

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Indicators were mostly higher except from the US and Australia.** Rise in private sector employment in the US was in line with market expectations, leaving little to shout about though the figure remains decent given that the labour market continues to tighten. US mortgage approvals also increased last week. Consumer demand in the Eurozone showed signs of further improvement, pushing the PMI higher on the back of continued gains in purchasing activity, employment and business sentiment.
- **Australia's economy grew softer in 3Q on a quarterly basis,** and while the annual figure showed an acceleration from 2Q, markets zoomed in on the **lack of growth momentum in household spending as potential restraint** to economic expansion going forward. **Malaysia's exports and imports growth surprised to the upside,** as breakdowns of respective figures suggest sustained growth prospects on the external and domestic fronts.
- **MYR weakened 0.24% to 4.0763 against USD** while sliding against 5 G10s as buying interest subsided, uninspired even by a better performing trade data. **We turn slightly bearish on MYR against a firmer overnight USD;** signs of waning buying interest in MYR has emerged, on top of prevailing risk aversion in the markets. USDMYR is now attempting a rebound. But given that the trend is still in deep bearish territory, we reckon that gains may be shallow and likely restricted by 4.0848 – 4.0929 resistance range. Breaking this range exposes a move to as high as 4.1216.
- **USD strengthened against 8 G10s** while the Dollar Index began its firm upward march beginning in Asian afternoon to close 0.25% higher at 93.61, supported by newsflow that the combined tax reform bills will be passed before Christmas. **USD is likely to remain firm** on continued tax reform bill optimism but we suspect that gains may be moderate given potential emergence of risk aversion ahead of nonfarm payrolls on Friday. Bypassing 93.56 has given the Dollar Index more impetus to push higher; we continue to set sights on a climb to 94.17. However, caution that recent gains could potentially result in a brief pullback; as long as the pullback does not break below 93.08, direction going forward remains up.
- **SGD weakened 0.14% to 1.3490 against a firm USD** but managed to advance against 7 G10s that were weighed down by risk aversion in the markets. **Expect a bearish SGD against a firm USD,** further weighed down retreating risk appetite. USDSDG managed to close above 1.3480 and has allayed risks of a decline. The pair is on track towards an advance to 1.3511, with scope to break higher and test 1.3530 in the next leg higher.

Overnight Economic Data

Malaysia	↑
US	→
EU	↑
Australia	↓
New Zealand	↑

What's Coming Up Next

Major Data

- Malaysia foreign reserves
- US initial jobless claims
- EU 3Q GDP
- Japan leading and coincident index
- Australia trade balance

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1765	1.1781	1.1803	1.1812	1.1834	↓
USDJPY	111.90	112.33	112.38	112.79	112.98	↓
GBPUSD	1.3358	1.3380	1.3387	1.3408	1.3430	↓
AUDUSD	0.7541	0.7550	0.7565	0.7568	0.7580	↓
EURGBP	0.8800	0.8810	0.8816	0.8819	0.8833	↗
USDMYR	4.0763	4.0800	4.0840	4.0850	4.0885	↗
EURMYR	4.8100	4.8151	4.8189	4.8253	4.8337	↓
JPYMYR	3.6285	3.6300	3.6327	3.6360	3.6428	↗
GBPMYR	5.4548	5.4614	5.4667	5.4733	5.4794	↓
SGDMYR	3.0200	3.0216	3.0264	3.0309	3.0339	↗
AUDMYR	3.0785	3.0803	3.0833	3.0898	3.0958	↓
NZDMYR	2.8077	2.8100	2.8112	2.8168	2.8181	↓
USDSDG	1.3464	1.3476	1.3492	1.3501	1.3513	↗
EURSGD	1.5894	1.5908	1.5927	1.5938	1.5953	↓
GBPSGD	1.8026	1.8045	1.8066	1.8095	1.8118	↓
AUDSGD	1.0150	1.0176	1.0187	1.0203	1.0225	↓

*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	1718.3	-0.4	4.7	CRB Index	184.7	-1.46	-4.0
Dow Jones Ind.	24140.9	-0.2	22.2	WTI oil (\$/bbl)	56.0	-2.88	4.2
S&P 500	2629.3	0.0	17.4	Brent oil (\$/bbl)	61.2	-2.61	7.7
FTSE 100	7348.0	0.3	2.9	Gold (\$/oz)	1263.4	-0.20	10.8
Shanghai	3294.0	-0.3	6.1	CPO (RM/tonne)	2449.0	-2.00	-23.4
Hang Seng	28224.8	-2.1	28.3	Copper (\$/tonne)	6543.0	-4.15	18.2
STI	3397.2	-1.2	17.9	Rubber (sen/kg)	512.5	-1.63	-20.5

