

Global Markets Research

Daily Market Highlights

Key Takeaways

- **The new year started with scanty and a more modest bag of economic releases.** China's PMI manufacturing grew at a slightly slower pace in December but the services sector continued to gather speed thanks to an improvement in wage growth. Down under, two different gauges on manufacturing by CBA and AiG diverged, but both showed manufacturing activities remained expansionary in December.
- This morning, **advance estimate on Singapore's 4Q GDP surprised on the upside**, even though it marked an expected slowdown from the 5.4% YOY growth in 3Q. Quicker growth in services was offset by contractions in manufacturing and construction. Advance estimate showed the Singapore economy grew 3.1% YOY in 4Q, bringing full year growth to 3.5% YOY in 2017, a pick-up from 2.0% in 2016.
- **USD fell to the bottom of the G10 list in 2017** after a promising start while the Dollar Index tumbled 9.9% YOY to 92.12 as expectations of higher inflation to drive quicker policy tightening faltered. **Stay bearish on USD** on technical reasons. Technical outlook remains pessimistic for the Dollar Index and looks poised to test 91.98 next. Breaking below this exposes a drop to 91.57. Rebounds cannot be ruled out, but gains will likely be capped by 92.59.
- **MYR strengthened 9.8%YOY in 2017 to 4.0465 against USD** and bested 7 G10s along the way, supported by improved growth outlook and policy normalization prospects. **MYR is bullish against USD** as buying interest is likely to return post-holidays, supported by firmer oil prices. Technical outlook remains negative for USDMYR, with room for further losses to circa 4.0220. Do not rule out a rebound after recent losses, but gains, if any, will be capped by 4.0605 – 4.0640 before trending lower.
- **SGD also rallied on firmer market risk appetite to beat 5 G10s and strengthened 7.66% YOY in 2017 to 1.3360 against USD.** Expect a **bullish SGD against weak USD** as risk appetite is likely to revive post-holidays. Downsides in USDSGD still prevail amid continued build-up in bearish bias. The pair is likely heading to 1.3300 next but caution that this level could trigger a modest rebound to 1.3350.

Overnight Economic Data

China	➔
Australia	➔
Singapore	⬇️

What's Coming Up Next

Major Data

- Malaysia Nikkei PMI
- US, Eurozone and UK Markit manufacturing PMIs
- China Caixin manufacturing PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1980	1.2004	1.2012	1.2020	1.2033	↗
USDJPY	112.43	112.59	112.77	112.98	113.06	↘
GBPUSD	1.3485	1.3500	1.3514	1.3520	1.3550	↗
AUDUSD	0.7769	0.7800	0.7806	0.7814	0.7817	↗
EURGBP	0.8870	0.8883	0.8890	0.8892	0.8900	↗
USDMYR	4.0320	4.0350	4.0385	4.0400	4.0477	↘
EURMYR	4.8429	4.8500	4.8517	4.8604	4.8700	↗
JPYMYR	3.5750	3.5790	3.5819	3.5850	3.5902	↘
GBPMYR	5.4500	5.4550	5.4592	5.4642	5.4694	↘
SGDMYR	3.0194	3.0220	3.0245	3.0275	3.0300	↗
AUDMYR	3.1452	3.1500	3.1526	3.1541	3.1582	↘
NZDMYR	2.8600	2.8631	2.8674	2.8712	2.8740	↘
USDSGD	1.3300	1.3320	1.3353	1.3372	1.3384	↘
EURSGD	1.6000	1.6020	1.6044	1.6055	1.6080	↗
GBPSGD	1.8029	1.8041	1.8050	1.8072	1.8092	↗
AUDSGD	1.0400	1.0410	1.0424	1.0446	1.0462	↘

*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	1796.8	1.0	0.0	CRB Index	193.9	0.43	0.0
Dow Jones Ind.	24719.2	-0.5	0.0	WTI oil (\$/bbl)	60.4	0.97	12.5
S&P 500	2673.6	-0.5	0.0	Brent oil (\$/bbl)	66.7	0.40	0.0
FTSE 100	7687.8	0.9	0.0	Gold (S/oz)	1295.0	0.60	10.8
Shanghai	3307.2	0.3	0.0	CPO (RM/tonne)	2390.0	-1.75	-25.3
Hang Seng	29919.2	0.2	0.0	Copper (\$/tonne)	7125.0	-0.58	30.9
STI	3402.9	0.1	0.0	Rubber (sen/kg)	462.5	-0.86	-28.3

