

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets across Asia, Europe and the US ended in the red yesterday** as markets continue to doubt future US-China trade relations despite recent truce, while also being concerned with US yield curve inversion. US indices did try rebound in the afternoon but only managed to narrow losses; the Dow closed 0.32% lower, while the S&P 500 lost 0.15%. Gold was supported, gaining 0.04% but more so US Treasuries; the 10y shed nearly 2bps while the 2y lost 3bps.
- **Data flow was mostly focused on the US and was disappointing except for continued firm growth in services sector.** ADP report showed softer gain in employment in Nov, factory and durable goods orders both declined. In Australia, the trade surplus narrowed in Oct, while the construction sector was weighed down by decline in activity and employment. Nonetheless, retail sales managed to pick up in Oct. Meanwhile, sign of a softer economy in Japan continue to emerge as household spending declined.
- **USD ended mixed against the G10s** while the DXY tumbled into losses going into US session before closing 0.27% lower at 96.81 amid relatively weaker US data. **Continue to view a bearish USD** as it is likely to be more sensitive to the downside on risk aversion ahead of US data tonight; expect increased downside pressure if data disappoints. We continue to expect DXY heading towards 96.66, below which would expose a move to 96.14 – 96.32. Rebound attempts cannot be ruled out, but given that momentum has turned downwards, gains are likely shallow and to be repelled by 97.22 – 97.31.
- **MYR weakened 0.26% to 4.1650 against USD** and fell against 6 G10s, pressured by risk-off in the markets. **Expect a slightly bullish MYR against a soft USD** that is likely weighed down ahead of another round of crucial 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 0.18% to 1.3694 against USD** and retreated against 6 G10s. **We turn slightly bearish on SGD against USD** as risk appetite in the markets continues to retreat. USDSGD has bounced of its recent lows and receding downward momentum suggests room to push higher. It is likely aiming for 1.3712 next, above which 1.3733 will be challenged.

Overnight Economic Data

US	↓
Australia	→
Japan	↓

What's Coming Up Next

Major Data

- Malaysia foreign reserves
- US nonfarm payrolls, unemployment rate, average hourly earnings, Uni. of Michigan sentiment
- Eurozone GDP
- UK Halifax house prices
- Japan leading index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1358	1.1367	1.1377	1.1388	1.1400	↗
GBPUSD	1.2739	1.2754	1.2780	1.2811	1.2840	↗
USDJPY	112.46	112.67	112.72	112.82	113.06	↘
AUDUSD	0.7197	0.7217	0.7234	0.7247	0.7265	↘
EURGBP	0.8877	0.8885	0.8901	0.8904	0.8911	↘
USDMYR	4.1585	4.1600	4.1625	4.1655	4.1675	↘
EURMYR	4.7276	4.7305	4.7352	4.7386	4.7437	↗
JPYMYR	3.6897	3.6917	3.6939	3.6950	3.6991	↗
GBPMYR	5.3120	5.3150	5.3199	5.3232	5.3259	↗
SGDMYR	3.0365	3.0385	3.0396	3.0423	3.0447	→
AUDMYR	3.0085	3.0100	3.0110	3.0136	3.0150	↘
NZDMYR	2.8580	2.8600	2.8640	2.8647	2.8660	↘
USDSGD	1.3678	1.3688	1.3694	1.3707	1.3712	↗
EURSGD	1.5540	1.5566	1.5577	1.5586	1.5597	↗
GBPSGD	1.7449	1.7464	1.7501	1.7526	1.7556	↗
AUDSGD	0.9886	0.9895	0.9905	0.9927	0.9943	↘

* 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	1,683.34	-0.29	-6.32	CRB Index	181.30	-1.33	-6.48
Dow Jones Ind.	24,947.67	-0.32	0.92	WTI oil (\$/bbl)	51.49	-2.65	-14.78
S&P 500	2,695.95	-0.15	0.84	Brent oil (\$/bbl)	60.06	-2.44	-10.18
FTSE 100	6,704.05	-3.15	-12.80	Gold (S/oz)	1,237.78	0.04	8.10
Shanghai	2,605.18	-1.68	-21.23	CPO (RM/tonne)	1,731.00	-2.51	-27.57
Hang Seng	26,156.38	-2.47	-12.58	Copper (\$/tonne)	6,175.00	-0.55	-14.79
STI	3,115.52	-1.28	-8.45	Rubber (sen/kg)	376.50	-0.79	-18.59

