

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US markets were closed for the mourning of former US president George H.W. Bush**, but risk appetite appears weak following losses in major indices through Asia and Europe. Both major oil benchmarks ended marginally lower, likely a pullback from recent rally but could be on their way higher following news of planned production cuts from OPEC. Meanwhile, markets preferred the safety of USD, which gained 0.1% compared to that of gold, which fell by the same margin.
- **Data flow across major economies were mixed, with firmer PMIs in China and Singapore, while those of Eurozone, UK and Hong Kong dipped lower.** Separate releases indicated that **Australian economy slowed in 3Q**, dragged by softer consumption, and **firmer spending in the Eurozone**. In **Malaysia, exports grew surprisingly stronger in Oct** but was due to frontloading amid protracted concerns of higher tariffs.
- **USD ended mixed against the G10s** with firmer gains while the DXY bounced back from intraday losses to close 0.11% higher at 97.07, lifted mostly by sharp weakness in CAD as BOC turned dovish. **We anticipate a slightly bearish USD** as it is likely to be more sensitive to the downside on risk aversion ahead of US data; expect increased downside pressure if data disappoints. In the absence of a break circa 97.22 – 97.31, we continue to view DXY with a bearish bias, inclined to losses going forward and potentially test 96.66.
- **MYR slipped 0.18% to 4.1540 against a rebounding USD** but managed to strengthen against 8 G10s. **MYR is neutral against USD**, with room for mild losses as risk aversion lingers in the markets ahead of US data tonight. Bearish trend in USDMYR continues to prevail and suggests a downside break at 4.1465 soon. But we reckon that unless subsequent price action breaches 4.1354, this downward move is unlikely to be sustainable.
- **SGD weakened 0.12% to 1.3670 against USD** and retreated against 6 G10s as risk appetite remains subdued in the markets. **Continue to expect a slightly bullish SGD in line with our view of a soft USD.** A bearish trend continues to linger in USDSGD; despite signs of a rebound emerging, we first set sights on a decline below 1.3653 in the coming days. Direction thereafter will depend on if 1.3621 is breached.

Overnight Economic Data

US	↓
Eurozone	→
UK	↓
Japan	→
China	↑
Hong Kong	↓
Singapore	↑
Australia	↓
Malaysia	↑

What's Coming Up Next

Major Data

- US ADP employment change, Markit PMI and ISM services, factory orders, durable goods orders, initial jobless claims
- AU trade balance and retail sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1328	1.1343	1.1349	1.1358	1.1367	↗
GBPUSD	1.2685	1.2700	1.2725	1.2736	1.2761	↘
USDJPY	112.67	112.92	113.08	113.33	113.65	↘
AUDUSD	0.7215	0.7233	0.7263	0.7274	0.7297	↘
EURGBP	0.8905	0.8911	0.8915	0.8925	0.8932	↗
USDMYR	4.1510	4.1531	4.1567	4.1581	4.1605	→
EURMYR	4.7100	4.7120	4.7169	4.7215	4.7298	↗
JPYMYR	3.6726	3.6755	3.6782	3.6807	3.6849	↗
GBPMYR	5.2800	5.2836	5.2887	5.2949	5.3000	↘
SGDMYR	3.0348	3.0361	3.0380	3.0385	3.0400	→
AUDMYR	3.0100	3.0140	3.0164	3.0179	3.0223	↘
NZDMYR	2.8569	2.8590	2.8622	2.8644	2.8660	↘
USDSGD	1.3630	1.3649	1.3679	1.3690	1.3712	↘
EURSGD	1.5483	1.5498	1.5523	1.5527	1.5541	↗
GBPSGD	1.7364	1.7400	1.7409	1.7420	1.7447	↘
AUDSGD	0.9900	0.9918	0.9930	0.9960	0.9981	↘

* 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	1,688.27	-0.40	-6.04	CRB Index	183.75	-0.21	-5.22
Dow Jones Ind.*	25,027.07	-3.10	1.25	WTI oil (\$/bbl)	52.89	-0.68	-12.46
S&P 500*	2,700.06	-3.24	0.99	Brent oil (\$/bbl)	61.56	-0.84	-7.94
FTSE 100	6,921.84	-1.44	-9.96	Gold (\$/oz)	1,237.29	-0.10	8.10
Shanghai	2,649.81	-0.61	-19.88	CPO (RM/tonne)	1,775.50	-0.34	-25.71
Hang Seng	26,819.68	-1.62	-10.36	Copper (\$/tonne)	6,209.00	-1.37	-14.32
STI	3,155.92	-0.37	-7.26	Rubber (sen/kg)	378.50	-0.26	-18.16

