

Global Markets Research

Daily Market Highlights

Key Takeaways

- No major US data out of the bag overnight and **markets were generally mired in an upbeat mode as it awaits the kickstart of a 2-day FOMC meeting that will most likely than not yield another 25bps increase in the Fed funds target rate, a third and the last for the year.**
- Elsewhere, **a report from Rightmove** suggest the pace of increase in house prices in the UK has slowed to 1.2% YOY in December (Nov: +1.8%) mainly dragged by lower prices in London, **reaffirming extended softness in the UK housing sector.**
- **In Japan, BSI surveys showed increased optimism across all industries reflecting improved sentiments on business outlook. However, forward looking indices for the next two quarters were apparently downbeat**, with the large all industry index expected to pull back in the next two quarters as large manufacturers reduced their optimism. In line with the upbeat business sentiments in 4Q, machine tool orders sustained a 46.9% YOY increase in November, amid slightly quicker increase in foreign orders and more moderate increase in domestic orders. In a separate release, **PPI surprisingly picked up to 3.5% YOY in November, suggesting still firm underlying price pressure in Japan even though it remains far below BOJ's desirable level.**
- **USD traded mixed against the G10s** with weaknesses noted against the commodity majors. The Dollar Index edged 0.04% lower to 93.87 as markets preferred to stay on the sideline ahead of FOMC meeting. **USD remains slightly bearish today in our view** amid cautiousness heading into FOMC meeting. We continue to expect the Dollar Index to pull back from recent gains; but as long as the pullback does not break below 93.56, the Dollar Index continues to stand a chance of moving up going forward.
- **MYR** saw renewed strength, advancing steadily through the day to **end 0.27% stronger against the USD at 4.0765**. The local unit advanced against most G10s save for the EUR, CHF, Aussie and Kiwi. **We expect MYR to remain slightly bullish today** amid positive risk sentiments in the market but cautiousness ahead of FOMC policy meet is expected to limit the pace of its advance. Technically, momentum indicator has turned positive and suggests a potential upward move in USDMYR to 4.0929 but given that the trend is still in deep bearish territory, we reckon that advances may be shallow and unlikely to be protracted.
- **SGD** gained 0.11% to 1.3515 against USD and most G10s except for commodity majors. **Expect a slightly bullish SGD** against anticipated pullback in USD 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

UK
Japan



What's Coming Up Next

Major Data

- US PPI, NFIB small biz optimism
- EU ZEW expectations
- UK CPI, PPI, RPI
- Japan tertiary industry index
- Singapore retail sales
- Australia NAB confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1730 | 1.1758 | 1.1775 | 1.1781 | 1.1806 | ↗ |
| USDJPY | 113.11 | 113.44 | 113.57 | 113.86 | 114.00 | ↗ |
| GBPUSD | 1.3286 | 1.3305 | 1.3343 | 1.3435 | 1.3450 | ↘ |
| AUDUSD | 0.7485 | 0.7500 | 0.7522 | 0.7533 | 0.7550 | ↘ |
| EURGBP | 0.8776 | 0.8811 | 0.8823 | 0.8834 | 0.8843 | ↗ |
| USDMYR | 4.0636 | 4.0721 | 4.0745 | 4.0778 | 4.0826 | ↘ |
| EURMYR | 4.8037 | 4.8100 | 4.7979 | 4.8151 | 4.8211 | ↘ |
| JPYMYR | 3.5801 | 3.5858 | 3.5887 | 3.5956 | 3.6030 | ↘ |
| GBPMYR | 5.4301 | 5.4356 | 5.4382 | 5.4467 | 5.4504 | ↘ |
| SGDMYR | 3.0120 | 3.0148 | 3.0156 | 3.0172 | 3.0233 | ↘ |
| AUDMYR | 3.0597 | 3.0625 | 3.0655 | 3.0742 | 3.0803 | ↘ |
| NZDMYR | 2.8062 | 2.8114 | 2.8170 | 2.8207 | 2.8239 | ↘ |
| USDSGD | 1.3479 | 1.3506 | 1.3511 | 1.3530 | 1.3542 | ↘ |
| EURSGD | 1.5893 | 1.5900 | 1.5912 | 1.5930 | 1.5949 | ↘ |
| GBPSGD | 1.7995 | 1.8016 | 1.8033 | 1.8046 | 1.8067 | ↘ |
| AUDSGD | 1.0120 | 1.0136 | 1.0163 | 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 | 1719.5 | -0.1 | 4.7 | CRB Index | 185.5 | 0.26 | -3.6 |
| Dow Jones Ind. | 24386.0 | 0.2 | 23.4 | WTI oil (\$/bbl) | 58.0 | 1.10 | 8.0 |
| S&P 500 | 2660.0 | 0.3 | 18.8 | Brent oil (\$/bbl) | 64.7 | 2.03 | 13.9 |
| FTSE 100 | 7453.5 | 0.8 | 4.3 | Gold (S/oz) | 1241.9 | -0.50 | 8.1 |
| Shanghai | 3322.2 | 1.0 | 7.0 | CPO (RM/tonne) | 2433.0 | -0.67 | -23.9 |
| Hang Seng | 28965.3 | 1.1 | 31.7 | Copper (\$/tonne) | 6670.0 | 1.51 | 20.5 |
| STI | 3460.5 | 1.0 | 20.1 | Rubber (sen/kg) | 481.5 | -0.82 | -25.4 |

