

Global Markets Research

Daily Market Highlights

Key Takeaways

- **The UK-EU came to a last-minute agreement over the 3 key issues** on UK-EU citizen rights, the border of Northern Ireland and Republic of Ireland, and financial settlement. Next, EU leaders will have to agree on this deal at the EU Summit, without which the next phase of negotiation on trade cannot proceed.
- **Recent data flow continues to signal that the global economic outlook remains steady.** Despite softer nonfarm payroll and consumer sentiment gauge prints last Friday, key US indicators stay at decent levels and affirm a positive view on the labour market. Over in the UK, Oct data improved despite Brexit uncertainties. Japan's Eco Watchers surveys yielded mixed results, but continue to indicate a firm growth outlook going forward. Meanwhile, China's trade data surprised to the upside, suggesting continued momentum in global and domestic demand.
- **MYR advanced against 5 G10s last Friday and overturned early losses against USD to close unchanged at 4.0875. Stay slightly bearish on MYR against a firmer overnight USD** and on likelihood of rising risk aversion in the markets ahead of FOMC meeting. Despite an early retreat, signs continue to suggest a modest upward move towards 4.0929. Bypassing this exposes a move to 4.1125 – 4.1216 next. But given that the trend is still in deep bearish territory, we reckon that advances may be shallow and unlikely to be protracted.
- **USD slipped against 5 G10s** that were mostly commodity majors but the Dollar Index managed to climb 0.11% to 93.90 given better than expected NFP. **USD remains bullish in our view** but pace of advance may taper heading into FOMC meeting, with chance of modest sell-offs in between. We continue to set sights on the Dollar Index climbing to 94.17. However, caution that recent gains could potentially result in a brief pullback; as long as the pullback does not break below 93.56, direction going forward remains up.
- **SGD retreated 0.1% to 1.3530 against USD** and fell against 8 G10s on the back of rallies in commodity majors. **Expect a bearish SGD against a firm USD** and on potential risk-off in the markets heading into FOMC meeting. USDSGD now threatens to break 1.3530 and test 1.3542 next. Bypassing this exposes a move to 1.3575.

Overnight Economic Data

US	↓
UK	↑
Japan	→
China	↑

What's Coming Up Next

Major Data

- Japan machine tool orders
- Australia HIA new home sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1730	1.1758	1.1770	1.1781	1.1806	↘
USDJPY	113.11	113.44	113.52	113.86	114.00	↗
GBPUSD	1.3305	1.3342	1.3397	1.3435	1.3450	↘
AUDUSD	0.7485	0.7500	0.7508	0.7517	0.7543	↘
EURGBP	0.8750	0.8776	0.8787	0.8796	0.8820	↘
USDMYR	4.0823	4.0845	4.0870	4.0885	4.0900	↗
EURMYR	4.8037	4.8100	4.8111	4.8151	4.8211	↗
JPYMYR	3.5950	3.5972	3.6004	3.6030	3.6050	↘
GBPMYR	5.4668	5.4730	5.4752	5.4813	5.4851	↘
SGDMYR	3.0155	3.0200	3.0216	3.0254	3.0275	↗
AUDMYR	3.0625	3.0660	3.0687	3.0742	3.0803	↘
NZDMYR	2.7956	2.7979	2.7988	2.8000	2.8029	↘
USDSGD	1.3479	1.3506	1.3525	1.3530	1.3542	↗
EURSGD	1.5900	1.5917	1.5921	1.5930	1.5949	↘
GBPSGD	1.8074	1.8100	1.8120	1.8133	1.8150	↘
AUDSGD	1.0120	1.0136	1.0156	1.0176	1.0187	↘

*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	1721.3	0.1	4.8	CRB Index	185.0	0.30	-3.9
Dow Jones Ind.	24329.2	0.5	23.1	WTI oil (\$/bbl)	57.4	1.18	6.8
S&P 500	2651.5	0.6	18.4	Brent oil (\$/bbl)	63.1	-0.41	11.1
FTSE 100	7394.0	1.0	3.5	Gold (S/oz)	1248.5	0.10	10.8
Shanghai	3290.0	0.5	6.0	CPO (RM/tonne)	2433.0	-0.67	-23.9
Hang Seng	28639.9	1.2	30.2	Copper (\$/tonne)	6571.0	0.11	18.7
STI	3424.6	1.1	18.9	Rubber (sen/kg)	485.5	-4.99	-24.7

