December 17, 2018

Global Markets Research

Daily Market Highlights

Key Takeaways

- Taking cue from the slide in global equity earlier on Friday due to a renewed fear of slower global economic growth, **US stocks took a major hit sending the Dow to correction territory**. Some fresh development at the trade front did not seem to provide any soothing effect - **China Finance Ministry announced that it would temporarily suspend the additional 25% tariffs on American auto vehicles and parts for three months effective 1 Jan 2019**. The fall in stocks sparked safe haven bidding leading the 10Y treasuries yield to pare off some of this week's gains, closing 2bps lower at 2.89%. Crude oil prices gave up the gains in previous day again on fear of slower growth and firmer USD – Brent fell by 1.90% to close at $60.28/barrel (-$1.17) while WTI lost 2.62% to end at $51.20/barrel (-$1.38).

- **US data flow was rather decent** despite the downsides in the headline figures for retail sales as well as manufacturing and services PMIs. **Concerns mainly arose from the weak data from China as well as the Eurozone PMI readings**, both of which reaffirmed slower growth momentum ahead in 2019. In line with the global development, New Zealand services sector also slowed. But in contrasting fashion, **Japan's industrial output grew at the fastest pace in more than 3.5y**, on top of a mild pick-up in manufacturing sector growth.

- **USD rallied to beat 9 G10s** while the DXY climbed 0.39% to 97.44, jumping at in European morning and reached intraday high by US session on the back of rising risk aversion = following softer than expected China data and sell-off in equities. **We maintain a slightly bearish view on USD**, anticipating receding buying interest heading into FOMC policy decision. Technical viewpoint still suggest that DXY has reached the top in its recent move circa 97.49 – 97.55 and further attempts here will likely result in rejections (as witnessed on Friday), resulting in a decline to circa 96.66.

- **MYR weakened 0.16% to 4.1860 against USD** as buying interest fade following extended risk aversion in the markets, but managed to beat all G10s. **Expect a neutral MYR against USD**, with room for mild losses as risk aversion continues to prevail in the markets. Technically, we note that upside bias continues to weaken and caution that USDMYR may already have topped out circa 4.1900, and could be on its way to completing a bearish chart pattern.

- **SGD weakened 0.36% to 1.3764 against USD** on extended risk aversion in the markets but advanced against 7 G10s. **SGD is now bearish against USD** in our view amid extended risk-off in the markets. The rally on Friday has revived a bullish trend in USDSGD and it is now inclined to the upside, with potential to break above 1.3779 and head towards 1.3809.

Overnight Economic Data	
US	➔
Eurozone	↓
Japan	↑
China	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US Empire Manufacturing, NAHB Housing Market Index
- Eurozone Trade Balance SA, CPI, Core CPI
- Singapore Non-oil Domestic Exports

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1289	1.1300	1.1309	1.1319	1.1331	↗
GBPUSD	1.2530	1.2561	1.2577	1.2600	1.2616	↗
USDJPY	113.09	113.26	113.42	113.61	113.71	↘
AUDUSD	0.7151	0.7168	0.7177	0.7186	0.7195	↘
EURGBP	0.8955	0.8981	0.8989	0.9000	0.9015	↗
USDMYR	4.1830	4.1845	4.1865	4.1880	4.1900	➔
EURMYR	4.7241	4.7289	4.7339	4.7368	4.7410	↗
JPYMYR	3.6882	3.6897	3.6913	3.6928	3.6944	↗
GBPMYR	5.2540	5.2600	5.2657	5.7424	5.2811	↗
SGDMYR	3.0363	3.0400	3.0419	3.0436	3.0457	↘
AUDMYR	2.9975	3.0000	3.0036	3.0050	3.0085	↘
NZDMYR	2.8351	2.8400	2.8435	2.8495	2.8528	↘
USDSGD	1.3742	1.3755	1.3763	1.3779	1.3787	↗
EURSGD	1.5534	1.5546	1.5560	1.5572	1.5597	↗
GBPSGD	1.7256	1.7300	1.7310	1.7347	1.7373	↘
AUDSGD	0.9844	0.9862	0.9876	0.9883	0.9895	↘

