

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Wall Street ended mixed overnight amid uncertainties from inconsistent trade headlines.** A WSJ report highlighting the start of US-China trade negotiations as well as a Bloomberg's story on China's plan to reduce auto tariff from 40% to 15% on American cars were in contrast with a Washington Post's report on deteriorating US-China relation. President Trump also threatened to shut down the government if he did not obtain funding for the construction of his proposed border wall. Treasury yield rose as optimism improved on resumed trade talk. Elsewhere, European stocks rallied while Asian benchmarks ended mixed. **The EIA cut notably its 2019 forecast for WTI and Brent while simultaneously increased its US production outlook.** Brent is now expected to trade at \$61/barrel in 2019 (vs Nov forecast: \$72/barrel) while WTI to trade at \$54.19/barrel (Nov forecast: \$65/barrel). Brent and WTI futures managed to settle higher overnight at \$60.20/barrel and 51.65/barrel respectively.
- At the data front, **US producer prices rose 2.5% YOY in November, the slowest this year while business optimism index fell** to 104.8 in November but remained solid. **Economic expectations for the Eurozone was still weak** as the ZEW Economic Sentiment Index improved only slightly to -21.0. **UK job report surprised to the upside** as the economy added 79k jobs in the three months to October while regular wage growth strengthened to 3.3% YOY. Japan PPI eased to 2.3% YOY in November, core machine orders (gauge of capex) rose 7.6% MOM while machine tools orders plunged by 16.8% in November. Australia NAB Business Confidence Index fell to 3.0 in the same month. The Westpac Consumer Confidence Index rose 0.1% MOM to 104.4 in December.
- **USD advanced against 6 G10s** as demand for refuge remained firm in the FX space, rallying DXY through US morning to close 0.17% higher at 97.38. **Expect a slightly bearish USD** on signs of improvement in risk appetite as China plans to cut import tariff on US cars, a move that is hoped to lay the groundwork for further ease in trade tensions. Caution that surprise downsides in US data will weigh down USD. Technical outlook suggests DXY may run into firm resistances as it pushes through 97.54 – 97.69 range. We set sights on a potential rejection that could trigger a move lower to circa 96.89 – 96.95.
- **MYR weakened 0.31% to 4.1845 against USD** amid continued risk-off in the markets but managed to beat 5 G10s. **MYR is likely neutral against USD** on the back of improving risk appetite in the markets. Technically, USDMYR remains inclined to the upside unless there is a close below 4.1800, but we continue to caution that USDMYR may be forming a bearish chart pattern that tops out circa 4.1860 – 4.1900.
- **SGD slipped 0.01% to 1.3738 against USD** but managed to beat 6 G10s as risk appetite turned relatively firmer. **Expect a slightly bullish SGD against USD**, supported by improved sentiment in the markets. Signs of failure to beat 1.3740 has emerged and now tilts USDSGD lower. Nonetheless, unless USDSGD slides below 1.3700, risk of further advances that challenges 1.3779 continues to linger.

#### Overnight Economic Data

US	↓
Eurozone	↑
UK	↑
Japan	→
Australia	→

#### What's Coming Up Next

##### Major Data

- Malaysia Industrial Production
- US MBA Mortgage Applications, CPI, Core CPI
- Eurozone Industrial Production
- Singapore Retail Sales

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1300	1.1321	1.1328	1.1345	1.1359	↗
GBPUSD	1.2465	1.2480	1.2504	1.2534	1.2550	↘
USDJPY	113.20	113.32	113.39	113.47	113.59	↗
AUDUSD	0.7200	0.7215	0.7224	0.7240	0.7262	↗
EURGBP	0.9034	0.9044	0.9063	0.9070	0.9085	↗
USDMYR	4.1800	4.1815	4.1830	4.1850	4.1880	→
EURMYR	4.7357	4.7382	4.7400	4.7425	4.7464	↘
JPYMYR	3.6817	3.6849	3.6862	3.6885	3.6921	↘
GBPMYR	5.2212	5.2258	5.2292	5.2330	5.2395	↘
SGDMYR	3.0457	3.0365	3.0476	3.0493	3.0500	→
AUDMYR	3.0141	3.0176	3.0220	3.0276	3.0371	↗
NZDMYR	2.8723	2.8781	2.8804	2.8863	2.8917	↗
USDSGD	1.3713	1.3722	1.3729	1.3740	1.3752	↘
EURSGD	1.5518	1.5531	1.5551	1.5566	1.5587	↗
GBPSGD	1.7130	1.7150	1.7160	1.7184	1.7200	↘
AUDSGD	0.9895	0.9907	0.9912	0.9921	0.9931	↗

