5427	4.5666	4.5760	4.5940	↗
JPYMYR	3.7485	3.7600	3.7759	3.7850	3.8000	↗
GBPMYR	5.3939	5.4182	5.4554	5.4690	5.4950	↗
SGDMYR	2.9896	3.0000	3.0083	3.0100	3.0150	↗
AUDMYR	2.7687	2.7783	2.7851	2.7900	2.7950	↗
NZDMYR	2.6440	2.6490	2.6646	2.6683	2.6716	↗

* 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	1,531.20	-0.25	-3.62	CRB Index	174.65	-0.05	-6.00
Dow Jones Ind.	28,992.41	-0.78	1.59	WTI oil (\$/bbl)	53.38	-0.74	-12.71
S&P 500	3,337.75	-1.05	3.31	Brent oil (\$/bbl)	58.50	-1.37	-13.02
FTSE 100	7,403.92	-0.44	-1.84	Gold (\$/oz)	1,643.41	1.47	9.98
Shanghai	3,039.67	0.31	-0.34	CPO (RM/tonne)	2,650.50	-1.63	-12.39
Hang Seng	27,308.81	-1.09	-3.13	Copper (\$/tonne)	5,765.00	0.65	-6.62
STI	3,181.03	-0.55	-1.30	Rubber (sen/kg)	465.00	0.43	2.76

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA CPI YoY	Jan	1.6%	1.0%	1.7%
MA Foreign Reserves	Feb-14	\$104.3	\$104.2b	--
US Markit Manufacturing PMI	Feb P	50.8	51.9	51.5
US Markit Services PMI	Feb P	49.4	53.4	53.4
US Existing Home Sales MoM	Jan	-1.3%	3.9% (revised)	-1.8%
EU Markit Manufacturing PMI	Feb P	49.1	47.9	47.4
EU Markit Services PMI	Feb P	52.8	52.5	52.3
EU CPI YoY	Jan	1.4%	1.4%	1.4%
EU CPI Core YoY	Jan F	1.1%	1.1%	1.1%
UK Markit Manufacturing SA	Feb P	51.9	50.0	49.7
UK Markit/CIPS Services PMI	Feb P	53.3	53.9	53.4
JP Jibun Bank PMI Mfg	Feb P	47.6	48.8	--
JP Jibun Bank PMI Services	Feb P	46.7	51.0	--
NZ Retail Sales Ex Inflation QOQ	4Q	0.7%	1.7% (revised)	0.8%