Source: Bloomberg

* all last closed on 29 Dec 2017

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
CH manufacturing PMI	Dec	51.6	51.8	51.6
CH non-manufacturing PMI	Dec	55.0	54.8	54.7
SG GDP YOY	4Q A	3.1%	5.4%	2.6%
AU CBA manufacturing PMI	Dec	57.1	56.3	--
AU AiG performance of manufacturing index	Dec	56.2	57.3	--

Source: Bloomberg

- China's manufacturing sector grew at a slightly slower pace in Dec as the official PMI indicated, sliding to 51.6 from 51.8, largely impacted by government crackdown on pollution. Meanwhile, the services sector continued to expand at a healthy pace; the services PMI inched higher to 55.0 in Dec from 54.8, suggesting an improving wage growth that supports demand for services.
- The CBA and AiG gauges on manufacturing performance in Australia contrasted. CBA's PMI climbed to 57.1 in Dec from 56.3, indicating a quicker expansion and suggest that growth has been strongest since Dec 2016. The AiG index however, slipped to 56.2 in Dec from 57.3, weighed down by slower growth in new orders, employment and average wages.
- Early estimates of Singapore's 4Q GDP came in at 3.1% YOY, expectedly slowing from an upwardly revised 5.4% in 3Q but still beat forecast of 2.6%. Annually, the economy grew 3.5% YOY in 2017, improving from 2.0% in 2016. 4Q GDP was driven by quicker growth in services sector (4Q: +7.5% vs 3Q: +3.4%), but headline figure was weighed down by contraction in construction (4Q: -3.6% vs 3Q: -5.5%) and sharp decline in manufacturing (4Q: -11.5% vs 3Q: +38.0%).
- A quick review on the major economies in 2017; global growth outlook improved with demand picking up across major economies, evident from stronger exports growth and rising commodity prices. Though uneven and at an early stage, growth showed firmer footing in the US, Eurozone, Japan and even the Brexit-threatened UK. In China, "slowdown" remained a relative term as growth outperformed expectations and likely headed to a better than forecast 2017.
- Barring any major disruptions, global growth is expected to remain on an expansionary albeit modest and uneven pace. Inflation will be key to watch, especially in the US, Eurozone and Japan, as it could be key to determining policies going forward.
- Policy-wise, normalization was the main theme for the US, UK (though one-off) and China, while the Eurozone largely disappointed markets with an extension of the timeline of its QE programme, even though pace of purchases was expectedly reduced. More may be joining the normalization path in Asia, led by South Korea and Malaysia, both of which have benefited from a revival in global demand.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	1/2	Nikkei Malaysia PMI	Dec	--	52.0	--
US	1/2	Markit manufacturing PMI	Dec F	55.0	55.0	--
	1/3	MBA mortgage applications	Dec 29	--	-4.9%	--
Eurozone	1/2	ISM manufacturing	Dec	58.2	58.2	--
		Markit manufacturing PMI	Dec F	60.6	60.6	--
UK	1/2	Markit manufacturing PMI	Dec	57.9	58.2	--
	1/3	Markit / CIPS construction PMI	Dec	53.1	53.1	--
China	1/2	Caixin manufacturing PMI	Dec	50.7	50.8	--
Hong Kong	1/3	Retail sales YOY	Nov	4.2%	3.9%	--
Singapore	1/3	Purchasing Managers Index	Dec	--	52.9	--

