

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets turned risk-off as optimism surrounding US tax overhaul fizzled out amid news of an approval of the plan from the House.** Investors started to worry about more aggressive policy tightening pace once tax cuts translate into better growth prospects, prompting some sell-offs. This means one hurdle out and the Senate will be the next to vote. The Tax Bill overshadowed a bag of **mixed economic indicators dominated by a surprised gain in housing starts in the US and a surprised widening in trade deficit in New Zealand.**
- **RBA minutes sounded a tad more positive on growth prospects** as policy makers judged that job markets "will be somewhat above average" in the next few quarters which could filter down to higher wage growth and inflation, which the central bank said "remained important considerations in shaping the outlook" of monetary policy. **The more hawkish minutes spurred expectations RBA may be paving the way for a rate hike**, joining the bandwagon of policy normalization by other major central banks.
- **USD retreated against 6 G10s** while the Dollar Index fell 0.27% to 93.44 in the absence of new catalysts to drive buying interest now that the US tax reform bill is headed for approval by the Senate. **We are now bearish on USD**, as buying interest is likely to further wane with markets setting sights on the next US data flow that includes 3Q GDP. The Dollar Index has lost 93.56 and may be finalizing a bearish chart pattern that, if completed, could trigger a drop to circa 91.52. Holding above 93.08 prevents this.
- **MYR dipped 0.05% to 4.0810 against a firmer overnight USD** but not before narrowing early losses while beating 7 G10s. **A slightly bearish MYR is likely to sustain against USD** ahead of Malaysia CPI data; an upside surprise will likely trigger a rally in MYR. Upside momentum continues to build, hinting at more room for gains in USDMYR but given trend is still deep in bearish territory, we reckon that gains may be moderate. The pair continues to target 4.0929, a firm resistance that has the potential to reject further advances.
- **SGD was 0.04% firmer at 1.3466 against USD** but closed mixed against the G10s amid retreat in equities. **Stay slightly bullish on SGD against a soft USD.** 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
Australia
New Zealand



What's Coming Up Next

Major Data

- Malaysia CPI
- US MBA mortgage applications and existing home sales
- Eurozone current account
- UK CBI reported sales
- Japan all industry activity index, convenience store sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1758	1.1768	1.1838	1.1790	1.1806	↘
USDJPY	112.15	112.38	112.98	112.79	112.98	↗
GBPUSD	1.3356	1.3371	1.3391	1.3411	1.3456	↘
AUDUSD	0.7620	0.7649	0.7659	0.7671	0.7690	↘
EURGBP	0.8805	0.8829	0.8842	0.8852	0.8871	↗
USDMYR	4.0790	4.0805	4.0820	4.0833	4.0858	↗
EURMYR	4.8149	4.8243	4.8331	4.8379	4.8400	↗
JPYMYR	3.6029	3.6084	3.6126	3.6169	3.6242	↘
GBPMYR	5.4496	5.4569	5.4666	5.4686	5.4766	↘
SGDMYR	3.0238	3.0254	3.0303	3.0316	3.0343	↗
AUDMYR	3.1180	3.1200	3.1266	3.1297	3.1322	↗
NZDMYR	2.8320	2.8352	2.8489	2.8509	2.8575	↘
USDSGD	1.3433	1.3456	1.3471	1.3479	1.3491	↘
EURSGD	1.5927	1.5941	1.5949	1.5961	1.5979	↗
GBPSGD	1.8014	1.8036	1.8040	1.8054	1.8070	↘
AUDSGD	1.0297	1.0316	1.0318	1.0330	1.0351	↗

*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	1737.0	<div><div></div></div>	-0.8 <div><div></div></div> 5.8	CRB Index	186.0	0.32 <div><div></div></div>	-3.4 <div><div></div></div>
Dow Jones Ind.	24754.8	<div><div></div></div>	-0.2 <div><div></div></div> 25.3	WTI oil (\$/bbl)	57.5	0.52 <div><div></div></div>	7.0 <div><div></div></div>
S&P 500	2681.5	<div><div></div></div>	-0.3 <div><div></div></div> 19.8	Brent oil (\$/bbl)	63.8	0.62 <div><div></div></div>	12.3 <div><div></div></div>
FTSE 100	7544.1	<div><div></div></div>	0.1 <div><div></div></div> 5.6	Gold (\$/oz)	1261.8	-0.10 <div><div></div></div>	8.1 <div><div></div></div>
Shanghai	3296.5	<div><div></div></div>	0.9 <div><div></div></div> 6.2	CPO (RM/tonne)	2397.0	1.27 <div><div></div></div>	-25.1 <div><div></div></div>
Hang Seng	29253.7	<div><div></div></div>	0.7 <div><div></div></div> 33.0	Copper (\$/tonne)	6905.0	0.28 <div><div></div></div>	24.7 <div><div></div></div>
STI	3404.5	<div><div></div></div>	-0.3 <div><div></div></div> 18.2	Rubber (sen/kg)	451.5	-1.53 <div><div></div></div>	-30.0 <div><div></div></div>

