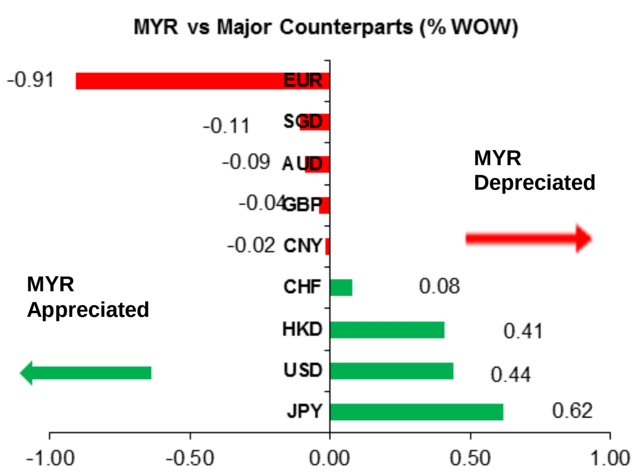
Global Markets Research

Weekly Market Highlights

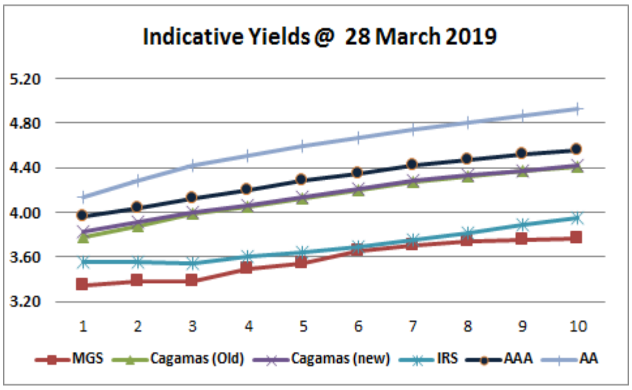
Weekly Performance

	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

- Global financial markets were engulfed in a bout of selloffs this week as lingering recessionary fear triggered by disappointing PMI readings last Friday manifested through the week, further aggravated by generally negative dataflow and inversion in the UST curve which is largely viewed as a precursor to recession. RBNZ paused at a record low of 1.75% but joined other major central banks in shifting to a more dovish stance, signalling it is more likely to cut interest rates in the midst of weaker global economic outlook and softer domestic spending. Meanwhile, Brexit development is taking a back seat. There is still no concrete deal despite all the talks and negotiations.
- Next week will see the release of the even much anticipated nonfarm payroll and other related job details after the sharply lower February job gains. It is widely expected that the headline March figure will bounce back to the more normal ranges of 150-200k hence easing slowdown concern. Other key US data on the deck include retail sales, ISM and Markit PMI manufacturing and services, durable goods orders, and other job related reports namely ADP employment and initial jobless claims. Also taking center stage will be more manufacturing and services indices across the globe spanning from the UK to China, Japan, Australia, and other Asian countries. Taking cue from the first glimpse of the readings in the US and EU, the stakes are high that next week's PMI showings will reinforce the case of a slowing world economy. On the monetary policy front, next up is RBA meeting that could offer hints of further shift towards dovishness. Back home, external trade report is on the cards and we still expect a small positive print helped by the low base effect in February last year.

Forex

- **MYR**: MYR weakened 0.44% WOW to 4.0780 against a stronger USD but ended mixed against the G10s. Amid seasonality factors, USD is still expected to make gains against MYR amid lack of repatriation and inflows. USDMYR is now tilted to the upside after failing to break the 4.0500 low but a slew of moving average resistances around the 4.0750 area would likely slow down the move. We likely target 4.0900 and then 4.1025 in the coming weeks unless flows come in to disrupt this move.
- **USD**: USD gained against 9 G10s with the Dollar Index touching a high of 97.304 before settling lower to 97.21 at time of writing. Technical picture is very bullish as we retrace the post-FOMC move. We have closed and open above the 76.4% retracement mark and now target back the 100% mark at 97.71 in the coming weeks if momentum can be sustained.