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US ADP employment change	Nov	179k	225k (revised)	195k
US Markit PMI services	Nov F	54.7	54.4	54.4
US ISM services	Nov	60.7	60.3	59.0
US Factory orders	Oct	-2.1%	0.2% (revised)	-2.0%
US Durable goods orders	Oct F	-4.3%	-0.1%	-2.4%
US Initial jobless claims	Dec 1	231k	235k (revised)	225k
JP Household spending YoY	Oct	-0.3%	-1.6%	1.0%
AU Trade balance	Oct	A\$2316m	A\$2940m (revised)	A\$3000m
AU Retail sales MOM	Oct	0.3%	0.1% (revised)	0.3%
AU AiG performance of construction index	Nov	44.5	46.4	--

Source: Bloomberg

➤ Macroeconomics

- US data biased to the downside, suggesting potential peak in growth:** US added 179k jobs in Nov, according to ADP National Employment Report, down from 225k in Oct (revised lower from 227k) and missing the 195k estimates. On the contrary, the 4k decline in initial jobless claims to 231k in the week ended 1 Dec though slightly less than the 225k estimated, still suggest a firm labour market. Softer gain in jobs by ADP could point to lower figure in upcoming nonfarm payrolls, but it would also be interesting to watch earnings growth for further signs of peaking in labour market improvement.
- ISM and Markit gauges point to firm growth in US services sector:** The ISM report indicated quicker growth in Nov, rising to 60.7 from 60.3 in Oct. Growth was underpinned by firmer business activity, new orders and demand from overseas, both of which led to stronger employment growth. However, the Markit PMI suggests that growth in services sector was relatively stable, ticking lower to 54.7 in Nov final reading from 54.8 in Oct. Improved growth traction in output and new export orders was offset by slower expansion in new business and employment.
- Factory orders declined, a sign of softer US sentiment and spending:** Factory orders fell 2.1% MOM in Oct while the 0.7% gain in Sept was downwardly revised to 0.2%, an indication that softening sentiment may be weighing down on spending. Meanwhile, durable goods orders also underperformed, sliding 4.1% in Oct final reading and deepening the decline of 0.1% in Sept.
- Spending in Japan declined for a second consecutive month:** Household demand weakened in Oct, sliding 0.3% YOY but eased from a 1.6% decline in Sept, when spending was curbed by natural disasters. Trend-wise, household spending remains subdued after briefly showing signs of improvement in Jul-Aug period, adding to the notion that economic growth is likely to remain soft.
- Australian trade surplus narrowed, retail sales firmer, construction sector contracted:** The trade surplus narrowed to A\$2.3b in Oct from A\$2.9b in Sept (downward revised from A\$3.0b) as exports grew slower than imports on a monthly basis. Annually, exports jumped 19.4% YOY in Oct, accelerating from 14.6% increase in Sept, while imports growth ticked higher to 12.5% in Oct, from 11.0% in Sept. In a separate release, retail sales gained 0.3% MOM in Oct, rising from 0.1% in Sept (downward revised from 0.2%). Sales was led by firmer spending on household goods (Oct: +0.6% vs Sept: 0.0%), and in department stores (Oct: +0.4% vs Sept: 0.0%), on top of rebound in sales of apparel (Oct: +2.6% vs Sept: -1.1%) and in other retailing sectors (Oct: +0.5% vs Sept: -0.1%). Meanwhile, the construction sector contracted for a third consecutive month; the AiG performance of construction index fell to 44.5 in Nov, down from 46.4 in Oct. The lowest level since Feb 2015 was due to strong decline in overall construction activity and employment, though new orders fell less quickly.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
07/12	Malaysia	Foreign reserves	Nov 30	--	\$102.1b	--
07/12	US	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	--
		Participation rate	Nov	62.9%	62.9%	--
07/12	Eurozone	GDP QoQ	3Q F	0.2%	0.2%	--
10/12		Sentix Investor Confidence	Dec	--	8.8	--
07/12	UK	Halifax House Prices MoM	Nov	0.2%	0.7%	--
10/12		Visible trade balance GBP/Mn	Oct	-£10676m	-£9731m	--
		Industrial production MoM	Oct	0.2%	0.0%	--
		Construction output MoM	Oct	-0.5%	1.7%	--
		Index of Services MOM	Oct	0.1%	-0.1%	--
07/12	Japan	Leading index CI	Oct P	104.9	104.3	--
10/12		GDP QOQ	3Q F	-0.5%	-0.3%	--
		Eco Watchers Survey Current	Nov	--	49.5	--
		Eco Watchers Survey Outlook	Nov	--	50.6	--
08/12	China	Exports YOY	Nov	10.0%	15.6%	--
09/12		PPI YOY	Nov	2.7%	3.3%	--
		CPI YOY	Nov	2.4%	2.5%	--
10/12	Australia	Home loans MOM	Oct	-0.5%	-1.0%	--
		Investment Lending	Oct	--	-2.8%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1374	0.26	1.1413	1.1321	-5.24
GBPUSD	1.2781	0.37	1.2812	1.2700	-5.42
USDJPY	112.68	0.45	113.21	112.24	0.03
AUDUSD	0.7236	0.44	0.7274	0.7192	-7.38
EURGBP	0.8899	0.12	0.8928	0.8887	0.22
USDMYR	4.1650	0.26	4.1675	4.1510	2.93
EURMYR	4.7233	0.29	4.7296	4.7106	-2.58
JPYMYR	3.6902	0.39	3.7006	3.6723	2.65
GBPMYR	5.2989	0.21	5.3042	5.2836	-3.02
SGDMYR	3.0375	0.00	3.0423	3.0351	0.28
AUDMYR	3.0096	0.71	3.0181	3.0050	-4.81
NZDMYR	2.8606	0.58	2.8661	2.8561	-0.67
CHFMYR	4.1711	0.32	4.1841	4.1642	0.53
CNYMYR	0.6044	0.13	0.6072	0.6043	-2.79
HKDMYR	0.5328	0.19	0.5335	0.5314	2.88
USDSGD	1.3694	0.18	1.3722	1.3667	2.52
EURSGD	1.5577	0.43	1.5620	1.5505	-2.92
GBPSGD	1.7503	0.55	1.7550	1.7398	-3.13
AUDSGD	0.9905	0.31	0.9943	0.9867	-5.10