* 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	1,661.96	-0.84	-7.50	CRB Index	180.31	-1.48	-6.99
Dow Jones Ind.	24,100.51	-2.02	-2.50	WTI oil ($/bbl)	51.20	-2.62	-15.26
S&P 500	2,599.95	-1.91	-2.76	Brent oil ($/bbl)	60.28	-1.90	-9.74
FTSE 100	6,845.17	-0.47	-10.96	Gold (S/oz)	1,239.02	-0.24	8.10
Shanghai	2,593.74	-1.53	-21.57	CPO (RM/tonne)	1,788.00	1.79	-25.19
Hang Seng	26,094.79	-1.62	-12.78	Copper ($/tonne)	6,131.50	-0.38	-15.39
STI	3,077.09	-1.09	-9.58	Rubber (sen/kg)	376.50	-0.13	-18.59

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Retail Sales Advance MOM	Nov	0.2%	1.1% (revised)	0.1%
US Industrial Production MOM	Nov	0.6%	-0.2% (revised)	0.3%
US Capacity Utilization	Nov	78.5%	78.1% (revised)	78.6%
US Markit Services PMI	Dec P	53.4	54.7	54.6
US Markit Manufacturing PMI	Dec P	53.9	55.3	55.0
EU Markit Manufacturing PMI	Dec P	51.4	51.8	51.8
EU Markit Services PMI	Dec P	51.4	53.4	53.4
UK Rightmove House Prices MOM	Dec	-1.5%	-1.7%	--
JP Nikkei PMI Mfg	Dec P	52.4	52.2	--
JP Industrial Production YOY	Oct F	4.2%	-2.5%	--
CN Retail Sales YOY	Nov	8.1%	8.6%	8.8%
CN Industrial Production YOY	Nov	5.4%	5.9%	5.9%
CN Fixed Assets Ex Rural YTD YOY	Nov	5.9%	5.7%	5.8%
NZ Performance Services Index	Nov	53.5	55.4	--

Source: Bloomberg

Macroeconomics

- ***US retail sales started solid in 4Q, utilities & mining drove industrial production growth as manufacturing output flatlined:*** Retail sales rose by 0.2% MOM in November (Oct: +1.1% revised) while simultaneously sales for October was revised upwards from 0.8% to 1.1% MOM in October, reflecting the strong consumer spending in the holiday season. In fact, the contraction of gasoline sales (-2.3% vs +3.2%) was the key culprit dragging down the headline figure - excluding gasoline, retail sales managed to gain by a solid 0.5% MOM (Oct: +0.7%). Online retailers benefitted tremendously from the strong demand - online sales rose by a whopping 2.3% MOM (Oct: +0.8%) as consumers snapped up great deals online during the annual Black Friday sales across websites. Meanwhile, industrial production staged a strong recovery in November rising by 0.6% MOM (Oct: -0.2% revised) according to the Fed, driven by a surge in utilities output (+3.3% vs +0.2%) as electricity usage went up in winter time as well as a rebound in mining (+1.7% Vs -0.7%). Manufacturing output was flat after declining in the previous month, in line with the weak production growth as indicated by previous PMI surveys. Capacity utilization also inched further up to 78.5% (Oct: 78.1%) and again mainly on higher productivity in mining and utilities. Latest forward indicators also suggest further slowdown in the manufacturing sector; the flash Markit Manufacturing PMI fell to a 13-month low of 53.9 in December (Nov: 55.3) as new order growth softened. The flash Services PMI also ticked down to an 11-month low of 53.4 (Oct: 54.7), suggesting less favourable growth momentum in the near term.

- ***Eurozone business growth eased towards the end of the year:*** The flash Markit Manufacturing PMI fell to a 34-month low of 51.4 in December (Nov: 51.8) due to the third straight month of contraction in new orders, slower rise in input and output cost as well as reduction in backlogs of works whereas output managed to increase at a faster pace this month. The Services PMI dropped to 51.4, a 49-month low (Nov: 51.8) on slower growth in output and new orders. Input prices experienced further sharp increase but the higher cost was not pass through to consumers as growth in output charges fell to a 7-month low, which explains the still-weak underlying inflation. Employment in both sectors continued to rise solidly in line with the general strengthening of the labour market in the euro area. Both headline readings suggest that growth outlook in the Eurozone is skewed towards the softer end in the end of 2018.

