February 25, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global stocks tumbled on Monday, ending in the deep reds as the intensifying fear of a potential global pandemic led investors to dump riskier assets for safe havens.** Covid-19 cases outside of China jumped dramatically within matter of days, catching authorities off guard; countries like South Korea and Italy now scrambled to contain the virus but many deemed the measures to be a little too late. **The Dow Jones collapsed by more than 1000 pts or 3.6%, its largest single-day drop in two years, effectively wiping out its 2020 gain** while the S&P 500 and NASDAQ each lost 3.4% and 3.7%. European stocks sold off sharply where main European benchmarks dropped around 3-4% and Asian markets generally suffered the same fate. **Investors bid up safer assets, leading gold to add nearly 1% to fresh multi-year high of $1659.38/ounce. Similarly, bond yields plunged world wide;** US treasuries yields slumped by 8-11bps in a single day - benchmark 10Y UST yield lost 10bps to 1.37% after briefly hitting Jun-16's all-time low of 1.32%. Crude oils extended further losses over poor demand outlook – Brent crude dropped 3.8% to $56.30/barrel.

- **Little data at the start of the week.** In the US, the Chicago Fed National Activity Index rose to -0.25 in Jan to indicate improvement in economic activities. The Dallas Fed Manufacturing Index rebounded from last month's negative print to 1.2 in Feb. Singapore headline CPI inflation was stable at 0.8% YOY in Jan but core inflation eased to 0.3% YOY from Dec's +0.6%, adding to reasons for the MAS to ease policy this April.

- **The US dollar weakened a second consecutive day** on Monday, with DXY down to 99.359 at close. Risk aversion in markets is starting to dampen USD momentum on the upside. This came as the USD weakened against the JPY and EUR, even as it further strengthened against GBP and AUD. **We are neutral-to-bullish on the USD today.** Market risk aversion is now starting to impact on US markets, which had been more insulated compared to other Asian and European markets. We could well see some consolidation as markets assess the situation. The 1-month outlook is bullish, reaffirmed by solid US fundamentals. Focus is now turning to Covid-19 virus spreads and casualty counts in other countries. Another concern is how the Covid-19 will dramatically weaken Q1 global GDP growth.

- **USDMYR closed 0.83% higher at 4.2265, its largest single-day gain in more than three years** as political uncertainty alongside heightening fear of a global pandemic triggered a sell-off in the ringgit and local stocks market. **We are still bullish on USDMYR** partly on persistent dollar strength as virus fear weighs heavily on general sentiment and is keeping global market risk-off. The MYR market meanwhile is on standby for any political development following the PM's resignation and the subsequent revoking of the Cabinet. Pair to target Sep's high of 4.2297 before breaking 4.2300 but is likely hovering around recent ranges of 4.2150-4.2270, awaiting key announcements. Medium term USDMYR outlook is bullish on uncertainties surrounding the Covid-19 outbreak as well as firmer USD outlook.

Overnight Economic Data

US	↑
Singapore	→

What's Coming Up Next

Major Data

- US FHFA House Price Index, S&P CoreLogic CS 20-City House Price Index, Conference Board Consumer Confidence, Richmond Fed Manufacturing Index
- Japan Leading Index
- Hong Kong Exports

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.0700	1.0770	1.0852	1.0950	1.1032	↘
GBPUSD	1.2769	1.2850	1.2924	1.3132	1.3200	↘
USDJPY	109.62	110.00	110.89	112.40	113.00	→
AUDUSD	0.6500	0.6550	0.6611	0.6721	0.6800	↘
EURGBP	0.8106	0.8201	0.8398	0.8521	0.8640	→
USDSGD	1.3900	1.3942	1.3981	1.4083	1.4100	↗
USDMYR	4.1900	4.2000	4.2200	4.2297	4.2300	↗
EURMYR	4.5253	4.5427	4.5793	4.5900	4.5950	↗
JPYMYR	3.7698	3.7850	3.8048	3.8130	3.8200	↗
GBPMYR	5.4169	5.4368	5.4511	5.4740	5.4950	→
SGDMYR	3.0080	3.0150	3.0183	3.0215	3.0240	↗
AUDMYR	2.7790	2.7876	2.7906	2.7988	2.8030	→
NZDMYR	2.6500	2.6677	2.6767	2.6811	2.6900	↗

