

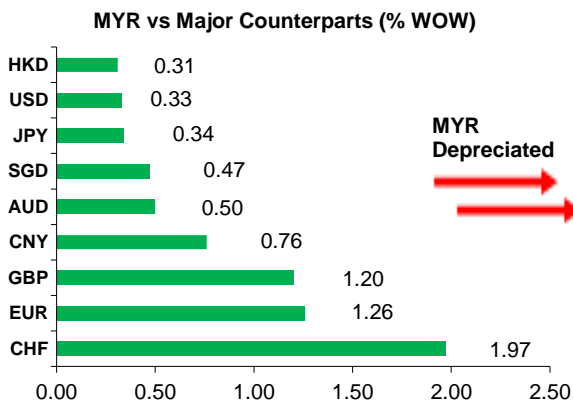
Global Markets Research

Weekly Market Highlights

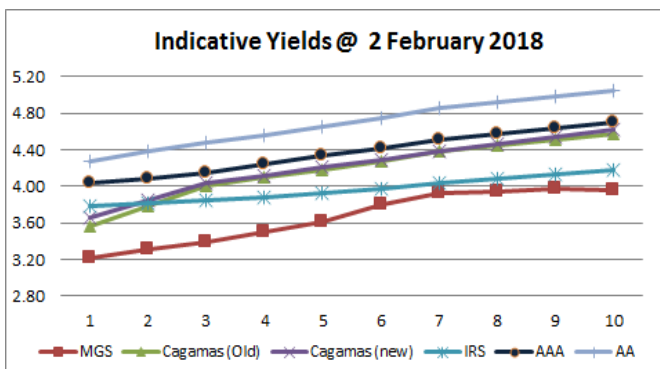
Weekly Performance

	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↓	↓	↑
EU	↔	↑	↓	↑
UK	↔	↑	↓	↑
Japan	↔	↑	↓	↑
Malaysia	↑	↓	↑	↑
China	↔	↑	↑	↑
Hong Kong	↓	↓	↓	↑
Singapore	↔	↑	↓	↑

Weekly MYR Performance



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- The Fed kept rates unchanged this week but its slightly hawkish policy tone not only heightened expectations that the Fed is on track to hike again in March, the first FOMC meeting to be chaired by Jerome Powell, but also spurred speculations that the Fed could be paving the way for more than three rate hikes projected in its dot plot earlier. US data spanning from jobs to manufacturing continued to reaffirm healthy recovery in the US economy even though advance estimate of 4Q GDP disappointed.
- On the contrary, UK grew at a slightly faster pace of 0.5% QOQ in 4Q but growth was indeed a tad lower at 1.5% YOY as Brexit uncertainties continued to dampen performance of the services industries. Latest indicators also showed the manufacturing sector continued to expand at a healthy pace globally going into 2018, with the majors generally see softer expansion while its Asian counterparts witness better traction.
- US nonfarm payroll and other job prints tonight will be scrutinized for added signs the Fed policy normalization is on track. The US calendar will be a tad lighter next week, with focus on PMI services, trade balance and the usual initial jobless claims. On the policy front, BOE, RBA and RBNZ will meet next week and no change is expected from any of these central banks. In the Asian region, China Caixin PMI services, exports, CPI, PPI and FDI are all key indicators that will offer the first glimpse of economic health of the China economy for 2018.

Forex

- MYR weakened 0.33% WOW to 3.8985 and also fell against all G10s in this holiday-shortened week, dampened by renewed USD strength in the earlier part of the week ahead of FOMC meeting outcome. MYR still appears slightly bearish in the week ahead, largely driven by USD movement, especially if tonight's US job data surprises on the upside. Technical outlook remains negative for USDMYR, pointing to further losses though we do note softening negative momentum. There is room for USDMYR to climb to 3.9152 in the week ahead, above which 3.9523 could be eyed, provided the pair does not close below 3.8850.
- USD was sold off against all G10s while the Dollar Index slumped 0.81% WOW to 88.67, its lowest in over three years as positive boost from a more hawkish Fed reaffirming prospects of a March rate hike was offset by Trump's speech to the State of Union. The USD failed to stage a return this week and we opine it still stands a chance next week, especially if US data spring some upside surprises. Downside momentum in the Dollar Index continues to dissipate, potentially pointing to milder losses ahead. Rebounds are still possible but likely capped by 90.00 – 90.50; only by beating this range will a more sustained upside bias emerge.