\* 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	1,652.63	-0.64	-8.02	CRB Index	181.80	0.09	-6.22
Dow Jones Ind.	24,370.24	-0.22	-1.41	WTI oil (\$/bbl)	51.65	1.27	-14.52
S&P 500	2,636.78	-0.04	-1.38	Brent oil (\$/bbl)	60.20	0.38	-9.97
FTSE 100	6,806.94	1.27	-11.46	Gold (S/oz)	1,243.25	-0.10	8.10
Shanghai	2,594.09	0.37	-21.56	CPO (RM/tonne)	1,742.50	0.43	-27.09
Hang Seng	25,771.67	0.07	-13.86	Copper (\$/tonne)	6,089.00	-0.91	-15.98
STI	3,059.28	-0.43	-10.10	Rubber (sen/kg)	373.50	0.00	-19.24

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US NFIB Small Biz Optimism	Nov	104.8	107.4	--
US PPI Final Demand YOY	Nov	2.5%	2.9%	2.5%
EU ZEW Economic Sentiment	Dec	-21.0	-22.0	--
UK ILO Unemployment Rate	Oct	4.1%	4.1%	4.1%
UK Employment Change 3M/3M	Oct	79k	23k	25k
UK Weekly Earnings ex Bonus 3M YOY	Oct	3.3%	3.2%	3.2%
JP Machine Tool Orders YoY	Nov P	-16.8%	-0.7%	--
JP PPI YOY	Nov	2.3%	3.0% (revised)	2.4%
JP Core Machine Orders MOM	Oct	7.6%	-18.3%	9.7%
AU NAB Business Conditions	Nov	11.0	13.0 (revised)	--
AU NAB Business Confidence	Nov	3.0	5.0 (revised)	--
AU Westpac Consumer Confidence Index	Dec	104.4	104.3	--