Fixed Income

- For the week under review, US Treasuries witnessed a massive rally with the curve shifting lower on save haven bids following implications from a dovish Fed and weak economic data especially 4Q GDP. Overall benchmark yields ended between 14-17bps sharply lower again compared to prior week's levels with the 2Y benchmark; reflective of interest rate predictions moving 17bps lower at 2.24% levels whereas the much-watched 10Y benchmark traded within a wider range i.e. 2.37-2.54% whilst rallying 14bps lower at 2.40%. The week also saw a deluge of UST debt sales including ~$113b of 2Y, 5Y and 7Y maturities. Market participants are however expecting a rate cut going forward on renewed global growth fears and delay in solving US-China trade matters.
- Local govvies continued to rally w-o-w again as global bond markets were well bid-up. Market participants are aware of the policy options at BNM's disposal which mainly portrays a potential OPR cut. Investors snapped up MYR bonds as the yield curve shifted lower with the 10Y outperforming the most. Overall benchmark yields closed 3-9bps lower with main interest in benchmark 3Y, 5Y and 10Y bonds and some off-the-run 19-20's. Overall volume spiked to RM27.5b (previous week:RM18.1b). GII bond trades jumped to form ~ 53% of overall trades. The 5Y MGS 4/23 moved 3bps lower at 3.53% whereas the much-watched 10Y benchmark MGS 8/29 traded within a tight band of 3.74-3.80% and ended 5bps lower at 3.75% levels. The auction calendar saw the new issuance of 7Y MGS 3/26 which notched a strong BTC ratio of 2.33x at an average yield of 3.726%. Meanwhile, BNM has trimmed this year's growth forecasts to 4.3-4.8% (2018:+4.7%).

Contents

Macroeconomics

6-month Macro Outlook

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

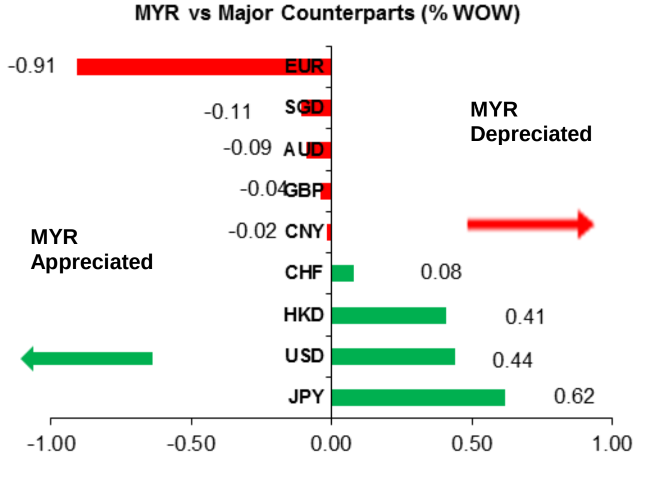
The Week in Review

- Global financial markets were engulfed in a bout of selloffs this week as lingering recessionary fear triggered by disappointing PMI readings last Friday manifested through the week, further aggravated by generally negative dataflow and inversion in the UST curve which is largely viewed as a precursor to recession. The preliminary Markit manufacturing and services PMIs for the US missed expectations while the Eurozone manufacturing PMI slipped further below the 50.0 neutral threshold for the second month, suggesting softer growth in 1Q19.
- RBNZ paused at a record low of 1.75% but joined other major central banks in shifting to a more dovish stance, signalling it is more likely to cut interest rates in the midst of weaker global economic outlook and softer domestic spending. Meanwhile, Brexit development is taking a back seat. There is still no concrete deal despite all the talks and negotiations.
- US final print for 4Q18 GDP confirmed a slowdown in the US economy, and latest data bag unveiled so far suggests the softening growth momentum is spilling over to 1Q19. Consumers are turning less upbeat on current and future condition, housing data except the weekly mortgage applications all disappointed and added to signs of increasing sluggishness in the US housing market. Separate reports and surveys also showed manufacturing activities are losing steam in various districts while the labour market remains the only bright spot, sustaining continuous recovery.
- Confidence remained downbeat in the Eurozone, as evident in softer confidence indicators for the economy, business climate, services and industrial sectors. Condition was however a tad different in the New Zealand where consumers turned more upbeat but businesses more pessimistic. There were also some bright spots in Japan as industrial production, retail sales and job data improved.
- Back home, in line with its earlier caution on downside risks to growth, BNM has trimmed this year's growth forecasts to 4.3-4.8% (2018: +4.7%). The midpoint forecast of 4.7% was below MOF's forecast of 4.9% back in November last year but in line with ours 4.7%. The private sector will remain the main growth pillar although it itself is expected to see more moderate expansion in the midst of growing challenges. BNM is also expecting a softer inflation outlook downgrading CPI forecast to 0.7-1.7% for 2019 (2018: +1.0%). Current account surplus is expected to narrow to RM28.0bn or 1.5-2.5% of GNI while there is no change to the fiscal deficit target of 3.4% of GDP for this year and 3.0% next. On monetary policy, BNM sounded not as dovish as the March policy statement, highlighting there are policy options including micro and macro prudential measures, implying an OPR cut may be the last resort in its policy priority of ensuring an accommodative monetary policy stance to support growth. The central bank further commented that there is room for policy maneuver and future policy path will be data dependent. We are maintaining our view that a potential OPR cut remains on the table amid looming downside risks to growth.