Fixed Income

- US Treasuries saw yields spike substantially by 5-13bps across the curve for the week under review; causing yields to breach new multi-year highs. The 2Y which is reflective of interest rate predictions rose 5bps settling at 2.16% levels whereas the widely-followed 10Y sovereign benchmark swung within a range of 2.66-2.79% levels before settling at the high of 2.79% compared to the previous week. The recent FOMC meeting ended with hawkish statement despite staying pat on rates. However the March 2018 odds of another rate hike edged higher to about between 90-93% this week with Fed officials maintaining three (3) hikes for 2018. The curve maintained its flattened shape with both the 2s10s and 5s30s spread of 61 and 45bps respectively. The budget deficit and not the Fed balance sheet run-off is seen to be the biggest driver of supply trends; with concerns that the Treasury may need to fund more than \$1 trillion a year beginning in 2018.
- Local govies closed weaker during the holiday-shortened week; taking cue from UST's. The curve bear-steepened with the shorter-end 3Y MGS literally unchanged at 3.35%. Overall interest in local govies was higher post-MPC meeting on OPR rate decision with weekly volume higher at RM10.9b versus RM9.5b the previous week. Interest was scattered across tenures with MGS bonds having a bigger share of the volume. The reopening of the 15Y MGS 4/33 was well-received with impressive BTC ratio of 2.474x averaging 4.446%. Both foreign/offshore interest and local players were seen nibbling especially on the short-end off the runs 18-20's with decent trades on the 5Y GII as well. The benchmark 7Y MGS 9/24 traded within narrow range of 4bps range settling at 3.929% whilst the 10Y MGS 11/27 was more volatile closing at 3.961% levels; with odd-lot trades causing kinks in the curve on certain days. The upcoming week may see investors turning cautious in view of US yields taking out new highs.

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Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Interest Rate	Currency
US	↔	↔	↑	↔
EU	↑	↔	↔	↔
UK	↓	↔	↔	↓
Japan	↔	↔	↔	↓
Australia	↔	↔	↔	↔
China	↔	↔	↔	↔
Malaysia	↔	↓	↑	↑
Thailand	↔	↔	↑	↑
Indonesia	↔	↔	↔	↑
Singapore	↔	↔	↔	↔

Review

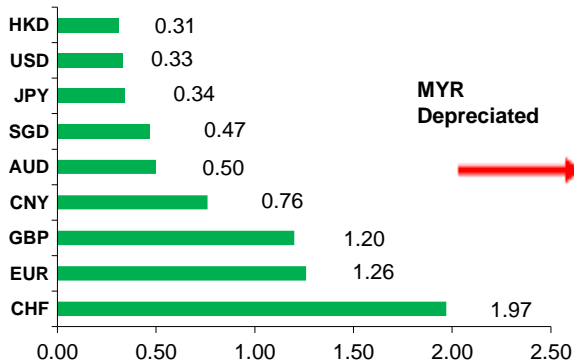
- The Fed kept rates unchanged yesterday but its slightly hawkish policy tone not only heightened expectations that the Fed is on track to hike again in March, the first FOMC meeting to be chaired by Jerome Powell, but also spurred speculations that the Fed could be paving the way for more than three rate hikes projected in its dot plot earlier. The Fed said it foresees inflation rising this year and further gradual rate hikes will be warranted as US data spanning from jobs to manufacturing continued to reaffirm healthy recovery in the US economy even though advance estimate of 4Q GDP disappointed. Growth softened more than expected to 2.6% QOQ in 4Q (3Q: +3.2%) despite a commendable pick-up in private consumption growth to 3.8% QOQ (3Q: +2.2%) as slower investment and imports offset such positive contributions from the consumer sector.
- Over in the UK, GDP grew at a slightly faster pace of 0.5% QOQ in 4Q (3Q: +0.4%) but growth was indeed a tad lower at 1.5% YOY (3Q: +1.6%) as Brexit uncertainties continued to dampen performance of the services industries even though the manufacturing and mining sectors continued to see steady traction.
- Latest indicators showed the manufacturing sector continued to expand at a healthy pace globally going into 2018, with the majors generally see softer expansion while its Asian counterparts witness better traction. In the US, both ISM and PMI readings also pointed to continued robust expansion in the US manufacturing activities, with the final print of PMI rising 0.4ppt to 55.5 while the official ISM reading moderated by a less than expected 0.2ppt to 59.1 in January. Manufacturing activities in the Eurozone tapered off from a record high of 60.6 to 59.6 in January while growth in the UK unexpectedly pulled back for a 2nd straight month to 55.3. On a less upbeat note, Caixin PMI manufacturing in China stabilized at 51.5 in January and contrasted with the official PMI index that showed a slight moderation to 51.3 in the same month.
- Data from Japan suggests a mixed spending pattern and a slight increase in jobless rate, which inched higher to 2.8% in Dec from 2.7% previously. Sales at departmental stores declined but was offset by firmer growth in sales at supermarkets, which lifted the headline retail trade growth figure to 3.6% YOY in Dec from 2.1% in Nov. However, household spending was slightly weaker as it dipped 0.1% YOY in Dec after gaining 1.7% in Nov, driven by slowdown in purchases of food, household goods, clothing / footwear as well as declines in transportation and housing.

