

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Global equities all ended in the green with more than 1% gain, spurred by a relief rally amid a respite in the year-long trade tension** between the US and its major trade counterparts, specifically China. While the trade issues are not yet resolved, the postponement of the problem for another 90 days itself is enough to provide the much needed reprieve to global markets including less risky haven assets. Global bonds traded on biddish tone with the 10Y UST yields shedding 2bps to 2.97%, its lowest since mid-September. Gold jumped 0.67% to \$1230.65/oz while Brent crude oil rallied 5.1% to \$61.69/ barrel, its best in seven days.
- The slew of mixed economic data (mainly PMI and Nikkei manufacturing) apparently took a back seat amid the temporary trade truce enthusiasm. **Overnight manufacturing indices showed surprisingly quicker growth in the US, UK, and China** in November although the readings diverged in the US (ISM and Markit) and China (Markit and Caixin). Meanwhile, **manufacturing activities grew slower in the Eurozone, Japan, and Singapore and contracted in Malaysia**. These primarily showed patchy growth momentum across the world, which has undoubtedly been moderating since 3Q.
- **USD fell against 8 G10s** as refuge demand retreated following trade war truce between US and China. DXY closed 0.24% lower at 97.05 as its rebound was short-lived following continued retreat in refuge demand. **Expect a bearish USD** in anticipation of further recovery in market risk appetite. DXY remains in a bearish trend and we caution that continued failure to beat 97.21 or losing 97.00 will be signs that bulls cannot sustain. We set sights on DXY sliding lower going forward, with room to test 96.66.
- **MYR strengthened 0.45% to 4.1650 against a weak USD** and was supported by improved market sentiment following US-China trade war truce. MYR advanced against 6 G10s. **MYR is neutral against USD**, with room for mild gains as risk appetite continues to improve in the markets. A bearish trend prevails and likely to lead USDMYR lower. But given the relative losses in recent days, we reckon that downsides are likely to ease, particularly approaching firm support at 4.1565 – 4.1600.
- **SGD strengthened 0.37% to 1.3673 against a weak USD** but ended mixed against the G10s. **SGD remains bullish against a weak USD**, further supported by improving risk appetite in the markets. After breaking below 1.3681, USDSGD is now eyeing a test at 1.3661, below which 1.3621 – 1.3630 will be vulnerable. With downward momentum strengthening, this is looking more probable.

#### Overnight Economic Data

Malaysia	↓
US	→
Eurozone	↓
UK	↑
Japan	↓
China	↑
Singapore	↓

#### What's Coming Up Next

##### Major Data

- EU PPI
- UK Markit PMI construction

##### Major Events

- RBA monetary policy meeting

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1328	1.1350	1.1353	1.1367	1.1385	↗
USDJPY	1.2685	1.2700	1.2723	1.2743	1.2771	↘
GBPUSD	113.35	113.44	113.59	113.71	113.86	↘
AUDUSD	0.7328	0.7347	0.7356	0.7366	0.7384	↘
EURGBP	0.8914	0.8920	0.8925	0.8932	0.8950	↗
USDMYR	4.1600	4.1610	4.1630	4.1670	4.1690	→
EURMYR	4.7200	4.7220	4.7268	4.7277	4.7313	↘
JPYMYR	3.6600	3.6637	3.6650	3.6690	3.6718	↘
GBPMYR	5.2920	5.2950	5.2963	5.3000	5.3020	↘
SGDMYR	3.0428	3.0449	3.0459	3.0484	3.0500	↘
AUDMYR	3.0552	3.0592	3.0635	3.0657	3.0693	↘
NZDMYR	2.8800	2.8830	2.8862	2.8878	2.8900	↘
USDSGD	1.3650	1.3663	1.3669	1.3676	1.3690	↘
EURSGD	1.5490	1.5500	1.5519	1.5531	1.5547	↘
GBPSGD	1.7350	1.7364	1.7390	1.7400	1.7420	↘
AUDSGD	1.0019	1.0033	1.0056	1.0066	1.0078	↘

\* 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	1,699.72	1.18	-5.40	CRB Index	183.51	0.97	-5.34
Dow Jones Ind.	25,826.43	1.13	4.48	WTI oil (\$/bbl)*	52.95	3.97	-12.36
S&P 500	2,790.37	1.09	4.37	Brent oil (\$/bbl)	61.69	5.08	-7.75
FTSE 100	7,062.41	1.18	-8.13	Gold (\$/oz)	1,230.65	0.67	8.10
Shanghai	2,654.80	2.57	-19.73	CPO (RM/tonne)	1,762.00	1.70	-26.28
Hang Seng	27,182.04	2.55	-9.15	Copper (\$/tonne)	6,198.00	-0.23	-14.47
STI	3,190.62	2.34	-6.24	Rubber (sen/kg)	370.00	0.68	-20.00

