

Global Markets Research

Daily Market Highlights

Key Takeaways

- **FOMC minutes offered no surprises, reiterating the case for gradual policy normalization as policy makers remained concern over still low inflation** despite strong growth and employment. **Fed officials also expressed optimism over boost from tax reform plans** that are expected to spur consumer spending and investment. It appears **the Fed is on track to raise rates by another 25bps at its March FOMC meeting**. Futures implied probability of a March rate hike rose from 69% to 81% after the release of the FOMC minutes.
- The Fed minutes aside, **overnight positive data prints from the US also raised growth optimism**. US ISM manufacturing registered a surprised pick-up to 59.7 in December as a rise in new orders offset slower expansion in employment. Construction spending grew more than expected by 0.8% MOM in November while MBA mortgage applications also turned around to increase 0.7% WOW, thanks to a rebound in refinancing. **Other releases were largely positive save for the pullback in UK PMI construction and Singapore PMI. Retail sales quickened in Hong Kong while services sector expanded at a faster pace in Australia.**
- **USD** rebounded on increased bets on imminent rate hike after FOMC minutes revealed a positive tone regarding US tax reform bill, **climbing against 8 G10s** while the Dollar Index rose 0.32% to 92.16. **USD remains bearish in our view** but will extend its overnight rebound if US data performance improves further. Despite overnight rebound, the Dollar Index is still deep in bearish territory thus we reckon that rebounds, if any, will be shallow and brief. The Dollar Index is still exposed to a drop to 91.57 in our view.
- **MYR rallied towards the end of Asian trade to settle 0.12% firmer against USD at 4.0145** and strengthened against 6 G10s on continued buying interest. **MYR remains bullish against USD** supported by firmer risk appetite and oil prices. Technical outlook remains negative for USDMYR; losing both 4.0220 and 4.0200 is a sign of weakness. There is room for a potential test at 4.0100 next.
- **SGD** was boosted by firmer market risk appetite to beat 8 G10s but **eased 0.05% to 1.3299 against a rebounding USD. SGD remains bearish in our view against USD** as risk appetite is likely to soften heading into US data. Downside momentum has softened, thus providing USDSGD more room for rebound, as long as USDSGD holds above 1.3300. There may be room to test as high as 1.3330.

Overnight Economic Data

US	↑
UK	↓
Hong Kong	↑
Singapore	→
Australia	↑

What's Coming Up Next

Major Data

- US ADP employment, initial jobless claims, PMI services
- EU PMI services
- UK nationwide house prices, net consumer credit, mortgage approvals, PMI services
- Japan, Singapore & Hong Kong Nikkei PMI
- China Caixin PMI services

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1973	1.2000	1.2005	1.2026	1.2050	↗
USDJPY	112.28	112.54	112.67	112.77	112.98	↘
GBPUSD	1.3473	1.3489	1.3509	1.3513	1.3523	↗
AUDUSD	0.7800	0.7814	0.7824	0.7845	0.7884	↘
EURGBP	0.8879	0.8883	0.8889	0.8895	0.8900	↗
USDMYR	4.0150	4.0175	4.0198	4.0220	4.0250	↘
EURMYR	4.8200	4.8260	4.8271	4.8351	4.8400	↘
JPYMYR	3.5550	3.5600	3.5665	3.5673	3.5700	↘
GBPMYR	5.4250	5.4271	5.4301	5.4321	5.4444	↘
SGDMYR	3.0167	3.0200	3.0215	3.0233	3.0250	↘
AUDMYR	3.1349	3.1403	3.1441	3.1467	3.1500	↘
NZDMYR	2.8331	2.8375	2.8474	2.8489	2.8509	↘
USDSGD	1.3290	1.3300	1.3304	1.3311	1.3330	↗
EURSGD	1.5944	1.5951	1.5974	1.5994	1.6002	↘
GBPSGD	1.7951	1.7964	1.7971	1.7987	1.8000	↘
AUDSGD	1.0387	1.0400	1.0405	1.0422	1.0445	↘

*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	1792.8	0.6	-0.2	CRB Index	195.4	0.33	0.8
Dow Jones Ind.	24922.7	0.4	0.8	WTI oil (\$/bbl)	61.6	2.09	2.0
S&P 500	2713.1	0.6	1.5	Brent oil (\$/bbl)	67.8	1.91	1.5
FTSE 100	7671.1	0.3	-0.2	Gold (\$/oz)	1313.2	-0.30	8.1
Shanghai	3369.1	0.6	1.9	CPO (RM/tonne)	2471.5	3.41	3.4
Hang Seng	30561.0	0.1	2.1	Copper (\$/tonne)	7147.0	-0.80	-1.4
STI	3464.3	1.0	1.8	Rubber (sen/kg)	471.5	-0.74	2.0

