HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **The slightly more hawkish ECB minutes took center stage.** The minutes showed widely shared views that the ECB Governing Council's communication would need to evolve gradually if the economy continued to expand and inflation converged further towards the ECB's 2.0% target. **The minutes further signaled that "the language pertaining to various dimensions of the monetary policy stance and forward guidance could be revisited early in the coming year". The shift was in line with our view that ECB could begin raising interest rates sooner than expected**, potentially as soon as 4Q this year after its QE programme expires in September. The EUR jumped approximately 120pips after the release of the minutes to an intraday high of 1.2059 before retracing some gains to close at 1.2032, its highest in a week.

- **Data remained a mixed bag, positive in the Eurozone, Australia and Malaysia but a tad softer in the US and mixed in Japan.** Faster gain in industrial production added to signs recovery in the Eurozone is gaining traction while Malaysia is expected to register continued moderate growth ahead. Inflationary pressure remained soft in the US as evident in the surprised declines in both PPI and core PPI while initial jobless claims have been inching up for the 4th straight week.

- **USD slumped against all G10s** while the Dollar Index plunged 0.52% to 91.85, pressured by strong rebound in EUR as well as by softer US producer prices. **We now turn bearish on USD** on prevailing bearish potential from US data and revival in demand for European majors. Strong gains are expected if US CPI data surprises. Technically, the Dollar Index has been rejected by 92.59 and now looks likely to slide lower, possibly testing 91.40. Trend remains deep in bearish territory, further adding downward pressure.

- **MYR strengthened 0.43% to 3.9875 against a weaker overnight USD** and rallied to beat 6 G10s as regional appetite improved. **Expect a bullish MYR against a weakened USD**. Technical outlook is affirmed negative after gapping below 3.9865 in early trade. USDMYR is now exposed to a drop to 3.9500 in the next leg lower, but do not rule out a modest rebound after recent losses.

- **SGD strengthened 0.37% to 1.3294 against a weak USD** but slipped against 6 G10s. **SGD is now bullish against a weak USD**, supported by a revival in risk appetite. Technical outlook has turned negative for USDSGD after closing below 1.3300; the pair is now aiming for a return to 1.3230.

Overnight Economic Data

Malaysia	↑
US	↓
EU	↑
Japan	→
Australia	↑

What's Coming Up Next

Major Data
- US CPI, retail sales
- Japan Eco Watchers outlook
- China exports
- Singapore retail sales

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2002	1.2030	1.2059	1.2089	1.2100	↗
USDJPY	110.84	111.03	111.22	111.37	111.64	↘
GBPUSD	1.3482	1.3500	1.3559	1.3571	1.3547	↗
AUDUSD	0.7861	0.7887	0.7894	0.7900	0.7920	↘
EURGBP	0.8867	0.8800	0.8893	0.8899	0.8912	↗
USDMYR	3.9639	3.9700	3.9725	3.9810	3.9848	↘
EURMYR	4.7837	4.7891	4.7926	4.7953	4.8023	↗
JPYMYR	3.5591	3.5670	3.5763	3.5844	3.5889	↘
GBPMYR	5.3813	5.3863	5.3886	5.3947	5.3985	↘
SGDMYR	2.9890	2.9906	2.9941	2.9985	3.0000	↘
AUDMYR	3.1367	3.1401	3.1406	3.1437	3.1473	↘
NZDMYR	2.8850	2.8872	2.8913	2.8950	2.9000	↗
USDSGD	1.3259	1.3270	1.3281	1.3302	1.3317	↘
EURSGD	1.5986	1.6000	1.6019	1.6037	1.6061	↗
GBPSGD	1.7969	1.8001	1.8012	1.8021	1.8030	↘
AUDSGD	1.0461	1.0480	1.0487	1.0500	1.0514	↗

*at time of writing

↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1816.9	-0.3	1.1
Dow Jones Ind.	25574.7	0.8	3.5
S&P 500	2767.6	0.7	3.5
FTSE 100	7762.9	0.2	1.0
Shanghai	3425.3	0.1	3.6
Hang Seng	31120.4	0.2	4.0
STI	3512.7	-0.2	3.2

