HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Trade optimism boosted US stock markets overnight** with the Dow, S&P 500 and NASDAQ posting meaningful gains of 0.5-1.0%. Buying was spurred by news of President Trump's potential intervention in the ongoing detention of Huawei CFO if that could help secure a US-China trade deal. **A WSJ story on China's alleged plan to scale back its "Made in China 2025" policy to allow greater foreign access to the country also boosted optimism.** Bonds fell as safe haven weakened - yield on 10Y treasuries rose by 3bps to 2.91%. Elsewhere, **the pound surged after PM Theresa May won a no-confidence vote, albeit by a small margin,** leaving her leadership unquestioned for at least the next 12 months but announced that she would not lead the Tories into the next election. Crude oil prices fell after EIA reported smaller than expected decline in supplies.

- At the data front, **US headline CPI eas**ed to increase 2.2% YOY in November while underlying inflation picked up to 2.2% YOY. Mortgage applications increased 1.6% last week. **Eurozone industrial output growth rebounded** to increase 0.2% MOM in October. **Singapore retail sales failed to sustain momentum**, rising a mere 0.1% YOY in **October. Malaysia IPI surprised to the upside**, picking up to 4.2% YOY in October.

- **USD slipped against 7 G10s** while the DXY tumbled after the release of softer than expected US CPI and was further weighed down by continued rebound in risk sentiment in the markets, more so by GBP's rally, closing 0.35% lower at 97.04. **USD is slightly bearish in our view** on the back of receding risk aversion in equities and FX markets, as well as downside bias from softer than expected US data that is likely to dampen Fed rate hike outlook. DXY was again rejected near 97.49-97.55, and we now set sights on a drop to circa 96.89 – 96.95 next. Below this, a drop to 96.68 looks likely.

- **MYR closed unchanged at 4.1845 against USD** after overturning early losses in the final hour of trading and managed to beat 8 G10s. **MYR is slightly bullish against a softer overnight USD**, further supported by improving risk appetite in the markets. Technically, a bullish trend still prevails until there is a close below 4.1800. Nonetheless, we caution that USDMYR may already have topped out, and could be on its way to completion of a bearish chart pattern.

- **SGD** was similarly buoyed by improved market sentiment, beating 5 G10s and **rising 0.12% to 1.3722 against USD**. **We turn slightly bearish on SGD against USD**, anticipating some pullback from recent advances. A bullish trend continues to prevail in USDSGD; unless there is a close below 1.3700, USDSGD remains at risk of climbing above 1.3748 and attempts another test at 1.3753.

Overnight Economic Data

Malaysia	↑
US	→
Eurozone	↑
UK	↓
Singapore	↓

What's Coming Up Next

Major Data

- US Import Price Index, Initial Jobless Claims

Major Events

- ECB Main Refinancing Rate (Mario Draghi Press Conference)

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1344	1.1367	1.1374	1.1388	1.1400	↗
GBPUSD	1.2585	1.2600	1.2627	1.2646	1.2659	↘
USDJPY	113.18	113.22	113.32	113.44	113.55	↗
AUDUSD	0.7185	0.7210	0.7218	0.7238	0.7261	↘
EURGBP	0.8968	0.8980	0.9008	0.9015	0.9041	↘
USDMYR	4.1780	4.1800	4.1815	4.1830	4.1845	↘
EURMYR	4.7464	4.7503	4.7554	4.7577	4.7600	↗
JPYMYR	3.6849	3.6885	3.6898	3.6926	3.6954	↘
GBPMYR	5.2737	5.2760	5.2783	5.2845	5.2924	↗
SGDMYR	3.0454	3.0461	3.0474	3.0485	3.0493	→
AUDMYR	3.0141	3.0169	3.0180	3.0203	3.0237	↘
NZDMYR	2.8600	2.8621	2.8649	2.8674	2.8697	↘
USDSGD	1.3700	1.3711	1.3722	1.3732	1.3741	↗
EURSGD	1.5580	1.5595	1.5604	1.5620	1.5647	↗
GBPSGD	1.7285	1.7300	1.7321	1.7347	1.7379	↘
AUDSGD	0.9890	0.9900	0.9903	0.9915	0.9926	↗

* at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1,663.27	0.64	-7.43
Dow Jones Ind.	24,527.27	0.64	-0.78
S&P 500	2,651.07	0.54	-0.84
FTSE 100	6,880.19	1.08	-10.50
Shanghai	2,602.15	0.31	-21.32
Hang Seng	26,186.71	1.61	-12.48
STI	3,099.99	1.33	-8.90

Name	Last Price	DoD %	YTD %
CRB Index	181.20	-0.33	-6.53
WTI oil ($/bbl)	51.15	-0.97	-15.34
Brent oil ($/bbl)	60.15	-0.08	-10.05
Gold (S/oz)	1,245.66	0.19	8.10
CPO (RM/tonne)	1,739.00	-0.06	-27.24
Copper ($/tonne)	6,168.00	1.30	-14.89
Rubber (sen/kg)	374.00	0.00	-19.14

