

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- The OECD released its economic forecasts yesterday that **showed global growth peaking in 2018 before moderating** thereafter, similarly to the US. But **economic expansion is expected to follow a moderating trend in China, Japan and the Eurozone**. On monetary policy, the OECD advises patience, that the Fed should continue its policy tightening and balance reduction at a gradual pace, while the ECB should defer decisions to raise interest rates until 2020. For BOJ, it should pursue current strategy to achieve inflation target but would have to rethink this method if inflation stays low for a prolonged period.
- **Data was positive from the US but signs of weakness emerged from Japan**. Reports indicate firmer house prices in the US, while consumer confidence and Richmond manufacturing activity improved in Nov, all of which indicates the US economy continues to trend along firmly. In Japan, recent upticks in indicators may have peak amid signs of weakness in spending. Retail sales and purchases at departmental stores and supermarkets declined in Oct.
- **MYR rallied strongly in Asian afternoon to close 0.28% firmer at 4.1025 against USD** and beat all other G10s except NZD. **Stay slightly bearish on MYR against a firm USD** and the absence of major catalyst to drive MYR demand. We continue to set sights on a rebound in USDMYR, possibly to circa 4.1221 on the back of diminishing downside momentum. Losses will be supported by 4.1000, otherwise expect a drop to 4.0744 in the coming weeks.
- **USD rebounded to beat 9 G10s** while the Dollar Index climbed 0.39% to 93.27, supported by improving prospects of the passing of US tax reform bill. **We turn bullish on USD** amid rising expectations on the US tax reform bill to soon be passed, while upside surprises in US data will further fuel the greenback's upsides. Strong rally that recaptured 93.08 has titled the Dollar Index to the upside. It would likely trend higher to circa 94.04 - 94.17 before peaking, forming a bearish pattern that could potentially trigger losses to circa 91.50.
- SGD was similarly lifted by firmer risk appetite in the markets, beating 8 G10s but **eased 0.01% to 1.3461 against USD**. **Stay bearish on SGD against a firm USD**. We maintain that USDSGD is still showing signs of a rebound and could be heading back above 1.3511 in the next leg higher.

#### Overnight Economic Data

US   
Japan 

#### What's Coming Up Next

##### Major Data

- US MBA mortgage applications, 3Q GDP
- EU economic confidence, biz climate indicator, consumer confidence
- UK net consumer credit, mortgage approvals
- Vietnam exports, industrial production, retail sales and CPI

##### Major Events

- Fed Beige Book

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1806	1.1826	1.1852	1.1858	1.1877	↗
USDJPY	111.20	111.38	111.59	111.70	111.90	↗
GBPUSD	1.3337	1.3360	1.3372	1.3395	1.3406	↗
AUDUSD	0.7571	0.7588	0.7605	0.7625	0.7645	↘
EURGBP	0.8824	0.8841	0.8858	0.8878	0.8895	↘
USDMYR	4.0975	4.1000	4.1033	4.1060	4.1110	↗
EURMYR	4.8540	4.8600	4.8622	4.8672	4.8742	↘
JPYMYR	3.6686	3.6722	3.6774	3.6811	3.6840	↘
GBPMYR	5.4766	5.4817	5.4861	5.4907	5.4959	↗
SGDMYR	3.0420	3.0450	3.0493	3.0510	3.0534	↗
AUDMYR	3.1100	3.1137	3.1182	3.1200	3.1281	↗
NZDMYR	2.8213	2.8261	2.8297	2.8361	2.8438	↗
USDSGD	1.3420	1.3448	1.3455	1.3476	1.3487	↗
EURSGD	1.5900	1.5915	1.5946	1.5974	1.5993	↘
GBPSGD	1.7929	1.7963	1.7993	1.7996	1.8015	↗
AUDSGD	1.0200	1.0211	1.0226	1.0242	1.0256	↘

\*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	1714.4	-0.3	4.4	CRB Index	191.2	-0.22	-0.7
Dow Jones Ind.	23836.7	1.1	20.6	WTI oil (\$/bbl)	58.0	-0.21	8.0
S&P 500	2627.0	1.0	17.3	Brent oil (\$/bbl)	63.6	-0.36	12.0
FTSE 100	7460.7	1.0	4.4	Gold (\$/oz)	1294.0	0.00	10.8
Shanghai	3333.7	0.3	7.4	CPO (RM/tonne)	2490.0	-1.79	-22.2
Hang Seng	29680.9	0.0	34.9	Copper (\$/tonne)	6942.0	-0.86	25.4
STI	3442.4	0.2	19.5	Rubber (sen/kg)	481.0	1.26	-25.4

Source: Bloomberg

## ➤ Macroeconomics

### Economic Data

	For	Actual	Last	Survey
US wholesale inventories MOM	Oct	0.4%	0.1%	0.4%
US S&P CoreLogic house prices YOY	Sept	6.19%	5.82%	6.04%
US Conference Board consumer confidence	Nov	129.5	126.2	124.0
US Richmond Fed manufacturing	Nov	30	12	14
JP retail trade YOY	Oct	-0.2%	2.3%	0.0%
JP retail sales MOM	Oct	0.0%	0.8%	0.2%
JP departmental store, supermarket sales YOY	Oct	-0.7%	1.9%	--

