January 11, 2018

HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **Overnight US data was a mixed bag** with better showings from mortgage applications and wholesale inventories but price reports reinforced still subdued underlying inflation. **Overnight Fed speaks from Fed Evans was also a tad dovish, calling for a wait-and-see approach before raising rates again but Fed Kaplan cautioned against risks of overheating and rising debt levels amid tax cuts.**

- **The same was also observed in China, where CPI ticked up less than expected** to 1.8% YOY in December as a result of smaller decline in food prices **while PPI moderated to a 13-month low** of 4.9% YOY as prevailing excess capacity dampened price pressure. Absence of upside risks in inflationary outlook shall continue to allow PBoC to maintain its current accommodative monetary policy.

- **In the UK, pick-ups in industrial production and construction output were offset by a bigger than expected widening in trade deficit**, no thanks to the weaker sterling. Nonetheless, NIESR still estimated that the UK economy will show sustained growth of 0.6% in December.

- **USD fell against 8 G10s** while the Dollar Index plunged ahead of US morning on speculation that China may be looking to stop purchasing US Treasuries, before paring losses thereafter to close 0.21% lower at 92.33. **Expect USD to remain bullish** as it recovers from speculation regarding China and room for more gains if US data improves. The Dollar Index still looks poised for a breakout at 92.59, above which there is scope to return to 93.08. Given that trend remains deep within bearish territory, we reckon that gains may be more moderate going forward.

- **MYR strengthened 0.12% to 4.0048 against USD** and advanced against 5 G10s, rebounding from a 2-day decline. **MYR is neutral in our view against USD**; early gains from overnight weakness in USD may be overturned going into European session when the greenback may rebound. Technical outlook is turning more uncertain for USDMYR. Rebound appears to be not sustainable given a deeply entrenched bearish bias though potential for extended declines cannot yet be affirmed.

- **SGD climbed 0.1% to 1.3343 against a soft USD** but slipped against 6 G10s, weighed down by downsides in risk appetite. **Stay bearish on SGD against a rebounding USD**, on top of further retreat in market risk appetite. A mild bullish bias has emerged for USDSGD, tilting the pair further upwards. The pair is likely to take aim at 1.3393 next, above which a test at 1.3420 will be exposed.

Overnight Economic Data

US	→
UK	→
China	→
New Zealand	↑

What's Coming Up Next

Major Data

- Malaysia IPI
- US PPI, initial jobless claims
- EU industrial production
- Japan leading index, coincident index
- Australia retail sales

Major Events

- ECB meeting minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1927	1.1950	1.1960	1.1963	1.1976	↘
USDJPY	110.15	111.03	111.56	111.71	111.90	↗
GBPUSD	1.3482	1.3500	1.3510	1.3523	1.3547	↘
AUDUSD	0.7849	0.7867	0.7881	0.7887	0.7900	↘
EURGBP	0.8813	0.8834	0.8851	0.8855	0.8861	↗
USDMYR	3.9948	3.9983	4.0000	4.0055	4.0100	→
EURMYR	4.7758	4.7800	4.7834	4.7891	4.7950	↘
JPYMYR	3.5780	3.5844	3.5872	3.5961	3.6000	↗
GBPMYR	5.3967	5.4000	5.4048	5.4181	5.4223	↘
SGDMYR	2.9950	2.9962	2.9997	3.0055	3.0097	↘
AUDMYR	3.1478	3.1500	3.1532	3.1541	3.1571	↗
NZDMYR	2.8777	2.8800	2.8816	2.8872	2.8913	↘
USDSGD	1.3300	1.3320	1.3335	1.3346	1.3357	↗
EURSGD	1.5908	1.5931	1.5946	1.5951	1.5959	↘
GBPSGD	1.8008	1.8013	1.8017	1.8041	1.8051	↗
AUDSGD	1.0488	1.0500	1.0506	1.0511	1.0520	↗

*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	1822.9	-0.2	1.5	CRB Index	194.8	0.35	0.5
Dow Jones Ind.	25369.1	-0.1	2.6	WTI oil ($/bbl)	63.6	0.97	5.2
S&P 500	2748.2	-0.1	2.8	Brent oil ($/bbl)	69.2	0.55	3.5
FTSE 100	7748.5	0.2	0.8	Gold (S/oz)	1316.9	0.30	8.1
Shanghai	3421.8	0.2	3.5	CPO (RM/tonne)	2539.5	0.95	6.3
Hang Seng	31073.7	0.2	3.9	Copper ($/tonne)	7102.0	-0.32	-2.0
STI	3520.5	-0.1	3.5	Rubber (sen/kg)	472.0	0.75	2.1