Source: Bloomberg

## ➤ Macroeconomics

- US producer prices eased, small business optimism declined:** Producer prices eased to increase a mere 0.1% MOM in November (Oct: +0.6%) due to the decline in energy prices (-5.0% vs +2.7%) which translated into a fall in prices of final demand goods (-0.4% vs +0.6%). Prices of final demand services also eased to 0.3% MOM (Oct: +0.7%). On a yearly basis, PPI recorded the slowest gain this year at 2.5% YOY (Oct: +2.9%) thus hinting a softer gain in November CPI which is set to be released tonight. Meanwhile, the NFIB Small Business Optimism Index posted a modest decline of 2.6pts to 104.8 in November (Oct: 107.4) but remained solid as it continued its “exceptionally strong” two-year trend according to NFIB. The lower reading was driven by the fall in number of businesses who expect better economic conditions and better real sales. The job market is seen tightening further as the increases in compensation tied to a near-30 year high as firms sought to fill vacancies.
- Economic expectations for Eurozone increased slightly but remained weak:** The ZEW Indicator of Economic Sentiment for Eurozone, a gauge of the financial market experts’ sentiment concerning the Eurozone economic development inched up by a mere 1pt to -21.0 in December (Nov: -22.0). The same assessment for current condition fell further by 6.1pts to 12.1 (Nov: 18.2). Expectations for Germany, the bloc’s largest economy rose by 6.6pts to -17.5 in December (Nov: -24.1) suggesting that sentiments regarding the overall euro area economy remained very weak amidst slowing growth (especially in Germany), Italian budget plan, riots in Paris as well as Brexit.
- UK job market tightened further, wage growth strengthened:** UK job report surprised to the upside, as the economy added 79k jobs in the three months to October (Sep: +23k), above a Bloomberg consensus estimate of 23k. Unemployment rate stayed low at 4.1% but most notably the average weekly earnings excluding bonus, a gauge of regular wage growth rose to 3.3% YOY (Sep: +3.2%), the fastest since the end of 2008. Despite higher wage growth which could potentially push up inflation further, we do not foresee the BOE to make a move on the Bank Rate, given the heightening uncertainties and tensions surrounding the UK’s plan to leave the European Union in March next year.
- Japan factory gate inflation eased, capex rebounded, machine tools order fell:** Growth in producer prices eased substantially to 2.3% YOY in November (Oct: +3.0% revised). While the movement in PPI did not correlate much with CPI recently, the slower factory gate inflation does mean that cost of production is lower and hence consumer inflation is likely remained subdued as there is no basis for producers to transfer any higher cost burden to consumers. Meanwhile core machine orders, a gauge of firms’ capital expenditure rebounded, albeit less than expected, to increase 7.6% MOM in October (Sep: -18.3%) following a sharp drop in the previous month. The preliminary reading of machine tools orders which measures the orders placed with Japanese firms saw a dip of 16.8% YOY in November (Oct: -0.7%) as the continuously healthy growth in domestic orders (+6.3% vs +1.7%) was more than offset by the plunge in foreign orders (-28.9% vs -2.4%) suggesting weaker external demand for Japanese machinery tools. The sharp fall was also partly distorted by the higher base in the previous year where orders had risen by a whopping 46.8% YOY.

- Australia business confidence weakened on slower export sales and profitability:** The NAB Business Confidence Index fell for the second consecutively month to 3.0 in November (Oct: 5.0) while the index for current business condition also inched down to 11.0 (Oct: 13.0). Profitability was said to be growing at a slower pace as firms did not pass the higher cost of labour (1.2% QOQ vs 0.9% QOQ) and raw materials (1.0% vs 1.1%) to consumers (prices of final goods grew 0.4% QOQ compared to 0.5% QOQ in previous month) which led to margin compression. Exports sales eased substantially (2.0 vs 16.0) and this trend is likely to continue in the month ahead as forward order fell to 0.0 compared to 3.0 in previous month. That said, firms seem to be optimistic regarding future businesses as capital expenditure was seen growing at a much faster pace in November (15.0 vs 9.0). Separately, the Westpac Consumer Index released this morning only clinched a minimal gain of 0.1% MOM (Nov: +2.8%) to 104.4 in Dec (Nov: 104.3) suggesting an equally weaker consumer sentiment this month.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
12/12	Malaysia	Industrial Production YOY	Oct	3.0%	2.3%	--
12/12	US	MBA Mortgage Applications	07 Dec	--	2.0%	--
		CPI YOY	Nov	2.2%	2.5%	--
		CPI Ex Food and Energy YOY	Nov	2.2%	2.1%	--
13/12		Import Price Index MOM	Nov	-1.0%	0.5%	--
		Initial Jobless Claims	08 Dec	226k	231k	--
12/12	Eurozone	Industrial Production SA MOM	Oct	0.1%	-0.3%	--
13/12		ECB Main Refinancing Rate	13 Dec	0.0%	0.0%	--
13/12	UK	RICS House Price Balance	Nov	-10.0%	-10.0%	--
12/12	Singapore	Retail Sales YOY	Oct	1.5%	1.9%	--

