December 4, 2017

Hong Leong Bank

# Global Markets Research

# Daily Market Highlights

## Key Takeaways

- **PMI manufacturing** took center stage, churning out a mixed bag of results for the month of November across the globe, **softening in the US and China but still rallying ahead in the EU, UK, Japan and Australia**. This suggests continuous expansion in global manufacturing activities tracking global demand will continue to **keep global recovery intact in 4Q.**

- **The official reading by ISM in the US marked its 2nd straight month of softening trend**, tapered off more than expected to 58.2 in November but the Markit final print showed a smaller pullback to 53.9, vs the initial estimate of 53.8, down from the 9-month high of 54.6 in October dragged by employment and output. On the contrary, **manufacturing activities in the Eurozone expanded at its fastest pace in 17.5 years**, to 60.1 in November, thanks to a rally in new orders while the same gauge in the **UK also increased to a 4-year high** of 58.2. Contrary to the uptick seen in the official PMI print, Caixin PMI moderated more than expected by 0.2ppt to 50.8, its lowest in five months as an increase in output was offset by a decline in new orders.

- **Dollar Index retreated for a 3rd consecutive day and ended 0.17% weaker at 92.89,** its weakest in a week as newsflows on continuous investigations into President Trump's ties with Russia sent chills to the markets. **Expect a bullish USD today**, spurred by Senate passing of the US Tax Bills which has prompted a higher opening at 93.10 in early Asian trade. The Dollar Index remains tilted to the upside while above 93.08. It would likely trend higher to circa 94.04 – 94.17 before peaking, forming a bearish pattern thereafter that could potentially trigger losses to circa 91.50.

- MYR traded on a slightly softer tone ahead of the long weekend with wider losses seen towards late Asian trading but remaining below 4.10 level reflecting sustained buying interests. **The MYR closed 0.23% weaker at 4.0910 vs the USD** last Thursday, and was weaker against 7 G10s. **Renewed USD strength spurred by the passing of the US Tax Bills by the Senate could keep a lid on MYR strength today**. However, USDMYR remains technically bearish while below 4.1000, and we expect any upmove to be just temporary before the pair resumes its downward trajectory again.

- **SGD eked out a minute gain vs the USD at 1.3464** but was weaker against most other G10s. **SGD is still bearish against a firm USD**. USDSGD is still rebounding from recent slump and is likely targeting a climb above 1.3511. Losses will likely be supported by 1.3450.

### Overnight Economic Data

| | |
|---|---|
| US | → |
| EU | ↑ |
| UK | ↑ |
| Japan | → |
| Australia | ↑ |

## What's Coming Up Next

**Major Data**
- Malaysia Nikkei PMI
- US factory orders, durable goods orders
- EU Sentix investor confidence, PPI
- Japan consumer confidence
- Singapore PMI

**Major Events**
- Nil

### Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|---|---|---|---|---|---|---|
| **EURUSD** | 1.1806 | 1.1847 | 1.1867 | 1.1883 | 1.1894 | ↘ |
| **USDJPY** | 112.20 | 112.50 | 112.75 | 112.83 | 112.99 | ↗ |
| **GBPUSD** | 1.3454 | 1.3475 | 1.3490 | 1.3517 | 1.3552 | ↗ |
| **AUDUSD** | 0.7564 | 0.7576 | 0.7594 | 0.7618 | 0.7626 | ↘ |
| **EURGBP** | 0.8758 | 0.8779 | 0.8800 | 0.8847 | 0.8856 | ↘ |
| **USDMYR** | 4.0815 | 4.0859 | 4.0900 | 4.0929 | 4.0981 | ↗ |
| **EURMYR** | 4.8498 | 4.8511 | 4.8556 | 4.8574 | 4.8637 | ↗ |
| **JPYMYR** | 3.6211 | 3.6249 | 3.6266 | 3.6325 | 3.6362 | ↘ |
| **GBPMYR** | 5.5108 | 5.5138 | 5.5172 | 5.5206 | 5.5274 | ↗ |
| **SGDMYR** | 3.0248 | 3.0300 | 3.0331 | 3.0345 | 3.0392 | ↗ |
| **AUDMYR** | 3.0937 | 3.1041 | 3.1062 | 3.1073 | 3.1145 | ↗ |
| **NZDMYR** | 2.7953 | 2.8033 | 2.8063 | 2.8114 | 2.8214 | ↗ |
| **USDSGD** | 1.3450 | 1.3467 | 1.3483 | 1.3487 | 1.3500 | ↗ |
| **EURSGD** | 1.5981 | 1.6000 | 1.6008 | 1.6016 | 1.6035 | ↘ |
| **GBPSGD** | 1.8112 | 1.8145 | 1.8183 | 1.8198 | 1.8231 | ↗ |
| **AUDSGD** | 1.0217 | 1.0225 | 1.0243 | 1.0253 | 1.0263 | ↘ |