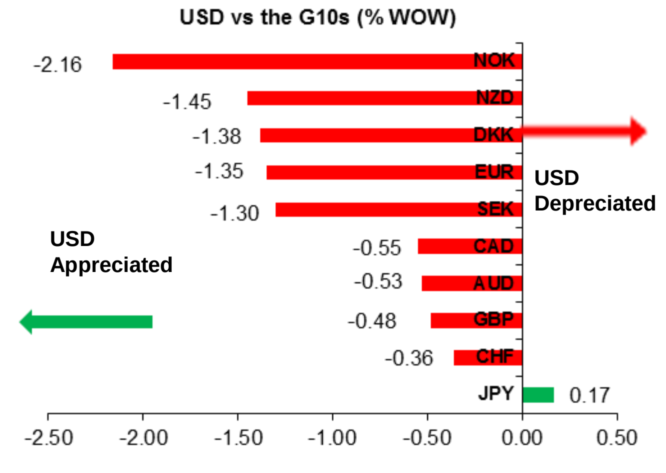
The Week Ahead

- Next week will see the release of the even much anticipated nonfarm payroll and other related job details after the sharply lower February job gains. It is widely expected that the headline March figure will bounce back to the more normal ranges of 150-200k hence easing slowdown concern. Other key US data on the deck include retail sales, ISM and Markit PMI manufacturing and services, durable goods orders, and other job related reports namely ADP employment and initial jobless claims, that will be scrutinized to gauge the extent of slowdown in the US economy.
- The week ahead will also see the releases of more manufacturing and services indices across the globe spanning from the UK to China, Japan, Australia, and other Asian countries. Taking cue from the first glimpse of the readings in the US and EU, the stakes are high that next week's PMI showings will reinforce the case of a slowing world economy. On top of this, CPI, PPI, unemployment rate and retail sales are key releases out of the Eurozone, while Japan's Tankan will offer more insights on the manufacturing and non-manufacturing outlook. Singapore will unveil the advance estimate of its 1Q GDP besides PMI while retail sales are due out in Hong Kong. Down under, Australian business confidence, building approvals, retail sales and trade balance will likely take second to RBA monetary policy meeting that could offer hints of further shift towards dovishness. Back home, external trade report is on the cards and we still expect a small positive print helped by the low base effect in February last year.

Forex



Source: Bloomberg



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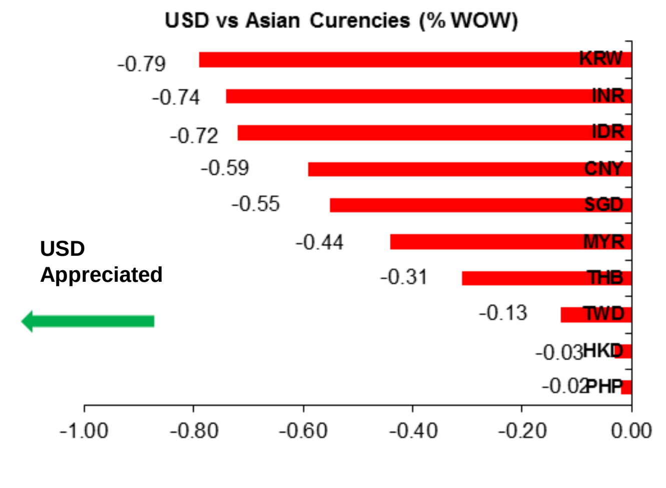

Source: Bloomberg

Review and Outlook

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- **EUR**: EUR dropped 1.35% WOW to 1.1224 against a strong USD but managed to gain aginst GBP, NOK and NZD. We expect a bearish EUR in line with our strong USD view. Currently the 1.1200 is acting as a decent support and may provide a temporary base as we head towards the weekend. Failure to hold the 1.1200 woulld expose 1.1169 the next level support and then the more meaningful support at 1.1000. Bounces will likely be limited to the 1.1287 area while to negate the downwards momentum, a close and open above the 1.1330 area is required.