Source: Bloomberg

- Covid-19 weighed on US economy:** The flash readings of Markit PMI for both manufacturing and services sector came in respectively lower, attributed to the effect of the Covid-19 outbreak in China. The manufacturing PMI slipped to 50.8 in February (Jan: 51.9), indicating a slower rate of expansion of factory activity as weak demand condition and delays in deliveries had dented production growth. Notably, the services PMI slumped into the contraction area at 49.4 (Jan: 53.4), its first sub-50 reading in four years thanks to a renewed decline in new orders. Markit said that the deterioration was linked to the outbreak via weakening demand across sectors such as travel & tourism, and falling exports and supply chain disruption.
- US existing home sales slipped in Jan:** US existing home sales fell by 1.3% MOM to 5.46m unit in January (Feb: 5.53m). The modest decline came after a newly higher revised growth rate of 3.9% MOM for December.
- Firmer signs of stabilization in Eurozone economy; services vulnerable to Covid-19 outbreak:** The Eurozone economy is indeed showing signs of stabilization recently as the flash Markit manufacturing PMI ticked up to a 1-year high of 49.1 in February (Jan: 47.9) that suggests a smaller contraction in factory activity. The services PMI went up slightly to 52.8 (Jan: 52.5), indicating little change in condition. This does not mean that the Euro area was spared from the Covid-19 outbreak as the survey reported that new business inflow into the services sector was weaker, where disruption was reportedly seen in travel, tourism and some area of business.
- Benign Eurozone inflation:** The Eurozone's final January HICP inflation was unchanged at 1.4% YOY (Dec: +1.3%). The same goes to the core reading which was unrevised at a softer 1.1% YOY (Dec: +1.3%), offering no surprise that price pressure remained subdued in the Eurozone system.
- UK factories ramped up output; services weighed by Covid-19:** The flash Markit/CIPS manufacturing PMI rose to a 10-month high of 51.9 in February (Jan: 50.0), marking the sector's first expansion in ten months as UK manufacturers ramped up output amid receding political uncertainty after the UK formally withdrew from the EU in late January. Meanwhile, the services PMI registered a slightly lower reading of 53.3 (Jan: 53.9), reflecting the effect of orders cancellation from overseas' clients in Asia particularly those based in China as the Covid-19 outbreak intensified.
- Japan's sub-50 PMIs raised the prospect of technical recession:** The flash Jibun Bank manufacturing and services PMIs for February came in respectively at 47.6 (Jan: 48.8) and 46.7 (Jan: 51.0), a firm signs of contractions in both sectors. Markit said that the latest PMIs "dash any hopes of a first quarter recovery in Japan and significantly raise the prospect of a technical recession", reflecting that the economy is yet to recover from the fallout resulting from October's sales tax hike and typhoon.
- New Zealand saw its slowest 4Q retail sales in nine years:** New Zealand retail sales data fell short of expectations according to a release by Stat NZ this morning. Growth in retail sales ex inflation moderated to 0.7% QOQ in 4Q19 (3Q: +1.7% revised) after a strong third quarter. Analysts had been expected sales to tick up 0.8% QOQ. The much softer performance reflect weaker sales at department stores and supermarket and groceries that offset the rebound in sales of fuel. Core retail sales also recorded a smaller gain of 0.5% QOQ (3Q: +1.9%). Consumers in New Zealand appeared cautious- retail sales was unusually slow last quarter, in fact the latest print was the weakest 4Q reading in nine years as historically consumers tend to ramp up festivity spending at year end.

