January 5, 2018

Hong Leong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **Positive data flow which reaffirmed a rosy macro picture globally** continued to push major equities to new highs. The Dollar Index however failed to hold on its gains as the EUR and GBP rallied ahead on added signs of improving growth prospects.

- **Hogging the limelight was US ADP employment report that surprised on the upside, with 250k jobs reported** in the private sector in December, its best in nine months shored up by hirings in the services and manufacturing sectors. This, coupled with initial jobless claims that continued to hover below 300k, reinforced believes that the US job market is on its continuous recovery path. **Overnight releases also showed UK consumers and housing market were on firmer footings.**

- **The series of PMI, Caixin and Nikkei readings suggests the global services sector is picking up steam albeit at varying speed.** Final PMI services print out of the US showed a slower moderation while that of the EU confirmed that the sector was expanding at record pace in December. The services sector in the UK edged up more than expected while the survey by Caixin showed the China services index jumped to a record.

- **USD resumed its decline against 8 G10s** while the Dollar Index fell 0.34% to 91.85 amid interests in European and commodity majors that sidelined better than expected US data. **Expect USD to remain bearish** at least until after the release of US job data, which could spark a strong recovery if they outperform. The Dollar Index remains deep in bearish territory thus rebounds, while they cannot be ruled out, will be shallow and brief. We still set sights on a drop to 91.50 but after yesterday's decline, we suspect a modest rebound, capped below 92.41, may be in the works.

- **MYR strengthened 0.2% to 4.0065 against USD** and beat 7 G10s on continued firmness in market sentiment and oil prices. **Stay bullish on MYR against USD** supported by firmer risk appetite and oil prices, though gains may be narrowed going into Asian close. Technical outlook remains negative for USDMYR; losing 4.0100 has increased the pair's downside bias, not to mention rising downside momentum. A break at 4.00 cannot be ruled out.

- **SGD strengthened 0.15% to 1.3279 against a soft USD** but fell against 7 G10s. **We stay bearish on SGD against USD** as buying interest wanes heading into the week's close on top of heading into US data releases. We reckon that there is room for USDSGD to rebound given that it has weakened considerably in the last several days. This will likely be a technical retracement that is likely capped below 1.3300.

Overnight Economic Data

US	↑
EU	↑
UK	↑
China	↑
Japan	↓

What's Coming Up Next

Major Data
- Malaysia exports
- US nonfarm payroll, jobless rate, ISM services, factory orders, durable goods orders, trade balance
- EU retail PMI, PPI, CPI
- Japan Nikkei PMI services
- Australia trade balance

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2050	1.2066	1.2071	1.2080	1.2109	↗
USDJPY	112.58	112.72	112.76	112.79	112.92	↗
GBPUSD	1.3520	1.3540	1.3557	1.3571	1.3590	↗
AUDUSD	0.7814	0.7850	0.7857	0.7887	0.7900	↘
EURGBP	0.8894	0.8900	0.8905	0.8918	0.8930	↗
USDMYR	4.0985	4.0000	4.0017	4.0075	4.0100	↘
EURMYR	4.8200	4.8274	4.8321	4.8364	4.8390	↘
JPYMYR	3.5425	3.5456	3.5486	3.5500	3.5567	↘
GBPMYR	5.4141	5.4216	5.4266	5.4321	5.4409	↘
SGDMYR	3.0110	3.0146	3.0163	3.0192	3.0210	↘
AUDMYR	3.1385	3.1400	3.1438	3.1452	3.1475	↘
NZDMYR	2.8516	2.8566	2.8621	2.8674	2.8719	↘
USDSGD	1.3230	1.3260	1.3267	1.3282	1.3300	↗
EURSGD	1.6000	1.6013	1.6022	1.6038	1.6050	↘
GBPSGD	1.7967	1.7980	1.7992	1.8000	1.8007	↘
AUDSGD	1.0400	1.0414	1.0424	1.0429	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	1803.5	0.6	0.4	CRB Index	195.4	0.01	0.8
Dow Jones Ind.	25075.1	0.6	1.4	WTI oil ($/bbl)	62.0	0.62	2.6
S&P 500	2724.0	0.4	1.9	Brent oil ($/bbl)	68.1	0.34	1.8
FTSE 100	7695.9	0.3	0.1	Gold (S/oz)	1322.8	0.70	8.1
Shanghai	3385.7	0.5	2.4	CPO (RM/tonne)	2497.0	1.03	4.5
Hang Seng	30736.5	0.6	2.7	Copper ($/tonne)	7147.0	-0.80	-1.4
STI	3501.2	1.1	2.9	Rubber (sen/kg)	465.5	-0.53	0.7