- **GBP**: GBP fell 0.48% WOW to 1.3066 against USD and slumped to the bottom of the G10 list as the UK experienced more uncertainties in the absence of a deal and a plan ahead of a Brexit deadline extension. We stay bearish on GBP against USD next week but may see modest gains if Brexit sentiment improves. Upsides in UK data may not be a strong catalyst for a rally, as witnessed previously. GBPUSD remains in a bearish trend and targets 1.2929 if current momentum sustains.

- **JPY**: JPY gained 0.17% WOW to 110.63 against a stronger USD. So far, the USD has been supported by USD repatriation flows and foreign buying of USD post-FOMC. As the US equity market experiences a rotation from cyclical into defensive shares, risk sentiment will likely sour and we may see further exit in equities and trigger a bout of safe haven demand thus creating JPY strength. So long as 111.05 and 112.14 caps this retracement move we remain bearish USDJPY.

- **AUD**: AUD weakened 0.53% WOW to 0.7074. Initially, AUDUSD was faring well against USD strength overall, even to the extent of clocking in gains against the USD while others weakened. After a dovish RBNZ, a huge bout of NZD selling was triggered and AUD was dragged along in the wake as a proxy. AUD weakened to 0.7064 post announcement and we are now consolidating around here. We remain bullish AUD next week so long as 0.7055 and 0.7000 support holds for an eventual move back to 0.7150 target in coming weeks.

- **SGD**: SGD advanced against 7 G10s but weakened against USD, CAD and CHF. Poor risk sentiment and a strong USD caused it to close 0.55% weaker WOW to 1.3565. USDSGD upmove has so far been capped by 1.3576 moving average and it is currently retracing back to 1.3555 area where there is some support in the form of Ichimoku cloud bottom. We maintain bullish USDSGD for a target to 1.3610 so long as 1.3535 short term support holds.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1232	40.1110	1.1187	1.1405	1.1315	1.1360	1.1469	Negative
GBPUSD	1.3062	45.2640	1.3005	1.3342	1.3157	1.2919	1.2977	Negative
USDJPY	110.5800	46.7060	109.9500	112.2200	111.0400	111.0500	111.4600	Negative
USDCNY	6.7390	55.9750	6.6940	6.7336	6.7167	6.8204	6.7920	Neutral
USDSGD	1.3559	53.6530	1.3474	1.3610	1.3534	1.3613	1.3660	Neutral
AUDUSD	0.7085	47.7120	0.7028	0.7138	0.7100	0.7152	0.7208	Negative
NZDUSD	0.6783	42.1220	0.6744	0.6924	0.6838	0.6812	0.6735	Negative
USDMYR	4.0790	49.6910	4.0603	4.0975	4.0771	4.1267	4.1080	Neutral
EURMYR	4.5815	36.8000	4.5789	4.6436	4.6158	4.6871	4.7236	Negative
GBPMYR	5.3278	44.8920	5.3151	5.4363	5.3632	5.3270	5.3427	Negative
JPYMYR	3.6883	52.7680	3.6423	3.7018	3.6719	3.7138	3.6942	Positive
CHFMYR	4.1003	58.7540	4.0469	4.1063	4.0751	4.1408	4.1509	Positive
SGDMYR	3.0081	43.2550	3.0055	3.0191	3.0129	3.0297	3.0143	Positive
AUDMYR	2.8899	47.0480	2.8727	2.9031	2.8942	2.9498	2.9675	Negative
NZDMYR	2.7664	42.0530	2.7609	2.8134	2.7879	2.8100	2.7734	Negative

Trader's Comment:

DXY traded above 97.20, a strong bounce back from a low of 95.74 as fear of slowdown in global growth continues. EUR is testing 1.12 on signs of a weakening European economy and Brexit headlines continue to weigh on GBP. Kiwi tumbled as RBNZ turned dovish. 10yr Treasury yield touched its lowest level since 2017.

US, China resume trade talks in Beijing cheered the market on Friday and the progress will be closely watched by investors. Expect more risk off scenario if the outcome turns out to be negative.

Locally, bonds continue the strong rally after BNM trimmed growth forecasts. USDMYR traded slightly higher on the strong dollar. Range for the week was 4.0640-4.0830. Expect the pair to trade between 4.0650-4.1000 range for the coming week.

