December 13, 2017

Hong Leong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Overnight economic releases turned out to be a mixed bag, positive in the US, UK and Japan but softer in EU, Australia, Singapore and Malaysia.** US PPI quickened more than expected to 3.1% YOY in November while core PPI sustained a 2.4% YOY increase, reflecting firm underlying prices in the system. Reports also showed inflationary pressure remains firm in the UK, spurred by a weaker sterling although there are signs the current uptick in inflation is plateauing.

- **In terms of business sentiments, investors turned more upbeat in the US but less optimistic in Eurozone and Australia** over economic conditions and outlook in the next six months. **Singapore consumers also remain cautious** as they spent less on auto, food & beverages, and furniture & household equipment. While the services industry in Japan rebounded more than expected, its wholesale and retail trade component indeed declined, adding on to concerns of the health of the consumer sector.

- **Back home, IPI growth lost traction for the 2nd consecutive month**, increasing by 3.4% YOY in October (Sept: +4.7% YOY), its slowest pace in 13 months. Slower growth in manufacturing (both domestic- and export-oriented) and mining far outweighed the pick-up in electricity output. Going forward, **back to back moderation in IPI gain offered telltale sign of moderation ahead.**

- **USD traded mixed against the G10s** with weaknesses noted against the commodity and Nordic majors. The Dollar Index closed 0.25% higher at 94.10 as the release of stronger than expected PPI spurred optimism over Fed policy normalization beyond 2017. **USD has turned slightly bullish** following positive US data. Yesterday's higher close has strengthened positive momentum in the Dollar Index, paving the way for further move higher to 94.28 next. Caution that a less hawkish than expected Fed could dampen USD strength and push DXY back to 93.69.

- **MYR closed 0.05% weaker at 4.0785 against the USD** as the pair climbed steadily from a lower opening, driven by rising risk aversion as FOMC meeting approaches. The local unit traded mixed against G10s, weaker against commodity majors. Today, **expect MYR to continue trade on a slightly softer note** amid a firmer greenback pending FOMC announcement early tomorrow morning (2am Malaysian time). Technically, positive momentum indicator has picked up, adding to signs of 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 brief.

- **SGD fell 0.04% to 1.3521 against USD in US trading session** and weakened against most G10s. **Expect a slightly bearish SGD** against a firmer USD. USDSGD remains technically bullish and still on track to break 1.3530 and test 1.3542 next. Bypassing this exposes a move to 1.3575.

Overnight Economic Data

Malaysia	↓
US	↑
EU	↓
UK	↑
Japan	↑
Singapore	↓
Australia	↓

What's Coming Up Next

Major Data
- US MBA mortgage applications, CPI
- UK ILO jobless rate , employment change, jobless claims change
- Japan core machine orders
- Australia HIA new home sales, Westpac consumer confidence

Major Events
- FOMC policy decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1689	1.1718	1.1745	1.1770	1.1806	↘
USDJPY	113.11	113.44	113.52	113.86	114.00	↗
GBPUSD	1.3286	1.3305	1.3317	1.3435	1.3450	↘
AUDUSD	0.7503	0.7548	0.7565	0.7576	0.7590	↗
EURGBP	0.8776	0.8811	0.8819	0.8834	0.8843	↗
USDMYR	4.0636	4.0731	4.0795	4.0816	4.0883	↗
EURMYR	4.7749	4.7837	4.7898	4.7975	4.8000	↘
JPYMYR	3.5882	3.5895	3.5929	3.5956	3.6030	↘
GBPMYR	5.4245	5.4301	5.4315	5.4393	5.4513	↘
SGDMYR	3.0120	3.0148	3.0157	3.0172	3.0233	↘
AUDMYR	3.0764	3.0822	3.0864	3.0922	3.0955	↗
NZDMYR	2.8197	2.8239	2.8320	2.8363	2.8394	↘
USDSGD	1.3479	1.3506	1.3523	1.3530	1.3542	↗
EURSGD	1.5842	1.5864	1.5881	1.5902	1.5931	↘
GBPSGD	1.7970	1.7992	1.8017	1.8032	1.8045	↘
AUDSGD	1.0203	1.0218	1.0233	1.0247	1.0258	↗

*at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1729.6	0.6	5.4
Dow Jones Ind.	24504.8	0.5	24.0
S&P 500	2664.1	0.2	19.0
FTSE 100	7500.4	0.6	5.0
Shanghai	3280.8	-1.2	5.7
Hang Seng	28793.9	-0.6	30.9
STI	3465.5	0.1	20.3

Name	Last Price	DoD %	YTD %
CRB Index	183.4	-1.12	-4.7
WTI oil ($/bbl)	57.1	-1.47	6.4
Brent oil ($/bbl)	63.3	-2.09	11.5
Gold (S/oz)	1244.6	0.20	8.1
CPO (RM/tonne)	2382.5	-1.71	-25.5
Copper ($/tonne)	6670.0	1.51	20.5
Rubber (sen/kg)	463.0	-1.28	-28.2