Source: Bloomberg

Economic Data				
	For	**Actual**	**Last**	**Survey**
MY Industrial Production YOY	Oct	4.2%	2.3%	3.3%
US MBA Mortgage Applications	07 Dec	1.6%	2.0%	--
US CPI YOY	Nov	2.2%	2.5%	2.2%
US CPI Ex Food and Energy YOY	Nov	2.2%	2.1%	2.2%
EU Industrial Production SA MOM	Oct	0.2%	-0.6% (revised)	0.1%
UK RICS House Price Balance	Nov	-11%	-10%	--
SG Retail Sales YOY	Oct	0.1%	1.9%	--

Source: Bloomberg

➢ Macroeconomics

- ***US headline CPI eased further on lower energy prices, underlying inflation quickened:*** CPI eased to register a 2.2% YOY increase in November (Oct: +2.5%), dragged by slower growth energy prices (+3.1% vs +8.9%) despite growth in food prices getting back on track (+1.4% vs +1.2%) following a weaker print in the previous month. Core inflation which excludes the above two categories inched up higher to 2.2% YOY (Oct: +2.1%) driven by a larger increase in prices of used vehicles & trucks as well as medical care services. Prices of shelter which made up a large part of the index recorded a consistent increase. The weaker headline CPI print affirms view that despite strengthening wage growth, the Fed does not face an overheating inflation problem given the fall in oil prices in the past one month, and the central bank set to raise the fed funds rate for the fourth and final time in 2019 next week. A separate release by MBA meanwhile shows that mortgage applications rose for the third straight week by 1.6% YOY for the week ended 7-Dec (previous: +2.0%) as the slower growth in number of refinancing applications (+1.8% vs +6.2%) partly offset the higher gain in applications to purchase a house (+2.5% vs +0.8%). Interest rates fell generally across various types of loans with the average fixed rate 30-year loan ticked lower to 4.96%.

- ***Eurozone industrial production rebounded:*** Industrial production managed to rebound albeit only minimally by 0.2% MOM in October (Sep: -0.6%) following a contraction in the previous month. The increase was driven by the higher production of intermediate goods, capital goods and durable consumer goods as energy output contracted. Output in the bloc's largest economy Germany dropped further for the second consecutive month by 0.6% MOM (Sep: -0.4%) as its car industry struggles to adjust to new emission test while that of Portugal also decreased by 0.8% (Sep: -2.7%). Looking ahead, taking cue from the rocky start in September, the Eurozone economy is expected to slow in the fourth quarter as outlook on global demand skewed towards the softer end. Focus will be on the final ECB meeting today where the central bank is expected to announce its reinvestment policy and release its new staff macroeconomic projections.

- ***UK house market softened as many expected house prices to fall:*** The RICS House Price Balance Index fell to -11% in November (Oct: -10.0%) as the number of respondents who think that house prices are decreasing exceeded those who see increases in house prices, further confirming a weak UK housing market.

- ***Singapore retail sales slowed as consumer demand weakened:*** Retail sales failed to sustain momentum seen in September, rising a mere 0.1% YOY in October (Sep: +1.9%) as total vehicle sales resumed its decline. Excluding vehicles, sales managed to clinch only a 0.7% YOY gain (Sep: +1.7%) driven by a broad-based slowdown in majority of the categories, reaffirming a softer fourth quarter GDP growth.