Technical Charts

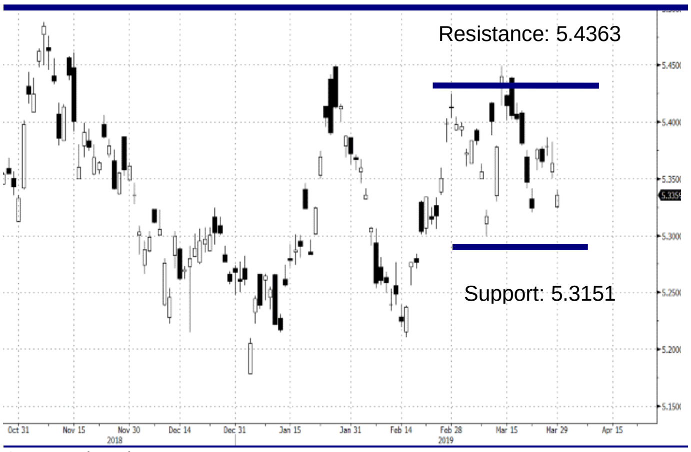
USDMYR

Source: Bloomberg

EURMYR

Source: Bloomberg

GBPMYR

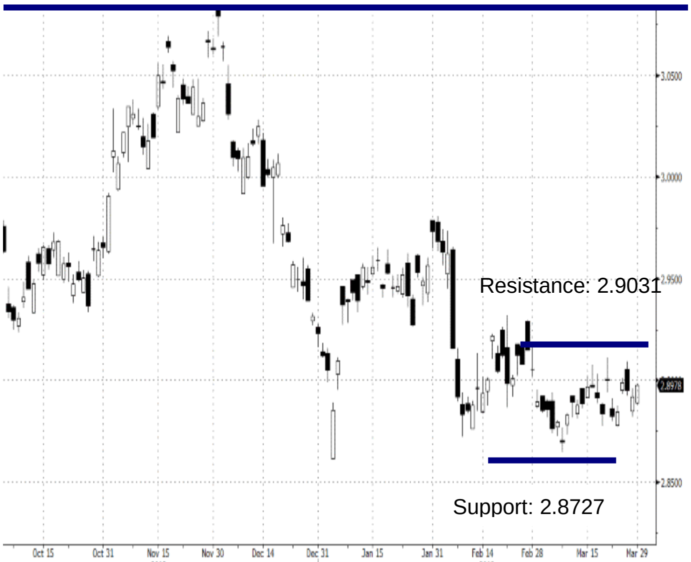


Source: Bloomberg

JPYMYR

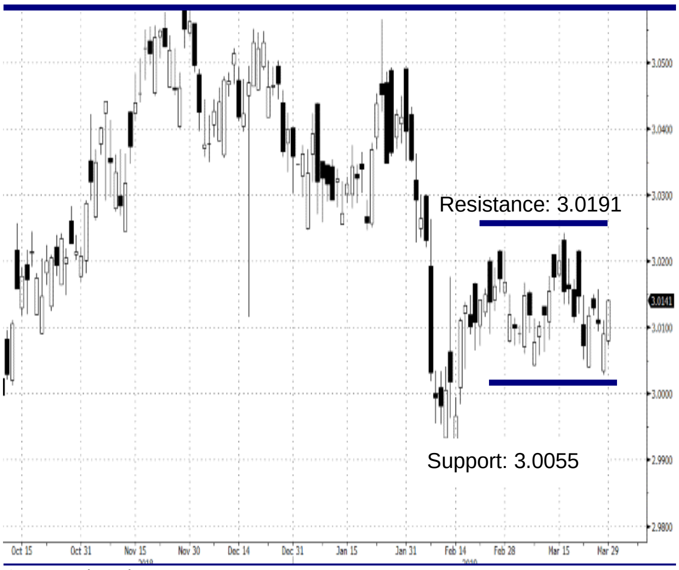
Source: Bloomberg

AUDMYR



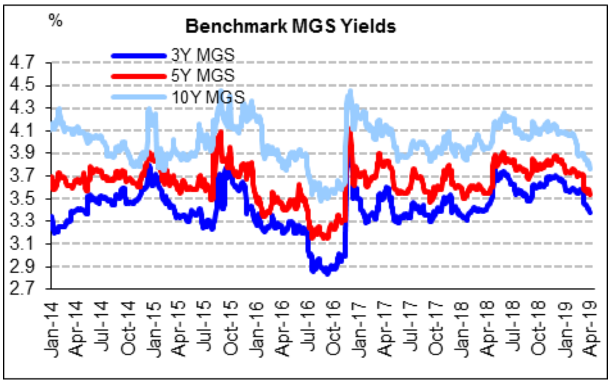
Source: Bloomberg

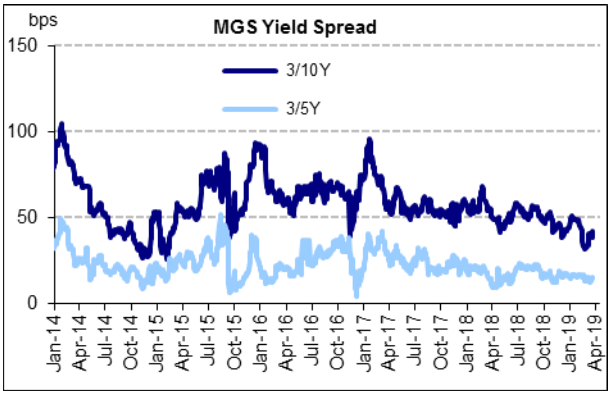
SGDMYR

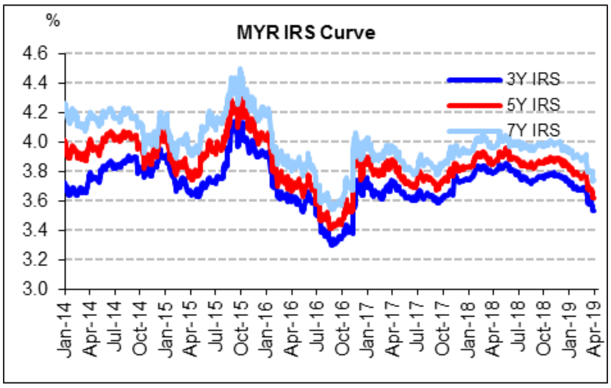


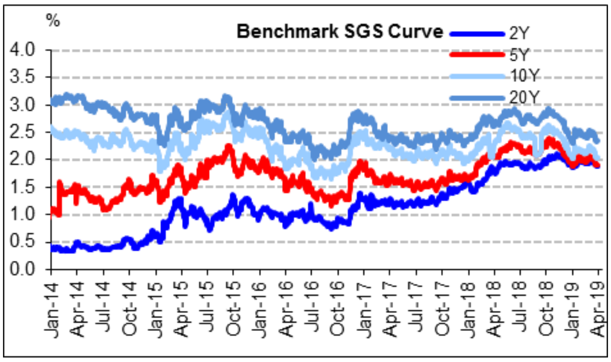
Source: Bloomberg

Fixed Income









Review & Outlook

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- Corporate bonds/sukuk saw another week of solid traction with interest across the curve i.e. GG to single-A part of the curve for the week. Strong buying interest continued as investors chased yields lower due to lagging corporate speads amid a YTD high market volume of RM5.31b (prior week :RM2.99b). Govt-guaranteed bonds hogged the limelight with PRASA 9/22 and GOVCO 2/32 topping the weekly volume; closing 12-24bps sharply lower at 3.78% and 4.36% respectively compared to previous-done levels. This was followed by DANAINFRA 11/29 bonds which rallied 27bps lower at 4.03%. Some of the prominent new issuances during the week include RM600m of 5Y, 7Y SME bonds (GG) and also RM300 of 5Y AA3-rated bonds by UEM Sunrise Bhd at a coupon between 4.03-10% and 4.75% respectively.

- The SGS (govvies) saw overall benchmark yields move 1-5bps lower leading a downward shift in the curve. The 2Y closed 5bps lower at 1.88% levels whilst the 5Y and 10Y however moved within a narrow 3-4bps range unlike prior week; both closing 5bps lower at 1.90% and within 1bps move at 2.04% respectively. Policy-wise, investors are bracing for MAS to keep the slope of the SGD NEER band steady at 1.0% in April for growth and inflation support against external headwinds. In the credit space, Singapore Airlines increased its 5Y bond issuance size from an initial S$500m to S$750m amid decent institutional demand to help fund its fleet expansion plan. It successfully priced its 5Y bonds at 3.03%; a mere 33bps carry over Temasek's AAA rated 4Y papers which saw muted retail participation. Meanwhile Fitch Ratings has affirmed Standard Chartered Bank Singapore at A with a stable outlook.