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY industrial production	Oct	3.4%	4.7%	4.1%
US PPI YOY	Nov	3.1%	2.8%	2.9%
US NFIB small biz optimism	Nov	107.5	103.8	104.0
EU ZEW expectations	Dec	29.0	30.9	--
UK CPI YOY	Nov	3.1%	3.0%	3.0%
UK PPI YOY	Nov	3.0%	2.8%	3.0%
UK RPI YOY	Nov	3.9%	4.0%	4.0%
JP tertiary industry index	Oct	0.3%	-0.2%	0.2%
SG retail sales	Oct	-0.1%	-0.6%	1.0%
AU NAB business confidence	3Q	6	9	--
AU NAB business conditions	3Q	12	21	--
NZ REINZ house sales YOY	Nov	-8.9%	-15.8%	--

Source: Bloomberg

➢ Macroeconomics

- US data surprised on the upside. PPI quickened more than expected to 3.1% YOY in November (Oct: +2.8% YOY), its highest in nearly six years, as a result of higher energy prices. Ex-energy and food, PPI sustained a 2.4% YOY increase, reflecting firm underlying prices in the system. Another release showed small businesses turned more optimistic about future outlook. The NFIB small business optimism index rose more than expected to 107.5 in November, touching its highest level in 3.5 decades as business owners turned more upbeat about business conditions and sales prospects in the next six months. Continuous improvement in US data shall pave the way for continuous policy normalization by the Fed. All eyes will be on tonight's quarterly projection and policy rhetoric for more clues on the pace and timing of further rate increases next year.

- Eurozone ZEW expectations pulled back a little to 29.0 in December, but remained elevated as investors remained upbeat over the growth outlook of the euro region as recent data flow continues to suggest growth in the region is picking up steam.

- UK price reports signaled inflationary pressures continued to pick up in November, CPI ticked a notch higher to its 5-year high at 3.1% YOY in a surprised move while PPI rose 0.2ppt to 3.0% YOY as expected. RPI pulled back a tad to 3.9% YOY but remained elevated at close to a 6-year high, taking the hit from a weaker sterling post-Brexit vote.

- Back in Asia, tertiary industry index rebounded more than expected by 0.3% MOM in October, halting two months of contraction and marked its best gain in six months, led by gains in ICT services while the declines in wholesale and retail trade exerted a drag and casted doubts over health of the consumer sector.

- In neighbouring Singapore, retail sales disappointed with another month of decline in October. Retail sales posted its first back-to-back fall since Jun-14, contracting 0.1% YOY in October, dragged by extended declines in auto, food & beverages, as well as furniture & household equipment. This added to concerns consumer spending remained weak, still taking the hit from a soft labour market.

- Down under, Australia business confidence and conditions pulled back rather sharply in 3Q, pointing to a still soft business landscape and sentiments that is expected to translate into softer economic growth ahead. The confidence index slipped from 9 to 6 in 3Q while the current condition index plunged from 21 to 12 during the quarter.

- In New Zealand, REINZ house sales extended its decline for the 17th straight month, albeit at a slower pace of 8.9% YOY in November. This stemmed from reduced confidence following the new government measures to ban sales of existing homes to foreigners starting next year.

- Back home, IPI growth lost traction for the 2nd consecutive month, increasing by 3.4% YOY in October (Sept: +4.7% YOY), its slowest pace in 13 months. Slower growth in manufacturing (both domestic- and export-oriented) and mining far outweighed the pick-up in electricity output. Going forward, back to back moderation in IPI gain offered telltale sign of moderation ahead. The sharp deceleration in domestic-oriented sector raised concern of growth sustainability in domestic demand going forward. If that materializes, it would leave growth more susceptible to external factors. Meanwhile, there are nothing to suggest the external environment is turning south in the foreseeable future, hence we are maintaining our full year growth projection at 5.7% for 2017.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
US	12/13	MBA mortgage applications	Dec 8	--	4.7%	--
		CPI YOY	Nov	2.2%	2.0%	--
	12/14	FOMC rate decision	Dec 13	1.25-1.50%	1.00-1.25%	--
		Initial jobless claims	Dec 9	236k	236k	--
		Retail sales MOM	Nov	0.3%	0.2%	--
		PMI manufacturing	Dec P	53.9	53.9	--
		PMI services	Dec P	55.0	54.5	--
Eurozone	12/13	Industrial production MOM	Oct	0.0%	-0.6%	--
	12/14	PMI manufacturing	Dec P	59.7	60.1	--
		PMI services	Dec P	56.0	56.2	--
		ECB main refinancing rate	Dec14	0.0%	0.0%	--
UK	12/13	Jobless claims change	Nov	--	1.1k	--
		ILO unemployment rate 3months	Oct	4.2%	4.3%	--
		Employment change 3M/3M	Oct	-40k	-14k	--
	12/14	RICS house price balance	Nov	0%	1%	--
		Retail sales incl auto MOM	Nov	0.4%	0.3%	--
		BOE bank rate	Dec 14	0.5%	0.5%	--
		BOE asset purchase target	Dec 14	£435b	£435b	--
Japan	12/13	Core machine orders YOY	Oct	-3.4%	-3.5%	--
	12/14	Nikkei PMI manufacturing	Dec P	--	53.6	--
		Industrial production MOM	Oct F	--	-3.0%	--
China	12/14	Retail sales YOY	Nov	10.3%	10.0%	--
		Fixed asset investment YTD YOY	Nov	7.2%	7.3%	--
		Industrial production YOY	Nov	6.1%	6.2%	--
Australia	12/13	HIA new home sales MOM	Oct	--	-6.1%	--
		Westpac consumer confidence index	Dec	--	99.7	--
	12/14	Employment change	Nov	19.0k	3.7k	--
		Unemployment rate	Nov	5.4%	5.4%	--