* 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	1,490.06	-2.69	-6.21	CRB Index	170.57	-2.34	-8.19
Dow Jones Ind.	27,960.80	-3.56	-2.02	WTI oil ($/bbl)	51.43	-3.65	-15.94
S&P 500	3,225.89	-3.35	-0.15	Brent oil ($/bbl)	56.30	-3.76	-14.70
FTSE 100	7,156.83	-3.34	-5.11	Gold (S/oz)	1,659.38	0.97	9.11
Shanghai	3,031.23	-0.28	-0.62	CPO (RM/tonne)	2,669.50	0.72	-11.77
Hang Seng	26,820.88	-1.79	-4.86	Copper ($/tonne)	5,765.00	0.65	-6.62
STI	3,142.20	-1.22	-2.50	Rubber (sen/kg)	462.00	-0.65	2.10

Source: Bloomberg

Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US Chicago Fed Nat Activity Index	Jan	-0.25	-0.51 (revised)	-0.16
US Dallas Fed Manf. Activity	Feb	1.2	-0.2	0.0
SG CPI YoY	Jan	0.8%	0.8%	0.9%

Source: Bloomberg

- ***Chicago Fed Index points to January growth***: The Chicago Fed National Activity Index rose to -0.25 in January (Dec: -0.51) to indicate an uptick in US economic growth at the start of 2020. The improved reading reflects smaller decline in US industrial production, higher ISM new orders, larger nonfarm payroll gains, higher housing permits and personal consumption,

- ***Recovery in Texas' manufacturing sector:*** The Dallas Fed Texas Manufacturing Outlook Survey reported that its General Business Activity Index rebounded to 1.2 in February (Jan: -0.2) from the negative reading in January, beating analysts' forecast of a flat reading. Notably, the production gauge rose six pts to 16.4 to indicate strong output this month.

- ***Singapore core inflation eased in Jan:*** Singapore's headline inflation was stable at 0.8% YOY in January (Dec: +0.8%) compared to December. Accommodation (+0.3% YOY vs -0.1%) and private transport (+4.6% vs +3.3%) inflation went higher than previous month's prints. This was also partly due to rebasing to 2019 weights. Core inflation eased to 0.3% YOY (Dec: +0.6%), below the lowest economist forecast in Bloomberg. This was dragged by services (education subsidies), telecommunications, and healthcare (Merdeka Generation Package). Low inflation numbers are supportive for MAS to focus on growth and ease monetary policy in April. MAS has maintained 2020 headline and core inflation forecasts. Both are at 0.5-1.5%.