Source: Bloomberg

**Economic Data**
**➤ Macroeconomics**

	For	Actual	Last	Survey
MY Nikkei PMI	Nov	48.2	49.2	--
US PMI manufacturing	Nov F	55.3	55.7	55.4
US ISM manufacturing	Nov	59.3	57.7	57.5
US construction spending MOM	Oct	-0.1%	-0.1% (revised)	0.4%
EU PMI manufacturing	Nov F	51.8	52.0	51.5
UK PMI manufacturing	Nov	53.1	51.1	51.7
JP Nikkei PMI mfg	Nov F	52.2	52.9	--
CH Caixin PMI	Nov	50.2	50.1	50.1
SG PMI	Nov	51.5	51.9	51.5
VN Nikkei PMI	Nov	56.5	53.9	--
AU building approvals MOM	Nov	-1.5%	5.5% (revised)	-1.5%

Source: Bloomberg

- US ISM and PMI manufacturing index diverged again:** The two surveys on manufacturing activities in the US diverged again with the final read of Markit PMI manufacturing moderating to a 4-month low of 55.3 in November (Oct: 55.7) but a similar gauge by ISM unexpectedly climbed higher to 59.3 (Oct: 57.7), though still below the 14-year high seen in August (61.3). Quicker expansion in production, new orders and employment were the main drivers as new export orders were unchanged from the preceding month, reflective of holdback amid the ongoing trade war. Prices paid also pulled back sharply by 10.9pt, adding to signs of softening inflationary outlook. In a separate release, construction spending unexpectedly fell 0.1% MOM in October, marking its 3<sup>rd</sup> straight month of contraction and the longest losing streak since Nov-15 as the 0.5% decline in residential construction (reflective of the slowing housing market) overshadowed the slight 0.1% MOM increase in non-residential construction.
- Eurozone PMI manufacturing eased less than initially estimated:** The final reading showed manufacturing activities slowed at a lesser than initially estimated pace in November, with the index pulling back only 0.2ppt to 51.8 (Oct: 52.0 and initial estimate 51.5). The fourth consecutive month of easier growth meanwhile reaffirmed the case of softening growth outlook in the euro region that could potentially derail the central bank's policy normalization path.
- UK PMI spiked more than expected:** UK PMI manufacturing picked up more than expected to 53.1 in November (Oct: 51.1), primarily driven by a sharp reversal in new orders from 49.2 to 53.4, as domestic new orders and restocking amid Brexit uncertainties provided a lift to the index. On a less positive note, export orders fell for the 2<sup>nd</sup> straight month, as Brexit risks and slowing world growth outlook kept a lid on foreign orders.
- China Caixin PMI manufacturing staged a surprised pick-up albeit marginally:** Caixin PMI manufacturing index unexpectedly inched up by 0.1ppt to 50.2 in November, contrary to the downtick in the official reading. The index has been flirting with the 50-threshold for a good three months now, which signaled that the manufacturing sector is struggling to stay above water as the China economy and global demand moderate.
- Nikkei PMIs rose in Vietnam; retreated in Japan and Malaysia:** Tracking the general softening trend in other PMI readings, surveys by Nikkei showed manufacturing activities expanded at slower paces in Japan and Malaysia. The index in Japan slipped to a 15-month low of 52.2 in November (Oct: 52.9) even though it was higher than the preliminary reading of 51.8, dragged by declines in output and new orders. Malaysia also saw back-to-back contraction, evident in the extended pullback in Nikkei PMI to 48.2 in November (Oct: 49.2), its weakest level in six months, also dragged by output and new orders. On the contrary, the Vietnamese Nikkei PMI forged ahead to a 7.5-year high of 56.5 in November (Oct: 53.9), boosted by higher output and new orders and added to signs Vietnam will remain one of the fastest growing economies in the region.
- Singapore PMI showed slower growth in manufacturing:** Singapore PMI softened to 51.5 in November as expected (Oct: 51.9), while the electronics index also fell into contractionary territory for the first time since Jul-16. New orders, new export orders, production, employment indices were all expanding at a slower pace during the month, suggesting easing momentum as the Singapore economy was not spared from slowing global growth.
- Australia building approvals fell 1.5% MOM as expected:** Building approvals took a turn and fell 1.5% MOM in November as a result of declines in both public (-48.5%) and private (-0.6%) building approvals. YOY, approvals fell for a 4<sup>th</sup> straight month, by 13.4% YOY, reinforcing the case of a softening housing market down under.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
05/12	Malaysia	Exports	Nov	5.5%	6.7%	--
05/12	US	MBA mortgage applications	Nov 30	--	5.5%	--
		ADP employment change	Nov	195k	227k	--
		Markit PMI services	Nov F	54.4	54.4	--
		ISM services	Nov	59.0	60.3	--
<b>04/12</b>	<b>Eurozone</b>	<b>PPI YOY</b>	<b>Oct</b>	<b>4.5%</b>	<b>4.5%</b>	--
05/12		Markit PMI services	Nov F	53.1	53.1	--
		Retail sales MOM	Oct	0.2%	0.0%	--
<b>04/12</b>	<b>UK</b>	<b>Markit/CIPS UK Construction PMI</b>	<b>Nov</b>	<b>52.5</b>	<b>53.2</b>	--
05/12		Markit PMI services	Nov	52.5	52.2	--
05/12	Japan	Nikkei PMI services	Nov	--	52.4	--
05/12	China	Caixin PMI services	Nov	50.7	50.8	--
05/12	Hong Kong	Nikkei PMI	Nov	--	48.6	--
05/12	Singapore	Nikkei PMI	Nov	--	52.6	--
<b>04/12</b>	<b>Australia</b>	<b>RBA Cash Rate Target</b>	<b>04 Dec</b>	<b>1.5%</b>	<b>1.5%</b>	--
05/12		AiG services index	Nov	--	51.1	--
		GDP SA QOQ	3Q	0.6%	0.9%	--
						--