Source: Bloomberg

Macroeconomics

Economic Data

	For	Actual	Last	Survey
US ADP employment	Dec	250k	185k	190k
US initial jobless claims	Dec 30	250k	247k	240k
US PMI services	Dec F	53.7	52.4	52.5
EU PMI services	Dec F	56.6	56.5	56.5
UK nationwide house prices YOY	Dec	2.6%	2.5%	2.0%
UK net consumer credit	Nov	£1.4b	£1.4b	£1.5b
UK mortgage approvals	Nov	65.1k	64.9k	64.0k
UK PMI services	Dec	54.2	53.8	54.0
CH Caixin PMI services	Dec	53.9	51.9	51.8
JP Nikkei PMI manufacturing	Dec F	54.0	54.2	--
HK Nikkei PMI	Dec	51.5	50.7	--
SG Nikkei PMI	Dec	52.1	55.4	--

Source: Bloomberg

- Overnight releases from the majors all turned in positive. US ADP employment report surprised on the upside, with 250k jobs reported in the private sector in December, its best in nine months shored up by hirings in the services and manufacturing sectors. This reinforced believes that the US job market is on its continuous recovery path. This overshadowed the other job report that showed initial jobless claims unexpectedly rose 10k to 250k for the week ended Dec-30, which remained well below the 300k that pointed to a still firm job market. In a separate release, final print of PMI services showed moderation in the sector came in slower than initially estimated, with the index tapering off to 53.7 in December from November's 54.5, vs an advance reading of 52.4.

- EU PMI services rose to a record high of 56.6 in December, tweaked 0.1ppt higher from the initial estimate of 56.5, and from 56.2 in November, confirming that the Eurozone economy is firing on all cylinders that will pave the way for the region to continue chart upside surprises in growth this year.

- On a similarly upbeat note, UK data were surprisingly decent even though Brexit uncertainties continue to haunt. PMI services inched up more than expected to 54.2 in December, marking its 17th straight month of expansion that bolstered hopes the UK economy is not in worse shapes as feared. Mortgage approvals also unexpectedly increase to 65.1k in November while nationwide house prices quickened a notch to 2.6% YOY. Net consumer credit held steady at £1.4bn during the same month, pointing to sustained momentum in the housing and consumer sectors.

- China continued to spring positive surprises. Caixin PMI services jumped to a record high of 53.9 in December, tracking the rise in the official PMI print to 55.0 released last week, confirming better momentum in the services sector in China.

- On the contrary, surveys from Nikkei showed activities picked up in Japan and Hong Kong but moderated in Singapore in December. In Japan, the final Nikkei PMI print turned in a tad softer than the initial estimate of 54.2, but still remained at record high level of 54.0 in December, driven by higher output and new orders. On a similar note, PMI in Hong Kong also rose to a record high of 51.5 in December, thanks to improving demand. On the contrary, a similar gauge in Singapore moderated from a record high to 52.1 in December, its lowest in five months, dragged by lower output and new orders.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
Malaysia	1/5	Exports YOY	Nov	14.5%	18.9%	--
US	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	57.6	57.4	--
		Factory orders	Nov	1.1%	-0.1%	--
		Durable goods orders	Nov F	--	1.3%	--
Eurozone	1/5	Markit PMI retail	Dec	--	52.4	--
		PPI YOY	Nov	2.5%	2.5%	--
		CPI estimate YOY	Dec	1.4%	1.5%	--
	1/8	Sentix investor confidence	JAn	--	31.1	--
		Consumer confidence	Dec F	--	0.5	--
		Retail sales MOM	Dec	--	-1.1%	--
		Economic confidence	Dec	--	114.6	--
		Biz climate indicator	Dec	--	1.49	--
UK	1/8	Halifax house prices YOY	Dec	--	3.9%	--
Japan	1/5	Nikkei services PMI	Dec	--	51.2	--
Australia	1/5	Trade balance	Nov	A$550m	A$105m	--
	1/8	AiG construction index	Dec	--	57.5	--

