

Global Markets Research

Daily Market Highlights

Key Takeaways

- A heavy day with **major central bank's MPC meetings in focus**. No surprises from both the ECB and BOE who kept rates on hold and policy tone unchanged. **BOC meanwhile paused but struck a more hawkish tone** signaling likelihood of a hike early next year. **ECB reiterated its guidance that rates will "remain at their present levels for an extended period of time**, and well past the horizon of the net asset purchases". Similar to the Fed the day before, this unchanged rhetoric came despite rather substantial upward revision in growth forecasts. **BOE also offered no changes to its stance that "further modest increases would probably be needed over the next few years** if the economy performed as expected", reaffirming that there is no urgency to hike in the near term.
- **Overnight data flow also reaffirmed that global growth outlook remains bright**. US and UK retail sales surprised on the upside and so are PMI readings in the US and EU (save for US services). China first tier data also reinforced resiliency in the Chinese economy and business outlook in Japan turned generally more upbeat in 4Q.
- **USD closed mixed against the G10s**, lifted by largely firmer US data flow at the same time rebounding from a likely exaggerated decline post-FOMC decision. The Dollar Index inched 0.06% higher to 93.48. **We now expect USD to resume a bearish path** amid rising concerns over the approval of US tax reform bill. The Dollar Index expectedly rebounded but being capped below 93.56 means downside bias prevails. Declines are likely going forward, with scope to slide to as low as 93.08.
- **MYR firmed up 0.07% to 4.0845 against USD** but only after holding off declines in Asian-European sessions that greatly narrowed stronger opening. MYR fell against 6 G10s that rallied on softer overnight USD. **MYR is now slightly bearish in our view against USD**, weighed down by extended retreat in market risk appetite. USDMYR negative technical outlook is receding; with pick-up in positive momentum, there is scope for the pair to re-test 4.0929 going forward. But caution that another failure here will result in a sharper decline, possibly to 4.0500.
- **SGD was 0.07% firmer at 1.3456 against USD** and climbed against 5 G10s. **We turn slightly bearish on SGD against USD**, anticipating pressure from extended retreat in market risk appetite. USDSGD could take a breather from extended slides after finding support at 1.3453. Slight gains could prevail but likely capped below 1.3480 before renewing its attempt at 1.3435.

Overnight Economic Data

US	↑
EU	↑
UK	↓
Japan	↑
China	→
Australia	↑

What's Coming Up Next

Major Data

- US Empire manufacturing, industrial production
- EU trade balance

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1758	1.1769	1.1780	1.1806	1.1823	↗
USDJPY	112.00	112.20	112.30	112.32	112.38	↘
GBPUSD	1.3382	1.3412	1.3436	1.3445	1.3461	↗
AUDUSD	0.7633	0.7649	0.7668	0.7677	0.7700	↗
EURGBP	0.8750	0.8760	0.8768	0.8778	0.8790	↘
USDMYR	4.0716	4.0750	4.0782	4.0800	4.0816	↗
EURMYR	4.8000	4.8035	4.8058	4.8106	4.8126	↘
JPYMYR	3.6200	3.6244	3.6311	3.6360	3.6400	↗
GBPMYR	5.4700	5.4766	5.4790	5.4851	5.4913	↘
SGDMYR	3.0261	3.0300	3.0306	3.0345	3.0364	↗
AUDMYR	3.1230	3.1255	3.1279	3.1323	3.1381	↗
NZDMYR	2.8426	2.8250	2.8509	2.8538	2.8615	↗
USDSGD	1.3435	1.3453	1.3456	1.3465	1.3480	↗
EURSGD	1.5800	1.5826	1.5854	1.5863	1.5875	↘
GBPSGD	1.8036	1.8047	1.8081	1.8106	1.8138	↘
AUDSGD	1.0279	1.0301	1.0321	1.0338	1.0360	↗