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US housing starts MOM	Nov	3.3%	8.4%	-3.1%
US building permits MOM	Nov	-1.4%	7.4%	-3.5%
EU construction output MOM	Oct	-0.4%	0.1%	--
JP machine tool orders YOY	Nov F	46.8%	46.9%	--
AU Westpac leading index MOM	Nov	0.10%	0.14%	--
NZ trade balance NZD	Nov	-1193m	-843m	-550m

Source: Bloomberg

- RBA minutes sounded a tad more positive on growth prospects as policy makers judged that job markets “will be somewhat above average” in the next few quarters which could filter down to higher wage growth and inflation, which the central bank said “remained important considerations in shaping the outlook” of monetary policy. RBA however remained concern over risks in household consumption as a result of high household debt and weak wage growth. The more hawkish minutes spurred expectations RBA may be paving the way for a rate hike, joining the bandwagon of policy normalization by other major central banks.
- US housing starts registered a surprised gain of 3.3% MOM, rising to a 13-month high level of 1297k units in November while building permits also fell at a smaller than expected pace of 1.4% MOM during the month. This added to signs of a strengthening housing sector in 4Q although part of the boost stemmed from post-hurricanes rebuilding efforts which does not represent underlying fundamentals, hence concern on the sustainability of such momentum.
- On the contrary, EU construction output fell 0.4% MOM in October, its first decline in seven months amid weaknesses in both building and civil engineering, raising concerns over weaknesses in the housing and construction sectors.
- Japan machine orders sustained a 46.8% YOY increase in its final reading for November, though this marked a slowdown from the 46.8% YOY increase in October, as domestic manufacturers raised orders at a slower pace, offsetting higher orders from foreigners.
- In the Pacific rim, Australia leading index by Westpac continued to inch higher by 0.10% in November (Oct: +0.14% revised). This longest gaining streak since December last year bolstered hopes the Australian economy will continue to expand at healthy paces in the next 3-6 months.
- New Zealand trade deficit unexpectedly widened to NZD1.19bn in November, as a 7.9% MOM surge in imports far outweighed the 1.6% MOM increase in exports. Imports were skewed by aircraft imports while the subdued exports growth was dampened by lower exports to Australia and Japan.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	12/20	CPI YOY	Nov	3.4%	3.7%	--
US	12/20	MBA mortgage applications	Dec 15	--	-2.3%	--
		Existing home sales MOM	Nov	0.9%	2.0%	--
	12/21	GDP annualized QOQ	3Q T	3.3%	3.3%	--
		Initial jobless claims	Dec 16	233k	225k	--
		Philly Fed business optimism	Dec	21.3	22.7	--
		Chicago Fed national activity index	Nov	0.50	0.65	--
		FHFA house price index MOM	Oct	0.4%	0.3%	--
		Leading index	Nov	0.4%	1.2%	--
Eurozone	12/20	Current account	Oct	--	€41.8b	--
	12/21	Consumer confidence	Dec A	0.2	0.1	--
UK	12/20	CBI reported sales	Dec	20	26	--
	12/21	GfK consumer confidence	Dec	-12	-12	--
Japan		Public sector net cash requirement	Nov	--	-£3.8b	--
	12/20	All industry activity index MOM	Oct	0.3%	-0.5%	--
		Convenience store sales YOY	Nov	--	-1.8%	--
	12/21	Supermarket sales YOY	Nov	--	-1.9%	--
		Nationwide dept store sales YOY	Nov	--	-1.8%	--
Hong Kong		BOJ policy balance rate	Dec 21	-0.1%	-0.1%	--
	12/21	CPI YOY	Nov	1.4%	1.5%	--
New Zealand	12/21	GDP SA QOQ	3Q	0.6%	0.8%	--