Source: Bloomberg

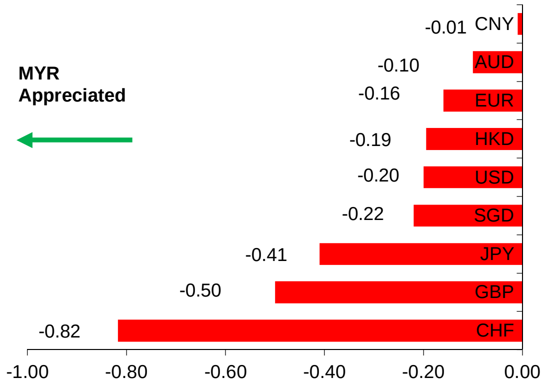
➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2068	0.44	1.2089	1.2005	0.5
USDJPY	112.75	0.21	112.86	112.48	0.1
GBPUSD	1.3551	0.26	1.356	1.3506	0.3
AUDUSD	0.7864	0.36	0.7866	0.7815	0.7
EURGBP	0.8906	0.18	0.8924	0.8881	0.3
USDMYR	4.0065	-0.20	4.0265	4.0050	-1.1
EURMYR	4.8250	-0.16	4.8359	4.8155	-0.4
JPYMYR	3.5597	-0.41	3.5725	3.5560	-1.3
GBPMYR	5.4266	-0.50	5.4418	5.4141	-0.7
SGDMYR	3.0143	-0.22	3.0259	3.0134	-0.4
AUDMYR	3.1421	-0.10	3.1554	3.1405	-0.4
NZDMYR	2.8537	0.08	2.8609	2.8445	-0.5

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

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- **Stay bullish on MYR against USD** supported by firmer risk appetite and oil prices, though gains may be narrowed going into Asian close. Technical outlook remains negative for USDMYR; losing 4.0100 has increased the pair's downside bias, not to mention rising downside momentum. A break at 4.00 cannot be ruled out.

USD

- **USD resumed its decline against 8 G10s** while the Dollar Index fell 0.34% to 91.85 amid interests in European and commodity majors that sidelined better than expected US data.
- **Expect USD to remain bearish** at least until after the release of US data, which could spark a strong recovery if they outperform. The Dollar Index remains deep in bearish territory thus rebounds, while they cannot be ruled out, will be shallow and brief. We still set sights on a drop to 91.50 but after yesterday's decline, we suspect a modest rebound, capped below 92.41, may be in the works.

EUR

- **EUR climbed 0.44% to 1.2068 against USD** and bested 7 G10s, supported by upward revision to Eurozone data that continued to suggest a firming economy.
- **EUR remains bullish in our view against a weak USD**, but caution on a potential decline after recent strong gains or if US data outperforms. EURUSD is still liable to close above 1.2059 in the coming days, but we note that as upside momentum tapers off, gains are likely more modest going forward.

GBP

- **GBP** tumbled against 8 G10s amid renewed interest in European majors but **managed to climb 0.26% to 1.3551 against a weak USD**.
- **Stay slightly bullish on GBP to the extent of USD staying weak**; caution on a potential rebound in the greenback from strong US data. We maintain that GBPUSD 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. But even so, we caution that 1.3571 appears to be a strong resistance that bypassing it could culminate into a reversal going forward.

JPY

- **JPY** slumped against all G10s, **including a 0.21% retreat to 112.75 against USD**, as demand was curbed by rising risk appetite in the markets.
- **We now turn bearish on JPY against USD** as demand in European majors regain further buying interests. The bearish technical view we previously noted has been invalidated by yesterday's close above 112.69. USDJPY is now tilted to the upside, with scope to test 112.98 going forward.

AUD

- **AUD** slipped against 6 G10s as European majors rallied but **advanced 0.36% to 0.7864 against a soft USD**.
- **We stay bearish on AUD against USD**, anticipating retreat in risk appetite ahead of US data to curb gains. Given continued ease in upside momentum, we maintain that AUDUSD has peaked and will likely have less room to climb than it has to decline. A test at 0.7887 could potentially spark a rejection back to circa 0.7814.

SGD

- **SGD strengthened 0.15% to 1.3279 against a soft USD** but fell against 7 G10s.
- **We stay bearish on SGD against USD** as buying interest wanes heading into the week's close on top of heading into US data releases. We reckon that there is room for USDSGD to rebound given that it has weakened considerably in the last several days. This will likely be a technical retracement that is likely capped below 1.3300.

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