

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equities tumbled as markets turned cautious** ahead of US market closure on Wednesday, with **Dow and S&P 500 slumping 3.1% and 3.2% respectively**, taking cue from sliding European indices earlier as **relief rally from the trade truce ebbed and as an inversion in the UST yield curve spurred recession concerns**. Risk aversion in the markets pushed the UST 10y yield to its lowest in 3 months at 2.91%, but **commodities such as oil, copper and iron saw firmer footings**.
- **Yesterday, RBA expectedly kept the cash rate target unchanged**, with Governor Lowe sounding a tad more cautious reaffirming our view that a rate hike is not on the cards. **Data flow overnight improved across Eurozone, UK and Australia**. Producer prices in Eurozone accelerated, but was led largely by a jump in energy prices that seemed unlikely to sustain given recent oil slump. UK again surprised to the upside as construction sector grew at a quicker pace, driven by gains in new work and employment but respondents remain cautious on the outlook amid Brexit concerns. In Australia, services sector also surprised to the upside, with firmer growth in sales, new orders and wages though employment slowed.
- **USD rebounded to beat 6 G10s** while the DXY bounced from intraday low amid firmer refuge demand to narrow losses to 0.08% at 96.96 as investors turned cautious amid waning positive vibes from trade truce and renewed recessionary concern. **Expect a bearish USD** in anticipation of softer buying interest as US market closes for the mourning of former president George H.W. Bush. DXY remains tilted to the downside amid rising downward momentum, but strong bounce off lows overnight has left some room for further recovery today. Failure to beat 97.31 will continued to be seen as a lack of upside strength that would soon lead DXY lower.
- **MYR strengthened by another 0.45% to 4.1465 against a weak USD**, appreciating alongside other Asian majors on the back of improved risk appetite. MYR closed higher against 7 G10s. **MYR is slightly bearish against USD**, with room for mild losses as risk appetite retreated overnight. We reckon that there is room for a modest bounce higher in USDMYR today as part of a retracement of recent losses. But with a bearish trend still persisting, we expect a drop below 4.1465 going forward.
- **SGD remained firm on the back of risk aversion in the markets, beating USD by 0.15% to close at 1.3653** and advancing against 8 G10s. **SGD remains bullish against a soft USD**. Downside bias continues to prevail and 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

Eurozone	↑
UK	↑
Australia	↑

What's Coming Up Next

Major Data

- Malaysia exports
- US MBA mortgage applications
- Eurozone and UK PMI services
- Japan Nikkei PMI services
- China Caixin PMI services
- Australia 3Q GDP

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1297	1.1317	1.1343	1.1358	1.1367	↗
GBPUSD	1.2685	1.2700	1.2716	1.2723	1.2737	↘
USDJPY	112.31	112.67	112.86	112.91	113.06	↘
AUDUSD	0.7315	0.7321	0.7348	0.7363	0.7373	↗
EURGBP	0.8914	0.8920	0.8925	0.8932	0.8950	↗
USDMYR	4.1510	4.1531	4.1565	4.1581	4.1605	↗
EURMYR	4.7100	4.7120	4.7142	4.7160	4.7196	↘
JPYMYR	3.6785	3.6807	3.6820	3.6850	3.6862	↗
GBPMYR	5.2765	5.2800	5.2842	5.2880	5.2900	↘
SGDMYR	3.0385	3.0400	3.0443	3.0452	3.0484	↘
AUDMYR	3.0244	3.0300	3.0364	3.0418	3.0458	↘
NZDMYR	2.8750	2.8790	2.8826	2.8858	2.8900	↘
USDSGD	1.3630	1.3649	1.3661	1.3678	1.3695	↘
EURSGD	1.5471	1.5484	1.5488	1.5495	1.5515	↘
GBPSGD	1.7320	1.7351	1.7366	1.7372	1.7390	↘
AUDSGD	0.9958	0.9977	0.9983	1.0004	1.0019	↘