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1317	-0.34	1.14	1.1306	-3.69
GBPUSD	1.2487	-0.59	1.2639	1.2480	-7.55
USDJPY	113.38	0.04	113.47	113.01	0.64
AUDUSD	0.7206	0.22	0.7225	0.7185	-7.65
EURGBP	0.9062	0.23	0.9070	0.9006	2.04
USDMYR	4.1845	0.31	4.1845	4.1745	3.41
EURMYR	4.7632	0.05	4.7638	4.7365	1.76
JPYMYR	3.7001	0.05	3.7007	3.6872	2.92
GBPMYR	5.2760	-0.56	5.2797	5.2392	-3.44
SGDMYR	3.0473	0.11	3.0477	3.0360	0.60
AUDMYR	3.0099	0.00	3.0168	2.9995	-4.80
NZDMYR	2.8721	0.00	2.8792	2.8680	-0.27
CHFMYR	4.2371	0.54	4.2379	4.2162	2.12
CNYMYR	0.6060	0.41	0.6068	0.6043	-2.54
HKDMYR	0.5353	0.24	0.5354	0.5342	3.36
USDSGD	1.3738	0.01	1.3753	1.3718	2.79
EURSGD	1.5547	-0.35	1.5643	1.5546	-3.13
GBPSGD	1.7154	-0.59	1.7346	1.7147	-3.06
AUDSGD	0.9899	0.22	0.9915	0.9869	-3.13

Source: Bloomberg

### MYR

- **MYR weakened 0.31% to 4.1845 against USD** amid continued risk-off in the markets but managed to beat 5 G10s.
- **MYR is likely neutral against USD** on the back of improving risk appetite in the markets. Technically, USDMYR remains inclined to the upside unless there is a close below 4.1800, but we continue to caution that USDMYR may be forming a bearish chart pattern that tops out circa 4.1860 – 4.1900.

### USD

- **USD advanced against 6 G10s** as demand for refuge remained firm in the FX space, rallying DXY through US morning to close 0.17% higher at 97.38.
- **Expect a slightly bearish USD** on signs of improvement in risk appetite as China cuts import tariff on US cars, a move that is hoped to lay the groundwork for further ease in trade tensions. Caution that surprise downsides in US data will weigh down USD. Technical outlook suggests DXY may run into firm resistances as it pushes through 97.54 – 97.69 range. We set sights on a potential rejection that could trigger a move lower to circa 96.89 – 96.95.

### EUR

- **EUR fell 0.34% to 1.1317 against USD** and weakened against 7 G10s as budget deficit issues emerged from France and continue to linger in Italy.
- **We are now slightly bullish on EUR in line with our view of a softer USD**, though gains are likely kept minimal on lingering risks relating to fiscal deficit in France and Italy. While EURUSD still risks a return to 1.1280, the formation of a bullish chart pattern hints a climb going forward and we thus opine that losses will be limited. On the rebound, EURUSD is likely to take aim at 1.1367.

### GBP

- **GBP** extended its tumble against all G10s and **fell 0.59% to 1.2487 against USD** on continued Brexit jitters.
- **GBP remains bearish against USD** as Brexit jitters continue to pressure. GBP remains highly sensitive to Brexit headlines and could quickly swing into gains / losses. Downward momentum continues to increase and likely to lead GBPUSD lower, and after recent downside break at 1.2500, further losses below this grows increasingly probable.

### JPY

- **JPY** was supported by risk-off in the FX space to beat 5 G10s but **slipped 0.04% to 113.38 against a firmer USD**.
- **We turn slightly bearish on JPY against USD**, in anticipation of receding risk aversion in the markets. With a bullish trend prevailing and downward momentum receding, expect USDJPY to be tilted upside, with room to test 113.59 in the next leg higher.

### AUD

- **AUD** was buoyed by relatively firmer risk appetite in equities and commodities, climbing against all G10s and **rising 0.22% to 0.7206 against USD**.
- **AUD is now bullish against USD**, buoyed by improved risk appetite in the markets following China's reduction of import tariff on US cars. We view recent recovery in AUDUSD to be corrective in nature. Failure to close above 0.7236 today will still signal a bearish trend and suggests a drop below 0.7190 in the coming days.

### SGD

- **SGD slipped 0.01% to 1.3738 against USD** but managed to beat 6 G10s as risk appetite turned relatively firmer.
- **Expect a slightly bullish SGD against USD**, supported by improved sentiment in the markets. Signs of failure to beat 1.3740 has emerged and now tilts USDSGD lower. Nonetheless, unless USDSGD slides below 1.3700, risk of further advances that challenges 1.3779 continues to linger.

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