December 7, 2017

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. 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.

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	↘
USDSGD	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 (S/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

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

➢ Macroeconomics

- 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

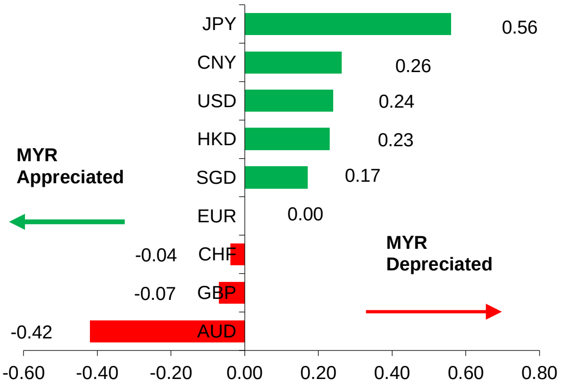
➢Forex

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

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- **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

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- **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.

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