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- **Malaysia CPI quickened to 20-month high in January:** Consumer Price Index (CPI) jumped to 20-month high of 1.6% YOY in January (Dec: +1.0% YOY), slightly above our expectation (+1.5% YOY) but below market consensus estimate of 1.7% YOY. This was mainly driven by a sharp rebound in transport costs, which was more than enough to offset the slower increase in food prices. Core CPI quickened as well but at a slower pace (+1.7% vs +1.4% YOY), while services CPI tapered off to 1.8% YOY. Prices of most products and services saw steady gains, implying underlying inflationary pressure in the system remained benign. Moving into 2020, CPI is expected to trend higher from 2019's decade low of 0.7%, lifted by an anticipated rebound in transport costs. The petrol subsidy scheme was initially slated to take effect in January 2020 but has since been postponed. This could push back our CPI forecast from 1.4% to 1.2% for 2020, assuming a half-year delay. Still benign inflation, hence a positive real interest rate of ~100bps, is expected to support the case for further policy easing by BNM going forward to ensure sustainable growth. We are expecting another 25bps reduction in the OPR in 1H2020. Any further adjustment would depend on evolving risks and extent of economic fall-out stemming from Covid-19 outbreak, as well as the effectiveness and extensiveness of the stimulus package to be unveiled on 27-February.
 - **Malaysia foreign reserve rose in mid-Feb:** The international reserves of Bank Negara Malaysia amounted to \$104.3 billion as at 14 February 2020 (previous: \$104.2b). 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	Actual	Prior	Revised
24/02	21:30	US	Chicago Fed Nat Activity Index	Jan	-0.16	--	-0.35	--
	23:30		Dallas Fed Manf. Activity	Feb	0.0	--	-0.2	--
25/02	22:00		FHFA House Price Index MoM	Dec	0.4%	--	0.2%	--
	22:00		S&P CoreLogic CS 20-City YoY NSA	Dec	--	--	2.55%	--
	23:00		Conf. Board Consumer Confidence	Feb	131.1	--	131.6	--
	23:00		Richmond Fed Manufact. Index	Feb	10.0	--	20.0	--
26/02	20:00		MBA Mortgage Applications	Feb-21	--	--	-6.4%	--
	23:00		New Home Sales MoM	Jan	3.0%	--	-0.4%	--
27/02	21:30		GDP Annualized QoQ	4Q S	2.1%	--	2.1%	--
	21:30		Durable Goods Orders	Jan P	-1.5%	--	2.4%	--
	21:30		Cap Goods Orders Nondef Ex Air	Jan P	0.1%	--	-0.8%	--
	21:30		Initial Jobless Claims	Feb-22	211k	--	210k	--
	23:00		Pending Home Sales MoM	Jan	2.0%	--	-4.9%	--
28/02	00:00		Kansas City Fed Manf. Activity	Feb	-2	--	-1	--
					-			
	21:30		Advance Goods Trade Balance	Jan	\$68.1b	--	-\$68.3b	--
	21:30		Wholesale Inventories MoM	Jan P	0.1%	--	-0.2%	--
	21:30		Personal Income	Jan	0.4%	--	0.2%	--
	21:30		Personal Spending	Jan	0.3%	--	0.3%	--
	21:30		PCE Core Deflator YoY	Jan	1.8%	--	1.6%	--
	22:45		MNI Chicago PMI	Feb	46.0	--	42.9	--
	23:00		U. of Mich. Sentiment	Feb F	100.7	--	100.9	--
27/02	18:00	Eurozone	Economic Confidence	Feb	102.7	--	102.8	--
	18:00		Consumer Confidence	Feb F	--	--	-6.6	--
28/02	08:01	UK	GfK Consumer Confidence	Feb	-8.0	--	-9.0	--
	NA		Nationwide House Px NSA YoY	Feb	2.3%	--	1.9%	--
25/02	13:00	Japan	Leading Index CI	Dec F	--	--	91.6	--
	13:00		Coincident Index	Dec F	--	--	94.7	--
28/02	07:30		Jobless Rate	Jan	2.2%	--	2.2%	--
	07:30		Job-To-Applicant Ratio	Jan	1.57	--	1.57	--
	07:50		Retail Sales YoY	Jan	-1.0%	--	-2.6%	--
	07:50		Industrial Production YoY	Jan P	-3.1%	--	-3.1%	--
25/02	16:30	Hong Kong	Trade Balance HKD	Jan	-12.5b	--	-32.5b	--
	16:30		Exports YoY	Jan	-4.4%	--	3.3%	--
26/02	16:30		GDP YoY	4Q F	-2.9%	--	-2.9%	--
29/02	09:00	China	Manufacturing PMI	Feb	47.4	--	50.0	--
	09:00		Non-manufacturing PMI	Feb	50.0	--	54.1	--
24/02	13:00	Singapore	CPI YoY	Jan	0.9%	--	0.8%	--
26/02	13:00		Industrial Production YoY	Jan	-6.5%	--	-0.7%	--
24/02	05:45	New Zealand	Retail Sales Ex Inflation QoQ	4Q	0.8%	0.7%	1.6%	1.7%
27/02	05:45		Trade Balance NZD	Jan	-533m	--	547m	--
	05:45		Exports NZD	Jan	4.44b	--	5.54b	--
	08:00		ANZ Business Confidence	Feb	--	--	-13.2	--
28/02	05:00		ANZ Consumer Confidence Index	Feb	--	--	122.7	--
27-29/02	NA	Vietnam	CPI YoY	Feb	5.6%	--	6.43%	--
			Exports YoY	Feb	--	--	-14.3%	--
			Trade Balance	Feb	--	--	-\$100m	--
			Retail Sales YTD YoY	Feb	--	--	10.2%	--
			Industrial Production YoY	Feb	--	--	-5.5%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0847	0.57	1.0864	1.0785	-3.32
GBPUSD	1.2964	0.64	1.2981	1.2878	-2.31
USDJPY	111.61	-0.44	112.19	111.47	2.57
AUDUSD	0.6627	0.18	0.6639	0.6586	-6.00
EURGBP	0.8371	0.00	0.8385	0.8343	-1.05
USDSGD	1.3978	-0.23	1.4026	1.3967	4.09
USDMYR	4.1915	0.23	4.1970	4.1860	2.46
EURMYR	4.5308	0.31	4.5401	4.5113	-1.24
JPYMYR	3.7555	0.36	3.7631	3.7335	-0.34
GBPMYR	5.4159	0.41	5.4182	5.3862	0.72
SGDMYR	2.9952	0.28	2.9976	2.9839	-1.31
AUDMYR	2.7687	-0.17	2.7758	2.7636	-3.45
NZDMYR	2.6501	-0.06	2.6587	2.6445	-3.72
CHFMYR	4.2744	0.49	4.2751	4.2502	1.10
CNYMYR	0.5961	0.04	0.5969	0.5956	1.38
HKDMYR	0.5386	0.20	0.5390	0.5374	2.47