Source: Bloomberg

- The OECD expects global growth to pick up slightly to 3.7% in 2018, up from 3.6% this year before moderating to 3.6% in 2019. According to its macroeconomic outlook forecasts, the US economic growth is set to accelerate from 2.2% this year to 2.5% next year, and slip back to a more moderate 2.1% growth in 2019. The moderating trend will continue in China (2017: 6.8%, 2018: 6.6%, 2019: 6.4%), same as in Japan (2017: 1.5%, 2018: 1.2%, 2019: 1.0%) and the Eurozone (2017: 2.4%, 2018: 2.1%, 2019: 1.9%), putting a dampener to current sentiment spurred by recent upticks in indicators.
- The OECD also advocated patience on the policy front. The report states that the Fed should “continue with a gradual increase in policy rates and gradual reduction of its balance sheet. For the ECB, decisions on raising rates “should be deferred until 2020”. Meanwhile, the OECD believes that BOJ “should continue its current stimulus” to drive prices toward its target, but cautioned that this strategy needs “a rethinking” if the inflation target is not met on a longer-term.
- New York Fed President William Dudley is not worried about sub-target inflation and expects prices to rebound with the economy expanding at above-trend pace. He also stated, at a discussion at University of California Berkeley early yesterday, that he is not concerned about the Fed Chair transition. On the labour market, Dudley conveyed that the US economy is “pretty much” at full employment, with job market tightening and experiencing a bit more wage growth, both of which likely explains his confidence that prices will rise.
- Minnesota Fed President Kashkari, on the other hand, does not see the need to hike interest rates further due to the currently low inflation. Kashkari, who voted against the FOMC raising interest rates the last two times, commented that slow wage growth “suggests there is still slack in the labour market”. Thus, he believes that the labour market should be allowed “to continue to strengthen”, which will “allow wages to strengthen” and when inflation starts to pick-up, the Fed can start raising rates.
- Macro flow overnight was restricted to just the US, which stemmed the recent downsides. Wholesale inventories rose 0.4% MOM in Oct, up from a downwardly revised 0.1% in Nov. House prices across 20 major US cities rose 6.19% YOY in Sept, ticking higher from 5.82% and suggest that the housing sector remains firm. Consumer sentiment also improved in Nov as measured on the Conference Board’s index that rose to 129.5 from 126.2 previously. Topping it off was increased manufacturing activity in Richmond according to the Richmond Fed index that jumped to 30 in Nov from 12 in Oct.
- Early morning releases from Japan suggest that recent upticks may have peaked. Spending in Oct showed signs of weakness as retail sales stagnated on a monthly basis after rising 0.8% in Sept, while sales declined 0.2% YOY after accelerating to 2.3% in Sept. Meanwhile, purchases at departmental stores and supermarkets fell 0.7% YOY, down from 1.9% increase in Sept.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	11/29	MBA mortgage applications	Nov 24	--	0.1%	--
		GDP QOQ	3Q S	3.2%	3.0%	--
		Pending home sales MOM	Oct	1.0%	0.0%	--
US	11/30	Fed Beige Book				
		Initial jobless claims	Nov 25	240k	239k	--
		Personal income	Oct	0.3%	0.4%	--
		Personal spending	Oct	0.3%	1.0%	--
		PCE core YOY	Oct	1.4%	1.3%	--
		Chicago PMI	Nov	63.0	66.2	--
		EU	11/29	Economic confidence	Nov	114.6
EU	11/30	Biz climate indicator	Nov	1.51	1.44	--
		Consumer confidence	Nov F	0.1	0.1	--
		Unemployment rate	Oct	8.9%	8.9%	--
UK	11/29	CPI estimate YOY	Nov	1.6%	1.4%	--
		Net consumer credit	Oct	1.5b	1.6b	--
		Mortgage approvals	Oct	65.0k	66.2k	--
UK	11/30	Nationwide house prices YOY	Nov	2.7%	2.5%	--
	11/30	GfK consumer confidence	Nov	-11	-10	--
	Japan	11/30	Industrial production MOM	Oct P	1.8%	-1.0%
Japan	11/30	Housing starts YOY	Oct	-2.8%	-2.9%	--
		Construction orders YOY	Oct	--	-11.6%	--
		China	11/30	Manufacturing PMI	Nov	51.5
China	11/30	Non-manufacturing PMI	Nov	--	54.3	--
Hong Kong	11/30	Retail sales value YOY	Oct	4.9%	5.6%	--
Australia	11/30	HIA new home sales MOM	Oct	--	-6.1%	--
		Building approvals MOM	Oct	-1.0%	1.5%	--
New Zealand	11/30	Building permits MOM	Oct	--	-2.3%	--
Vietnam	11/29	ANZ business confidence	Nov	--	-10.1	--
		CPI YOY	Nov	2.80%	2.98%	--
		Retail sales YTD YOY	Nov	--	10.7%	--
		Exports YTD YOY	Nov	21.4%	20.7%	--
Vietnam	11/29	Industrial production YOY	Nov	--	17.0%	--