The Week Ahead...

- US nonfarm payroll and other job prints tonight will be scrutinized for added signs the Fed policy normalization is on track. The US calendar will be a tad lighter next week, with focus on PMI services, trade balance and the usual intial jobless claims. Over the Atlantic, BOE policy meeting will top investor radar for forward guidance and policy rhetoric even though no change in the bank rate and asset purchases are expected. This would be accompanied by some other first tier data including PMI services, industrial production and trade balance. Meantime, PMI services, retail sales and Sentix investor confidence are due for release in the Eurozone.
- In the Asian region, China Caixin PMI services, exports, CPI, PPI and FDI are all key indicators that will offer the first glimpse of economic health of the China economy for 2018. In Japan, forward looking leading index and Eco Watcher outlook, as well as tertiary industry index and Nikkei PMI services are on the deck. Similarly, Singapore and Hong Kong will also see the release of Nikkei PMI for the month of January.
- Down in the Pacific rim, RBA and RBNZ policy meetings will be in focus and no change is expected. On top of that, RBA quarterly statement on monetary policy will also be scrutinized for the central bank's stance on policy direction. Other key data to watch include AiG services, trade balance, retail sales and NAB business confidence in Australia and job reports from New Zealand.

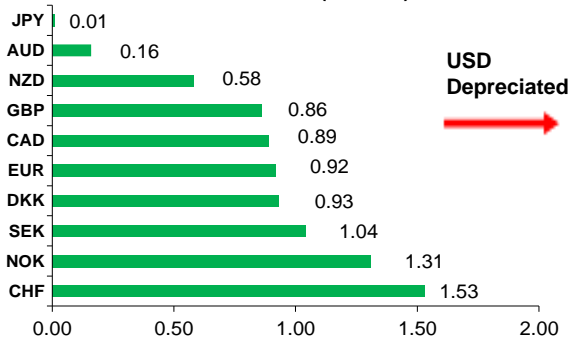
Forex

MYR vs Major Counterparts (% WOW)



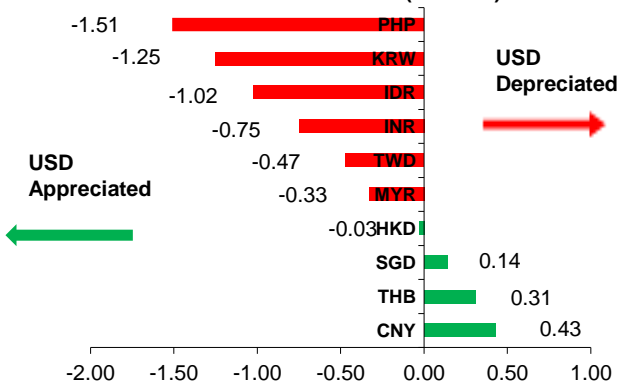
Source: Bloomberg

USD vs the G10s (% WOW)