*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 | 1717.9 | -0.1 | 4.6 | CRB Index | 190.7 | 0.80 | -0.9 |
| Dow Jones Ind. | 24231.6 | -0.2 | 22.6 | WTI oil ($/bbl) | 58.4 | 1.67 | 8.6 |
| S&P 500 | 2642.2 | -0.2 | 18.0 | Brent oil ($/bbl) | 63.7 | -0.08 | 12.1 |
| FTSE 100 | 7300.5 | -0.4 | 2.2 | Gold (S/oz) | 1280.5 | 0.40 | 8.1 |
| Shanghai | 3317.6 | 0.0 | 6.9 | CPO (RM/tonne) | 2464.5 | -0.56 | -23.0 |
| Hang Seng | 29074.2 | -0.4 | 32.2 | Copper ($/tonne) | 6833.0 | 1.05 | 23.4 |
| STI | 3449.5 | 0.5 | 19.7 | Rubber (sen/kg) | 481.0 | 1.58 | -25.4 |

*Source: Bloomberg*

## Economic Data

| | For | Actual | Last | Survey |
|---|---|---|---|---|
| US PMI manufacturing | Nov F | 53.9 | 53.8 | 54.0 |
| US ISM manufacturing | Nov | 58.2 | 58.7 | 58.3 |
| US construction spending | Oct | 1.4% | 0.3% | 0.5% |
| EU PMI manufacturing | Nov F | 60.1 | 60.0 | 60.0 |
| UK PMI manufacturing | Nov | 58.2 | 56.6 | 56.5 |
| JP jobless rate | Oct | 2.8% | 2.8% | 2.8% |
| JP overall household spending | Oct | 0.0% | -0.3% | -0.3% |
| JP national CPI | Oct | 0.2% | 0.7% | 0.2% |
| JP Nikkei PMI manufacturing | Nov F | 53.6 | 53.8 | -- |
| CH Caixin PMI manufacturing | Nov | 50.8 | 51.0 | 50.9 |
| AU AiG manufacturing | Nov | 57.3 | 51.1 | -- |

*Source: Bloomberg*

# ➢ Macroeconomics

- PMI manufacturing took center stage, churning out a mixed bag of results for the month of November across the globe, softening in the US and China but still rallying ahead in the EU, UK, Japan and Australia. This suggests continuous expansion in global manufacturing activities tracking global demand will continue to keep global recovery intact in 4Q.

- The official reading by ISM in the US marked its 2nd straight month of softening trend, tapered off more than expected to 58.2 in November but the Markit final print showed a smaller pullback to 53.9, vs the initial estimate of 53.8, down from the 9-month high of 54.6 in October dragged by employment and output.

- On the contrary, manufacturing activities in the Eurozone expanded at its fastest pace in 17.5 years, to 60.1 in November, thanks to a rally in new orders. Similarly, PMI manufacturing index in the UK also increased to a 4-year high of 58.2 in the same month under review, boosted by faster increases in new orders as well.

- China Caixin PMI manufacturing contrasted with the improvement seen in the official PMI print that improved more than expected by 0.2ppt to 51.8 in November. The Caixin gauge moderated more than expected by 0.2ppt to 50.8, its lowest in five months as an increase in output was offset by a decline in new orders.