- ***Malaysia saw sharper than expected pick-up in IPI:*** Industrial production picked up steam and grew more than expected by 4.2% YOY in October (Sept: +2.3% YOY), marking its best growth pace in six months and in line with the hefty increase in exports released last week. Quicker growth in manufacturing (+5.4% vs +4.8% YOY) and a turnaround in mining output (+1.4% vs -6.2% YOY) were the main growth catalysts, offsetting slower increase in electricity output (+2.1% vs +4.2% YOY). Growth in the manufacturing sector was broad-based while rebounds in both crude oil (+0.4% vs -6.3%) and LNG (+2.3% vs -6.2%) contributed to the turnaround in the mining index, offering tentative signs the mining slump prompted by supply disruption in East Malaysia may have reached its trough. Although latest trade and production numbers for Malaysia and global PMI manufacturing appeared to be on steadier ground as we kickstarted 4Q, ongoing trade and policy development do not seem to augur well with overall growth prospects going forward. The year-long disputes between the US and China is expanding beyond trade into IPs and geopolitics among others while Brexit is getting increasingly chaotic as the Mar-19 deadline draws nearer. Against a more challenging external backdrop, be it macro or financial condition, we maintain our view of further softening in growth prospects in 4Q, bringing full year GDP growth to 4.6% in 2018.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
13/12	**US**	**Import Price Index MOM**	**Nov**	**-1.0%**	**0.5%**	**--**
		Initial Jobless Claims	**08 Dec**	**226k**	**231k**	**--**
14/12		Retail Sales Advance MOM	Nov	0.1%	0.8%	--
		Industrial Production MOM	Nov	0.3%	0.1%	--
		Capacity Utilization	Nov	78.6%	78.4%	--
		Markit US Services PMI	Dec P	54.6	54.7	--
		Markit US manufacturing PMI	Dec P	55.0	55.3	--
13/12	**Eurozone**	**ECB Main Refinancing Rate**	**13 Dec**	**0.0%**	**0.0%**	**--**
14/12		Markit Eurozone Manufacturing PMI	Dec P	51.8	51.8	--
		Markit Eurozone Services PMI	Dec P	53.4	53.4	--
14/12	Japan	Tankan Large Mfg Index	4Q	18.0	19.0	--
		Nikkei Japan PMI Mfg	Dec P	--	52.2	--
		Industrial Production YOY	Oct F	--	4.2%	--
14/12	China	Retail Sales YOY	Nov	8.8%	8.6%	--
		Industrial Production YOY	Nov	5.9%	5.9%	--
		Fixed Assets Ex Rural YTD YOY	Nov	5.8%	5.7%	--
14/12	New Zealand	BusinessNZ Manufacturing PMI	Nov	--	53.5	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1369	0.46	1.1387	1.1315	-5.25
GBPUSD	1.2629	1.14	1.2672	1.2478	-6.50
USDJPY	113.29	-0.08	113.52	113.14	0.50
AUDUSD	0.7220	0.19	0.7238	0.7197	-7.56
EURGBP	0.9002	-0.66	0.9069	0.8969	1.39
USDMYR	4.1845	0.00	4.1870	4.1800	3.41
EURMYR	4.7425	-0.43	4.7442	4.7351	-2.18
JPYMYR	3.6890	-0.30	3.6926	3.6823	2.61
GBPMYR	5.2448	-0.59	5.2540	5.2220	-4.01
SGDMYR	3.0469	-0.01	3.0485	3.0447	0.59
AUDMYR	3.0164	0.22	3.0237	3.0151	-4.60
NZDMYR	2.8683	-0.13	2.8854	2.8683	-0.40
CHFMYR	4.2168	-0.48	4.2168	4.2105	1.63
CNYMYR	0.6076	0.26	0.6139	0.6068	-2.29
HKDMYR	0.5354	0.02	0.5357	0.5348	3.38
USDSGD	1.3722	-0.12	1.3750	1.3711	2.68
EURSGD	1.5601	0.35	1.5613	1.5542	-2.78
GBPSGD	1.7331	1.03	1.7379	1.7143	-4.11
AUDSGD	0.9907	0.08	0.9926	0.9890	-5.14

Source: Bloomberg

➢Forex

MYR

- **MYR closed unchanged at 4.1845 against USD** after overturning early losses in the final hour of trading and managed to beat 8 G10s.
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USD

- **USD slipped against 7 G10s** while the DXY tumbled after the release of softer than expected US CPI and was further weighed down by continued rebound in risk sentiment in the markets, more so by GBP's rally, closing 0.35% lower at 97.04.
- **USD is slightly bearish in our view** on the back of receding risk aversion in equities and FX markets, as well as downside bias from softer than expected US data that is likely to dampen Fed rate hike outlook. DXY was again rejected near 97.49-97.55 levels, and we now set sights on a drop to circa 96.89 – 96.95 next. Below this, a drop to 96.68 looks likely.

EUR

- **EUR strengthened 0.46% to 1.1369 against USD** and advanced against 7 G10s, boosted by news of the Italian government revising lower the initial budget deficit plan.
- **Stay slightly bullish on EUR in line with our view of a softer USD** and supported by signs of improving condition in Italy-EU standoff in budget plan. Lingering bullish chart pattern continues to support a higher EURUSD. We set sights on a test at 1.1400 – 1.1415 in the next leg higher, above which 1.1456 will be eyed.

GBP

- **GBP surged 1.14% to 1.2629 against USD** and jumped to the top of the G10 list following increased expectations that UK PM May will survive a vote of no confidence last night.
- **Stay bearish on GBP against USD** as Brexit worries remain unabated. GBP remains highly sensitive to Brexit headlines and could quickly swing into gains / losses. Despite overnight rally, GBPUSD is still locked in a bearish trend unless it beats 1.2726 today, and could slide below 1.2561 in the coming days.

JPY

- **JPY** was softer against 6 G10s as risk appetite improved, but **inched 0.08% firmer to 113.29 against a soft USD**.
- **Maintain slightly bearish view 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 next.

AUD

- **AUD climbed 0.19% to 0.7220 against USD** and bested 6 G10s amid extended rebound in market sentiment.
- **We turn slightly bearish on AUD against USD**, anticipating a mild pullback after recent upsides. We continue to view current recovery in AUDUSD to be corrective in nature. Bearish trend lurks and will prevail with a close below 0.7208 today, which will again set AUDUSD on a course to below 0.7190.

SGD

- **SGD** was similarly buoyed by improved market sentiment, beating 5 G10s and **rising 0.12% to 1.3722 against USD**.
- **We turn slightly bearish on SGD against USD**, anticipating some pullback from recent advances. A bullish trend continues to prevail in USDSGD; unless there is a close below 1.3700, USDSGD remains at risk of climbing above 1.3748 and attempts another test at 1.3753.

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