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
MY exports	Oct	18.9%	14.8%	17.3%
US MBA mortgage applications	Dec 1	4.7%	-3.1%	--
US ADP employment change	Nov	190k	235k	190k
EU retail PMI	Nov	52.4	51.1	--
AU GDP QOQ	3Q	0.6%	0.9%	0.7%
AU AiG construction index	Nov	57.5	53.2	--
NZ QV house prices YOY	Nov	6.4%	3.9%	--

Source: Bloomberg

- Employment as tracked by US ADP increased 190k in Nov, as widely expected. Despite being down from 235k in Oct, the figure remains decent amid continued tightening of the labour market. In a separate data, MBA reported that mortgage applications rose 4.7% WOW in the week ended 1 Dec after dipping 3.1% the week before.
- In Eurozone, growth in retail sector accelerated in Nov, lifting the PMI to 52.4 from 51.1 previously. Sales at retailers decent amid continued expansion in purchasing activity, employment and business sentiment, all of which bode well for the economic outlook.
- Growth outlook of Australia was dented by another data miss; 3Q GDP grew 0.6% QOQ, slowing from 0.9% in 2Q and missed expectations of a 0.7% increase. Even though GDP grew 2.8% YOY in 3Q, which is an acceleration from 1.9% in 2Q, the point of contention was that household spending grew a meagre 0.1% in 3Q, slowest since 2008. This accentuated recent weak retail sales data while pointing to continually slow wage growth that hampers spending and weighs down on inflation. Meanwhile, AiG's construction index rose to 57.5 in Nov from 53.2, indicating that the sector grew at the quickest pace in 4 months.
- Data from New Zealand indicates house price appreciation picked up pace in Nov, rising 6.4% from 3.9% in Oct after slowing for 8 months amid cooling measures to rein in overheating market.
- Back home, external trade data surprised to the upside and largely asserted a firm growth prospects. Exports surged 18.9% YOY in Oct after ticking lower to 14.8% in Sept, suggesting that external demand continues to expand at a robust pace as quicker growth of shipments to other major destinations helped offset the milder expansion to China. Imports were up 20.9%, climbing from 15.2% previously and provided signs that domestic demand remains firm. Trade surplus widened to RM 10.56bn in Oct, up from RM 8.6bn.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	12/07	Foreign reserves	Nov 30	--	\$101.5b	--
US	12/07	Initial jobless claims	Dec 2	240k	238k	--
	12/08	Change in nonfarm payroll	Nov	195k	261k	--
		Unemployment rate	Nov	4.1%	4.1%	--
		Uni Michigan consumer sentiment	Dec P	99.0	98.5	--
Eurozone	12/07	GDP QOQ	3Q F	0.6%	0.6%	--
UK	12/07	Halifax house prices 3M/Year	Nov	3.9%	4.5%	--
	12/08	Industrial production YOY	Oct	3.5%	2.5%	--
		Construction output YOY	Oct	1.8%	1.1%	--
		Trade balance	Oct	-£3300	-£2754	--
		NIESR GDP estimate	Nov	0.4%	0.5%	--
Japan	12/07	Leading index	Oct P	106.1	106.4	--
		Coincident index	Oct P	116.2	116.2	--
	12/08	GDP QOQ	3Q F	0.4%	0.3%	--
		Eco Watchers current	Nov	52.1	52.2	--
	Eco Watchers outlook	Nov	54.0	54.9	--	
China	12/08	Exports YOY	Nov	5.3%	6.9%	--
Australia	12/07	Trade balance	Oct	A\$1400m	A\$1745m	--
	12/08	Home loans MOM	Oct	-2.0%	-2.3%	--

