December 14, 2018

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks threaded through choppy sessions to end on a mixed note overnight given the lack of development** in previous day's news related to US-China trade relation. **President Trump again voiced out his discontent over the Fed's rate tightening plan** in an interview with Fox News, saying that he hoped the central bank "won't be raising interest rates anymore". Yield on 10Y treasuries was virtually unchanged at 2.91%. Elsewhere, **the ECB held its key interest rates steady as widely expected, confirmed the end of its Asset Purchase Program (QE) this month and announced its reinvestment policy while at the same time trimmed growth projections for both 2018 and 2019. Italy cut its 2019 deficit target** from 2.4% to 2.04% leading Italian government bonds and stocks to rally but European equity benchmarks ended mostly lower. **Crude oil futures jumped** by more than 2% on news that Saudi Arabia planned to cut shipments to the US to prevent higher stockpiles.

- **Data releases were limited and mixed** - US import price index contracted more than expected by 1.6% MOM due to the decline in prices of fuel imports while initial jobless claims fell by 27k to 206k last week. Japan Tankan Survey indicated strong current conditions but weaker business outlook. New Zealand BusinessNZ PMI ticked lower to 53.5 in November.

- **USD ended mixed against the G10s with bigger losses** while the DXY ended 0.02% higher at 97.06 owing to a strong jump in US morning following EUR weakness that overturned early losses. **USD is slightly bearish in our view** amid continued recede in risk aversion in equities and FX markets, while caution that downside bias from softer than expected US data that is likely to dampen Fed rate hike outlook. We opine that DXY has reached the top in its recent move circa 97.49 – 97.55 and further attempts here will likely result in rejections, resulting in a decline to circa 96.66.

- **MYR advanced 0.13% to 4.1790 against USD**, supported by firmer risk appetite in the markets but weakened against 8 G10s. **We are neutral on MYR against USD** as risk appetite is likely to recede going into the week's close. Upside bias is weakening after a close below 4.1800 but further losses in USDMYR is required before bears prevail. Nonetheless, we caution that USDMYR may already have topped out circa 4.1870, and could be on its way to completing a bearish chart pattern.

- **SGD** was similarly buoyed by improved market sentiment, beating 6 G10s and **inching 0.06% firmer to 1.3714 against USD**. **We turn slightly bullish on SGD against a soft USD**, but gains may be modest amid likelihood of receding risk appetite going into the weekend. The recent bullish trend has been overturned after sliding below 1.3719 overnight. Expect bearish bias to prevail and lead USDSGD lower going forward.

Overnight Economic Data

US	➔
Eurozone	➔
Japan	➔
New Zealand	↓

What's Coming Up Next

Major Data

- US Retail Sales, Industrial Production, Markit PMI Mfg & Services
- Eurozone Markit PMI Mfg & Services
- Japan Nikkei Mfg PMI
- China Retail Sales, Industrial Production, Fixed Assets Ex Rural

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1325	1.1344	1.1360	1.1367	1.1374	↗
GBPUSD	1.2600	1.2620	1.2642	1.2660	1.2693	↗
USDJPY	113.22	113.50	113.64	113.71	113.85	↗
AUDUSD	0.7185	0.7210	0.7224	0.7242	0.7255	↘
EURGBP	0.8967	0.8982	0.8986	0.9000	0.9015	↘
USDMYR	4.1770	4.1785	4.1800	4.1815	4.1830	➔
EURMYR	4.7430	4.7464	4.7486	4.7512	4.7550	➔
JPYMYR	3.6755	3.6777	3.6797	3.6808	3.6849	↘
GBPMYR	5.2724	5.2800	5.2837	5.2899	5.2949	➔
SGDMYR	3.0435	3.0464	3.0475	3.0480	3.0493	↘
AUDMYR	3.0136	3.0157	3.0182	3.0216	3.0275	↘
NZDMYR	2.8561	2.8600	2.8644	2.8657	2.8723	↘
USDSGD	1.3690	1.3706	1.3715	1.3719	1.3732	↘
EURSGD	1.5550	1.5566	1.5581	1.5585	1.5597	↗
GBPSGD	1.7330	1.7330	1.7335	1.7347	1.7379	↗
AUDSGD	0.9874	0.9897	0.9904	0.9915	0.9929	↗

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

	Last Price	DoD %	YTD %
KLCI	1,676.00	0.77	-6.72
Dow Jones Ind.	24,597.38	0.29	-0.49
S&P 500	2,650.54	-0.02	-0.86
FTSE 100	6,877.50	-0.04	-10.54
Shanghai	2,634.05	1.23	-20.35
Hang Seng	26,524.35	1.29	-11.35
STI	3,111.08	0.36	-8.58

Name	Last Price	DoD %	YTD %
CRB Index	183.03	1.01	-5.59
WTI oil ($/bbl)	52.58	2.80	-12.98
Brent oil ($/bbl)	61.45	2.16	-8.11
Gold (S/oz)	1,241.99	-0.29	8.10
CPO (RM/tonne)	1,755.00	0.92	-26.57
Copper ($/tonne)	6,140.00	-0.45	-15.28
Rubber (sen/kg)	377.00	0.67	-18.49

