December 6, 2017

Hong Leong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Services sectors across major economies saw firmer growth in Nov save in the US, UK and Japan** as indicated by the latest PMI readings. Both Markit and ISM gauges for the US services sector affirmed an easier pace of growth from recent solid levels, but nonetheless remained supportive of the notion of firm expansion. PMI reading for the Eurozone remained at 6-month high, sustaining a positive growth outlook in the region, though positive impact from this data was somewhat dampened by emergence of a potentially softer outlook in demand amid softer retail sales. In the UK, growth uncertainty emerged after PMI services declined more than expected.

- **PMI for China edged higher for the 2nd consecutive month** amid quicker growth in employment and business expectations, both of which affirms a continually expanding Chinese economy. PMI readings of Hong Kong and Singapore also climbed in Nov, indicating further upsides in business activities. However, **Japan failed to follow through its recent upticks as PMI eased**. **In Australia, retail sales data boosted growth outlook** but **RBA still maintained a neutral rhetoric as it kept the cash target rate unchanged** yesterday. The central bank continued to warn on downside impact to growth and inflation coming from a strong AUD.

- **MYR eased 0.09% to 4.0665 against USD**, returning most of its early gains and slipped against 8 G10s amid a firmer greenback in European session as well as more cautious sentiment ahead of Malaysia exports numbers today. **MYR remains slightly bullish against USD** on prevailing expectations of a firmer local unit amid support from higher oil prices and expected policy normalization. Expect a strong boost to MYR if Malaysia trade numbers excel today. USDMYR continues to threaten 4.05 and will abate only on a break above 4.0848.

- USD advanced against 6 G10s while the **Dollar Index climbed through US session to close 0.2% higher at 93.37** on continued optimism from US tax reform, also with support from sell-off in EUR and GBP. **USD is likely to remain firm** on continued optimism that the US is on track to pass the tax reform bill, while upsides could accelerate on strong US data. The strong 93.08 level continues to provide a platform on which the Dollar Index bounced higher. There is still room for an advance to 94.04 - 94.17 before peaking, thereby forming a bearish pattern that would signal a potential decline to 91.50.

- **SGD managed a soft 0.04% advance against USD to 1.3471** and climbed against 6 G10s, supported by firmer growth outlook as indicated by Singapore PMI. **SGD is still bearish against a firm USD**. USDSGD remains technically frail and is at risk of declining below 1.3464 and even lower thereafter unless it manages to close above 1.3480 going forward.

Overnight Economic Data

US	↓
Eurozone	→
UK	↓
Japan	↓
China	↑
Australia	↑

What's Coming Up Next

Major Data
- Malaysia exports
- US ADP employment, MBA mortgage applications
- EU PMI retail
- Australia 3Q GDP

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1758	1.1806	1.1830	1.1834	1.1858	↘
USDJPY	112.15	112.39	112.45	112.79	112.98	↗
GBPUSD	1.3386	1.3400	1.3415	1.3424	1.3450	↘
AUDUSD	0.7566	0.7572	0.7584	0.7603	0.7617	↘
EURGBP	0.8800	0.8810	0.8814	0.8823	0.8844	↗
USDMYR	4.0580	4.0605	4.0650	4.0685	4.0710	↘
EURMYR	4.7965	4.8009	4.8070	4.8151	4.8253	↘
JPYMYR	3.6080	3.6100	3.6144	3.6182	3.6200	↘
GBPMYR	5.4437	5.4482	5.4530	5.5608	5.4671	↘
SGDMYR	3.0124	3.0150	3.0179	3.0216	3.0300	↘
AUDMYR	3.0852	3.0893	3.0933	3.0950	3.1002	↘
NZDMYR	2.7847	2.7882	2.7963	2.8000	2.8034	↘
USDSGD	1.3459	1.3464	1.3470	1.3480	1.3501	↗
EURSGD	1.5900	1.5921	1.5931	1.5953	1.5974	↘
GBPSGD	1.8026	1.8050	1.8070	1.8087	1.8231	↘
AUDSGD	1.0225	1.0241	1.0250	1.0263	1.0279	↗

*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	1724.8	0.7	5.1	CRB Index	187.5	-0.65	-2.6
Dow Jones Ind.	24180.6	-0.5	22.4	WTI oil ($/bbl)	57.6	0.26	7.3
S&P 500	2629.6	-0.4	17.5	Brent oil ($/bbl)	62.9	0.66	10.6
FTSE 100	7327.5	-0.2	2.6	Gold (S/oz)	1265.8	-0.80	10.8
Shanghai	3303.7	-0.2	6.4	CPO (RM/tonne)	2498.5	1.01	-21.9
Hang Seng	28842.8	-1.0	31.1	Copper ($/tonne)	6826.0	-0.10	23.3
STI	3438.1	0.0	19.3	Rubber (sen/kg)	514.0	2.09	-20.3