Source: Bloomberg

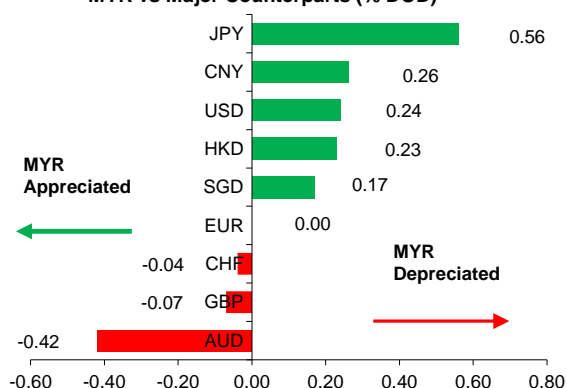
Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1796	-0.25	1.1848	1.1781	12.2
USDJPY	112.29	-0.28	112.64	111.99	-4.0
GBPUSD	1.3393	-0.37	1.3445	1.3358	8.5
AUDUSD	0.7564	-0.57	0.7634	0.7559	5.0
EURGBP	0.8808	-0.12	0.8854	0.8795	3.3
USDMYR	4.0763	0.24	4.0763	4.0625	-9.1
EURMYR	4.8200	0.00	4.8206	4.8033	2.0
JPYMYR	3.6345	0.56	3.6354	3.6113	-5.1
GBPMYR	5.4558	-0.07	5.4668	5.4482	-1.0
SGDMYR	3.0243	-0.17	3.0244	3.0155	-2.5
AUDMYR	3.0953	-0.42	3.1032	3.0794	-4.5
NZDMYR	2.8124	-0.34	2.8143	2.7926	-9.8

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

- **MYR weakened 0.24% to 4.0763 against USD** while sliding against 5 G10s as buying interest subsided, uninspired even by a better performing trade data.
- **We turn slightly bearish on MYR against a firmer overnight USD**; signs of waning buying interest in MYR has emerged, on top of prevailing risk aversion in the markets. USDMYR is now attempting a rebound. But given that the trend is still in deep bearish territory, we reckon that gains may be shallow and likely restricted by 4.0848 – 4.0929 resistance range. Breaking this range exposes a move to as high as 4.1216.

USD

- **USD strengthened against 8 G10s** while the Dollar Index began its firm upward march beginning in Asian afternoon to close 0.25% higher at 93.61, supported by newsflow that the combined tax reform bills will be passed before Christmas.
- **USD is likely to remain firm** on continued tax reform bill optimism but we suspect that gains may be moderate given potential emergence of risk aversion ahead of nonfarm payrolls on Friday. Bypassing 93.56 has given the Dollar Index more impetus to push higher; we continue to set sights on a climb to 94.17. However, caution that recent gains could potentially result in a brief pullback; as long as the pullback does not break below 93.08, direction going forward remains up.

EUR

- **EUR slipped 0.25% to 1.1796 against a firmer USD** and ended mixed against the G10s in the absence of catalysts to dictate its direction.
- **A slightly bearish EUR sustains against USD**, unless Eurozone 3Q final GDP report surprises to the upside. We opine that EURUSD remains on track towards 1.1758 before attempting a sustained rebound. Recent sharp losses have given rise to chance of a rebound, but as long as EURUSD remains capped below 1.1858, a downward direction prevails in the longer run.

GBP

- **GBP lost 0.37% to 1.3393 against USD** and fell against 6 G10s on continued pressure from political dissent that kept Brexit negotiation progress at bay.
- **GBP remains bearish against USD** on stalled 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 1.3430.

JPY

- **JPY jumped to the top of the G10 list and strengthened 0.28% to 112.29 against USD** as refuge demand improved on losses in equities and commodities.
- **We turn bullish on JPY against USD**, supported by firmer risk aversion in the markets. USDJPY is gradually forming a bearish pattern and is now inclined towards the downside, with scope to drop to 111.90, below which declines will extend to 111.03.

AUD

- **AUD tumbled 0.57% to 0.7564 against USD** and weakened against 7 G10s, initially pressured by Australia 3Q GDP miss, then by losses in market risk appetite.
- **AUD is still bearish against a firmer USD**, more so on risk aversion in the markets. AUDUSD has broken below 0.7566 and technical outlook has turned bearish. There is scope for a decline to 0.7532 next before an attempt at rebound.

SGD

- **SGD weakened 0.14% to 1.3490 against a firm USD** but managed to advance against 7 G10s that were weighed down by risk aversion in the markets.
- **Expect a bearish SGD against a firm USD**, further weighed down retreating risk appetite. USDSGD managed to close above 1.3480 and has allayed risks of a decline. The pair is on track towards an advance to 1.3511, with scope to break higher and test 1.3530 in the next leg higher.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Menara Hong Leong
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.