* 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	1,694.99	-0.28	-5.67	CRB Index	184.14	0.34	-5.02
Dow Jones Ind.	25,027.07	-3.10	1.25	WTI oil (\$/bbl)*	53.25	0.57	-11.87
S&P 500	2,700.06	-3.24	0.99	Brent oil (\$/bbl)	62.08	0.63	-7.16
FTSE 100	7,022.76	-0.56	-8.65	Gold (\$/oz)	1,238.11	-0.03	8.10
Shanghai	2,665.96	0.42	-19.39	CPO (RM/tonne)	1,781.50	1.11	-25.46
Hang Seng	27,260.44	0.29	-8.89	Copper (\$/tonne)	6,295.00	1.57	-13.14
STI	3,167.79	-0.72	-6.91	Rubber (sen/kg)	369.50	-0.14	-20.11

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
EU PPI YOY	Oct	4.9%	4.6% (revised)	4.5%
UK Markit/CIPS Construction PMI	Nov	53.4	53.2	52.5
AU RBA Cash Rate Target	4 Dec	1.5%	1.5%	1.5%
AU AiG performance of services index	Nov	55.1	51.1	--

Source: Bloomberg

➤ Macroeconomics

- Factory prices accelerate in Eurozone:** Producer prices in the Eurozone grew at a quicker pace in Oct, rising 4.9% YOY from 4.6% in Sept (upwardly revised from 4.5%), surprising on the upside while a downtick to 4.5% was expected. The firmer growth was led by a jump in energy prices (Oct: +14.6% vs Sept: +12.9%), as well as quicker demand for, durable consumer goods (Oct: +1.2% vs Sept: +1.1%) and capital goods (Oct: +1.2% vs Sept: +1.1%). On a month-on-month basis, prices were up 0.8%, climbing from 0.6% in Sept. While demand does appear firmer, upsidest in producer prices may not sustain going forward given that prices of energy are likely to trend lower following the tumble in oil.
- Construction sector growing quicker in the UK:** Markit / CIPS gauge of UK's construction sector ticked higher to 53.4 in Nov, up from 53.2 in Oct and a stark contrast to surveys that were expecting a drop to 52.5. This is in line with the recent uptick in manufacturing PMI, hinting that growth continues to be resilience in the face of Brexit uncertainties. The quickest growth in 4 months in the construction sector was boosted by stronger increase in new work and firmer expansion in employment. Nonetheless, business confidence improved though still subdued, with respondents pointing to Brexit as a concern in the 12-month outlook.
- RBA still on hold, services sector firmer in Australia:** RBA expectedly left the cash rate target unchanged at 1.50% yesterday, extending the period of unchanged policy to 28 months (and presumably to 30 months, when RBA meets in Feb 2019). Governor Lowe signaled caution against the backdrop of positivity, stating that there were "some signs of a slowdown in global trade", part of it due to "on-going trade tensions", even as the global economy continues to expand with low unemployment rates in most advanced countries. He also threw caution on the domestic front, noting that "credit conditions for some borrowers are tighter than they have been for some time, with some lenders having reduced appetite to lend". There were no signs of intent to tighten preemptively. In a separate release, the services sector in Australia expanded at a quicker pace in Nov. The AiG performance of services index climbed to 55.1, the highest in 5 months, rising from 51.1 in Oct. The services sector saw better growth traction in terms of sales, new orders and wages, but employment slowed.