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1354	0.33	1.138	1.1320	-0.42
GBPUSD	1.2725	-0.19	1.2825	1.2699	-0.83
USDJPY	113.66	0.08	113.85	113.38	0.80
AUDUSD	0.7358	0.71	0.7393	0.7347	-0.80
EURGBP	0.8923	0.55	0.8925	0.8863	0.47
USDMYR	4.1650	-0.45	4.1825	4.1645	2.93
EURMYR	4.7340	-0.50	4.7470	4.7305	-2.36
JPYMYR	3.6737	-0.50	3.6810	3.6708	2.19
GBPMYR	5.3360	-0.47	5.3471	5.3227	-2.34
SGDMYR	3.0496	-0.21	3.0558	3.0485	0.68
AUDMYR	3.0791	0.54	3.0852	3.0693	-2.62
NZDMYR	2.8864	0.37	2.8917	2.8790	0.23
CHFMYR	4.1783	-0.67	4.1903	4.1778	0.70
CNYMYR	0.6051	0.33	0.6057	0.6026	-2.68
HKDMYR	0.5328	-0.49	0.5349	0.5326	2.88
USDSGD	1.3673	-0.37	1.3707	1.3659	2.28
EURSGD	1.5522	-0.08	1.5570	1.5484	-0.34
GBPSGD	1.7397	-0.58	1.7522	1.7364	-0.79
AUDSGD	1.0059	0.27	1.0120	1.0048	-0.73

Source: Bloomberg

### MYR

- **MYR strengthened 0.45% to 4.1650 against a weak USD** and was supported by improved market sentiment following US-China trade war truce. MYR advanced against 6 G10s.
- **MYR is neutral against USD**, with room for mild gains as risk appetite continues to improve in the markets. A bearish trend prevails and likely to lead USDMYR lower. But given the relative losses in recent days, we reckon that downsides are likely to ease, particularly approaching firm support at 4.1565 – 4.1600.

### USD

- **USD fell against 8 G10s** as refuge demand retreated following trade war truce between US and China. DXY closed 0.24% lower at 97.05 as its rebound was short-lived following continued retreat in refuge demand.
- **Expect a bearish USD** in anticipation of further recovery in market risk appetite. DXY remains in a bearish trend and we caution that continued failure to beat 97.21 or losing 97.00 will be signs that bulls cannot sustain. We set sights on DXY sliding lower going forward, with room to test 96.66.

### EUR

- **EUR climbed 0.33% to 1.1354 against a soft USD** but slipped against 5 G10s.
- **Stay bullish on EUR against USD**, supported by easing trade tensions. We maintain the view that EURUSD sustains a bullish bias and continue to set sights on a test circa 1.1400 – 1.1416 in the next leg higher. We note that beating 1.1456 is seen as completion of a bullish chart pattern that suggests a move to circa 1.1560 – 1.1580.

### GBP

- **GBP fell 0.19% to 1.2725 against USD** and weakened against all G10s, pressured by extended Brexit uncertainties.
- **Continue to expect a slightly bearish on GBP against USD** as more scrutiny and potential opposition to the Brexit plan emerge. We continue to caution that Brexit headlines have the potential to quickly swing GBP to either sides. A bearish bias continues to prevail in GBPUSD and a downside break at 1.2700 is expected.

### JPY

- **JPY slipped 0.08% to 113.66 against USD** and weakened against 8 G10s as demand for refuge retreated on the back of US-China trade war truce.
- **Expect a slightly bullish JPY against a soft USD**. A bearish trend continues to prevail in USDJPY. Unless there is a close above 113.68 today, further losses are expected going forward, with room to break below 113.35.

### AUD

- **AUD jumped 0.71% to 0.7358 against a weak USD** and advanced against 5 G10s, spurred by improved risk appetite in the markets.
- **We turn slightly bearish on AUD against USD** on technical reasons; caution that RBA policy statement could contain dovish remarks that drive AUD lower. We suspect some retracement could take place after recent upward move. Current bullish trend is contesting with reversal signs for dominance over AUDUSD's direction. Therefore, we are still skeptical over how much more AUDUSD could climb before reversing.

### SGD

- **SGD strengthened 0.37% to 1.3673 against a weak USD** but ended mixed against the G10s.
- **SGD remains bullish against a weak USD**, further supported by improving risk appetite in the markets. After breaking below 1.3681, USDSGD is now eyeing a test at 1.3661, below which 1.3621 – 1.3630 will be vulnerable. With downward momentum strengthening, this is looking more probable.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.