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US change in nonfarm payroll	Nov	228k	261k	195k
US unemployment rate	Nov	4.1%	4.1%	4.1%
US Uni. Michigan consumer sentiment	Dec P	96.8	98.5	99.0
UK industrial production YOY	Oct	3.6%	2.5%	3.5%
UK construction output YOY	Oct	-0.2%	1.1%	1.8%
UK visible trade balance	Oct	-£10,781	-£10,453	-£11,500
UK NIESR GDP estimate	Nov	0.5%	0.5%	0.4%
JP Eco Watchers current	Nov	55.1	52.2	52.1
JP Eco Watchers outlook	Nov	53.8	54.9	54.0
CH exports YOY	Nov	12.3%	6.8%	5.3%
CH CPI YOY	Nov	1.7%	1.9%	1.8%
CH PPI YOY	Nov	5.8%	6.9%	5.8%

Source: Bloomberg

- Brexit talks gained some ground last Friday as UK Prime Minister May secured an agreement with the EU on 3 key issues; citizens' rights, Northern Ireland-Republic of Ireland border and financial settlement. In summary: EU citizens in the UK, and vice-versa, will retain residence and employment status post-Brexit. There will be no "hard-border", which imposes regulatory and trade barriers, between Northern Ireland and Republic of Ireland post-Brexit. The financial settlement will be in the sum of between £35bn and £39bn, and be paid over the course of 4 years. The next barrier will be at the European Council on Thurs where EU leaders meet to approve this deal, failing which the next phase of negotiations regarding future trade arrangements cannot proceed.
- US nonfarm payrolls indicate continued robustness in jobs growth while other data suggest that outlook remains firm. There were 221k jobs added in Nov, more than the expected 195k though down from 247k in Oct. The Oct figure was also downwardly revised from 261k. Unemployment and participation rates did not budge in Nov, staying at 4.1% and 62.7% respectively. Inflation outlook improved albeit slightly as average hourly earnings grew quicker in Nov by 2.5%, up from 2.3% previously. However, consumer sentiment softened as indicated by University of Michigan's survey; the corresponding index dipped to 96.8 in Dec estimate, down from 98.5.
- UK churned out several data upsides last Friday, suggesting that growth prospect remains steady despite Brexit uncertainties. Industrial production accelerated in Oct, rising 3.6% YOY from 2.5% in Sept and beating estimates of 3.5% gain. Output at factories also picked up pace, gaining 3.9% in Oct from 2.7%. Output in the construction sector however, disappointed with a 0.2% dip in Oct after growing 1.1% previously. Economic growth remains steady; NIESR estimated that GDP expanded 0.5% QOQ in the 3 months ended Nov. Meanwhile, the visible trade deficit widened to £10.78bn in Oct, up from a shortfall of £10.45bn in Nov.
- After a better than expected 3Q GDP, Eco Watchers surveys reiterated a positive outlook in Japan. Respondents opine that current conditions have improved, lifted the corresponding index from 52.2 to 55.1 in Nov, highest since Jan 2014. The outlook index dipped to 53.8, a nonetheless strong level from 54.9, the highest since Dec 2013.
- China's external trade performance improved in Nov, affirming a positive global and domestic outlook. Exports accelerated to 12.3% YOY from 6.8% in Oct, while imports picked up pace to grow 17.7% from 17.2% in Oct. Meanwhile, trade surplus widened to 3-month high of \$40.21bn, up from \$38.06bn. Over the weekend, reports on prices were released and confirmed slowdowns in consumer and producer prices. CPI moderated to 1.7% YOY in Nov, down from 1.9% previously, while curbs in factory activity to fight pollution led producer prices slowing to 5.8% in Nov, down from 6.9% in Oct.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	12/12	Industrial production YOY	Oct	4.0%	4.7%	--
		Manufacturing sales value YOY	Oct	--	10.6%	--
US	12/12	NFIB small business optimism	Nov	104.0	103.8	--
		PPI final demand MOM	Nov	0.3%	0.4%	--
Eurozone	12/12	ZEW survey expectations	Dec	--	30.9	--
UK	12/12	CPI YOY	Nov	3.0%	3.0%	--
		RPI YOY	Nov	4.0%	4.0%	--
		PPI output YOY	Nov	3.0%	2.8%	--
		House price index YOY	Oct	5.2%	5.4%	--
Japan	12/11	Machine tool orders YOY	Nov P	--	49.8%	--
	12/12	PPI YOY	Nov	3.3%	3.4%	--
		Tertiary industry index MOM	Oct	0.2%	-0.2%	--
Singapore	12/12	Retail sales YOY	Oct	1.0%	-0.5%	--
Australia	12/12 – 15	HIA new home sales MOM	Oct	--	-6.1%	--
New Zealand	12/12 - 14	RIENZ house sales YOY	Nov	--	-15.8%	--

