

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- Data flow last Friday were minimal while **markets shifted attention to US tax reform bill**. Key changes include **narrowing the corporate tax rates range of 15% - 35% to 21%**, **lowering personal income tax rates from the top range of 39.6% to 37% up until year 2025**, and **almost doubling the threshold at which inheritance tax of 40% kicks in**. The final bill is headed into Congress voting this week, and is expected to be passed.
- **Data was mostly second-tier and lower**. US reports indicated **softer pace of growth in manufacturing in New York**, while **industrial production also grew at a slower pace** in Nov amid weaker performances of manufacturing and utilities output. **Eurozone and Japan saw both their trade surpluses narrowed** as imports outpaced exports. Over in New Zealand, the **services sector grew quicker** in Nov but **surveys suggest consumers were less optimistic** in Dec.
- **MYR rallied** in late Asian trade to **overturn losses into a soft gain of 0.12% at 4.0795 against USD** and beat 6 G10s. **Continue to expect a slightly bearish MYR against USD** in the absence of positive catalysts to drive further gains. 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 strengthened against 9 G10s** while the Dollar Index climbed 0.47% higher to 93.93, supported by growing optimism that the final US tax reform bill is headed for Congress approval. **Expect a bullish USD** amid continued support from optimism over likelihood of the Congress approving the US tax reform bill. The Dollar Index is now above 93.56 and tilted to the upside, with scope to test 94.17. This is a firm level that must be broken to sustain extended upsides, otherwise a return to 93.56 is expected.
- **SGD weakened 0.24% to 1.3488 against USD** but managed to beat 6 G10s. **We turn slightly bullish on SGD against USD**, anticipating improved risk sentiment in equities in response to growing optimism over the approval of US tax reform bill. Technical outlook continues to point USDSGD lower, with scope to close below 1.3456 in the coming days. Current rebound phase is likely to be capped by 1.3511.

#### Overnight Economic Data

US	↓
EU	↓
Japan	↓
New Zealand	→

#### What's Coming Up Next

##### Major Data

- US NAHB housing market index
- Eurozone CPI
- Hong Kong unemployment rate
- Singapore non-oil domestic exports

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1709	1.1733	1.1743	1.1758	1.1790	↘
USDJPY	112.15	112.38	112.73	112.87	112.98	↘
GBPUSD	1.3282	1.3300	1.3315	1.3356	1.3380	↘
AUDUSD	0.7620	0.7636	0.7643	0.7649	0.7679	↗
EURGBP	0.8781	0.8802	0.8820	0.8833	0.8852	↗
USDMYR	4.0773	4.0804	4.0857	4.0900	4.0929	↗
EURMYR	4.7874	4.7956	4.7994	4.8039	4.8085	↘
JPYMYR	3.6169	3.6200	3.6237	3.6291	3.6355	↗
GBPMYR	5.4288	5.4373	5.4411	5.4502	5.4568	↘
SGDMYR	3.0243	3.0254	3.0271	3.0301	3.0344	↗
AUDMYR	3.1171	3.1200	3.1228	3.1253	3.1307	↗
NZDMYR	2.8530	2.8575	2.8612	2.8650	2.8679	↗
USDSGD	1.3465	1.3484	1.3494	1.3500	1.3511	↘
EURSGD	1.5815	1.5835	1.5847	1.5875	1.5898	↘
GBPSGD	1.7926	1.7946	1.7968	1.7994	1.8036	↘
AUDSGD	1.0289	1.0300	1.0314	1.0331	1.0350	↗

\*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	1753.1	-0.3	6.8	CRB Index	184.5	0.17	-4.1
Dow Jones Ind.	24651.7	0.6	24.7	WTI oil (\$/bbl)	57.3	0.46	6.7
S&P 500	2675.8	0.9	19.5	Brent oil (\$/bbl)	63.2	-0.10	11.5
FTSE 100	7490.6	0.6	4.9	Gold (\$/oz)	1256.4	0.30	10.8
Shanghai	3266.1	-0.8	5.2	CPO (RM/tonne)	2338.5	-1.97	-26.9
Hang Seng	28848.1	-1.1	31.1	Copper (\$/tonne)	6886.0	1.37	24.4
STI	3416.9	-0.5	18.6	Rubber (sen/kg)	449.0	-6.46	-30.4

Source: Bloomberg

## ➤ Macroeconomics

### Economic Data

	For	Actual	Last	Survey
US Empire manufacturing	Dec	18.0	19.4	18.7
US industrial production MOM	Nov	0.2%	1.2%	0.3%
EU trade balance	Oct	18.9b	26.4b	--
JP trade balance	Nov	¥113.4	¥284.6b	-¥40.0b
NZ performance services index	Nov	56.4	55.7	--
NZ ANZ consumer confidence	Dec	121.8	123.7	--

Source: Bloomberg

- Data flow last Friday were minimal while markets shifted attention to US tax reform bill. Key changes include narrowing the corporate tax rates range of 15% - 35% to 21%, lowering personal income tax rates from the top range of 39.6% to 37% up until year 2025, and almost doubling the threshold at which inheritance tax of 40% kicks in. The final bill is headed into Congress voting this week, and is expected to be passed.
- US data were mostly softer. The Empire manufacturing index slipped to 18.0 in Dec from 19.4, suggesting easier growth in NY factory activities. This concurred with a separate report indicating a more subdued growth in industrial production, which grew 0.2% MOM in Nov after rising 1.2% in the previous month. This was led by softer growth in manufacturing sector, rising just 0.2% after climbing 1.4% in Oct, as well as decline in utilities output, both of which negated the rebound in mining output, up 2.0% after falling 0.6% in Oct.
- Over in the Eurozone, trade surplus narrowed to € 18.6b in Oct from an excess of € 26.4b in Sept. Exports increased 9% YOY in Oct, but was mildly outpaced by imports that grew 10.0%.
- Similarly, Japan's trade surplus narrowed to ¥ 113.4b in Nov from ¥ 285.4b as exports growth of 16.2% YOY was outpaced by imports that grew 17.2%, both softening from Oct figures but bested expectations.
- New Zealand's services sector performed better in Nov; the performance services index climbed to 56.4 from 55.7, boosted by stronger growth in activity and new orders though expansion in employment was softer. Meanwhile, ANZ's gauge of consumer confidence fell in Dec, indicating softer sentiment; the index fell to 121.8 from 123.7, down 1.5% MOM.

### Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	12/18	NAHB housing market index	Dec	70	70	--
	12/19	Housing starts MOM	Nov	-3.3%	13.7%	--
		Building permits MOM	Nov	-3.1%	5.9%	--
Eurozone	12/18	CPI YOY	Nov F	1.5%	1.5%	--
	12/19	Construction output MOM	Oct	--	0.1%	--
Japan	12/19	Machine tool orders YOY	Nov F	--	46.9%	--
Hong Kong	12/18	Unemployment rate	Nov	3.1%	3.0%	--
Singapore	12/18	NODX YOY	Nov	6.4%	20.9%	--
NZ	12/19	Westpac consumer confidence	4Q	--	112.4	--
		ANZ business confidence	Dec	--	-39.3	--

Source: Bloomberg

## Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1749	-0.25	1.1812	1.1749	11.7
USDJPY	112.60	0.19	112.74	112.03	-3.7
GBPUSD	1.3320	-0.83	1.3448	1.3302	7.9
AUDUSD	0.7646	-0.26	0.7695	0.7638	6.1
EURGBP	0.8821	0.58	0.8860	0.8762	3.3
USDMYR	4.0795	0.12	4.0892	4.0753	-9.1
EURMYR	4.8126	0.31	4.8196	4.8023	1.9
JPYMYR	3.6372	0.39	3.6468	3.6291	-5.1
GBPMYR	5.4790	0.30	5.4941	5.4743	-0.6
SGDMYR	3.0301	-0.02	3.0371	3.0266	-2.3
AUDMYR	3.1325	0.14	3.1445	3.1253	-3.3
NZDMYR	2.8640	0.26	2.8746	2.8484	-8.2

Source: Bloomberg

### MYR

- **MYR rallied in late Asian trade to overturn losses into a soft gain of 0.12% at 4.0795 against USD** and beat 6 G10s.
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### USD

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- **Expect a bullish USD** amid continued support from optimism over likelihood of the Congress approving the US tax reform bill. The Dollar Index is now above 93.56 and tilted to the upside, with scope to test 94.17. This is a firm level that must be broken to sustain extended upsides, otherwise a return to 93.56 is expected.

### EUR

- **EUR fell 0.25% to 1.1749 against a firmer USD** but kept gains versus 5 G10s.
- **EUR is likely to stay bearish against a firm USD.** EURUSD failed to hold above 1.1806, which to us is a sign that upsides are unable to sustain. Sliding back below 1.1758 puts downside pressure on the pair, raising chances of a drop to 1.1709.

### GBP

- **GBP retreated against 8 G10s and tumbled 0.83% to 1.3320 against USD** as markets turned more cautious heading into second phase of Brexit negotiation that is deemed tougher than the first.
- **GBP is now bearish against USD**, further weighed down by growing risk aversion as the UK heads into second phase of Brexit negotiation. Technical landscape has changed after GBPUSD fell below 1.3380. The pair is now prone to a decline to 1.3282, below which 1.3234 will be exposed.

### JPY

- **JPY advanced against 7 G10s amid weaker commodity and European majors but slipped 0.19% to 112.60 against a firmer USD.**
- **Continue to expect a bullish JPY against USD** on continued risk aversion in the FX space. Despite signs of an extended rebound off 112.00, technical viewpoint continues to suggest a drop below 112.39 going forward. Losing this increases the chance of a drop to 111.90.

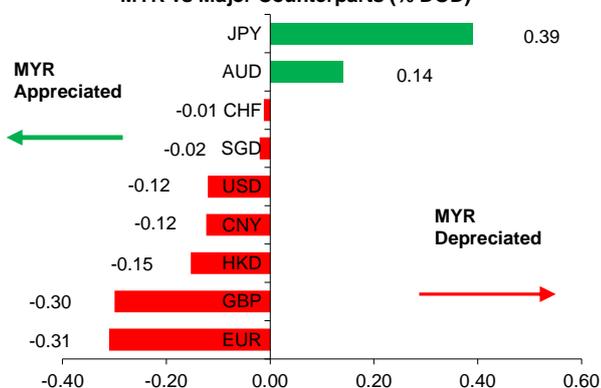
### AUD

- **AUD weakened 0.26% to 0.7646 against USD** and retreated against 5 G10s, weighed down by risk aversion in the markets.
- **We turn bullish on AUD against USD** on technical grounds. Despite a pullback last Friday, technical signs remain positive and point to the likelihood of a close above 0.7666 in the coming days. In the meantime, mild losses cannot be ruled out, but will likely be support by 0.7620.

### SGD

- **SGD weakened 0.24% to 1.3488 against USD** but managed to beat 6 G10s.
- **We turn slightly bullish on SGD against USD**, anticipating improved risk sentiment in equities in response to growing optimism over the approval of US tax reform bill. Technical outlook continues to point USDUSD lower, with scope to close below 1.3456 in the coming days. Current rebound phase is likely to be capped by 1.3511.

MYR vs Major Counterparts (% DOD)



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