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Import Price Index MoM	Nov	-1.6%	0.5%	-0.7%
US Initial Jobless Claims	08 Dec	206k	233k (revised)	226k
EU ECB Main Refinancing Rate	13 Dec	0.0%	0.0%	0.0%
JP Tankan Large Mfg Index	4Q	19.0	19.0	18.0
JP Tankan Large Non-Mfg Index	4Q	24.0	22.0	21.0
JP Tankan Large All Industry Capex YOY	4Q	14.3%	13.4%	12.8%
NZ BusinessNZ Manufacturing PMI	Nov	53.5	53.7 (revised)	--

Source: Bloomberg

➢ Macroeconomics

- ***ECB to end QE in December, continue reinvestment after raising key rates:*** **In t**he much anticipated final meeting of 2018, the ECB (1) left key interest rates unchanged and they are expected to remain at their present levels at least through the summer of 2019, (2) confirmed that it will end its Asset Purchase Program (APP) more commonly known as quantitative easing (QE) in December this year and (3) announced that it is enhancing its forward guidance on reinvestment where the central bank will continue to reinvest *in full* the principal payments from maturing securities purchased under the program for an extended period of time after the key interest rates are being raised. The staff macroeconomic projections for annual real GDP growth was cut from 2.0% to 1.9% for 2018, and from 1.8% to 1.7% for 2019, whereas HICP inflation rate was revised upwards from 1.7% to 1.8% for 2018 and 1.7% to 1.6% for 2019.

- ***Draghi said current atmosphere is marked by general uncertainties:*** President Mario Draghi's introductory statement highlighted that the latest data and survey results have been weaker than expected, and may suggest some slower growth momentum ahead. The risk surrounding growth can still be assessed as broadly balanced but the balance of risk is moving towards the downside on uncertainties related to geopolitical factors, protectionism, emerging markets vulnerabilities and financial market volatility. In the post meeting press conference, Draghi said that the decision on reinvestment was unanimous and there was no specific timeframe for reinvestment, as the "extended period of time" mentioned was not yet discussed. Similarly, the timing of rate hike was also not yet discussed in the meeting. The current atmosphere is one characterized by general uncertainties as factors such as trade might change. The ECB has instruments to address any downturn/contingencies in the future. On inflation, when asked why higher wage growth had not been pass through to prices, he said that the faster wage growth was broad-based across countries and sectors but was more notable in certain economy such as Germany, he said that pass-through will happen but this depended on the extent to which profit were being squeezed by these cost increase.

- ***US import prices contracted on lower fuel price, initial jobless claims fell to 12-week low:*** Import price index fell by 1.6% MOM in November (Oct: +0.5%), the largest decline since August 2015, driven mainly by a sharp drop in prices of fuel import (+11.0% vs +3.2%) as a 12.1% MOM decrease in petroleum prices more than offset a 12.8% MOM increase in natural gas prices. The fall in prices of non-fuel imports (-0.3%vs +0.1%) albeit relatively minimal also contributed to the overall contraction in import prices and generally coincides with the slower growth in CPI this month. Initial jobless claims meanwhile, fell by 27k to 206k for the week ended 08 December (previous: 233k revised), the lowest since mid-September, bringing the four-week moving average to 224.75k (previous: 228.5k), a continuous sign that the job market remains tight in the US.

- ***Japan Tankan survey indicated strong current conditions but weaker business outlook:*** The newly released BOJ Tankan Business Survey shows that the current condition index for large manufacturer unexpectedly stayed at a solid 19.0 (3Q: 19.0) while the outlook index fell considerably to 15.0 (3Q: 19.0) potentially due to concerns stemming from rising protectionism as well as softer external demand conditions particularly in China. The current condition index for non-manufacturing or services sector also exceeded expectations, ticking up higher to 24.0 (3Q: 22) but the outlook index fell to 20.0 (3Q: 22.0). Contrary to the weaker expectations, large firms however intend to invest more as the large all Industry capex index also came in above consensus estimate, rising by 14.3% YOY (3Q: 13.4%).