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	-0.25	-0.35	-0.51
	23:30		Dallas Fed Manf. Activity	Feb	0.0	1.2	-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**	**2.8%**	**--**	**2.55%**	**--**
	23:00		**Conf. Board Consumer Confidence**	**Feb**	**132.1**	**--**	**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	3.2%	--	-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	212k	--	210k	--
	23:00		Pending Home Sales MoM	Jan	3.0%	--	-4.9%	--
28/02	00:00		Kansas City Fed Manf. Activity	Feb	-1.0	--	-1.0	--
	21:30		Advance Goods Trade Balance	Jan	-$68.5b	--	-$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	102.8	--	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**	**Exports YoY**	**Jan**	**-3.7%**	**--**	**3.3%**	**--**
26/02	16:30		GDP YoY	4Q F	-2.9%	--	-2.9%	--
29/02	09:00	China	Manufacturing PMI	Feb	45.0	--	50.0	--
	09:00		Non-manufacturing PMI	Feb	52.0	--	54.1	--
24/02	13:00	Singapore	CPI YoY	Jan	0.9%	0.8%	0.8%	--
26/02	13:00		Industrial Production YoY	Jan	-5.3%	--	-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	4.47b	--	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	6.15%	--	6.43%	--
			Exports YoY	Feb	-10.0%	--	-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	1.0854	0.06	1.0872	1.0805	-3.21
GBPUSD	1.2924	-0.31	1.2970	1.2887	-2.50
USDJPY	110.72	-0.80	111.68	110.33	1.99
AUDUSD	0.6605	-0.33	0.6630	0.6585	-5.91
EURGBP	0.8396	0.30	0.8407	0.8343	-0.74
USDSGD	1.3998	0.14	1.4043	1.3984	3.98
USDMYR	4.2265	0.84	4.2270	4.2000	3.31
EURMYR	4.5712	0.89	4.5805	4.5427	-0.36
JPYMYR	3.7939	1.02	3.7958	3.7570	0.68
GBPMYR	5.4618	0.85	5.4740	5.4284	1.57
SGDMYR	3.0146	0.65	3.0159	2.9898	-0.87
AUDMYR	2.7876	0.68	2.7916	2.7687	-2.79
NZDMYR	2.6697	0.74	2.6706	2.6494	-3.01
CHFMYR	4.3121	0.88	4.3127	4.2812	2.00
CNYMYR	0.6012	0.85	0.6012	0.5990	2.25
HKDMYR	0.5422	0.67	0.5423	0.5379	3.16

Source: Bloomberg

➢Forex

MYR

- **USDMYR closed 0.83% higher at 4.2265, its largest single-day gain in more than three years** as political uncertainty alongside heightening fear of a global pandemic triggered a sell-off in the ringgit and local stocks market.
- **We are still bullish on USDMYR** partly on persistent dollar strength as virus fear weighs heavily on general sentiment and is keeping global market risk-off. The MYR market meanwhile is on standby for any political development following the PM's resignation and the subsequent revoking of the Cabinet. Pair to target Sep's high of 4.2297 before breaking 4.2300 but is likely hovering around recent ranges of 4.2150-4.2270, awaiting key announcements. 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 weakened a second consecutive day** on Monday, with DXY down to 99.359 at close. It hit a low of 99.133 before slightly recovering. Risk aversion in markets is starting to dampen USD momentum on the upside. This came as the USD weakened against the JPY and EUR, even as it further strengthened against GBP and AUD.
- **We are neutral-to-bullish on the USD today.** Market risk aversion is now starting to impact on US markets, which had been more insulated compared to other Asian and European markets. We could well see some consolidation as markets assess the situation. The 1-month outlook is bullish, reaffirmed by solid US fundamentals. Focus is now turning to Covid-19 virus spreads and casualty counts in other countries. Another concern is how the Covid-19 will dramatically weaken Q1 global GDP growth.

EUR

- **EUR registered a slight 0.06% gain** against the USD overnight.
- **We are bearish on EUR/USD today** from further 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 weakened 0.31%** against the USD to 1.2924.
- **We are bearish on GBP/USD today** from risk aversion. We are bearish on a 1-month basis as markets continue to grapple with Brexit negotiations.

JPY

- **JPY strengthened 0.80%** against the USD at 110.72, now eyeing 110 level.
- **We are neutral on USD/JPY today** due to potential bad news on Covid-19 outbreak and weak Japan fundamentals balancing out. 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 weakened 0.33% against the USD.** It dipped below 0.66 intraday and last closed slightly above 0.66.
- **We are bearish on AUD/USD today**, due to Covid-19 related market fears. 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 was down 0.14% against the USD** on Monday.
- **We are neutral-to-bullish on USD/SGD today** on some risk aversion. 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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