Source: Bloomberg

➤ Macroeconomics

Economic Data

| | For | Actual | Last | Survey |
|--------------------------------|-------|--------|-------|--------|
| UK Righmove house prices YOY | Dec | 1.2% | 1.8% | -- |
| JP BSI large all industry QOQ | 4Q | 6.2 | 5.1 | 5.8 |
| JP BSI large manufacturing QOQ | 4Q | 9.7 | 9.4 | 10.0 |
| JP machine tool orders YOY | Nov P | 46.9% | 49.8% | -- |
| JP PPI YOY | Nov | 3.5% | 3.4% | 3.3% |

Source: Bloomberg

- Overnight economic releases were scanty and only limited to those from the UK and Japan. A report from Rightmove suggest the pace of increase in house prices in the UK has slowed to 1.2% YOY in December (Nov: +1.8%). House prices also fell the most in five years on a MOM basis (-2.6% MOM), dragged by decline of house prices in London (-3.7%), reaffirming extended softness in the UK housing sector.
- In Japan, BSI surveys showed increased optimism across all industries. The large all industry index rose to its highest in nine quarters at 6.2 in 4Q (3Q: 5.1) while the large manufacturing index ticked higher to 9.7 (3Q: 9.4), reflecting improved sentiments on business outlook. However, forward looking indices for the next two quarters were apparently downbeat, with the large all industry index expected to pull back to 5.2 in 1Q18 and further to 0.5 in 2Q18, as large manufacturers reduced their optimism. In line with the upbeat business sentiments in 4Q, machine tool orders for the month of November sustained a 46.9% YOY increase, marking its 9th straight month of hefty double-digit expansion, amid slightly quicker increase in foreign orders and more moderate increase in domestic orders. In a separate release, PPI surprisingly picked up to 3.5% YOY in November, suggesting still firm underlying price pressure in Japan even though it remains far below BOJ's desirable level.

Economic Calendar Release Date

| Country | Date | Event | Reporting Period | Survey | Prior | Revised |
|-----------|------------|-----------------------------------|------------------|--------|--------|---------|
| Malaysia | 12/12 | Industrial production YOY | Oct | 4.1% | 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% | -- |
| | 12/13 | MBA mortgage applications | Dec 8 | -- | 4.7% | -- |
| | | CPI MOM | Nov | 0.4% | 0.1% | -- |
| Eurozone | 12/12 | ZEW survey expectations | Dec | -- | 30.9 | -- |
| | 12/13 | Industrial production MOM | Oct | -- | -0.6% | -- |
| 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% | -- |
| | 12/13 | Jobless claims change | Nov | -- | 1.1k | -- |
| | | ILO unemployment rate 3months | Oct | 4.2% | 4.3% | -- |
| | | Employment change 3M/3M | Oct | -40k | -14k | -- |
| Japan | 12/12 | Tertiary industry index MOM | Oct | 0.2% | -0.2% | -- |
| | 12/13 | Core machine orders YOY | Oct | -3.4% | -3.5% | -- |
| Singapore | 12/12 | Retail sales YOY | Oct | 1.0% | -0.5% | -- |
| Australia | 12/12 | NAB business conditions | 3Q | -- | 21 | -- |
| | | NAB business confidence | 3Q | -- | 8 | -- |
| | 12/13 | HIA new home sales MOM | Oct | -- | -6.1% | -- |
| | | Westpac consumer confidence index | Dec | -- | 99.7 | -- |
| NZ | 12/12 - 15 | RIENZ house sales YOY | Nov | -- | -15.8% | -- |