Source: Bloomberg

USD vs Asian Currencies (% WOW)



Source: Bloomberg

Review and Outlook

- MYR:** MYR weakened 0.33% WOW to 3.8985 and also fell against all G10s in this holiday-shortened week, dampened by renewed USD strength in the earlier part of the week ahead of FOMC meeting outcome. MYR still appears slightly bearish in the week ahead, largely driven by USD movement, especially if tonight's US job data surprises on the upside. Technical outlook remains negative for USDMYR, pointing to further losses though we do note softening negative momentum. There is room for USDMYR to climb to 3.9152 in the week ahead, above which 3.9523 could be eyed, provided the pair does not close below 3.8850.

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- EUR:** EUR advanced steadily through the week and closed 0.92% WOW stronger against a weak USD at 1.2510 as upcoming releases continued to reaffirm prospects of a firm recovery in the Eurozone. The EUR however traded mixed against the G10s, notably the Nordics and NZD. Moving into next week, there are first tier Eurozone data and economic forecasts to digest but we believe the EUR will continue to take cue from USD movement. EURUSD is heading into a bearish reversal pattern thus we are doubtful if the pair could push much higher from current level. Gains may still prevail but on a softer tone, before likely reversing in the coming weeks.

- GBP:** GBP continued to strengthen albeit at a more moderate pace of 0.86% WOW to 1.4264 against a weaker USD but fell against 7 G10s. GBP remains bearish against USD in our view, anticipating the greenback's rebound as well as ebbing positive impact from recent Brexit optimism. BOE policy meeting next week is also not expected to infuse any positive catalyst into the sterling. Technically, upside momentum continues to wane in GBPUSD, suggesting milder gains going forward. We suspect a pullback may be on the horizon, but another close above 1.4263 could revive bullishness in the pair.

- JPY:** JPY eked out only a minor 0.01% WOW gain to 109.40 against USD but fell against all other G10s on the back of softening refuge demand. Expect a softer JPY against USD next week, in anticipation of returning risk appetite to the FX markets. That said, USDJPY remains pressured by 110 and failure to break this level could push the pair lower again towards 109.22. Negative momentum is dissipating suggesting the pair is on track to climb higher in the coming weeks.

- AUD:** AUD extended its climb for the 7th straight week, inching 0.16% WOW higher to 0.8039 against a soft USD but fell against 8 G10s amid subdued demand for risk currencies. AUD is tilted to the bearish side next week awaiting first tier China data and RBA policy meeting followed by RBA quarterly statement on monetary policy. There are added signs of a reversal in AUDUSD with momentum indicator turned negative for the first time since November. We maintain our view for a potential decline to 0.7959 next, below which a drop to 0.7883 will be exposed.

- SGD:** SGD advanced 0.14% WOW to 1.3082 against USD but fell against 9 G10s. SGD is bearish in our view in anticipation of potential rebound in USD. USDSGD has turned technically bullish, setting the stage for the pair to test 1.3142 next, above which 1.3175 will be challenged.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.2497	73.906	1.1917	1.2608	1.2167	1.1897	1.1683	Positive
GBPUSD	1.4259	74.04	1.3422	1.443	1.3778	1.344	1.3195	Positive
USDJPY	109.47	37.755	107.95	112.84	111.22	112.31	111.73	Negative
USDCNY	6.2821	18.137	6.2465	6.5541	6.4414	6.5596	6.6687	Negative
USDSGD	1.3106	34.171	1.3011	1.3368	1.3246	1.3455	1.3602	Negative
AUDUSD	0.801	59.136	0.7821	0.815	0.7924	0.7778	0.7746	Positive
NZDUSD	0.7377	68.716	0.717	0.7425	0.7229	0.7071	0.7141	Positive
USDMYR	3.8863	23.052	3.8567	4.0362	3.9853	4.122	4.2143	Negative
EURMYR	4.8568	57.989	4.7738	4.8651	4.8265	4.8994	4.8859	Neutral
GBPMYR	5.5414	60.869	5.3667	5.5533	5.46	5.5234	5.5364	Neutral
JPYMYR	3.5499	42.651	3.5312	3.5922	3.574	3.675	3.7764	Positive
CHFMYR	4.1934	67.679	4.0485	4.1726	4.1185	4.2162	4.3186	Positive
SGDMYR	2.9653	30.069	2.9579	3.0159	3.0021	3.0608	3.0908	Negative
AUDMYR	3.1131	41.376	3.1184	3.1636	3.1432	3.2105	3.2551	Neutral
NZDMYR	2.8671	50.286	2.8452	2.8953	2.8684	2.9167	3.0026	Neutral