*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	1759.0	1.2	7.1	CRB Index	184.2	0.47	-4.3
Dow Jones Ind.	24508.7	-0.3	24.0	WTI oil (\$/bbl)	57.0	0.78	6.2
S&P 500	2652.0	-0.4	18.5	Brent oil (\$/bbl)	63.4	1.55	11.6
FTSE 100	7448.1	-0.6	4.3	Gold (S/oz)	1252.9	-0.20	8.1
Shanghai	3292.4	-0.3	6.1	CPO (RM/tonne)	2388.0	-0.42	-25.3
Hang Seng	29166.4	-0.2	32.6	Copper (\$/tonne)	6729.0	0.99	21.6
STI	3435.8	-1.0	19.3	Rubber (sen/kg)	480.0	4.01	-25.6

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US initial jobless claims	Dec 9	225k	236k	236k
US retail sales MOM	Nov	0.8%	0.5%	0.3%
US PMI manufacturing	Dec P	55.0	53.9	53.9
US PMI services	Dec P	52.4	54.5	54.7
EU PMI manufacturing	Dec P	60.6	60.1	59.7
EU PMI services	Dec P	56.5	56.2	56.0
EU ECB main refinancing rate	Dec 14	0.0%	0.0%	0.0%
UK RICS house price balance	Nov	0%	1%	0%
UK retail sales incl auto MOM	Nov	1.1%	0.5%	0.4%
UK BOE bank rate	Dec 14	0.5%	0.5%	0.5%
UK BOE asset purchase target	Dec 14	£435b	£435b	£435b
JP Nikkei PMI manufacturing	Dec P	54.2	53.6	--
JP industrial production MOM	Oct F	0.5%	0.5%	--
JP Tankan large manufacturing	4Q	19	19	22
JP Tankan large non-manufacturing	4Q	20	19	21
CH FDI YOY	Nov	90.7%	5.0%	--
CH retail sales YOY	Nov	10.2%	10.0%	10.3%
CH fixed asset investment YTD YOY	Nov	7.2%	7.3%	7.2%
CH industrial production YOY	Nov	6.1%	6.2%	6.1%
AU employment change	Nov	61.6k	7.8k	19.0k
AU unemployment rate	Nov	5.4%	5.4%	5.4%
NZ BizNZ PMI manufacturing	Nov	57.7	57.3	--

Source: Bloomberg

➤ Macroeconomics

- ECB left its main refinancing rate at 0% and deposit rate at -0.4% and at the same time reiterated its guidance that rates will “remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases”. ECB also maintained its October decision to begin trimming monthly asset purchases to €30bn effective Jan-2018 and extend its QE programme for another nine months to September next year.
- Similar to the Fed the day before, this unchanged rhetoric came despite rather substantial upward revision of 0.2-0.5ppt to this and next year's growth forecast, to 2.4% and 2.3% respectively (previous 2.2% and 1.8%). Inflation forecasts for next year was also upgraded to 1.4%, from 1.2% previously but inflation is still expected to average below the ECB's 2% target, at 1.7% in 2020.
- BOE also kept its rates and asset purchase target unchanged as expected, in a rare unanimous vote, after the quarter-point hike last month. BOE offered no changes to its stance that “further modest increases would probably be needed over the next few years if the economy performed as expected”, reaffirming that there is no urgency to hike in the near term. Another key takeaway was that policy makers are shading a more positive light on Brexit following the breakthrough in negotiations last week.
- On the data front, US retail sales surprised on the upside, picking up to increase 0.8% MOM in November while October's gain was revised up to 0.5%. Sales ex-autos and gas also jumped to 0.8% MOM, suggesting broad-based increases in sales that reflect underlying strength in consumer spending although this could be due in part to year end holiday spending. Continuous improvement in the job market, with the latest initial jobless claims falling 11k to 225k in the week ended 9-Dec shall also augur well with consumer finances.
- First glimpse of PMI manufacturing and services for the month of December generally surprised on the upside (except US services), implying global demand and recovery remain intact as the year comes to a close. In the Eurozone, PMI manufacturing and services both extended its leg up, to a record high of 60.6 and 6.5-year high of 56.5 respectively in December. Brighter growth conditions and prospects in the euro region shall pave the way for ECB to further normalize its monetary policy, where a rate hike could materialize earlier than initially anticipated. In the US, PMI manufacturing also staged a surprised uptick to 55.0 in December, its highest in 11 months but services disappointed by pulling back unexpectedly to 52.4, a 15-month low.
- UK RICS house price balance settled at 0%, a level suggesting stagnant prices and its worst since Feb-13, reinforcing the case of a softening UK housing market as Brexit uncertainties continues to dampen sales across the country but most notably in London. In a separate release, retail sales quickened more than expected to increase 1.1% MOM in November while October's gain was revised higher to 0.5% MOM, as consumers spent more on household goods and clothing encouraged by discounts offered by retailers in conjunction with Black Friday.

