Global Markets Research

Daily Market Highlights

Key Takeaways

- **The Fed raised rates a third time this year as expected, to 1.25-1.50%,** in a 7-2 vote with Kashkari and Evans dissenting. **Despite upward revision to its economic projections, mainly growth and unemployment rate, the Fed maintained its projection for three rate hikes in 2018.** The Fed remarked that the labour market is expected to remain strong (vs "continue to strengthen" in previous statement) and that inflation is expected to stabilize around 2% in the medium term. In tandem, overnight releases on core CPI ex-food and energy unexpectedly ticked a notch lower to 1.7% YOY even though CPI picked up to 2.2% YOY as expected, driven by energy prices.

- **The less hawkish rhetoric from the Fed reaffirmed our view that the pace of policy normalization going into 2018 will remain gradual and data dependent. We are maintaining our view for two hikes next year** at this juncture. Note that there is no change in projection to any of its long run growth rates for either growth, unemployment rate or inflation.

- **MYR weakened 0.21% to 4.0872 against USD** and slipped against 9 G10s amid risk aversion ahead of FOMC policy decision. **We turn bullish on MYR against a weaker USD**, buoyed further by revival in market risk appetite. USDMYR remains tilted to the downside after recent failure to beat 4.0929. With technical bias still deep in bearish territory, expect further losses going forward, possibly testing 4.0600 – 4.0625 in the next leg lower.

- **USD slumped against all G10s** while the Dollar Index plunged post-FOMC announcement to close 0.71% lower at 93.42, as apart from an already priced-in rate hike, there were no new clues to drive further policy expectations. **We are slightly bullish on USD today** as strong overnight losses could potentially give rise to a modest rebound first before extending a downtrend. Rebound is likely capped by 93.66 before sliding lower thereafter, potentially testing 92.59 in the coming weeks. Caution that breaking below 92.59 exposes a drop to 91.40.

- **SGD strengthened 0.41% to 1.3465 against a weak USD** but slipped against 7 G10s that rallied on firmer risk appetite. **We turn slightly bullish on SGD against USD**, supported by likelihood of sustained advances in equities. USDSGD was firmly rejected and is now tilted to the downside. There is scope for the pair to head to 1.3435 next.

Overnight Economic Data

US	→
EU	↑
UK	↑↓
Japan	↑
Australia	↑

What's Coming Up Next

Major Data

- US initial jobless claims, retail sales, PMI manufacturing & services
- EU PMI manufacturing & services
- UK RICS house price balance, retail sales
- Japan Nikkei PMI manufacturing, industrial production
- China retail sales, fixed asset investment, industrial production
- Australia employment change, jobless rate

Major Events

- ECB & BOE policy meetings

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1806	1.1823	1.1831	1.1865	1.1880	↘
USDJPY	112.46	112.65	112.76	112.98	113.07	↗
GBPUSD	1.3370	1.3390	1.3409	1.3421	1.3455	↘
AUDUSD	0.7603	0.7619	0.7629	0.7649	0.7684	↗
EURGBP	0.8800	0.8811	0.8824	0.8845	0.8859	↗
USDMYR	4.0650	4.0693	4.0712	4.0763	4.0833	↘
EURMYR	4.8035	4.8086	4.8178	4.8219	4.8293	↗
JPYMYR	3.6050	3.6070	3.6114	3.6163	3.6200	↗
GBPMYR	5.4451	5.4518	5.4601	5.4681	5.4766	↘
SGDMYR	3.0167	3.0202	3.0233	3.0250	3.0276	↗
AUDMYR	3.1048	3.1101	3.1195	3.1255	3.1345	↗
NZDMYR	2.8423	2.8500	2.8554	2.8615	2.8665	↗
USDSGD	1.3442	1.3456	1.3470	1.3481	1.3496	↘
EURSGD	1.5902	1.5919	1.5937	1.5951	1.5983	↘
GBPSGD	1.8013	1.8036	1.8060	1.8095	1.8138	↘
AUDSGD	1.0272	1.0300	1.0317	1.0360	1.0380	↗

*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	1737.7	0.5	5.8	CRB Index	183.4	-0.03	-4.8
Dow Jones Ind.	24585.4	0.3	24.4	WTI oil ($/bbl)	56.6	-0.95	5.4
S&P 500	2662.9	0.0	18.9	Brent oil ($/bbl)	62.4	-1.42	9.9
FTSE 100	7496.5	-0.1	5.0	Gold (S/oz)	1255.6	0.90	8.1
Shanghai	3303.0	0.7	6.4	CPO (RM/tonne)	2398.0	0.65	-25.0
Hang Seng	29222.1	1.5	32.8	Copper ($/tonne)	6663.0	-0.10	20.4
STI	3468.8	0.1	20.4	Rubber (sen/kg)	460.0	-0.65	-28.7