- Down in Australia, AiG manufacturing index bounced back to 57.3 in November, but still shy of the 15-year high level seen three months ago in August (59.8). Higher new orders and employment led quicker gains in manufacturing activities during the month.

- Nikkei PMI manufacturing from Japan was a tad softer than the initial estimate of 53.8 at 53.6 in November, but still marked an uptick from 52.8 in October and its highest level on record, adding to signs recovery in the Japanese economy is gradually gaining traction. Separate releases showed jobless rate remained steady at 2.8% in October while household spending stagnated, rebounding from a 0.3% YOY decline in September. Inflationary pressure remained very soft with the national CPI softened to 0.2% YOY, as expected, dragged by a 1.3% decline in food prices. Even though core CPI ticked a notch higher to 0.8% YOY in October, it remained far off BOJ's 2% target that suggests much still need to be done to drive prices higher.

| Economic Calendar Release Date | | | | | | |
|---|---|---|---|---|---|---|
| **Country** | **Date** | **Event** | **Reporting Period** | **Survey** | **Prior** | **Revised** |
| Malaysia | 12/04 | Nikkei PMI | Nov | -- | 48.6 | -- |
| US | 12/04 | Factory orders | Oct | -0.4% | 1.4% | -- |
| | | Durable goods orders | Oct F | -1.0% | -1.2% | -- |
| | 12/05 | Trade balance | Oct | -\$47.4b | -\$43.5b | -- |
| | | Markit PMI services | Nov F | 55.3 | 54.7 | -- |
| | | ISM services | Nov | 59.0 | 60.1 | -- |
| Eurozone | 12/04 | Sentix investor confidence | Dec | 33.4 | 34.0 | -- |
| | | PPI YOY | Oct | 2.6% | 2.9% | -- |
| | 12/05 | Markit PMI services | Nov F | 56.2 | 56.2 | -- |
| | | Retail sales MOM | Oct | -0.7% | 0.7% | -- |
| UK | 12/05 | Markit PMI services | Nov | 55.0 | 55.6 | -- |
| Japan | 12/04 | Consumer confidence | Nov | 44.9 | 44.5 | -- |
| | 12/05 | Nikkei PMI services | Nov | -- | 53.4 | -- |
| China | 12/05 | Caixin PMI services | Nov | -- | 51.2 | -- |
| Hong Kong | 12/05 | Nikkei PMI | Nov | -- | 50.3 | -- |
| Singapore | 12/04 | PMI | Nov | -- | 52.6 | -- |
| | 12/05 | Nikkei PMI | Nov | -- | 54.2 | -- |
| Australia | 12/05 | AiG services index | Nov | -- | 51.4 | -- |
| | | Retail sales MOM | Oct | 0.3% | 0.0% | -- |
| | | RBA cash target rate | Dec 5 | 1.50% | 1.50% | -- |