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US trade balance	Oct	-$48.7b	-$43.5b	-$47.5b
US PMI services	Nov F	54.5	54.7	55.2
US ISM services	Nov	57.4	60.1	59.0
EU PMI services	Nov F	56.2	56.2	56.2
EU retail sales MOM	Oct	-1.1%	0.7%	-0.7%
UK PMI services	Nov	53.8	55.6	55.0
JP Nikkei PMI services	Nov	51.2	53.4	--
CH Caixin PMI services	Nov	51.9	51.2	--
HK Nikkei PMI	Nov	50.7	50.3	--
SG Nikkei PMI	Nov	55.4	54.2	--
AU retail sales MOM	Oct	0.5%	0.1%	0.3%
AU RBA cash target rate	Dec 5	1.50%	1.50%	1.50%

Source: Bloomberg

➢ Macroeconomics

- Overnight data was the usual releases of services PMIs across economies. Starting off the US, PMI reading was downwardly revised to 54.5 in Nov final reading from 54.7 initial estimate. The reading constituted a retreat from 55.3 in Oct, but was nonetheless a solid figure in comparison with recent levels, supported by growth in new orders and employment. The ISM gauge on services sector also showed that growth moderated in Nov, as the index eased to 57.4 from 60.1 in Oct. This remains one of the highest levels in the last 12 months. In a separate report, US trade deficit widened to $ 48.7b in Oct from a shortfall of $43.5b previously.

- Eurozone PMI services climbed to a 6-month high of 56.2 in November as initially estimated, tracking positive growth outlook in the euro region. On the contrary, neighbouring UK reported much slower expansion in services activities in the same month, with the reading plunging more than expected to 53.8, as higher prices and a softer sterling amid Brexit uncertainties are dampening sentiments. Report on spending in the Eurozone indicated softer demand in Oct; retail sales fell 1.1% MOM in Oct, reversing the 0.8% increase in Sept while annually, sales rose a meagre 0.4% YOY in Oct after gaining 4.0% previously.

- PMI readings were also largely positive in Asia. China Caixin services PMI edged up for the 2nd straight month to 51.9 in November driven by bigger gains in employment and a rise in business expectations that points to continuous growth in the Chinese economy. Surveys by Nikkei also showed quicker expansion in Hong Kong and Singapore in November. In Hong Kong, the PMI reading rose to 50.7 as a rise in output offset the decline in new orders while a similar gauge in Singapore jumped to 55.4 in November, its highest since Jun-2014 thanks to higher output and new orders. On a less upbeat tone, PMI services as measured by Nikkei tapered off to 51.2 in November, dragged by decline in employment.

- Down under, RBA kept its cash target rate unchanged at 1.50% as expected as the central bank maintained the view that current monetary policy stance remained consistent with growth and inflation outlook. There was practically no change to its policy tone that the Australian economy is growing at trend pace and that outlook for non-mining investment has improved. Inflation will likely pick up as the economy strengthens but the central bank reiterated that a stronger Aussie may be a dampener on growth and inflation. With no change in RBA neutral rhetoric, we maintain our view for stable interest rate in Australia in the near term. In a separate release, retail sales picked up more than expected to increase 0.5% MOM in October, its best month since May, thanks to broad-based growth in all retailing sectors, in another sign of continuous strength in the consumer sector.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
Malaysia	12/06	Exports	Oct	17.3%	14.8%	--
	12/07	Foreign reserves	Nov 30	--	$101.5b	--
US	12/06	MBA mortgage applications	Dec 1	--	-3.1%	--
		ADP employment change	Nov	190k	235k	--
	12/07	Initial jobless claims	Dec 2	240k	238k	--
Eurozone	12/06	Retail PMI	Nov	--	51.1	--
	12/07	GDP QOQ	3Q F	0.6%	0.6%	--
UK	12/07	Halifax house prices 3M/Year	Nov	3.9%	4.5%	--
Japan	12/07	Leading index	Oct P	106.1	106.4	--
		Coincident index	Oct P	116.2	116.2	--
Australia	12/06	GDP SA QOQ	3Q	0.7%	0.8%	--
	12/07	AiG construction index	Nov	--	53.2	--
		Trade balance	Oct	A$1400m	A$1745m	--
New Zealand	12/07	QV house prices YOY	Nov	--	3.9%	--