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%	--
06/12		ADP employment change	Nov	195k	227k	--
		Markit PMI services	Nov F	54.4	54.4	--
		ISM services	Nov	59.0	60.3	--
		Factory orders	Oct	-2.0%	0.7%	--
		Durable goods orders	Oct F	-2.4%	-4.4%	--
		Initial jobless claims	Dec 1	225k	234k	--
05/12	Eurozone	Markit PMI services	Nov F	53.1	53.1	--
		Retail sales YOY	Oct	2.0%	0.8%	--
05/12	UK	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	--
05/12	Australia	GDP SA QOQ	3Q	0.6%	0.9%	--
06/12		Trade balance	Oct	A\$3000m	A\$3017m	--
		Retail sales MOM	Oct	0.3%	0.2%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1343	-0.10	1.1419	1.1319	-0.51
GBPUSD	1.2719	-0.05	1.284	1.2659	-0.89
USDJPY	112.77	-0.78	113.66	112.58	0.04
AUDUSD	0.7338	-0.27	0.7394	0.7326	-0.97
EURGBP	0.8918	-0.05	0.8945	0.8890	0.43
USDMYR	4.1465	-0.45	4.1670	4.1465	2.47
EURMYR	4.7316	-0.05	4.7347	4.7196	-2.41
JPYMYR	3.6741	0.01	3.6755	3.6637	2.20
GBPMYR	5.3028	-0.52	5.3083	5.2829	-2.95
SGDMYR	3.0422	-0.24	3.0493	3.0387	0.44
AUDMYR	3.0640	-0.49	3.0661	3.0570	-3.09
NZDMYR	2.8880	0.06	2.8963	2.8830	0.28
CHFMYR	4.1658	-0.30	4.1775	4.1646	0.40
CNYMYR	0.6066	0.24	0.6075	0.6046	-2.45
HKDMYR	0.5316	-0.23	0.5332	0.5312	2.65
USDSGD	1.3653	-0.15	1.3678	1.3627	2.19
EURSGD	1.5484	-0.24	1.5566	1.5455	-3.52
GBPSGD	1.7365	-0.18	1.7503	1.7289	-3.93
AUDSGD	1.0019	-0.40	1.0079	1.0004	-3.98

Source: Bloomberg

MYR

- **MYR strengthened by another 0.45% to 4.1465 against a weak USD**, rising alongside other Asian majors on the back of improved risk appetite. MYR closed higher against 7 G10s.
- **MYR is slightly bearish against USD**, with room for mild losses as risk appetite retreated overnight. We reckon that there is room for a modest bounce higher today as part of a retracement of recent losses. But with a bearish trend still persisting, we expect a drop below 4.1465 going forward.

USD

- **USD rebounded to beat 6 G10s** while the DXY bounce from intraday low amid firmer refuge demand to narrow losses to 0.08% at 96.96 as investors turned cautious amid waning positive vibes from trade truce and renewed recessionary concern.
- **Expect a bearish USD** in anticipation of softer buying interest as US market closes for the mourning of former president George H.W. Bush. DXY remains tilted to the downside amid rising downward momentum, but strong bounce off lows overnight has left some room for further recovery today. Failure to beat 97.31 will continued to be seen as a sign of insufficient upside strength that would soon lead DXY lower.

EUR

- **EUR slipped 0.10% to 1.1343 against USD** and slipped against 6 G10s, returning early gains as risk appetite receded in Eurozone despite firmer data.
- **Stay bullish on EUR in line with our view of a softer USD**. Technically, EURUSD upside bias is showing signs of weakness after failure to hold above 1.1367. We suspect there may be another attempt to break this level going forward, but another failure will tilt EURUSD to the downside and target 1.1297.

GBP

- **GBP dipped 0.05% to 1.2719 against USD** and fell against 5 G10s amid continued downside pressure from 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 jumped 0.78% to 112.77 against USD** and rallied to beat all G10s as refuge demand accelerated.
- **Expect a slightly bullish JPY against a soft USD**. A bearish trend continues to prevail in USDJPY and hints at a potential downside break at 112.67 next, below which 112.17 will be targeted.

AUD

- **AUD fell 0.27% to 0.7338 against USD** and fell against 8 G10s amid downside pressure from sliding risk appetite in the markets.
- **We turn slightly bullish on AUD against a soft USD**, with support from slightly firmer Australian data. Technical signs point to mild upsides in AUDUSD in the coming days but we remain doubtful on extended gains approaching strong resistance range circa 0.7394 – 0.7400, on top of lingering signs of reversal lower.

SGD

- **SGD remained firm on the back of risk aversion in the markets, beating USD by 0.15% to close at 1.3653** and advancing against 8 G10s.
- **SGD remains bullish against a soft USD**. Downside bias continues to prevail and 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.

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