Rating Action			
Issuer	**PDS Description**	**Rating/Outlook**	**Action**
Eternal Icon Sdn Bhd	RM87.0 million Senior MTN	AAA/Stable	Reaffirmed
SUNREIT Capital Berhad	Proposed RM3.0 bil Commercial Papers (CP) Programme	P1 (s)	Assigned
Inverfin Sdn Bhd	Senior Commercial Papers/Medium-Term Notes	MARC-1	Affirmed
Murud Capital Sdn Bhd	Senior CP/MTN programme of up to RM290 million:- CP MTN	 MARC-1 From AA to AA- (Negative)	 Affirmed Downgraded
Malaysia Marine and Heavy Engineering Holdings Berhad	RM1.0 billion Sukuk Murabahah Programme	AA- IS/ Stable	Affirmed
Sistem Penyuraian Trafik KL Barat Sdn Bhd (SPRINT)	RM208 million Al-Bai' Bithaman Ajil Islamic Debt Securities (BaIDS)	A+ IS/ Outlook revised to developing	Affirmed
Projek Lebuhraya Usahasama Berhad's (PLUS)	RM23.35 billion Sukuk Musharakah Programme	AAA$_{IS}$/ Stable	Affirmed; outlook revised from Negative to Stable

Source: RAM, MARC

Economic Calendar						
Date	**Country**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
01/04	**Malaysia**	**Nikkei Malaysia PMI**	**Mar**	**--**	**47.6**	**--**
04/04		**Exports YoY**	**Feb**	**--**	**3.10%**	**--**
05/04		**Foreign Reserves**	**Mar-29**	**--**	**$102.6b**	**--**
11/04		Industrial Production YoY	Feb	--	3.2%	--
		Manufacturing Sales YoY	Feb	--	7.0%	--
01/04	**US**	**Retail Sales Advance MoM**	**Feb**	**0.3%**	**0.2%**	**--**
		Markit Manufacturing PMI	**Mar F**	**52.5**	**52.5**	**--**
		ISM Manufacturing	**Mar**	**54.3**	**54.2**	**--**
		Construction Spending MoM	**Feb**	**-0.1%**	**1.3%**	**--**
02/04		**Durable Goods Orders**	**Feb P**	**-1.2%**	**0.3%**	**--**
03/04		**MBA Mortgage Applications**	**Mar-29**	**--**	**8.9%**	**--**
		ADP Employment Change	**Mar**	**180k**	**183k**	**--**
		Markit US Services PMI	**Mar F**	**--**	**54.8**	**--**
		ISM Non-Manufacturing Index	**Mar**	**58.0**	**59.7**	**--**
04/04		**Initial Jobless Claims**	**Ma-30**	**--**	**211k**	**--**
05/04		**Change in Nonfarm Payrolls**	**Mar**	**175k**	**20k**	**--**
		Unemployment Rate	**Mar**	**3.8%**	**3.8%**	**--**
		Average Hourly Earnings YoY	**Mar**	**3.4%**	**3.4%**	**--**
08/04		Factory Orders	Feb	--	0.1%	--
		Durable Goods Orders	Feb F	--	--	--
09/04		NFIB Small Biz Optimism	Mar	--	101.7	--
10/04		MBA Mortgage Applications	Apr-05	--	--	--
		CPI YoY	Mar	--	1.5%	--
11/04		FOMC Meeting Minutes	Mar-20			
		PPI YOY	Mar	--	1.9%	--
		Initial Jobless Claims	Apr-06	--	--	--
12/04		Import Price Index MoM	Mar	--	0.6%	--
		Uni Michigan Consumer Sentiments	Apr P	--	--	--
01/04	**Eurozone**	**Markit Manufacturing PMI**	**Mar F**	**47.7**	**47.6**	**--**
		CPI YoY	**Mar**	**1.5%**	**1.5%**	**--**
02/04		**Unemployment Rate**	**Feb**	**7.8%**	**7.8%**	**--**
		PPI YoY	**Feb**	**3.1%**	**3.0%**	**--**
03/04		**Markit Eurozone Services PMI**	**Mar F**	**52.7**	**52.7**	**--**
		Retail Sales YoY	**Feb**	**1.5%**	**2.2%**	**--**
08/04		Sentix Investor Confidence	Apr	--	-2.2	0
10/04		ECB Main Refinancing Rate	Apr-10	--	0.0%	--
12/04		Industrial Production MoM	Feb	--	1.4%	--
01/04	**UK**	**Markit UK Manufacturing PMI**	**Mar**	**51.2**	**52.0**	**--**
02/04		**Markit/CIPS UK Construction PMI**	**Mar**	**49.7**	**49.5**	**--**
03/04		**MARkit/CIPS UK Services PMI**	**Mar**	**51.0**	**51.3**	**--**
05/09		Halifax House Prices 3M YoY	Mar	2.1%	2.8%	--
10/04		Visible Trade Balance GBPm	Feb	--	-£13084m	--
		Industrial Production MoM	Feb	--	0.6%	--
		GDP MoM	Feb	--	0.5%	