Source: Bloomberg

* last closed on 4 Dec 2018

Economic Data				
	For	Actual	Last	Survey
MY Exports YOY	Oct	17.7%	6.5% (revised)	5.5%
US MBA mortgage applications	Nov 30	2.0%	5.5%	--
EU Markit PMI services	Nov F	53.4	53.7	53.1
EU retail sales YOY	Oct	1.7%	0.3% (revised)	2.0%
UK Markit PMI services	Nov	50.4	52.2	52.5
JP Nikkei PMI services	Nov	52.3	52.4	--
CH Caixin PMI services	Nov	53.8	50.8	50.7
HK Nikkei PMI	Nov	47.1	48.6	--
SG Nikkei PMI	Nov	53.8	52.6	--
AU GDP SA QOQ	3Q	0.3%	0.9%	0.6%

Source: Bloomberg

➤ Macroeconomics

- US Beige Book signals modest to moderate pace of growth:** US Beige Book reported modest to moderate pace of economic growth in most of the 12 Federal Reserve Districts from mid-Oct through late-Nov, though Dallas and Philadelphia showed signs of softer expansion. It also reported further tightening of the labour market, with wage growth inclined on the high side of a modest to moderate pace. Amongst the manufacturing fraternity, concerns over trade war continues to weigh though most districts reported moderate expansion in this sector. Earlier, data showed that US mortgage applications slowed to 2.0% in the week ended 30 Nov, sliding from 5.5% gains in the week prior. Applications were driven by refinancing activity on the back of continued decline in 30y fixed mortgage rates while applications for new purchases grew softly.
- Services sector slowed in Eurozone, UK:** Eurozone services sector grew at the slowest pace since Oct 2016. Eurozone services PMI was upwardly revised to 53.4 in the final reading, up from 53.1 but remained softer compared to Oct final reading of 53.7. The lower reading was due to slowest pace of growth in over 2 years in new business, leading the pace of job creation lower while business confidence eroded. In a separate release, Eurozone retail sales increased 1.7% YOY in Oct, rising from 0.3% in Sept (revised downward from 0.8%). In the UK, the services sector failed to keep up with upside surprises displayed by manufacturing and construction, growing at a slower rate in Nov. The PMI services fell to 28-month low at 50.4, down from 52.2 in Oct as business investment decisions alongside business and consumer spendings were dampened by Brexit uncertainties. New business growth eased for a third consecutive month, with gain in new orders marginal and slower employment.
- Stronger services sector growth in China, slightly off-pace in Japan:** The Caixin gauge on services sector climbed to 53.8 in Nov, bouncing off 13-month low of 50.8 in Oct amid the quickest growth in new orders since Jun, while improved expectations drove companies to increase employment. Growth of services sector in Japan remains firm but at a slightly slower pace; the PMI dipped to 52.3 in Nov from 52.4. Breakdown of the PMI suggests that new orders and new export orders saw stronger growths, leading to increased employment.
- Factory activity firmer in Singapore, but contracted further in Hong Kong:** The Nikkei Singapore PMI climbed to a 5-month high at 53.8 in Nov, rising from 52.6 and suggests quicker growth the private sector. Growth was driven by firmer expansion in new orders, which led to increased output and employment. Contrastingly, Hong Kong's private sector saw deeper contraction; the PMI fell to 47.1 in Nov, from 48.6 in Oct. The biggest contraction since Jun 2016 was dragged by weaker new orders that led companies to reduce employment and input purchases, while business outlook was weighed down by trade war concerns.
- Australian economy slowed in 3Q, dragged by slower consumption:** The economy slowed to 0.3% QOQ in 3Q from 0.9% in 2Q, undershooting the 0.6% estimate. Growth was dragged by slower consumption (3Q: +0.3% vs 2Q: +0.9%) as both household and government spending eased, while exports grew the slowest in 3 months (3Q: +0.1% vs 2Q: +1.2%). On a YOY basis, the 3Q GDP moderated to 2.8% YOY, down from 3.1% in 2Q (revised from 3.4%).
- Malaysia external trade improved on frontloading, sustainability doubtful:** Exports surged 17.7% YOY in Oct, jumping from 6.5% in Sept (revised downward from 6.7%) as frontloading activities prevailed on concerns that tariff could be raised and coverage widened. Shipment surged to China (Oct: +33.0% vs Sept: -0.6%) and Singapore (Oct: +18.3% vs Sept: +7.9%), while exports to the US also jumped (Oct: +7.6% vs Sept: +0.1%). Imports soared 11.4% in Oct after falling 2.8% in Sept, with broad-based rebound in consumption goods (Oct: +7.6% vs Sept: -10.0%), capital goods (Oct: +2.9% vs Sept: -21.6%) and intermediate goods (Oct: +1.0% vs Sept: -9.3%). Trade surplus widened to a record high of RM 16.3b in Oct.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
07/12	Malaysia	Foreign reserves	Nov 30	--	\$102.1b	--
06/12	US	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	--
07/12		Change in nonfarm payrolls	Nov	198k	250k	--
		Unemployment rate	Nov	3.7%	3.7%	--
		Average hourly earnings YOY	Nov	3.1%	3.1%	--
		Uni. of Michigan sentiment	Dec P	97.0	97.5	--
07/12	Eurozone	GDP YOY	3Q F	1.7%	1.7%	--
07/12	UK	CBI trends total orders	Dec	8	10	--
07/12	Japan	Household spending YOY	Oct	1.0%	-1.6%	--
		Leading index CI	Oct P	104.9	104.3	--
06/12	Australia	Trade balance	Oct	A\$3000m	A\$3017m	--
		Retail sales MOM	Oct	0.3%	0.2%	--
07/12		AiG performance of construction index	Nov	--	46.4	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1344	0.01	1.1361	1.1311	-5.48
GBPUSD	1.2734	0.12	1.2798	1.2672	-5.77
USDJPY	113.19	0.37	113.24	112.65	0.31
AUDUSD	0.7268	-0.95	0.7356	0.7260	-6.97
EURGBP	0.8909	-0.10	0.8932	0.8875	0.35
USDMYR	4.1540	0.18	4.1585	4.1525	2.66
EURMYR	4.7096	-0.47	4.7157	4.7017	-2.86
JPYMYR	3.6758	0.05	3.6888	3.6725	2.24
GBPMYR	5.2876	-0.29	5.2949	5.2643	-3.22
SGDMYR	3.0375	-0.15	3.0447	3.0359	0.28
AUDMYR	3.0310	-1.08	3.0573	3.0276	-4.14
NZDMYR	2.8773	-0.37	2.8863	2.8717	-0.09
CHFMYR	4.1580	-0.19	4.1676	4.1521	0.21
CNYMYR	0.6052	-0.23	0.6073	0.6046	-2.67
HKDMYR	0.5318	0.04	0.5328	0.5318	2.68
USDSGD	1.3670	0.12	1.3688	1.3646	2.34
EURSGD	1.5510	0.17	1.5529	1.5467	-3.35
GBPSGD	1.7407	0.24	1.7498	1.7337	-3.68
AUDSGD	0.9936	-0.83	1.0042	0.9931	-4.88