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA mortgage applications	Jan-05	8.3%	-1.6%	--
US wholesale inventories	Nov F	0.8%	0.7%	0.7%
US import price index MOM	Dec	0.1%	0.8%	0.4%
US export price index MOM	Dec	-0.1%	0.5%	0.3%
UK industrial production MOM	Nov	0.4%	0.2%	0.4%
UK construction output MOM	Nov	0.4%	-1.1%	0.8%
UK visible trade balance	Nov	-£12231m	-£11677m	-£10950m
UK NIESR GDP estimate	Dec	0.6%	0.6%	0.5%
CH CPI YOY	Dec	1.8%	1.7%	1.9%
CH PPI YOY	Dec	4.9%	5.8%	4.8%
NZ QV house prices YOY	Dec	6.6%	6.4%	--

Source: Bloomberg

➢ Macroeconomics

- Overnight economic releases from the US, UK and China turned out mixed. MBA mortgage applications reported a 8.3% WOW gain for the week ended 5-Jan but previous week's gain was revised downwards to a 1.6% decline, signaling still patchy momentum in the US housing market. In another release, wholesale inventories grew slightly quicker than initially estimated by 0.8% MOM in November, shrugging off the 0.4% MOM decline in October shored up by increases in both durable and non-durable goods along with higher sales, pushing down the inventory/ sales ratio for a 4th straight month to 1.24x, adding to signs of improving demand. On the inflation front, easier readings in import and export price indices continued to reaffirm the fact of still subdued inflationary pressure.

- UK data bag were mixed as pick-ups in industrial production and construction output were offset by a bigger than expected widening in trade deficit, no thanks to the weaker sterling. The increase in industrial production quickened to 0.4% MOM in November from an upwardly revised 0.2% MOM gain a month ago, driven by faster expansion in manufacturing output (+0.4% vs +0.3%) and a rebound in electricity production, which offset the decline in mining. Sustained rise in industrial production (8th straight month of growth) will continue to help underpin growth in the UK economy. Construction output snapped a two-month decline and increased 0.4% MOM in November, as increases in new housing overshadowed decline in infrastructure works.

- In a separate release, visible trade deficit widened more than expected to £12.2bn in December, its biggest deficit in five months as the 2.1% MOM increase in imports far outpaced the growth in exports of 0.99% MOM. With the trade position lingering in deficits as imports became more expensive taking on the hit of a weaker sterling, net exports will likely remain a drag on overall growth in the UK economy ahead. Nonetheless, NIESR still estimated that the UK economy will show sustained growth of 0.6% in December.

- Latest price reports signaled still subdued prices in China. CPI ticked up less than expected to 1.8% YOY as a result of smaller decline in food prices (-0.4% vs -1.1%) while PPI moderated less than expected to 4.9% YOY in December, its lowest in 13 months due to prevailing excess industrial capacity in some sectors. Absence of upside risks in inflationary outlook will continue to allow PBoC to maintain its current accommodative monetary policy.

- In New Zealand, the increase in QV house prices quickened marginally to 6.6% YOY in December, its best in six months, as house prices in Auckland, Hamilton, and Wellington picked up, offsetting 4th straight month of declines in Christchurch. Pent-up demand post-election in September as well as purchases before the introduction of a foreign buyers' ban has likely spurred sales and prices in the last two months.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	1/11	Industrial production YOY	Nov	4.6%	3.4%	--
US	1/11	PPI final demand MoM	Dec	0.2%	0.4%	--
		Initial jobless claims	Jan-06	245k	250k	--
	1/12	CPI YOY	Dec	2.1%	2.2%	--
		Retail sales MOM	Dec	0.5%	0.8%	--
Eurozone	1/11	Industrial production SA MoM	Nov	0.8%	0.2%	--
		ECB account of the monetary policy meeting				
Japan	1/11	Leading index	Nov P	108.6	106.5	--
		Coincident index	Nov P	117.9	116.4	--
	1/12	Current account balance	Nov	¥1836.1b	¥2176.4b	--
		Eco Watchers current	Dec	55.1	55.1	--
		Eco Watchers outlook	Dec	53.5	53.8	--
China	1/10 – 18	Foreign direct investment YoY CNY	Dec	--	90.7%	--
	1/12	Exports YOY	Dec	10.8%	12.3%	--
Singapore	1/12	Retail sales YOY	Nov	1.1%	-0.1%	--
Australia	1/11	Retail sales MoM	Nov	0.4%	0.5%	--
New Zealand	1/11 – 18	REINZ house sales YoY	Dec	--	-8.9%	--