Source: Bloomberg

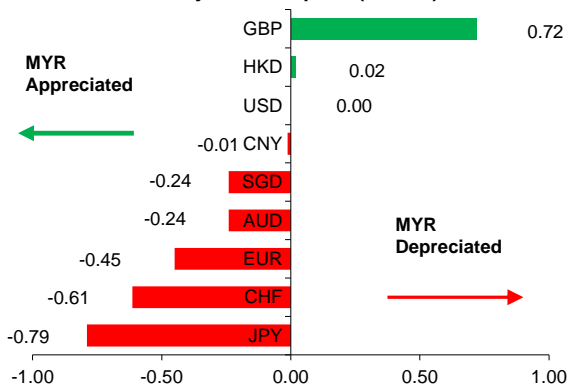
Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1773	0.00	1.1777	1.1730	11.9
USDJPY	113.48	0.34	113.59	113.08	-2.9
GBPUSD	1.3390	0.62	1.352	1.3356	8.5
AUDUSD	0.7509	0.03	0.7534	0.7502	4.2
EURGBP	0.8792	0.62	0.8806	0.8690	3.0
USDMYR	4.0875	0.00	4.0920	4.0845	-8.9
EURMYR	4.7973	0.45	4.8182	4.7946	1.6
JPYMYR	3.5998	0.79	3.6163	3.5972	-6.0
GBPMYR	5.5085	0.72	5.5253	5.4961	-0.1
SGDMYR	3.0201	0.24	3.0278	3.0189	-2.6
AUDMYR	3.0695	0.24	3.0742	3.0665	-5.3
NZDMYR	2.7948	0.08	2.7986	2.7894	-10.4

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

- **MYR advanced against 5 G10s last Friday and overturned early losses against USD to close unchanged at 4.0875.**
- **Stay slightly bearish on MYR against a firmer overnight USD** and on likelihood of rising risk aversion in the markets ahead of FOMC meeting. Despite an early retreat, signs continue to suggest a modest upward move towards 4.0929. Bypassing this exposes a move to 4.1125 – 4.1216 next. But given that the trend is still in deep bearish territory, we reckon that advances may be shallow and unlikely to be protracted.

USD

- **USD slipped against 5 G10s** that were mostly commodity majors but the Dollar Index managed to climb 0.11% to 93.90 given better than expected NFP.
- **USD remains bullish in our view** but pace of advance may taper heading into FOMC meeting, with chance of modest sell-offs in between. We continue to set sights on the Dollar Index climbing to 94.17. However, caution that recent gains could potentially result in a brief pullback; as long as the pullback does not break below 93.56, direction going forward remains up.

EUR

- **EUR closed unchanged at 1.1773 against USD** after paring early losses in US session but ended lower against 5 G10s.
- **Expect a bearish EUR on the back of a firmer USD;** direction will rely on performance of the greenback amid an absence of catalysts. The 1.1758 level we previously noted appears to be supporting a rebound in EURUSD. We view this as corrective in nature and likely to fizzle out before 1.1800. Caution that a close below 1.1758 will invigorate the bears and push EURUSD lower to 1.1709.

GBP

- **GBP fell 0.62% to 1.3390 against USD** and tumbled against all G10s; despite firmer UK data and progress at Brexit talks, news flow suggesting that the crucial Brexit trade negotiations will not begin immediately in 2018 weighed down GBP.
- **GBP is likely to stay against USD** on continued pressure from uncertainties in progression of Brexit talks to the second phase. Technical outlook suggests that, unless GBPUSD manages to close above 1.3443 today, the overall direction remains down and likely to close below 1.3390 in the coming days.

JPY

- **JPY weakened 0.34% to 113.48 against USD** and fell against 8 G10s as risk sentiment improved in European-US sessions.
- **Stay bearish on JPY in view of a potentially firmer USD** and further improvement in risk appetite. USDJPY has closed above 113.38, making the bearish pattern we previously noted a suspect. The pair has room to climb to 114.34 going forward given the turnaround in momentum.

AUD

- **AUD dipped 0.03% to 0.7509 against USD** and fell against 7 G10s, underperforming despite improving risk sentiment in the markets.
- **Expect a bearish AUD against a firm USD** and on potential risk-off in the markets heading into FOMC meeting. AUDUSD remains inclined towards the downside amid the emergence of negative momentum. The pair is likely heading for a drop to 0.7470, below which a decline to 0.7400 will be exposed.

SGD

- **SGD retreated 0.1% to 1.3530 against USD** and fell against 8 G10s on the back of rallies in commodity majors.
- **Expect a bearish SGD against a firm USD** and on potential risk-off in the markets heading into FOMC meeting. USDSGD now threatens to break 1.3530 and test 1.3542 next. Bypassing this exposes a move to 1.3575.

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.