➤ Trader's Comment:

The Fed acknowledged via the FOMC that domestic demand growth has been solid and tentative signs that inflation pressures are firming has made the Fed more confident that inflation is likely to return to their target in the medium term. As a result, the Fed signaled further gradual rate hikes will likely be required. As such, it is expected to raise rates in the March, June and December meets however that will be largely influenced by inflation and wage pressures remaining as suggested by the Fed.

The January FOMC and Trump's State of the Union address presented no surprises with the new Fed Chair to speak before Congress in mid-February coupled with higher yields led by US 30 years and upcoming NFP data is likely to give the USD a slight boost. However, Japanese companies and investors will soon begin their seasonal cash repatriation ahead of the fiscal year end. Coupled together with exporters, this could lend weight to USDJPY and fresh investment flows are unlikely to further lend further strength to USDJPY. Would suggest a shorter term cap at 110.50 to target 107.50 in the coming week for the pair. This, coupled with expectations that the Fed Fund Rate will not rise much beyond 2.50% in the current tightening cycle should give market participants a chance to fade the move should NFP give the USD a bounce later. Overall, given the choppy moves in financial markets the past week, the USD is likely to continue to trade with a weakish stance for the upcoming week with only evidence of a stronger US wage growth in January to turn around the current trend.

Locally, USDMYR traded to a low of 3.8680 level before bouncing to close around 3.8995 highs before settling around 3.8850 at time of writing. Continuous lower USDCNY fixings and weakish USD globally coupled with still slightly stronger commodities to lend the pair an offered tone. With the recent MPC meeting out of the way, we would look towards developments regionally and globally now to see if the MYR can continue to strengthen past the 3.80 zone which is the next target level for the pair so long as the USD continues to trade weakly globally.