- Closer to home, the slew of first tier data from China reaffirmed resiliency in the Chinese economy. Retail sales picked up albeit less than expected to increase 10.2% YOY in November while industrial production and fixed asset investment moderated a little to 6.1% and 7.2% YOY respectively, both within expectations. FDI staged a massive 90.7% YOY increase to CNY124.9bn in November, bringing YTD investment higher to CNY803.6bn, a 9.8% YOY increase from the previous corresponding period, another sign foreign investment will continue to drive growth in the Chinese economy even as the government is undertaking reform efforts to restructure its economy.
- Japanese data turned in positive overall. Nikkei PMI manufacturing climbed higher to 54.2 in December while industrial production rebounded to increase 0.5% MOM in October as initially estimated. Tankan survey showed manufacturing and non-manufacturing outlook improved slightly for both large and small setups in 4Q, with the exception of large manufacturers where the reading was steady at 19.
- Over in Australia, the labour market remains steady. Unemployment rate held steady at 5.4% in November as expected while the economy added more than expected jobs of 61.6k during the month, spurred by higher gains in full time employment and a turnaround in part time employment. Manufacturing activities in New Zealand also reported a pick-up in November, with the BizNZ PMI manufacturing index inching up 0.4ppt to 57.7, driven by higher production and employment.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	12/15	Empire manufacturing	Dec	18.7	19.4	--
		Industrial production MOM	Nov	0.3%	0.9%	--
	12/18	NAHB housing market index	Dec	70	70	--
Eurozone	12/15	Trade balance	Oct	€24.3b	€25.0b	--
	12/18	CPI YOY	Nov F	--	1.5%	--
Japan	12/18	Trade balance	Nov	-¥51.8b	¥285.4b	¥284.6b
Hong Kong	12/18	Unemployment rate	Nov	--	3.0%	--
Singapore	12/18	NODX YOY	Nov	1.7%	20.9%	--
NZ	12/18	Performance services index	Nov	--	55.6	--
		ANZ consumer confidence	Dec	--	123.7	--

Source: Bloomberg

Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1778	-0.41	1.1863	1.1771	12.0
USDJPY	112.39	-0.13	112.88	112.07	-4.0
GBPUSD	1.3431	0.08	1.3466	1.3385	8.9
AUDUSD	0.7666	0.38	0.7680	0.7628	6.4
EURGBP	0.8770	-0.48	0.88336	0.8761	2.7
USDMYR	4.0845	-0.07	4.0858	4.0690	-9.0
EURMYR	4.8277	0.53	4.8379	4.8156	1.8
JPYMYR	3.6230	0.52	3.6242	3.6084	-5.2
GBPMYR	5.4955	0.73	5.4973	5.4568	-0.6
SGDMYR	3.0308	0.33	3.0336	3.0202	-2.2
AUDMYR	3.1281	1.29	3.1339	3.1048	-3.4
NZDMYR	2.8565	0.77	2.8619	2.8509	-8.5