- ***UK house price continued to fall in weak property market:*** UK average property asking prices fell below €300k this month according to the property website Rightmove. The Rightmove House Prices Index contracted by 1.5% MOM in December (Nov: -1.7%); the average property asking price now stood at €297.5k. Asking price for houses in London experienced a further decline of 1.8% MOM (Nov: -1.7%). On a yearly basis, the average prices for the whole of UK managed to rebound by 0.7% YOY (Nov: -0.2%).

- ***Japan industrial output recovered in October; PMI indicates solid manufacturing growth:*** The final reading of the industrial production growth was confirmed at 4.2% YOY in October (Sep: -2.5%), the fastest pace in more than three and a half year. This came as a welcoming news as output growth managed to recover following a contraction in the previous month where the country was struck by natural disaster leading to disruption to economic activities. Separately, the Flash Japan Manufacturing PMI ticked up higher to 52.4 in December (Nov: 52.2), indicating an expansion of the Japanese manufacturing sector, driven by faster increase in output and new orders despite a contraction in new exports order. Employment was reported to be increasing at a slower rate while growth in both input and output prices seem to have eased as well. Firms' expectations remained positive but the level of optimism weakened this month, in line with the generally weaker Tankan Survey outlook indexes.

- ***China key economic indicators pointed to slower activities and consumptions:*** Retail sales slowed substantially, rising a mere 8.1% YOY in November (Oct: +8.6%), the slowest level in more than 15 years suggesting weaker spending in China last month which came as a surprise as sales tended to be strong in November when retailers hold their annual Single Day's sales on 11 November. The slower retail growth together with the disappointing imports growth (+3.0% vs +20.8% YOY) in the same month offer tentative signs that consumptions are slowing down despite authorities' implementation of proactive fiscal policies. At the production end, industrial output growth fell to a 10-year low of 5.4% YOY (Oct: +5.9%) as mining and manufacturing output both recorded slower growth and these were in line with the fall in the official PMI in recent months to the neutral level. Contrary to the weaker retail and production prints, fixed asset investment managed to snap a gain of 5.9% YOY on a year-to-date basis in November (Oct: +5.7%) as state-owned enterprises recorded growth in investment. Looking ahead, overall data confirm the ongoing slowdown in China hinting a substantially slower growth in 4Q GDP which could bring the full year GDP growth to a range of 6.4-6.5%.

- ***New Zealand services sector saw slower expansion:*** The Performance of Services PMI fell by 1.9pts to 53.5 in November (Oct: 55.4) indicating a slower expansion of the services sector. The lower reading was driven by slower growth in activities/sales, new orders and inventories. Employment however was seen ticking up last month whereas supplier deliveries contracted for the first time in 5 month.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
17/12	**US**	**Empire Manufacturing**	**Dec**	**20.0**	**23.3**	**--**
		NAHB Housing Market Index	**Dec**	**61.0**	**60.0**	**--**
18/12		Housing Starts MOM	Nov	0.2%	1.5%	--
		Building Permits MOM	Nov	-0.4%	-0.6%	-0.4%
17/12	**Eurozone**	**Trade Balance SA**	**Oct**	**14.0b**	**13.4b**	**--**
		CPI Core YOY	**Nov F**	**1.0%**	**1.0%**	**--**
		CPI YOY	**Nov F**	**2.0%**	**2.2%**	**2.2%**
18/12	Hong Kong	Unemployment Rate SA	Nov	2.8%	2.8%	--
17/12	**Singapore**	**Non-oil Domestic Exports YOY**	**Nov**	**1.8%**	**8.3%**	**--**
18/12	Australia	RBA Dec. Meeting Minutes				
18/12	New Zealand	ANZ Business Confidence	Dec	--	-37.1	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1306	-0.48	1.1365	1.1270	-5.81
GBPUSD	1.2583	-0.47	1.2667	1.2530	-6.90
USDJPY	113.39	-0.21	113.67	113.22	0.59
AUDUSD	0.7172	-0.76	0.7229	0.7151	-8.11
EURGBP	0.8984	0.11	0.9005	0.8961	1.21
USDMYR	4.1860	0.16	4.1870	4.1795	3.54
EURMYR	4.7274	-0.58	4.7551	4.7241	-2.28
JPYMYR	3.6844	-0.01	3.6901	3.6777	2.78
GBPMYR	5.2622	-0.70	5.2894	5.2601	-3.53
SGDMYR	3.0417	-0.31	3.0493	3.0412	0.44
AUDMYR	2.9954	-0.98	3.0216	2.9954	-4.91
NZDMYR	2.8370	-1.20	2.8685	2.8368	-1.15
CHFMYR	4.2027	-0.26	4.2122	4.2008	1.21
CNYMYR	0.6063	-0.32	0.6062	0.6074	-2.49
HKDMYR	0.5355	0.06	0.5360	0.5349	3.53
USDSGD	1.3764	0.36	1.3774	1.3710	3.08
EURSGD	1.5562	-0.11	1.5599	1.5519	-2.98
GBPSGD	1.7320	-0.14	1.7375	1.7256	-4.14
AUDSGD	0.9877	-0.34	0.9913	0.9844	-5.35