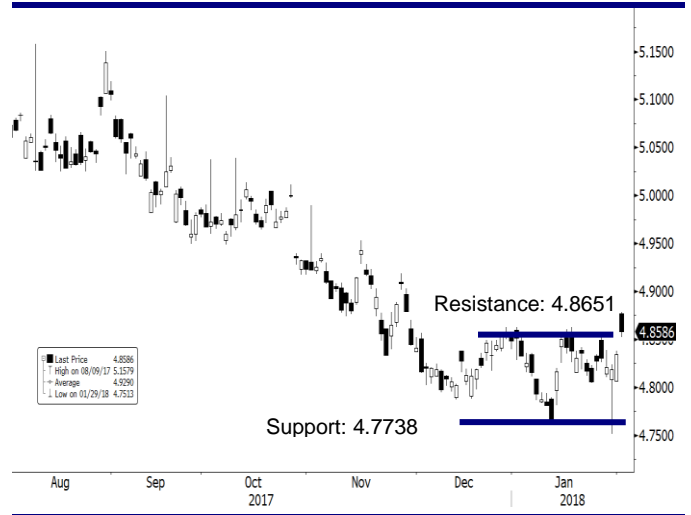
Technical Charts

USDMYR



Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



Source: Bloomberg

AUDMYR



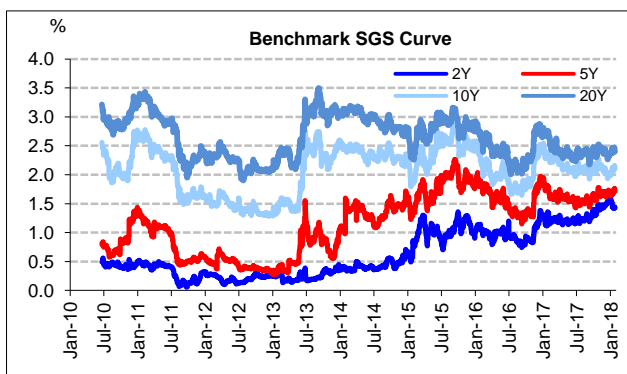
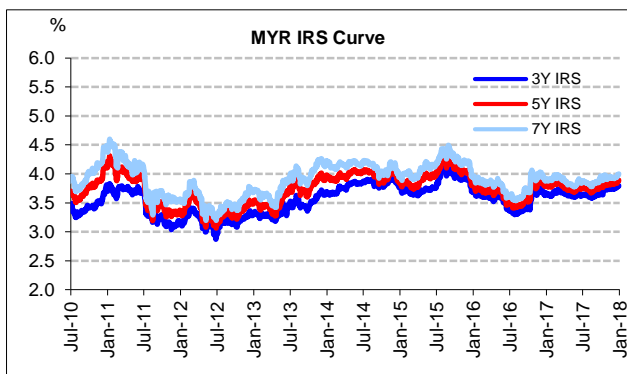
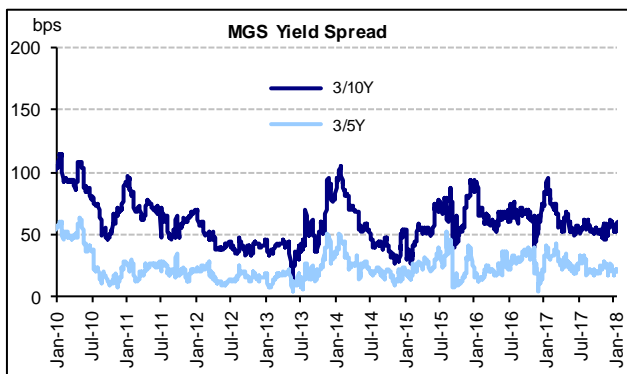
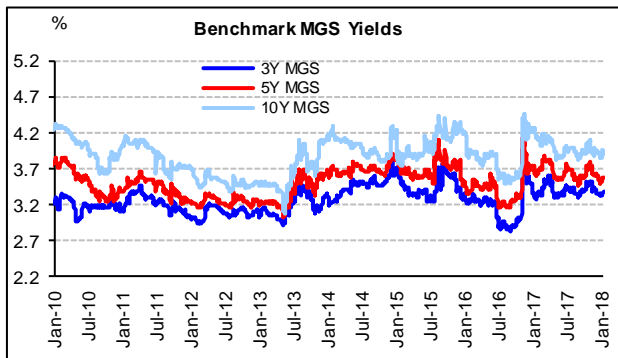
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