Source: Bloomberg

MYR

- **MYR slipped 0.18% to 4.1540 against a rebounding USD** but managed to strengthen against 8 G10s.
- **MYR is neutral against USD**, with room for mild losses as risk aversion lingers in the markets ahead of US data tonight. Bearish trend in USDMYR continues to prevail and suggests a downside break at 4.1465 soon. But we reckon that unless subsequent price action breaches 4.1354, this downward move is unlikely to be sustainable.

USD

- **USD ended mixed against the G10s** with firmer gains while the DXY bounced back from intraday losses to close 0.11% higher at 97.07, lifted mostly by sharp weakness in CAD as BOC turned dovish.
- **We anticipate a slightly bearish USD** as it is likely to be more sensitive to the downside on risk aversion ahead of US data; expect increased downside pressure if data disappoints. In the absence of a break circa 97.22 – 97.31, we continue to view DXY with a bearish bias, inclined to losses going forward and potentially test 96.66.

EUR

- **EUR returned early gains to close relatively unchanged at 1.1344 against USD** and ended higher against 5 G10s.
- **Stay bullish on EUR in line with our view of a softer USD**, but losses will quickly materialize if Eurozone GDP disappoints. EURUSD continues to sustain an upside bias after holding above 1.1328. We continue to suspect another attempt to break 1.1367; failure here exposes a move to 1.1297, otherwise, expect a test at 1.1415.

GBP

- **GBP climbed 0.12% to 1.2734 against USD** and advanced against 8 G10s, lifted by news of potential concession by UK government to win over opposition of Brexit plan.
- Despite signs of retreat in Brexit jitters, **we stay slightly bearish on GBP against USD** as it remains sensitive to developing Brexit headlines have the potential to quickly swing GBP to the downside. A bearish bias continues to prevail in GBPUSD and another downside break at 1.2700 is expected soon. But caution that GBPUSD is possibly forming a bottom, which would lead to a reversal higher though we are uncertain when this will take place.

JPY

- **JPY weakened 0.37% to 113.19 against USD** and retreated against 6 G10s following firmer European majors.
- **We maintain a slightly bullish view on JPY against a soft USD**, anticipating risk-off sentiment to prevail. A bearish trend continues to lurk in USDJPY and hints at a potential downside break at 112.67 next, below which 112.17 will be targeted.

AUD

- **AUD slumped 0.95% to 0.7268 against USD** and weakened against all G10s, weighed down by sliding commodities and underperforming 3Q GDP data.
- **AUD is now bearish in our view against USD**, weighed down by recent weakness in domestic data and by likelihood of further downsides in risk appetite. AUDUSD has initiated a reversal lower. Further losses are expected from current level though do take caution that modest bounces cannot be ruled out after a length of extended declines. There is scope for AUDUSD to break below 0.7196 going forward.

SGD

- **SGD weakened 0.12% to 1.3670 against USD** and retreated against 6 G10s as risk appetite remains subdued in the markets.
- **Continue to expect a slightly bullish SGD in line with our view of a soft USD**. A bearish trend continues to linger in USDSGD; despite signs of a rebound emerging, we first set sights on a decline below 1.3653 in the coming days. Direction thereafter will depend on if 1.3621 is breached.

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