11/04		RICS House Price Balance	Mar	--	-28%	--
01/04	**Japan**	**Tankan Large Manufacturing Outlook**	**1Q**	**13.0**	**15.0**	**--**
		Tankan Large Non-Mfg Outlook	**1Q**	**20.0**	**20.0**	**--**
		Nikkei Japan Manufacturing PMI	**Mar F**	**--**	**48.9**	**--**
03/04		**Nikkei Japan Services PMI**	**Mar**	**--**	**52.3**	**--**
05/04		**Household Spending YoY**	**Feb**	**2.2%**	**2.0%**	**--**
05/04		**Leading Index CI**	**Feb P**	**--**	**96.5**	**--**
		Coincident Index	**Feb P**	**--**	**98.1**	**--**
08/04		BOP Current Account Balance	Feb	--	¥600.4b	--
		Consumer Confidence	Mar	--	41.5	--
		Eco Watcher outlook	Mar	--	48.9	--
10/04		PPI YoY	Mar	--	0.8%	--
		Core Machine Orders YoY	Feb	--	-2.9%	--
		Machine Tool Orders YoY	Mar p	--	-29.3%	--
31/03	**China**	**Non-manufacturing PMI**	**Mar**	**54.3**	**54.3**	**--**
		Manufacturing PMI	**Mar**	**49.6**	**49.2**	**--**
01/04		**Caixin China Manufacturing PMI**	**Mar**	**50.0**	**49.9**	**--**
03/04		**Caixin China Services PMI**	**Mar**	**52.5**	**51.1**	**--**
11/04		CPI YoY	Mar	--	1.5%	--
		PPI YoY	Mar	--	0.1%	--
12/04		Exports YoY	Mar	--	-20.7%	-20.8%
		Trade Balance	Mar	--	$4.12b	$4.08b
		Imports YoY	Mar	--	-5.2%	--
01/04	**Hong Kong**	**Retail Sales Value YoY**	**Feb**	**--**	**7.1%**	**--**
03/04		**Nikkei Hong Kong PMI**	**Mar**	**--**	**48.4**	**--**
03/04	**Singapore**	**Nikkei Singapore PMI**	**Mar**	**--**	**49.8**	**--**
		Purchasing Managers Index	**Mar**	**--**	**50.4**	**--**
05-12/04		**GDP YoY**	**1Q A**	**--**	**1.9%**	**--**
12/04		Retail Sales YoY	Feb	--	7.6%	--
01/04	**Australia**	**AiG Perf of Mfg Index**	**Mar**	**--**	**54.0**	**--**
		NAB Business Confidence	**Mar**	**--**	**2.0**	**--**
02/04		**Building Approvals MoM**	**Feb**	**-2.0%**	**2.5%**	**--**
		RBA Cash Rate Target	**Apr-02**	**1.5%**	**1.5%**	**--**
03/04		**AiG Perf of Services Index**	**Mar**	**--**	**44.5**	**--**
		Retail Sales MoM	**Feb**	**0.3%**	**0.1%**	**--**
		Trade Balance	**Feb**	**A$3500m**	**A$4549m**	**--**
05/04		**AiG Perf of Construction Index**	**Mar**	**--**	**43.8**	**--**
10/04		Westpac Consumer Conf SA MoM	Apr	--	-4.8%	--
12/04	New Zealand	BusinessNZ Manufacturing PMI	Mar	--	53.7	--
01/04	**Vietnam**	**Nikkei Vietnam PMI Mfg**	**Mar**	**--**	**51.2**	**--**

Source: Bloomberg

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