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- Local govies closed weaker during the holiday-shortened week; taking cue from UST's. The curve bear-steepened with the shorter-end 3Y MGS literally unchanged at 3.35%. Overall interest in local govies was higher post-MPC meeting on OPR rate decision with weekly volume higher at RM10.9b versus RM9.5b the previous week. Interest was scattered across tenures with MGS bonds having a bigger share of the volume. The reopening of the 15Y MGS 4/33 was well-received with impressive BTC ratio of 2.474x averaging 4.446%. Both foreign/offshore interest and local players were seen nibbling especially on the short-end off the-runs 18-20's with decent trades on the 5Y Gil as well. The benchmark 7Y MGS 9/24 traded within narrow range of 4bps range settling at 3.929% whilst the 10Y MGS 11/27 was more volatile closing at 3.961% levels; with odd-lot trades causing kinks in the curve on certain days. The upcoming week may see investors turning cautious in view of US yields taking out new highs.
- Corporate bonds/sukuk saw lower volume W-o-W from a RM1.7b to only RM900m due to the 2-day holiday break. Interest spanned across the yield curve with levels mostly higher on yields. Govt-Guaranteed GOVCO 22 bonds topped volume closing 3bps higher at 4.44% followed yet again by two popular secondary market names i.e. PASB 21 and the AAA-rated PLUS 33 which closed mixed -2to +4bps. Investors also showed interest in MALAKOFF 20. The AA-space continued to be sought after together with the AAA-rated PLUS bonds as investors rebalanced portfolios. Expect investors to be cautiously tapping the secondary market for selective names.
- SGS (govies) were sold-off as the yield curve somewhat bear steepened slightly. Yields jumped by 10-15bps across most tenures. The 2Y closed at 1.54% whilst the 5Y and 10Y moved were more volatile; moving within a range of about 16-22bps W-O-W; closing at 1.91% and 2.24% respectively based on last done levels. Singapore's manufacturing PMI; a leading economic barometer of the economy is to be released today with signs of pace of expansion moderating. Meanwhile 10Y IRS is seen advancing towards a 3-month high amid rising US yields. The currency's NEER which MAS uses as a monetary policy tool instead of rates has shifted to within 0.3% of a record high.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
PETRONAS Dagangan Berhad (PDB)	Islamic Commercial Papers (ICP) and Islamic Medium-Term Notes (IMTN) Programme of up to RM2.0 billion)	MARC-1-IS AAA-IS	Affirmed
MMC Corporation Berhad (MMC)	RM1.5 billion Sukuk Murabahah Programme	AA-IS	Affirmed
Sinar Kamiri Sdn Bhd (SKSB)	Green SRI Sukuk Wakalah of up to RM245.0 million	AA-IS	Assigned
Lafarge Cement Sdn Bhd (LCSB)	RM500 million Sukuk Wakalah Programme (2017/2024)	AA2 to A1	Downgraded
Jimah East Power Sdn Bhd (JEP)	RM8.98 billion Sukuk Murabahah	AA-IS	Affirmed

Source: RAM Ratings, MARC

ECONOMIC CALENDAR RELEASE DATE

Date	Country	Event	Reporting Period	Survey	Prior	Revised
02/06	Malaysia	Foreign Reserves	Jan 30	--	\$103.0b	--
02/07		Exports YOY	Dec	--	14.40%	--
02/09		Industrial Production YoY	Dec	--	5.00%	--
		Manufacturing Sales value YoY	Dec	--	10.90%	--
02/14		GDP YoY	4Q	--	6.20%	--
02/05	US	Markit PMI services	Jan F	--	53.3	--
		ISM services	Jan	56.5	55.9	56.0
02/06		Trade Balance	Dec	-\$52.1b	-\$50.5b	--
02/07		MBA Mortgage Applications	Feb 2	--	-2.60%	--
02/08		Initial Jobless Claims	Feb 3	--	230k	--
02/09		Wholesale Trade Sales MoM	Dec	--	1.50%	--
		Wholesale Inventories MoM	Dec F	0.20%	0.20%	--
02/13		NFIB Small Business Optimism	Jan	--	104.9	--
02/14		MBA Mortgage Applications	Feb-09	--	--	--
		CPI YOY	Jan	--	2.10%	--
		Retail Sales Advance MoM	Jan	0.30%	0.40%	--
02/15		Empire Manufacturing	Feb	17.7	17.7	--
		PPI Final Demand MoM	Jan	0.30%	-0.10%	--
		Initial Jobless Claims	Feb-10	--	--	--
		Philadelphia Fed Business Outlook	Feb	22.0	22.2	--
		Industrial Production MoM	Jan	0.30%	0.90%	--
		NAHB Housing Market Index	Feb	73	72	--
02/16		Import Price Index MoM	Jan	0.60%	0.10%	--
		Housing Starts MoM	Jan	1.50%	-8.20%	--
		Building Permits MoM	Jan	0.00%	-0.10%	-0.20%
		U. of Mich. Sentiment	Feb P	--	--	--
02/05	Eurozone	Markit Eurozone Service	Jan F	57.6	57.6	--
		Sentix Investor Confidence	Feb	34.5	32.9	--
		Retail Sales MoM	Dec	-1.00%	1.50%	--
02/06		Markit Eurozone Retail PMI	Jan	--	53.0	--
02/07		European Commission economic forecasts				
02/08		ECB economic bulletin				
02/14		Industrial Production SA Mom	Dec	--	1.00%	--
		GDP SA QoQ	4Q P	--	0.60%	--
02/15		Trade Balance SA	Dec	--	22.5b	--
02/05	UK	Markit/CIPS UK Services PMI	Jan	54.0	54.2	--
02/07		Halifax House Price YOY	Jan	--	2.70%	--
02/08		UK BOE Bank Rate	Feb 8	0.50%	0.50%	--
		UK BOE asset purchase target	Feb 8	435b	435b	--
		RICS house price balance	Jan	--	8%	--
02/09		Industrial Production MoM	Dec	-0.90%	0.40%	--
		Manufacturing Production MoM	Dec	0.30%	0.40%	--
		Visible Trade Balance	Dec	--	-£12231m	--
		NIESR GDP estimate	Jan	--	0.60%	--
02/13		CPI YOY	Jan	--	3.00%	--
		RPI YOY	Jan	--	4.10%	--
		PPI Output NSA YOY	Jan	--	3.30%	--
02/16		Retail Sales Inc Auto Fuel MoM	Jan	--	-1.50%	--
02/05	Japan	Nikkei Japan PMI Services	Jan	--	51.1	--
02/07		Leading Index	Dec P	108.1	108.3	--
		Coincident index	Dec P	120.5	117.9	--
02/08		Eco Watches Survey Current	Jan	53.6	53.9	--
		Eco Watches Survey Outlook	Jan	53.6	52.7	--
02/09		Tertiary Industry Index MoM	Dec	0.10%	1.10%	--
02/13		PPI YoY	Jan	--	3.10%	--