Source: Bloomberg

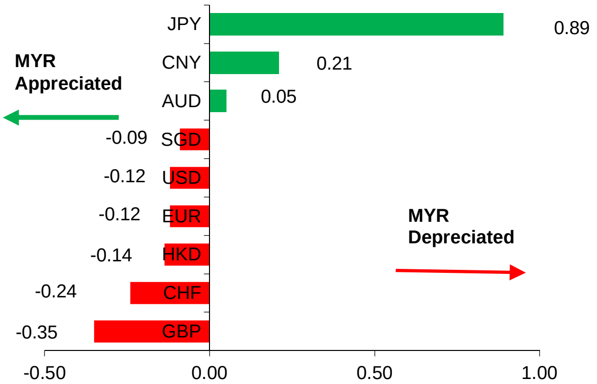
Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1948	0.09	1.2018	1.1923	-0.4
USDJPY	111.44	-1.07	112.79	111.27	-1.0
GBPUSD	1.3507	-0.24	1.3562	1.3482	-0.1
AUDUSD	0.7843	0.24	0.7867	0.7808	0.8
EURGBP	0.8846	0.34	0.8873	0.8813	-0.3
USDMYR	4.0048	-0.12	4.0155	4.0025	-1.0
EURMYR	4.7813	-0.12	4.7942	4.7811	-1.3
JPYMYR	3.5833	0.89	3.5852	3.5569	-0.1
GBPMYR	5.4058	-0.35	5.4337	5.4042	-1.0
SGDMYR	3.0001	-0.09	3.0055	2.9994	-0.9
AUDMYR	3.1356	0.05	3.1401	3.1330	-0.3
NZDMYR	2.8824	0.31	2.8872	2.8660	0.2

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

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- **MYR is neutral in our view against USD**; early gains from overnight weakness in USD may be overturned going into European session when the greenback may rebound. Technical outlook is turning more uncertain for USDMYR. Rebound appears to be not sustainable given a deeply entrenched bearish bias though potential for extended declines cannot yet be affirmed.

USD

- **USD fell against 8 G10s** while the Dollar Index plunged ahead of US morning on speculation that China may be looking to stop purchasing US Treasuries, before paring losses thereafter to close 0.21% lower at 92.33.
- **Expect USD to remain bullish** as it recovers from speculation regarding China and room for more gains if US data improves. The Dollar Index still looks poised for a breakout at 92.59, above which there is scope to return to 93.08. Given that trend remains deep within bearish territory, we reckon that gains may be more moderate going forward.

EUR

- **EUR narrowed early gains from USD slump to close 0.09% firmer at 1.1948** but slipped against 6 G10s.
- **Continue to expect a bearish EUR amid potential for USD rebound**. Technical outlook is still negative for EURUSD; unless the pair manages to close above 1.2029 today, a bearish outlook prevails and targets 1.1905 next. Note that this downward correction could reach to a low of 1.1885.

GBP

- **GBP** tumbled against 8 G10s and **fell 0.24% to 1.3507 against USD** amid extended downside pressure from negative political development in the UK that offset the effects of improved UK data.
- **Continue to expect a bearish GBP against a rebounding USD**, further weighed down by negative political developments in the UK. Upside momentum has evaporated, limiting upward moves by GBPUSD. The pair is likely still taking aim at 1.3457 in the next leg lower should current decline in upside momentum continues.

JPY

- **JPY** rallied on risk-off sentiment to beat all G10s and **surged 1.07% to 111.44 against USD**.
- **Stay bearish on JPY against a firm USD** on technical reasons. Expect USDJPY to rebound moderately after relatively sharp loss yesterday, though gains are likely capped below 111.90.

AUD

- **AUD** slipped against 5 G10s on the back of softer risk appetite in the markets but **managed to climb 0.24% to 0.7843 against a soft USD**.
- **We are slightly bearish on AUD against a rebounding USD**; early gains from stronger than expected Australia data are likely to be overturned by retreating risk appetite. AUDUSD is attempting a rebound after bouncing off 0.7814 but we reckon that unless the pair manages to close above 0.7887, downside bias will gradually pressure a drop back to 0.7814.

SGD

- **SGD climbed 0.1% to 1.3343 against a soft USD** but slipped against 6 G10s, weighed down by downsides in risk appetite.
- **Stay bearish on SGD against a rebounding USD**, on top of further retreat in market risk appetite. A mild bullish bias has emerged for USDSGD, tilting the pair further upwards. The pair is likely to take aim at 1.3393 next, above which a test at 1.3420 will be exposed.

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