Source: Bloomberg

MYR

- **MYR firmed up 0.07% to 4.0845 against USD** but only after holding off declines in Asian-European sessions that greatly narrowed stronger opening. MYR fell against 6 G10s that rallied on softer overnight USD.
- **MYR is now slightly bearish in our view against USD**, weighed down by extended retreat in market risk appetite. USDMYR negative technical outlook is receding; with pick-up in positive momentum, there is scope for the pair to re-test 4.0929 going forward. But caution that another failure here will result in a sharper decline, possibly to 4.0500.

USD

- **USD closed mixed against the G10s**, lifted by largely firmer US data flow at the same time rebounding from a likely exaggerated decline post-FOMC decision. The Dollar Index inched 0.06% higher to 93.48.
- **We now expect USD to resume a bearish path** amid rising concerns over the approval of US tax reform bill. The Dollar Index expectedly rebounded but being capped below 93.56 means downside bias prevails. Declines are likely going forward, with scope to slide to as low as 93.08.

EUR

- **EUR fell 0.41% to 1.1778 against USD** and weakened against 7 G10s, weighed down by a continuously cautious-sounding ECB on policy despite improved outlook on the economy.
- **We turn bullish on EUR against a soft USD**. EURUSD pulled back as expected and is likely to renew its recent attempt at rebound. The pair is targeting a climb to 1.1806; bypassing this exposes a move to 1.1823.

GBP

- **GBP** was supported by weakness in European majors and UK data to beat 5 G10s and **inch 0.08% higher to 1.3431 against USD**.
- **We turn bullish on GBP against a soft USD**, supported by prevailing optimism over Brexit talks. Technical signals point GBPUSD towards the upside, with scope to break 1.3461 next. Holding above 1.3400 keeps a mild bullish tone in GBPUSD.

JPY

- **JPY** was supported by weakness in equities as it climbed against 6 G10s and **advanced 0.13% to 112.39 against USD**.
- **Expect a bullish JPY against USD** amid renewed weakness in risk appetite in the markets, particularly going into the week's closure. USDJPY is now heading lower after the absence of a rebound yesterday. The pair is poised to test 111.90 next, below which 111.03 will be targeted.

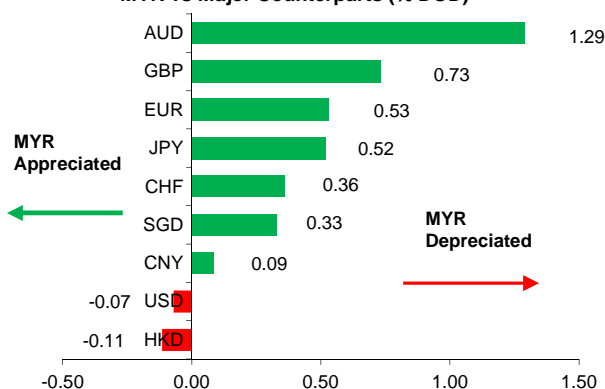
AUD

- **AUD** climbed to the top of the G10 list and **strengthened 0.38% to 0.7666 against USD**, supported by firmer than expected Australia labour market data.
- **Stay bearish on AUD against USD** amid an overall firmer Australia growth outlook after recent data performance. AUDUSD continues to break through firm resistances and is likely to test 0.7700 soon. Do not rule out modest pullbacks after recent rally but as long as the pair holds above 0.7649, overall direction remains upwards going forward.

SGD

- **SGD** was **0.07% firmer at 1.3456 against USD** and climbed against 5 G10s.
- **We turn slightly bearish on SGD against USD**, anticipating pressure from extended retreat in market risk appetite. USDSGD could take a breather from extended slides after finding support at 1.3453. Slight gains could prevail but likely capped below 1.3480 before renewing its attempt at 1.3435.

MYR vs Major Counterparts (% DOD)



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