		Machine Tool Orders YoY	Jan P	--	48.30%	--
02/14		GDP SA QoQ	4Q P	0.20%	0.60%	--
02/15		Core Machine Orders YoY	Dec	--	4.10%	--
		Industrial Production MOM	Dec F	--	2.70%	--
02/05	China	Caixin China PMI Services	Jan	53.5	53.9	--
02/08		Exports YOY	Jan	14.50%	10.90%	--
02/08 – 18		Foreign Direct Investment YoY	Jan	--	-9.20%	--
02/09		PPI YoY	Jan	4.20%	4.90%	--
		CPI YoY	Jan	1.50%	1.80%	--
02/05	Hong Kong	Nikkei Hong Kong PMI	Jan	--	51.5	--
02/05	Singapore	Nikkei Singapore PMI	Jan	--	52.1	--
02/12		Retail Sales YoY	Dec	--	5.30%	--
02/15		Non-oil Domestic Exports YoY	Jan	--	3.10%	--
02/16 – 23		GDP YoY	4Q F	--	3.10%	--
02/05	Australia	CBA Australia PMI Services	Jan	--	55.1	--
		AiG Perf. of Services Index	Jan	--	52.0	--
02/06		Trade Balance	Dec	A\$200m	-A\$628m	--
		Retail Sales MoM	Dec	-0.20%	1.20%	--
		RBA cash target rate	Feb 6	1.50%	1.50%	--
02/07		AiG Perf of Construction Index	Jan	--	52.8	--
02/08		NAB Business Confidence	4Q	--	7	--
		Home Loans MoM	Dec	-1.00%	2.10%	--
02/09		RBA Quarterly Statement on Monetary Policy				
02/13		NAB Business Confidence	Jan	--	11	--
02/14		Westpac Consumer Conf SA MoM	Feb	--	1.80%	--
02/15		Employment Change	Jan	--	34.7k	--
		Unemployment Rate	Jan	--	5.50%	--
02/07	New Zealand	Unemployment rate	4Q	4.70%	4.60%	--
		Employment change QoQ	4Q	0.40%	2.20%	--
02/08		RBNZ official Cash rate	Feb 8	1.75%	1.75%	--
02/09		QV House Prices YoY	Jan	--	6.60%	--
02/12 – 16		REINZ House Sales YoY	Jan	--	-10.10%	--
02/16		BusinessNZ Manufacturing PMI	Jan	--	51.2	--
02/06 – 13	Vietnam	Domestic Vehicle Sales YoY	Jan	--	-14.90%	--

Source: Bloomberg

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