Source: Bloomberg

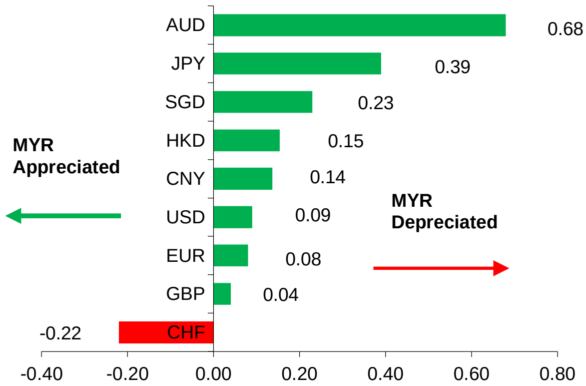
➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1826	-0.34	1.1877	1.1801	12.5
USDJPY	112.60	0.17	112.87	112.38	-3.7
GBPUSD	1.3443	-0.27	1.3482	1.3371	8.7
AUDUSD	0.7607	0.12	0.7654	0.7597	5.5
EURGBP	0.8797	-0.07	0.8868	0.8780	3.3
USDMYR	4.0665	0.09	4.0710	4.0465	-9.4
EURMYR	4.8202	0.08	4.8253	4.8024	2.0
JPYMYR	3.6142	0.39	3.6182	3.5972	-5.7
GBPMYR	5.4595	0.04	5.4739	5.4373	-1.0
SGDMYR	3.0192	0.23	3.0216	3.0053	-2.6
AUDMYR	3.1083	0.68	3.1126	3.0803	-4.1
NZDMYR	2.8029	0.53	2.8045	2.7761	-10.1

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

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- **MYR remains slightly bullish against USD** on prevailing expectations of a firmer local unit amid support from higher oil prices and expected policy normalization. Expect a strong boost to MYR if Malaysia trade numbers excel today. USDMYR continues to threaten 4.05 and will abate only on a break above 4.0848.

USD

- **USD advanced against 6 G10s** while the Dollar Index climbed through US session to close 0.2% higher at 93.37 on continued optimism from US tax reform, also with support from sell-off in EUR and GBP.
- **USD is likely to remain firm** on continued optimism that the US is on track to pass the tax reform bill, while upsides could accelerate on strong US data. The strong 93.08 level continues to provide a platform on which the Dollar Index bounced higher. There is still room for an advance to 94.04 – 94.17 before peaking, thereby forming a bearish pattern that would signal a potential decline to 91.50.

EUR

- **EUR** tumbled through European-US sessions to **close 0.34% lower at 1.1826 against** and settled at the bottom of the G10 list on rising jitters from stalled Brexit negotiations and softer Eurozone retail sales data.
- **Expect a bearish EUR on the back of a firm USD**, more so in the absence of positive catalysts to drive gains. EURUSD expectedly fell below 1.1840 and is now threatening to fall to circa 1.1758 before attempting a sustained rebound. Failure to hold above 1.1758 will push EURUSD even lower to 1.1709.

GBP

- **GBP** remains pressured by stalled Brexit negotiations regarding border regulations between Northern Ireland and Republic of Ireland, without which the next phase of talks concerning UK-EU trade cannot begin. GBP fell against 8 G10s and **weakened 0.27% to 1.3443 against USD**.
- **GBP is bearish against USD** amid dampened sentiment from absence of breakthrough in Brexit negotiations. As noted before, GBPUSD is on track for a correction to circa 1.3292 after recent rally. Do not rule out modest rebounds higher in the course of that correction but gains are likely capped by 1.3480 – 1.3500.

JPY

- **JPY slipped 0.17% to 112.60 against USD** and retreated against 6 G10s amid firmer commodity majors.
- **JPY is slightly bearish against a firm USD** in our view, though signs of risk aversion in the markets suggest losses would be modest. Net positive momentum indicates likelihood of further gains in USDJPY. There may be another test at 112.98 before finally relenting and reversing into a bearish trend. But caution that a bearish trend may arrive early if USDJPY closes below 112.54 today.

AUD

- **AUD** jumped after firm Australia retail sales data but retraced most gains thereafter to settle just **0.12% higher at 0.7607 against USD** but still firmer against 6 G10s.
- **AUD is still bearish against a firmer USD**, more so on Australia GDP miss. AUDUSD is tilted to the downside after twice rejected from attempts to climb higher. Losses are expected, but likely capped by 0.7566, otherwise declines will increase.

SGD

- **SGD managed a soft 0.04% advance against USD to 1.3471** and climbed against 6 G10s, supported by firmer growth outlook as indicated by Singapore PMI.
- **SGD is still bearish against a firm USD**. USDSGD remains technically frail and is at risk of declining below 1.3464 and even lower thereafter unless it manages to close above 1.3480 going forward.

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