Source: Bloomberg

➢Forex

MYR

- **MYR weakened 0.16% to 4.1860 against USD** as buying interest fade following extended risk aversion in the markets, but managed to beat all G10s.
- **Expect a neutral MYR against USD**, with room for mild losses as risk aversion continues to prevail in the markets. Technically, we note that upside bias continues to weaken and caution that USDMYR may already have topped out circa 4.1900, and could be on its way to completing a bearish chart pattern.

USD

- **USD rallied to beat 9 G10s** while the DXY climbed 0.39% to 97.44, jumping at in European morning and reached intraday high by US session on the back of rising risk aversion = following softer than expected China data and sell-off in equities.
- **We maintain a slightly bearish view on USD**, anticipating receding buying interest heading into FOMC policy decision. Technical viewpoint still suggest that DXY has reached the top in its recent move circa 97.49 – 97.55 and further attempts here will likely result in rejections (as witnessed on Friday), resulting in a decline to circa 96.66.

EUR

- **EUR fell 0.48% to 1.1306 against USD** and retreated against 5 G10s, pressured by extended risk-off in the markets and softer than expected Eurozone PMIs.
- **EUR is slightly bullish in line with our view on a soft USD**, further supported by likelihood of improved sentiment in the region as the EU comes to terms with the Italian government’s proposed fiscal plan. EURUSD managed to hold above 1.1300 despite last Friday’s weakness. We opine that the bulls have not given up and could launch another challenge to retake 1.1367 going forward.

GBP

- **GBP weakened 0.47% to 1.2583 against USD** on continued risk-off amid Brexit jitters but managed to beat 5 G10s.
- **Stay 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. Technical signs are mixed and do not assert a specific direction. In any case, technical viewpoint will play a secondary role to fundamental factors in driving GBPUSD.

JPY

- **JPY advanced 0.21% to 113.39 against USD** and rallied to beat all G10s, supported by increased refuge demand in the markets following extended sell-off in equities.
- **We turn bullish JPY against USD** amid likelihood of extended sell-off in the markets. A bullish trend still prevails but we caution that USDJPY is showing signs of extending the rejection on Friday, with room to slide to circa 113.09 going forward.

AUD

- **AUD tumbled 0.76% to 0.7172 against USD** and weakened against 8 G10s, pressured by signs of slowing economy in China and extended sell-off in equities.
- **AUD remains bearish in our view against USD** amid extended retreat in market sentiment. AUDUSD finally reversed course and broke below 0.7200. We now set sights on a loss of 0.7168 that would push AUDUSD lower to circa 0.7143. Below this, there is a chance to revising circa 0.7085.

SGD

- **SGD weakened 0.36% to 1.3764 against USD** on extended risk aversion in the markets but advanced against 7 G10s.
- **SGD is now bearish against USD** in our view amid extended risk-off in the markets. The rally on Friday has revived a bullish trend in USDSGD and it is now inclined to the upside, with potential to break above 1.3779 and head towards 1.3809.

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