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US MBA mortgage applications	Dec 29	0.7%	-3.5%	--
US construction spending	Nov	0.8%	0.9%	0.5%
US ISM manufacturing	Dec	59.7	58.2	58.2
UK PMI construction	Dec	52.2	53.1	53.0
HK retail sales	Nov	7.5%	3.9%	4.2%
SG PMI	Dec	52.8	52.9	--
AU CBA services	Dec	55.1	54.0	--
AU AiG services	Dec	52.0	51.7	--

Source: Bloomberg

- FOMC minutes offered no surprises, reiterating the case for gradual policy normalization as policy makers remained concerned over still low inflation despite strong growth and employment. Fed officials also expressed optimism over a boost from tax reform plans that are expected to spur consumer spending and investment. It appears the Fed is on track to raise rates by another 25bps at its March FOMC meeting. Futures implied probability of a March rate hike rose from 69% to 81% after the release of the FOMC minutes.
- The Fed minutes aside, overnight positive data prints from the US also raised growth optimism, pushing global equities and the USD higher. US ISM manufacturing registered a surprised pick-up to 59.7 in December as a rise in new orders offset slower expansion in employment. Construction spending also grew more than expected by 0.8% MOM in November even though October gain was downwardly revised to 0.9% MOM. MBA mortgage applications also turned around to increase 0.7% WOW, thanks to a rebound in refinancing.
- UK PMI construction index pulled back more than expected to 52.2 in December, pointing to continuous albeit slower growth in the construction sector as housing activities softened during the month, in line with softer prints in other housing indicators.
- Over in Hong Kong, retail sales picked up faster than expected, increasing 7.5% YOY in November. This marked its best gain since Feb-15, as a sharp rebound in consumer durables led by electronics and continuous growth in departmental store and supermarket sales shored up overall sales. Improvement in consumer spending ahead of the year-end festive seasons is expected to help underpin overall growth in the Hong Kong economy in the final quarter of the year.
- Singapore PMI remained expansionary although the pace of expansion slowed a tad to 52.8 in December. Higher new orders index was offset by lower output index.
- Down under, both CBA and AiG readings on the services sector showed quicker expansion in December, bolstering hopes growth outlook in the Australian economy will remain intact.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	1/5	Exports YOY	Nov	14.9%	18.9%	--
US	1/4	ADP employment change	Dec	190k	190k	--
		Initial jobless claims	Dec 30	242k	245k	--
		Markit services PMI	Dec F	52.5	52.4	--
	1/5	Non farm payroll	Dec	190k	228k	--
		Jobless rate	Dec	4.1%	4.1%	--
		Trade balance	Nov	-\$50.0b	-\$48.7b	--
		ISM services	Dec	57.5	57.4	--
		Factory orders	Nov	1.1%	-0.1%	--
		Durable goods orders	Nov F	--	1.3%	--
Eurozone	1/4	Markit services PMI	Dec F	56.5	56.5	--
	1/5	Markit PMI retail	Dec	--	52.4	--
		PPI YOY	Nov	2.5%	2.5%	--
		CPI estimate YOY	Dec	1.4%	1.5%	--
UK	1/4	Nationwide house price YOY	Dec	2.0%	2.5%	--
		Net consumer credit	Nov	1.5b	1.5b	--
		Mortgage approvals	Nov	64.0k	64.6k	--
		Markit / CIPS services PMI	Dec	54.0	53.8	--
Japan	1/4	Nikkei manufacturing PMI	Dec F	--	54.2	--
	1/5	Nikkei services PMI	Dec	--	51.2	--
China	1/4	Caixin services PMI	Dec	51.8	51.9	--
Hong Kong	1/4	Nikkei PMI	Dec	--	50.7	--
Singapore	1/4	Nikkei PMI	Dec	--	55.4	--
Australia	1/4	Trade balance	Nov	A\$500m	A\$105m	--