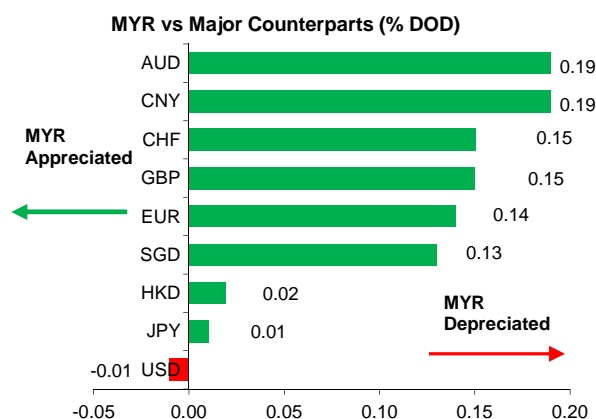
Source: Bloomberg

Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1840	0.49	1.1849	1.1777	12.6
USDJPY	112.89	0.30	113.08	112.51	-3.4
GBPUSD	1.3385	0.01	1.3402	1.3331	8.5
AUDUSD	0.7663	-0.01	0.7684	0.7646	6.2
EURGBP	0.8844	0.46	0.8867	0.8802	3.6
USDMYR	4.0810	-0.01	4.0833	4.0720	-9.0
EURMYR	4.8182	0.14	4.8194	4.7980	2.3
JPYMYR	3.6238	0.01	3.6266	3.6158	-5.7
GBPMYR	5.4569	0.15	5.4648	5.4449	-0.9
SGDMYR	3.0304	0.13	3.0315	3.0199	-2.3
AUDMYR	3.1323	0.19	3.1337	3.1185	-3.5
NZDMYR	2.8610	-0.08	2.8624	2.8496	-8.7

Source: Bloomberg



MYR

- **MYR dipped 0.05% to 4.0815 against a firmer overnight USD** but not before narrowing early losses while beating 7 G10s.
- **A slightly bearish MYR is likely to sustain against USD** ahead of Malaysia CPI data; an upside surprise will likely trigger a rally in MYR. Upside momentum continues to build, hinting at more room for gains in USDMYR but given trend is still deep in bearish territory, we reckon that gains may be moderate. The pair continues to target 4.0929, a firm resistance that has the potential to reject further advances.

USD

- **USD retreated against 6 G10s** while the Dollar Index fell 0.27% to 93.44 in the absence of new catalysts to drive buying interest now that the US tax reform bill is headed for approval by the Senate.
- **We are now bearish on USD**, as buying interest is likely to further wane with markets setting sights on the next US data flow that includes 3Q GDP. The Dollar Index has lost 93.56 and may be finalizing a bearish chart pattern that, if completed, could trigger a drop to circa 91.52. Holding above 93.08 prevents this.

EUR

- **EUR jumped 0.49% to 1.1840 against USD** and beat all G10s amid downsides in the greenback.
- **Expect a bearish EUR against USD** amid an absence of positive catalyst to drive further rebound. EURUSD is conversely forming a bullish chart pattern; closing above 1.1881 is likely to trigger a move to 1.2030. In any case, a bullish bias currently prevails and EURUSD looks poised to test 1.1881.

GBP

- **GBP inched 0.01% higher to 1.3385 against a soft USD** but fell against 5 G10s as Brexit uncertainties still weigh.
- **Stay bearish on GBP against USD** amid continued uncertainty from Brexit negotiations. Technical landscape remains bearish despite an overnight rebound. GBPUSD is still prone to a decline to 1.3282, below which 1.3234 will be exposed.

JPY

- **JPY fell against 8 G10s and weakened 0.30% to 112.89 against USD** as positioning softened ahead of BOJ monetary policy decision tomorrow.
- **We turn bearish on JPY against USD** as positioning is likely to soften further ahead of BOJ policy decision. Even as upside momentum builds and suggest further gains for USDJPY, we suspect that the technical landscape is fragile and prone to rejections, especially moving towards 113.15 and 113.40.

AUD

- **AUD dipped 0.01% to 0.7663 against USD** and fell against 6 G10s, weighed down by receding risk appetite in the markets.
- **AUD is now bearish against USD** in our view given renewed downsides in risk appetite. AUDUSD is approaching potential reversal in technical outlook; closing above 0.7666 will sustain an upward trajectory that puts the pair on track towards 0.7740, otherwise, expect AUDUSD to soon lose 0.7649 and head back to 0.7603.

SGD

- **SGD was 0.04% firmer at 1.3466 against USD** but closed mixed against the G10s amid retreat in equities.
- **Stay slightly bullish on SGD against a soft USD.** 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.

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