Source: Bloomberg

MYR

- **MYR weakened 0.26% to 4.1650 against USD** and fell against 6 G10s, pressured by risk-off in the markets.
- **Expect a slightly bullish MYR against a soft USD** that is likely weighed down ahead of another round of crucial 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** while the DXY tumbled into losses going into US session before closing 0.27% lower at 96.81 amid relatively weaker US data.
- **Continue to view a bearish USD** as it is likely to be more sensitive to the downside on risk aversion ahead of US data tonight; expect increased downside pressure if data disappoints. We continue to expect DXY heading towards 96.66, below which would expose a move to 96.14 – 96.32. Rebound attempts cannot be ruled out, but given that momentum has turned downwards, gains are likely shallow and to be repelled by 97.22 – 97.31.

EUR

- **EUR climbed 0.26% to 1.1374 against a soft USD** and advanced against 5 G10s.
- **Stay bullish on EUR in line with our view of a softer USD**, but losses will quickly take hold if Eurozone GDP disappoints. Upside bias has improved after inching above 1.1367. EURUSD is now exposed to a move to 1.1415, above which 1.1451 will be threatened.

GBP

- **GBP climbed 0.37% to 1.2781 against USD** and advanced against 7 G10s, remains supported by receding Brexit jitters on expectations of potential concession by UK government to win over opposition of Brexit plan.
- **We turn slightly bullish on GBP against USD**, lifted by recent improvement in Brexit sentiment. Nonetheless, GBP remains highly sensitive to swings in Brexit headlines that could quickly turn gains into losses. A bullish bias has emerged, on top of momentum turning upward. GBPUUSD is likely to attempt a climb towards 1.2811, above which 1.2883 – 1.2897 will be targeted.

JPY

- **JPY jumped 0.45% to 112.68 against USD** and strengthened against 8 G10s, lifted by refuge demand amid losses through Asian, European and US markets.
- **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 weakened 0.44% to 0.7236 against USD** and weakened against all G10s, pressured by risk-off in the markets.
- **AUD remains bearish against USD**, weighed down by further downsides in risk appetite. A bearish trend has emerged after sliding below 0.7247. We continue to set sights on a break below 0.7196 going forward, while rebounds are likely limited to below 0.7265 before succumbing to bearish bias.

SGD

- **SGD weakened 0.18% to 1.3694 against USD** and retreated against 6 G10s.
- **We turn slightly bearish on SGD against USD** as risk appetite in the markets continues to retreat. USDSGD has bounced of its recent lows and receding downward momentum suggests room to push higher. It is likely aiming for 1.3712 next, above which 1.3733 will be challenged.

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