Source: Bloomberg

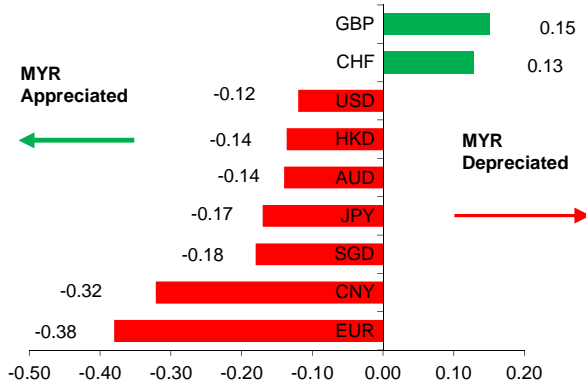
Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2015	-0.36	1.2066	1.2001	0.0
USDJPY	112.51	0.20	112.61	112.17	0.0
GBPUSD	1.3516	-0.54	1.3613	1.3495	0.0
AUDUSD	0.7836	0.08	0.7845	0.7805	0.2
EURGBP	0.8890	0.19	0.89003	0.8848	0.1
USDMYR	4.0145	-0.12	4.0278	4.0145	-0.6
EURMYR	4.8328	-0.38	4.8574	4.8321	-0.4
JPYMYR	3.5743	-0.17	3.5865	3.5742	-0.7
GBPMYR	5.4539	0.15	5.4761	5.4531	-0.6
SGDMYR	3.0210	-0.18	3.0303	3.0203	-0.2
AUDMYR	3.1451	-0.14	3.1542	3.1425	-0.5
NZDMYR	2.8513	-0.36	2.8604	2.8478	-1.1

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

- **MYR rallied towards the end of Asian trade to settle 0.12% firmer against USD at 4.0145** and strengthened against 6 G10s on continued buying interest.
- **MYR remains bullish against USD** supported by firmer risk appetite and oil prices. Technical outlook remains negative for USDMYR; losing both 4.0220 and 4.0200 is a sign of weakness. There is room for a potential test at 4.0100 next.

USD

- **USD rebounded** on increased bets on imminent rate hike after FOMC minutes revealed a positive tone regarding US tax reform bill, **climbing against 8 G10s** while the Dollar Index rose 0.32% to 92.16.
- **USD remains bearish in our view** but will extend its overnight rebound if US data performance improves further. Despite overnight rebound, the Dollar Index is still deep in bearish territory thus we reckon that rebounds, if any, will be shallow and brief. The Dollar Index is still exposed to a drop to 91.57 in our view.

EUR

- **EUR fell 0.36% to 1.2015 against a rebounding USD** and retreated against 6 G10s in the absence of support from positive catalysts.
- **Stay slightly bullish on EUR against USD**, with chance for firmer upsides if Eurozone data outperforms. Despite the pullback overnight that we have noted, signs still point to a potential close above 1.2059 in the coming days, thus reaffirming our bullish view. This view will be invalidated by a close below 1.2005.

GBP

- **GBP was weighed down** by softer UK data as it **tumbled 0.54% to 1.3516 against USD** and retreated against 8 G10s.
- **Stay slightly bullish on GBP against USD**, more so if UK data improves. There is potential change in GBPUSD technical landscape; closing above 1.3513 sustains some upside momentum that could see the pair challenge 1.3590 next, otherwise, a drop back to 1.3417 is likely in the coming weeks.

JPY

- **JPY slipped against 6 G10s** as risk appetite in the FX space improved further and **shed 0.2% to 112.51 against a rebounding USD**.
- **Stay bullish on JPY against USD** as demand for refuge is likely to build heading into US job data. Technical signs still point to a close below 112.29 in the coming days; a close above 112.69 today will invalidate this view.

AUD

- **AUD inched 0.08% firmer to 0.7836 against USD** and strengthened against 8 G10s, supported by continually firm risk appetite in the markets.
- **We are now bearish on AUD against USD**, anticipating retreat in risk appetite to pressure further advances. Technically, AUDUSD appears to have peaked and has less room to climb than to decline. Caution that losing 0.7814 will accelerate the pairs decline, potentially targeting 0.7740 in the coming weeks.

SGD

- **SGD was boosted** by firmer market risk appetite to beat 8 G10s but **eased 0.05% to 1.3299 against a rebounding USD**.
- **SGD remains bearish in our view against USD** as risk appetite is likely to soften heading into US data. Downside momentum has softened, thus providing USDSGD more room for rebound, as long as USDSGD holds above 1.3300. There may be room to test as high as 1.3330.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hbb.hongleong.com.my

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