Name	Last Price	DoD %	YTD %
CRB Index	195.2	0.17	0.7
WTI oil ($/bbl)	63.8	0.36	5.6
Brent oil ($/bbl)	69.3	0.09	3.6
Gold (S/oz)	1322.4	0.40	8.1
CPO (RM/tonne)	2553.0	0.53	6.8
Copper ($/tonne)	7140.5	-0.17	-1.5
Rubber (sen/kg)	469.5	-0.53	1.5

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY IPI YOY	Nov	5.0%	3.4%	4.6%
US PPI MOM	Dec	-0.1%	0.4%	0.2%
US initial jobless claims	Jan-06	261k	250k	245k
EU industrial production	Nov	1.0%	0.4%	0.8%
JP leading index	Nov P	108.6	106.5	108.6
JP coincident index	Nov P	118.1	116.4	117.9
JP current account balance	Nov	¥1347.3b	¥2176.4b	¥1836.1b
AU retail sales	Nov	1.2%	0.5%	0.4%
NZ building permits MOM	Nov	10.8%	-10.4%	--

Source: Bloomberg

➢ Macroeconomics

- The shift towards a slightly more hawkish ECB minutes took center stage. The minutes showed widely shared views that the ECB Governing Council's communication would need to evolve gradually if the economy continued to expand and inflation converged further towards the ECB's target. The minutes further signaled that "the language pertaining to various dimensions of the monetary policy stance and forward guidance could be revisited early in the coming year". The shift was in line with our view that ECB could begin raising interest rates sooner than expected, potentially as soon as 4Q this year after its QE programme expires in September.

- In sync with recent upbeat economic indicators, Eurozone's industrial production growth quickened more than expected by 1.0% MOM in November, up from an upwardly revised 0.4% MOM gain in October. The broad-based growth led by capital and intermediate goods on top of the turnaround in consumer durables further bolstered the case that recovery in the Eurozone economy is gaining momentum.

- On the contrary, US data disappointed. PPI unexpectedly fell 0.1% MOM and decelerated to 2.6% on a YOY basis, adding to signs of sluggishness in prices. Another release showed initial jobless claims unexpectedly rose 11k to 261k in the week ended 6-Jan, marking its 4th straight week of increase even though it continued to stay below the 300k threshold level suggesting a still firm job market.

- Japan leading index jumped to a near 4-year high of 108.6 as expected while the coincident index rallied more than expected to 118.1 in November, its highest in two decades. Improvement in housing starts, equity indices, and sales forecasts by small businesses and new job offers all boosted growth prospects ahead. This morning, current account printed a smaller than expected surplus of ¥1347.3bn in November, hit by smaller surpluses in the trade and income accounts as imports rose at a faster pace than exports.

- In another positive release, Australia retail sales went against expectations and picked up to increase 1.2% MOM in November, its fastest gain since Feb-13, led by higher sales in household goods, apparels and other retailing outlets, bolstering hopes of improving domestic demand even as year end seasonal spending has a role to play.

- At the local front, industrial production growth halted its two-month moderation trend and grew at a faster pace of 5.0% YOY in November (Oct: +3.4%), driven by quicker expansion in manufacturing output as growth in mining and electricity production softened. Manufacturing IPI increased at its best pace in three months, by 6.7% YOY in November (Oct: +4.2%) thanks to renewed strength in both export- and domestic-oriented sectors. Looking forward into 2018, we expect continued moderate expansion in global demand and manufacturing, that will support continuous growth in Malaysia industrial production.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
US	1/12	CPI YOY	Dec	2.1%	2.2%	--
		Retail sales MOM	Dec	0.5%	0.8%	--
Eurozone	1/15	Trade balance SA	Nov	--	€19.0b	--
Japan	1/12	Eco Watchers current	Dec	55.1	55.1	--
		Eco Watchers outlook	Dec	53.5	53.8	
	1/15	Machine tool orders YOY	Dec P	--	46.8%	--
China	1/12 – 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%	--
New Zealand	1/12 – 19	REINZ house sales YoY	Dec	--	-8.9%	--