*Source: Bloomberg*

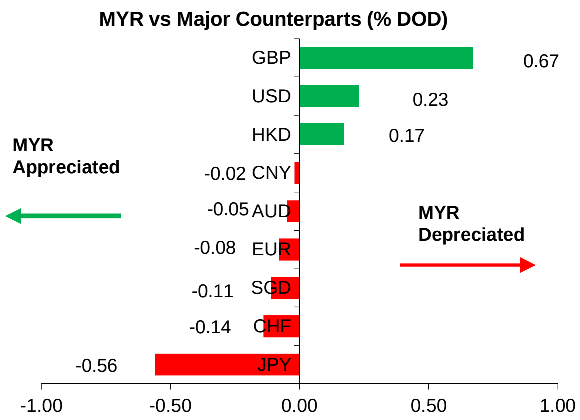
# ➢Forex

FX Table

| Name | Last Price | DoD % | High | Low | YTD % |
|---|---|---|---|---|---|
| EURUSD | 1.1896 | -0.07 | 1.194 | 1.1851 | 12.8 |
| USDJPY | 112.17 | -0.33 | 112.87 | 111.41 | -3.6 |
| GBPUSD | 1.3477 | -0.35 | 1.355 | 1.3445 | 9.3 |
| AUDUSD | 0.7613 | 0.62 | 0.7639 | 0.7552 | 5.3 |
| EURGBP | 0.8829 | 0.31 | 0.88441 | 0.8789 | 3.1 |
| | | | | | |
| USDMYR | 4.0910 | 0.23 | 4.2963 | 4.2820 | -8.8 |
| EURMYR | 4.8407 | -0.08 | 4.9042 | 4.8877 | 2.8 |
| JPYMYR | 3.6419 | -0.56 | 3.7940 | 3.7789 | -5.3 |
| GBPMYR | 5.5062 | 0.67 | 5.5687 | 5.5505 | 0.1 |
| SGDMYR | 3.0315 | -0.11 | 3.1267 | 3.1181 | -2.2 |
| AUDMYR | 3.0926 | -0.05 | 3.3323 | 3.3182 | -4.2 |
| NZDMYR | 2.7955 | -1.02 | 3.1506 | 3.1392 | -10.0 |

*Source: Bloomberg*

*Note: closing for MYR crosses at 30-Nov*




### MYR

- MYR traded on a slightly softer tone ahead of the long weekend with wider losses seen towards late Asian trading but remaining below 4.10 level reflecting sustained buying interests. **The MYR closed 0.23% weaker at 4.0910 vs the USD** last Thursday, and was weaker against 7 G10s.
- **Renewed USD strength spurred by the passing of the US Tax Bills by the Senate could keep a lid on MYR strength today**. However, USDMYR remains technically bearish while below 4.1000, and we expect any upmove to be just temporary before the pair resumes its downward trajectory again.

### USD

- **Dollar Index retreated for a 3rd consecutive day and ended 0.17% weaker at 92.89,** its weakest in a week as newsflows on continuous investigations into President Trump's ties with Russia sent chills to the markets.
- **Expect a bullish USD today**, spurred by Senate passing of the US Tax Bills which has prompted a higher opening at 93.10 in early Asian trade. The Dollar Index remains tilted to the upside while above 93.08. It would likely trend higher to circa 94.04 – 94.17 before peaking, forming a bearish pattern thereafter that could potentially trigger losses to circa 91.50.

### EUR

- **EUR dipped 0.07% to 1.1896 against USD** and fell against 8 G10s as rosy Eurozone data that continued to reinforce growth optimism in the region was overshadowed by a reversal in the USD on US Tax Bill approval.
- **EUR is bearish against a rebounding USD** following the passing of the US Tax Bill by the Senate. Friday's closing above 1.1883 has dented its positive momentum but EURUSD remains technically bearish and is expected to slide below 1.1840 going forward.

### GBP

- **GBP** took a turn and underperformed all G10s again and **closed 0.35% weaker vs the USD at 1.3477** as positive sentiments surrounding progress in Brexit negotiations fade.
- **Expect GBP to remain slightly bullish despite a firmer USD** on continued optimism over breakthrough in Brexit negotiations. Sustained upside momentum is placing GBPUSD on track to test 1.3571 but we caution against a correction after recent sharp rally, that could push the pair towards circa 1.3292.

### JPY

- **JPY** traded mixed against the G10s and **gained 0.33% against the USD to 112.17** on the back of rising risk aversion in the markets.
- **Stay bearish on JPY on the back of a rebounding USD**. USDJPY expectedly broke 111.90, and is now exposed to a move to as high as 112.98. We continue to note that bullish move is an extension of a bearish pattern that could facilitate a drop to lower levels in the coming months.

### AUD

- **AUD** strengthened against 7 G10s and **advanced 0.62% to 0.7613 against USD** despite softer sentiments in the market and softer China data.
- **AUD is still bearish against a firmer USD** amid extended weakness in commodities. Risks of rebound still exists, but capped by 0.7617 and will slide lower thereafter. AUDUSD has room to drop to circa 0.7535, but with the pair still deep in bearish territory, do not rule out a break at 0.7500.

### SGD

- **SGD eked out a minute gain vs the USD at 1.3464** but was weaker against most other G10s.
- **SGD is still bearish against a firm USD**. USDSGD is still rebounding from recent slump and is likely targeting a climb above 1.3511. Losses will likely be supported by 1.3450.

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