Source: Bloomberg

**FX Table**

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1840	-0.49	1.192	1.1827	12.7
USDJPY	111.48	0.35	111.64	110.93	-4.6
GBPUSD	1.3339	0.16	1.3387	1.3221	8.3
AUDUSD	0.7595	-0.09	0.762	0.7588	5.5
EURGBP	0.8877	-0.64	0.8982	0.8847	3.9
USDMYR	4.1025	-0.28	4.1180	4.1005	-8.6
EURMYR	4.8789	-0.60	4.9032	4.8788	3.3
JPYMYR	3.6873	-0.22	3.7096	3.6857	-3.8
GBPMYR	5.4581	-0.61	5.4959	5.4570	-1.0
SGDMYR	3.0507	-0.21	3.0593	3.0489	-1.6
AUDMYR	3.1164	-0.70	3.1349	3.1137	-3.8
NZDMYR	2.8340	0.23	2.8575	2.8384	-8.9

Source: Bloomberg

## Forex

### MYR

- **MYR rallied strongly in Asian afternoon to close 0.28% firmer at 4.1025 against USD** and beat all other G10s except NZD.
- **Stay slightly bearish on MYR against a firm USD** and the absence of major catalyst to drive MYR demand. We continue to set sights on a rebound in USDMYR, possibly to circa 4.1221 on the back of diminishing downside momentum. Losses will be supported by 4.1000, otherwise expect a drop to 4.0744 in the coming weeks.

### USD

- **USD rebounded to beat 9 G10s** while the Dollar Index climbed 0.39% to 93.27, supported by improving prospects of the passing of US tax reform bill.
- **We turn bullish on USD** amid rising expectations on the US tax reform bill to soon be passed, while upside surprises in US data will further fuel the greenback's upsides. Strong rally that recaptured 93.08 has titled the Dollar Index to the upside. It would likely trend higher to circa 94.04 – 94.17 before peaking, forming a bearish pattern that could potentially trigger losses to circa 91.50.

### EUR

- **EUR weakened 0.49% to 1.1840 against USD** and fell against 6 G10s, pressured by OECD's suggestion that the ECB should delay decision to hike rates until 2020.
- **Expect a bearish EUR against a rebounding USD** that is supported by several bullish potential. EURUSD has extended the downsides resulting from a rejection at 1.1961. Failure to close above 1.1851 today will accelerate EURUSD's downsides and set a course for 1.1758.

### GBP

- **GBP jumped to the top of the G10 list and edged out a firm USD by 0.16% to 1.3339**, lifted by signs of progress between the UK and the EU on Brexit separation bill.
- **We turn bullish on GBP against USD**, continued to be supported by positive Brexit headlines, but caution on potential for sharp losses should headlines turn negative. Despite overnight rebound and today's early rally that could end the day with gains, we maintain that technical viewpoint continues to suggest emerging weakness. This hints that price action is unlikely to challenge further highs of going forward and could be reversing lower soon.

### JPY

- **JPY** was supported by relative weakness in European majors, advancing against 5 G10s but **weakened 0.35% to 111.48 against a firm USD**.
- **We turn bearish on JPY on the back of a rebounding USD**. USDJPY continues to target 111.90, which if broken could trigger a move to as high as 112.98 in the next leg higher. Caution that this bullish move is an extension of a bearish pattern that could facilitate a drop to lower levels in the coming months.

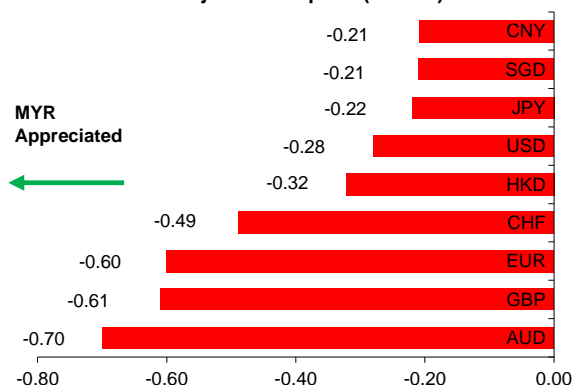
### AUD

- **AUD** strengthened against 8 G10s on the back of firmer risk appetite in the markets but **dipped 0.09% to 0.7595 against a firmer USD**.
- **Stay bearish on AUD against a firm USD** amid extended weakness in commodities, particularly metals. Technical signs suggest that there may be room for AUDUSD to rebound but is likely capped at 0.7625 before trending lower. We set sights on a drop to 0.7540 going forward.

### SGD

- **SGD** was similarly lifted by firmer risk appetite in the markets, beating 8 G10s but **eased 0.01% to 1.3461 against USD**.
- **Stay bearish on SGD against a firm USD**. We maintain that USDSGD is still showing signs of a rebound and could be heading back above 1.3511 in the next leg higher.

MYR vs Major Counterparts (% DOD)



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