Source: Bloomberg

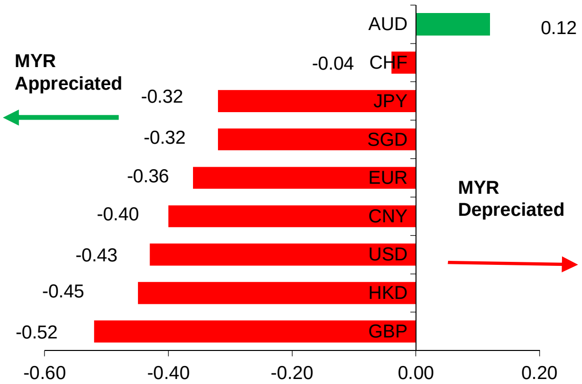
➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2032	0.70	1.2059	1.1929	0.5
USDJPY	111.26	-0.16	111.88	111.04	-1.4
GBPUSD	1.3538	0.23	1.3555	1.3458	0.4
AUDUSD	0.7892	0.62	0.7895	0.7838	1.1
EURGBP	0.8888	0.47	0.89125	0.8844	0.2
USDMYR	3.9875	-0.43	4.0055	3.9848	-1.7
EURMYR	4.7643	-0.36	4.7891	4.7614	-1.0
JPYMYR	3.5719	-0.32	3.5961	3.5670	-0.4
GBPMYR	5.3779	-0.52	5.4115	5.3773	-1.3
SGDMYR	2.9906	-0.32	3.0037	2.9891	-1.1
AUDMYR	3.1395	0.12	3.1546	3.1326	-0.7
NZDMYR	2.8736	-0.31	2.8892	2.8645	0.5

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

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- **Expect a bullish MYR against a weakened USD**. Technical outlook is affirmed negative after gapping below 3.9865 in early trade. USDMYR is now exposed to a drop to 3.9500 in the next leg lower, but do not rule out a modest rebound after recent losses.

USD

- **USD slumped against all G10s** while the Dollar Index plunged 0.52% to 91.85, pressured by strong rebound in EUR as well as by softer US producer prices.
- **We now turn bearish on USD** on prevailing bearish potential from US data and revival in demand for European majors. Strong gains are expected if US CPI data surprises. Technically, the Dollar Index has been rejected by 92.59 and now looks likely to slide lower, possibly testing 91.40. Trend remains deep in bearish territory, further adding downward pressure.

EUR

- **EUR surged 0.70% to 1.2032 against USD** and advanced against 5 G10s as markets shifted into a hawkish view on ECB policy after meeting minutes revealed that the governing council will alter its policy guidance.
- **Expect a bullish EUR against USD**, supported by continued build-up in hawkish bets. Technical outlook has improved for EURUSD after breaking above 1.2029. The pair is likely headed towards 1.2100 – 1.2114 next but we caution that this is a strong resistance range that could end current rebound attempt.

GBP

- **GBP** fell against 7 G10s on the back of improved demand for European majors but **climbed 0.23% to 1.3538 against a weak USD**.
- **GBP is slightly bullish against a weak USD** for today. GBPUSD looks likely to extend the overnight bounce off 1.3457 but overall technical outlook remains pessimistic and still points to a close below 1.3507 in the coming days.

JPY

- **JPY** weakened against 9 G10s as risk appetite in the markets improved but **managed to advance 0.16% to 111.26 against USD**.
- **We turn bullish on JPY against a weak USD**. Downside momentum continues to improve in USDJPY, pushing the pair lower. It is poised to test 111.03 next, below which a drop to 110.15 can be expected.

AUD

- **AUD** slipped against 5 G10s, falling short of rallying European majors but **advanced 0.62% to 0.7892 against a weak USD**.
- **We now turn bullish on AUD against a weak USD**. AUDUSD closing above 0.7887 has altered the technical outlook. The pair is now slightly tilted upwards, but as long as it fails to close above 0.7937, upside strength is likely to be brief.

SGD

- **SGD strengthened 0.37% to 1.3294 against a weak USD** but slipped against 6 G10s.
- **SGD is now bullish against a weak USD**, supported by a revival in risk appetite. Technical outlook has turned negative for USDSGD after closing below 1.3300; the pair is now aiming for a return to 1.3230.

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Menara Hong Leong
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my