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US FOMC Fed Funds Rate	Dec 14	1.25-1.50%	1.00-1.25%	1.25-1.50%
US MBA mortgage applications	Dec 8	-2.3%	4.7%	--
US CPI YOY	Nov	2.2%	2.0%	2.2%
EU industrial production MOM	Oct	0.2%	-0.5%	0.0%
UK jobless claims change	Nov	5.9k	6.5k	--
UK ILO unemployment rate	Oct	4.3%	4.3%	4.2%
UK employment change	Oct	-56k	-14k	-40k
JP core machine orders YOY	Oct	2.3%	-3.5%	-3.4%
AU Westpac consumer confidence	Dec	103.3	99.7	--

Source: Bloomberg

➢ Macroeconomics

- The Fed raised rates a third time this year as expected, to 1.25-1.50%, in a 7-2 vote with Kashkari and Evans dissenting. Despite upward revision to its economic projections, the Fed maintained its projection for three rate hikes in 2018. The less hawkish rhetoric from the Fed suggesting the pace of policy normalization going into 2018 will remain gradual and data dependent prompted selloffs in the greenback, with the Dollar Index plunging big time from the 93.90 to 93.40 handles post-announcement. The Fed remarked that the labour market is expected to remain strong (vs "continue to strengthen" in previous statement) and that inflation is expected to stabilize around 2% in the medium term.

- In terms of quarterly macro projection, the Fed has upwardly revised its real GDP growth forecasts from 2017-2020 but the long run growth rate was left unchanged at 1.8%. The US economy is expected to grow 2.5% this and next year, revised up from 2.4% and 2.1% respectively in the September projection. Unemployment rate was also revised lower by 0.2ppt across the said years, to 4.1% in 2017 and 3.9% in 2018. For PCE inflation, only projection for 2017 has been tweaked 0.1ppt higher to 1.7%, whilst the rest are kept unchanged at 1.9% for 2018, and 2.0% for 2019, 2020, as well as the long run rate. Core PCE was also left unchanged across the board, testifying to the lack of inflationary pressure in the US economy.

- In tandem, overnight CPI releases for the month of November reaffirmed the same and reinforced the case of a gradual approach in the Fed rate hike path. Core CPI ex-food and energy unexpectedly ticked a notch lower to 1.7% YOY even though CPI picked up to 2.2% YOY as expected, largely driven by energy prices. A separate release showed mortgage applications fell again, by 2.3% WOW dragged by declines in new purchases and refinancing.

- Elsewhere, data flow was largely positive save the softer job prints in the UK. Eurozone industrial production rebounded faster than expected to increase 0.2% MOM in October (Sept: -0.5% MOM revised). The rebound in intermediate goods, energy and non-durable consumer goods implied improving demand that will continue to underpin growth prospects ahead.

- UK job reports came in a little disappointing. Jobless claims change stood at 5.9k in November and October claims were revised significantly higher from 1.1k to 6.5k, a sign more people were claiming for jobless benefits. ILO unemployment stood unchanged at 4.3% in October, defying expectations for an improvement to 4.2%. The labour market also lost more than expected jobs (56k vs 40k surveyed and 14k in September). This marked its first back to back losses since Jun-15, adding to signs of a weakening labour market.

- In Japan, core machine orders staged a surprised rebound in October, increasing 2.3% YOY as quicker gains in manufacturers' orders overshadowed extended decline from non-manufacturers. This signaled businesses are raising investment spending on expectations of continuous recovery in growth outlook.

- Down under, Australian consumers turned more optimistic in December, evident in the uptick in Westpac consumer confidence index from 99.7 to 103.3, its best since Jan-14. Consumers were more optimistic over current conditions, expectations, family finances and economic outlook.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
US	12/14	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	54.7	54.5	--
	12/15	Empire manufacturing	Dec	18.8	19.4	--
		Industrial production MOM	Nov	0.3%	0.9%	--
Eurozone	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%	--
	12/15	Trade balance	Oct	€24.3b	€25.0b	--
UK	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	12/14	Nikkei PMI manufacturing	Dec P	--	53.6	--
		Industrial production MOM	Oct F	--	-3.0%	--
	12/15	Tankan large manufacturing outlook	4Q	22	19	--
		Tankan large non-manufacturing outlook	4Q	21	19	--
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	12/14	Employment change	Nov	19.0k	3.7k	--
		Unemployment rate	Nov	5.4%	5.4%	--
NZ	12/15	BizNZ PMI manufacturing	Nov	--	57.2	--