- ***New Zealand manufacturing sector saw further expansion:*** The BusinessNZ Manufacturing PMI ticked down slightly lower to 53.5 in November (Oct: 53.7) but indicating a further expansion of the country's manufacturing sector albeit at a slower pace. Production, employment, new orders expanded moderately compared to the previous month while finished stocks and deliveries moved up at faster pace.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
14/12	**US**	**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**	**--**
17/12		Empire Manufacturing	Dec	20.2	23.3	--
		NAHB Housing Market Index	Dec	61.0	60.0	--
14/12	**Eurozone**	**Markit Eurozone Manufacturing PMI**	**Dec P**	**51.8**	**51.8**	**--**
		Markit Eurozone Services PMI	**Dec P**	**53.4**	**53.4**	**--**
17/12		Trade Balance SA	Oct	--	13.4b	--
		CPI YOY	Nov F	2.0%	2.2%	2.2%
		Core CPI YOY	Nov F	1.0%	1.0%	--
17/12	UK	Rightmove House Prices MOM	Dec	--	-1.7%	--
14/12	**Japan**	**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%**	**--**
15/12		New Home Prices MOM	Nov	--	1.0%	--
17/12	Singapore	NODX YOY	Nov	--	8.3%	--
17/12	New Zealand	Performance Services Index	Nov	--	55.4	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1361	-0.07	1.1393	1.1331	-5.36
GBPUSD	1.2643	0.11	1.2687	1.2610	-6.36
USDJPY	113.63	0.30	113.71	113.21	0.77
AUDUSD	0.7227	0.10	0.7247	0.7212	-7.52
EURGBP	0.8973	-0.32	0.9015	0.8952	1.11
USDMYR	4.1790	-0.13	4.1835	4.1770	3.28
EURMYR	4.7550	0.26	4.7609	4.7500	-1.92
JPYMYR	3.6848	-0.11	3.6923	3.6817	2.50
GBPMYR	5.2991	1.04	5.3040	5.2710	-3.01
SGDMYR	3.0512	0.14	3.0522	3.0466	0.73
AUDMYR	3.0251	0.29	3.0282	3.0163	-4.32
NZDMYR	2.8716	0.12	2.8762	2.8621	-0.28
CHFMYR	4.2137	-0.07	4.2154	4.2059	1.56
CNYMYR	0.6082	0.11	0.6091	0.6078	-2.18
HKDMYR	0.5352	-0.04	0.5355	0.5350	3.34
USDSGD	1.3714	-0.06	1.3729	1.3698	2.66
EURSGD	1.5579	-0.14	1.5614	1.5546	-2.92
GBPSGD	1.7345	0.08	1.7384	1.7287	-3.97
AUDSGD	0.9911	0.04	0.9929	0.9897	-5.13

Source: Bloomberg

MYR

- **MYR advanced 0.13% to 4.1790 against USD**, supported by firmer risk appetite in the markets but weakened against 8 G10s.
- **We are neutral on MYR against USD** as risk appetite is likely to recede going into the week's close. Upside bias is weakening after a close below 4.1800 but further losses in USDMYR is required before bears prevail. Nonetheless, we caution that USDMYR may already have topped out circa 4.1870, and could be on its way to completing a bearish chart pattern.

USD

- **USD ended mixed against the G10s with bigger losses** while the DXY ended 0.02% higher at 97.06 owing to a strong jump in US morning following EUR weakness that overturned early losses.
- **USD is slightly bearish in our view** amid continued recede in risk aversion in equities and FX markets, while caution that downside bias from softer than expected US data that is likely to dampen Fed rate hike outlook. We opine that DXY has reached the top in its recent move circa 97.49 – 97.55 and further attempts here will likely result in rejections, resulting in a decline to circa 96.66.

EUR

- **EUR slipped 0.07% to 1.1361 against USD** and fell against 6 G10s, pressured by a softer economic outlook expressed by ECB President Draghi.
- **Stay slightly bullish on EUR in line with our view of a softer USD**; upside surprises in Eurozone data will boost gains. 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 climbed 0.11% to 1.2643 against USD** and rose against 7 G10s amid continued recovery following PM May surviving a no-confidence vote.
- **We turn slightly bullish on GBP in line with our view of a softer USD**. GBP remains highly sensitive to Brexit headlines and could quickly swing into gains / losses. GBPUSD is showing signs of extended rebound amid receding downward momentum and from holding above 1.2600. Expect a test at 1.2693 in next, above which 1.2735 will be eyed.

JPY

- **JPY weakened 0.30% to 113.63 against USD** and fell against all G10s as refuge demand receded further.
- **JPY remains bearish against USD** on the back of receding refuge demand in the markets. With a bullish trend prevailing and emergence of an upward momentum, expect USDJPY to be tilted upside, with room to test 113.85 next.

AUD

- **AUD rose 0.10% to 0.7227 against USD** and climbed against 6 G10s, supported by further recovery in equities.
- **Expect a slightly bearish AUD against USD**, weighed down by waning risk appetite going into the weekend. We continue to view current recovery in AUDUSD to be corrective in nature. With downward momentum prevailing, we are skeptical as to how much higher AUDUSD can climb before sliding.

SGD

- **SGD** was similarly buoyed by improved market sentiment, beating 6 G10s and **inching 0.06% firmer to 1.3714 against USD**.
- **We turn slightly bullish on SGD against a soft USD**, but gains may be modest amid likelihood of receding risk appetite going into the weekend. The recent bullish trend has been overturned after sliding below 1.3719 overnight. Expect bearish bias to prevail and lead USDSGD lower going forward.

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