Source: Bloomberg

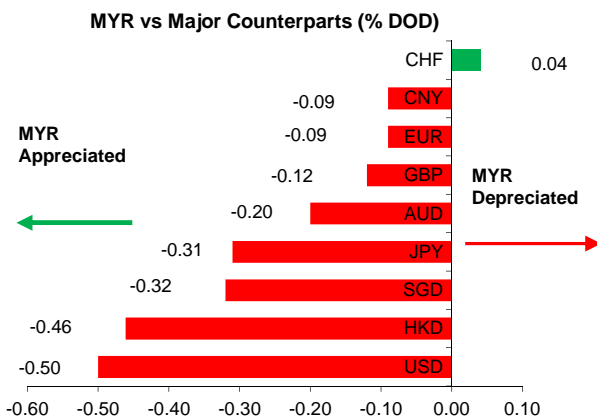
Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2005	0.06	1.2012	1.1995	0.1
USDJPY	112.69	-0.05	112.79	112.60	0.0
GBPUSD	1.3513	-0.07	1.3523	1.3503	0.0
AUDUSD	0.7809	-0.05	0.7812	0.7801	-0.1
EURGBP	0.8881	0.05	0.8965	0.8818	0.1
USDMYR	4.0465	-0.50	4.0660	4.0458	-9.8
EURMYR	4.8483	-0.09	4.8625	4.8398	3.0
JPYMYR	3.5951	-0.31	3.6028	3.5940	-6.4
GBPMYR	5.4638	-0.12	5.4660	5.4546	-1.2
SGDMYR	3.0290	-0.32	3.0391	3.0290	-2.3
AUDMYR	3.1618	-0.20	3.1730	3.1561	-2.3
NZDMYR	2.8798	-0.08	2.8902	2.8700	-7.7

Source: Bloomberg

* MYR pairs last closed on 29 Dec 2017



MYR

- **MYR strengthened 9.8%YOY in 2017 to 4.0465 against USD** and bested 7 G10s along the way, supported by improved growth outlook and policy normalization prospects.
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USD

- **USD fell to the bottom of the G10 list in 2017** after a promising start while the Dollar Index tumbled 9.9% YOY to 92.12 as expectations of higher inflation to drive quicker policy tightening faltered.
- **Stay bearish on USD** on technical reasons. Technical outlook remains pessimistic for the Dollar Index and looks poised to test 91.98 next. Breaking below this exposes a drop to 91.57. Rebounds cannot be ruled out, but gains will likely be capped by 92.59.

EUR

- **EUR surged 14.15% YOY in 2017 to 1.2005 against a weak USD** and beat all G10s, mostly due to increased bets on an earlier than expected ECB rate hike amid gradual improvement in the economic front.
- **EUR remains slightly bullish against a weak USD** with more room for upsides if Eurozone data improves. Caution on potential decline to 1.1943 as a correction to recent rally before continuing higher. EURUSD is likely aiming at 1.2092, but firm resistances at 1.2020, 1.2033 and 1.2070 could thwart this move.

GBP

- **GBP advanced 8.68% YOY in 2017 to 1.3513 against USD** and rose against 6 G10s, supported by progress in Brexit negotiations, better than expected UK economic performance and a one-off BOE rate hike.
- **We are slightly bullish on GBP against a weak USD**, though gains may narrow if UK's data underperforms. GBPUSD remains tilted to the upside amid rising positive momentum. The pair is likely to test 1.3571 soon, a gateway to 1.3657.

JPY

- **JPY** returned most gains from refuge demand to settle lower against 8 G10s but **advanced 3.65% YOY in 2017 to 112.69 against a weak USD**.
- **Stay slightly bullish on JPY as USD remains soft**, supporting demand for refuge. Unless USDJPY can recapture above 112.98, the pair is taking aim at 111.90 next.

AUD

- **AUD** was supported by market risk appetite, firmer commodities as well as a resilient China to beat 5 G10s and **climbed 7.7% YOY to 0.7809 against USD**.
- **AUD is likely to remain bullish against a soft USD**, further supported by likelihood of returning upsides in market sentiment. Bullish bias still prevails but AUDUSD appears to be finding difficulty in breaking the firm 0.7814 – 0.7817 range. Bypassing this is crucial to sustain the advance to 0.7887, otherwise, a return to 0.7740 is likely in the coming weeks.

SGD

- **SGD** also rallied on firmer market risk appetite to beat 5 G10s and **strengthened 7.66% YOY in 2017 to 1.3360 against USD**.
- **Expect a bullish SGD against weak USD** as risk appetite is likely to revive post-holidays. Downsides in USDSGD still prevail amid continued build-up in bearish bias. The pair is likely heading to 1.3300 next but caution that this level could trigger a modest rebound to 1.3350.

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