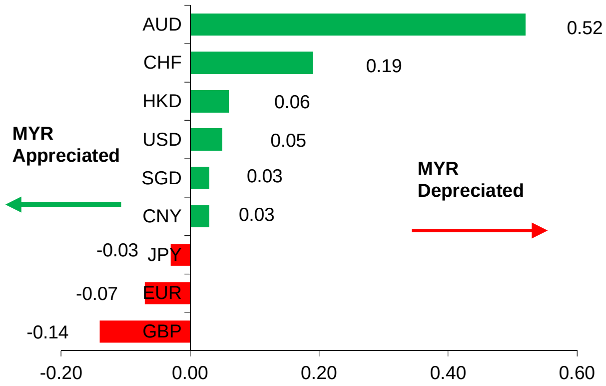
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1742	-0.23	1.1793	1.1718	11.6
USDJPY	113.55	-0.01	113.75	113.37	-2.9
GBPUSD	1.3318	-0.17	1.338	1.3304	7.9
AUDUSD	0.7558	0.43	0.7580	0.7519	4.8
EURGBP	0.8816	-0.07	0.88455	0.8791	3.3
USDMYR	4.0785	0.05	4.2963	4.2820	-9.1
EURMYR	4.8059	-0.07	4.9042	4.8877	1.7
JPYMYR	3.5948	-0.03	3.7940	3.7789	-6.2
GBPMYR	5.4432	-0.14	5.5687	5.5505	-1.3
SGDMYR	3.0188	0.03	3.1267	3.1181	-2.7
AUDMYR	3.0864	0.52	3.3323	3.3182	-4.7
NZDMYR	2.8352	0.41	3.1506	3.1392	-9.1

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

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USD

- **USD traded mixed against the G10s** with weaknesses noted against the commodity and Nordic majors. The Dollar Index closed 0.25% higher at 94.10 as the release of stronger than expected PPI spurred optimism over Fed policy normalization beyond 2017.
- **USD has turned slightly bullish** following positive US data. Yesterday's higher close has strengthened positive momentum in the Dollar Index, paving the way for further move higher to 94.28 next. Caution that a less hawkish than expected Fed could dampen USD strength and push DXY back to 93.69.

EUR

- **EUR declined for a 2nd day, by 0.23% at 1.1742 against USD,** as a result of sharp losses in US trading session as positive US data prompted a rebound in the USD.
- **Expect a slightly bearish EUR amid a firmer USD**. EUR's movement will continue to take cue from performance of the greenback amid an absence of catalysts. Yesterday's close below 1.1758 has reinforced the bears in EURUSD and we now target the next move lower to 1.1709.

GBP

- **GBP** losses stayed extended for a 3rd straight day, with the sterling **falling 0.17% to 1.3318 against USD** and also weaker against most G10s, weighed down by lingering concerns over a hard Brexit.
- **GBP is likely to stay bearish against a firmer USD** on continued pressure from uncertainties in progression of Brexit talks. 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 reversed to eke out a 0.01% gain to 113.55 against USD** and traded mixed against the G10s as it pared losses in US trading session.
- **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 0.43% to 0.7558 against USD** and advanced against most G10s amid improving risk appetite and commodity prices.
- **Expect a slightly bullish AUD against the USD** supported by improving sentiments in the markets. AUDUSD appears to be consolidating at current levels before the next move lower, heading towards 0.7470, below which a decline to 0.7400 is likely.

SGD

- **SGD fell 0.04% to 1.3521 against USD in US trading session** and weakened against most G10s.
- **Expect a slightly bearish SGD** against a firmer USD. USDSGD remains technically bullish and still on track to break 1.3530 and test 1.3542 next. Bypassing this exposes a move to 1.3575.

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