Source: Bloomberg

Forex

MYR

- **USDMYR extended its winning streak to add 0.23% at 4.1915** on Friday as risk aversion favoured the dollar and pushed down the ringgit and EMEAs alike. For the week, USDMYR rose 1.29%.
- **We remain bullish on USDMYR this week** as markets likely turned more risk-off over a series of negative Covid-19 headlines emerging during the weekend not to mention that the outbreak was cited as main reason weighing down major economies' services PMIs, in addition to political noises on the local front. Pair opened at 4.20 this morning and broke 4.21 in no time where immediate resistance was seen at 4.2200. Medium term USDMYR outlook is bullish on uncertainties surrounding the Covid-19 outbreak as well as firmer USD outlook thanks to the US' solid fundamentals compared to the weaker domestic growth outlook that is likely to prompt another rate cut by BNM.

USD

- **The US dollar consolidated and dipped on Friday**, reversing a weekly gain trend. DXY ended Thursday at 99.431. This came after broad weaknesses against other major currencies like the euro, pound and yen.
- We are bullish on the USD today, as the Covid-19 outbreak looks to have spread more widely to South Korea, Japan and other countries like Italy. This should trigger more risk aversion moves. The 1-month outlook is bullish, reaffirmed by solid US fundamentals. Markets had been complacent on China's Covid-19 outbreak, but focus is now turning to spreads and casualty counts in other countries.

EUR

- **EUR was up 0.57% against the USD** to 1.0847 on Friday.
- **We are bearish on EUR/USD today** from Covid-19 related risk aversion. Technical support of 1.0770 in focus. 1-month outlook is still bearish as the Eurozone economy continues to underperform and set expectations for ECB easing.

GBP

- **GBP strengthened 0.64% against the USD** to 1.2964 on Friday.
- **We are bearish on GBP/USD today** after the rebound. We are bearish on a 1-month basis as markets continue to grapple with Brexit negotiations.

JPY

- **JPY strengthened 0.44% against the USD**, dipping to 111.61 at close.
- **We remain bullish on USD/JPY today** due to potential bad news on Covid-19 outbreak in Japan. We are bearish on a 1-month basis as potential risk aversion may improve yen positioning. Japan's economic data is already at a low, and any upside surprise could support the JPY.

AUD

- **AUD finished 0.18% up against the USD** closing at 0.6627.
- **We are bearish on AUD/USD today**, on potential risk aversion. We are bearish on a 1-month basis as the AUD remains weighed down by the impact of the domestic bushfires and on RBA expectations.

SGD

- **SGD rebounded** after several days of losses, **with 0.23% gain against the USD on Friday**
- **We are neutral-to-bullish on USD/SGD today** on consolidation. We are bullish on a 1-month basis, expecting some USD strength and as markets continue to price in the impact of the coronavirus and MAS easing.

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