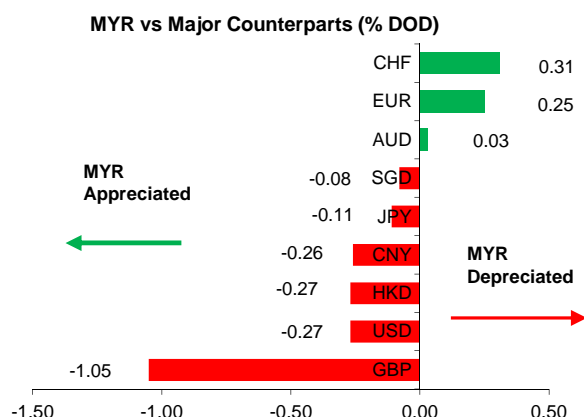
Source: Bloomberg

Forex

FX Table

| Name | Last Price | DoD % | High | Low | YTD % |
|--------|------------|-------|---------|--------|-------|
| EURUSD | 1.1769 | -0.03 | 1.1812 | 1.1757 | 12.0 |
| USDJPY | 113.56 | 0.07 | 113.69 | 113.24 | -2.9 |
| GBPUSD | 1.3341 | -0.37 | 1.3431 | 1.3331 | 8.1 |
| AUDUSD | 0.7526 | 0.23 | 0.7545 | 0.7504 | 4.5 |
| EURGBP | 0.8823 | 0.35 | 0.88447 | 0.8774 | 3.4 |
| USDMYR | 4.0765 | -0.27 | 4.2963 | 4.2820 | -9.2 |
| EURMYR | 4.8092 | 0.25 | 4.9042 | 4.8877 | 1.6 |
| JPYMYR | 3.5959 | -0.11 | 3.7940 | 3.7789 | -6.3 |
| GBPMYR | 5.4509 | -1.05 | 5.5687 | 5.5505 | -1.4 |
| SGDMYR | 3.0178 | -0.08 | 3.1267 | 3.1181 | -2.8 |
| AUDMYR | 3.0704 | 0.03 | 3.3323 | 3.3182 | -5.3 |
| NZDMYR | 2.8235 | 1.03 | 3.1506 | 3.1392 | -9.7 |

Source: Bloomberg



MYR

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USD

- **USD traded mixed against the G10s** with weaknesses noted against the commodity majors. The Dollar Index edged 0.04% lower to 93.87 as markets preferred to stay on the sideline ahead of FOMC meeting.
- **USD remains slightly bearish today in our view** amid cautiousness heading into FOMC meeting. We continue to expect the Dollar Index to pull back from recent gains; but as long as the pullback does not break below 93.56, the Dollar Index continues to stand a chance of moving up going forward.

EUR

- **EUR closed slightly weaker by 0.03% at 1.1769 against USD**, erasing all early session gains in in US session as the USD rebounded.
- **Expect a slightly bullish EUR on the back of retracement in USD**. EUR's movement will continue to take cue from performance of the greenback amid an absence of catalysts. Upside in the pair will likely be capped by 1.1800 and any losses and a close below 1.1758 will invigorate the bears and push EURUSD lower to 1.1709.

GBP

- **GBP losses extended for a 2nd straight day**, with the sterling **falling 0.37% to 1.3341 against USD** and tumbled against most G10s, weighed down by renewed prospects PM May may be pushed towards a hard Brexit again.
- **GBP is likely to stay bearish 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, the overall direction remains down with the pair heading towards 1.3283 next.

JPY

- **JPY weakened 0.07% to 113.56 against USD** and fell against most 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 room to climb to 114.34 going forward given the turnaround in momentum.

AUD

- **AUD strengthened 0.23% to 0.7526 against USD** and advanced against all G10s save for the Kiwi amid improving risk appetite and commodity prices.
- **Expect a bearish AUD against the USD** 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

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- **Expect a slightly bullish SGD** against anticipated pullback in USD heading into FOMC meeting. USDSGD now threatens to break 1.3530 and test 1.3542 next. Bypassing this exposes a move to 1.3575.

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