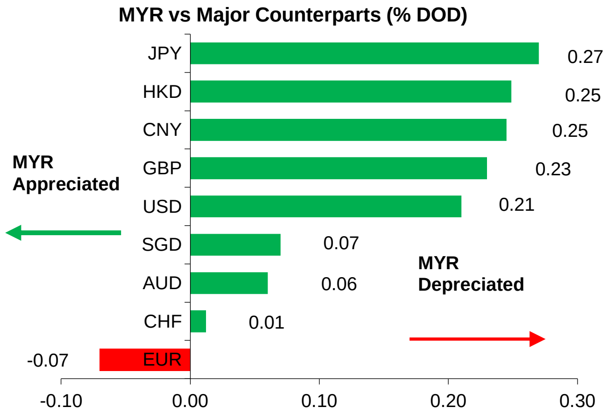
Source: Bloomberg

➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1826	0.72	1.1832	1.1730	12.5
USDJPY	112.54	-0.89	113.58	112.46	-3.6
GBPUSD	1.3420	0.77	1.3427	1.3312	8.7
AUDUSD	0.7637	1.05	0.764	0.7553	5.9
EURGBP	0.8812	-0.05	0.8836	0.8783	3.4
USDMYR	4.0872	0.21	4.0887	4.0738	-9.3
EURMYR	4.8023	-0.07	4.8035	4.7874	2.0
JPYMYR	3.6044	0.27	3.6073	3.5919	-5.8
GBPMYR	5.4559	0.23	5.4640	5.4279	-1.0
SGDMYR	3.0209	0.07	3.0224	3.0146	-2.6
AUDMYR	3.0882	0.06	3.0944	3.0826	-4.1
NZDMYR	2.8347	-0.02	2.8414	2.8300	-8.4

Source: Bloomberg



MYR

- **MYR weakened 0.21% to 4.0872 against USD** and slipped against 9 G10s amid risk aversion ahead of FOMC policy decision.
- **We turn bullish on MYR against a weaker USD**, buoyed further by revival in market risk appetite. USDMYR remains tilted to the downside after recent failure to beat 4.0929. With technical bias still deep in bearish territory, expect further losses going forward, possibly testing 4.0600 – 4.0625 in the next leg lower.

USD

- **USD slumped against all G10s** while the Dollar Index plunged post-FOMC announcement to close 0.71% lower at 93.42, as apart from an already priced-in rate hike, there were no new catalysts to drive further policy expectations.
- **We are slightly bullish on USD today** as strong overnight losses could potentially give rise to a modest rebound first before extending a downtrend. Rebound is likely capped by 93.66 before sliding lower thereafter, potentially testing 92.59 in the coming weeks. Caution that breaking below 92.59 exposes a drop to 91.40.

EUR

- **EUR surged 0.72% to 1.1826 against USD** and advanced against 5 G10s, lifted by better than expected Eurozone data and greenback weakness.
- **Expect a slightly bearish EUR against USD** amid risk aversion ahead of ECB policy announcement and press conference. Technically, strong gains such as yesterday's are likely to pullback first before pushing higher. We caution that failure by EURUSD to close above 1.1880 in the next leg higher is a continuation of a bearish pattern that, if completed, could trigger a drop to circa 1.1600.

GBP

- **GBP soared 0.77% to 1.3420 against USD** and climbed against 6 G10s on the back of slightly improved UK labour market data.
- **We keep a bearish GBP view against USD** on risk aversion ahead of BOE policy decision, with potential for strong declines if UK retail sales data disappoints. We maintain that GBPUSD remains tilted to the downside as long as it fails to close above 1.3455. Expect a drop to 1.3370, below which 1.3285 will be left exposed.

JPY

- **JPY strengthened 0.89% to 112.54 against USD** and held on to early gains from refuge demand ahead of FOMC policy announcement to beat 7 G10s.
- **JPY is bearish against USD** in our view as risk appetite gathers steam in the markets and dent its demand. USDJPY closing below 112.98 is a bearish sign to us. Though there may be a modest rebound after yesterday's sharp losses, direction going forward is likely headed lower, possibly testing 111.90.

AUD

- **AUD** rallied to beat 8 G10s and **surged 1.05% to 0.7637 against a weak USD** risk appetite in the markets were revived post-FOMC announcement.
- **We turn bullish on AUD against USD**, buoyed by firmer Australia data as well as rebound in commodities. Despite an early rally, AUDUSD must close above 0.7649 to sustain a bullish bias. Overnight breakout is likely a reversal that could see AUDUSD climbing to 0.7740 before relenting.

SGD

- **SGD strengthened 0.41% to 1.3465 against a weak USD** but slipped against 7 G10s that rallied on firmer risk appetite.
- **We turn slightly bullish on SGD against USD**, supported by likelihood of sustained advances in equities. USDSGD was firmly rejected and is now tilted to the downside. There is scope for the pair to head to 1.3435 next.

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