

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks tumbled overnight**, as concerns over slower global economic growth extended further into this week sending all three major benchmarks into correction territory. The shaky start was also largely driven by the final FOMC meeting where the Fed is set to deliver a fourth rate hike on Thursday-many have been worried that rising interest rates could be crimping growth further against a backdrop of external uncertainties.
- **The Dow, S&P 500 and NASDAQ each wiped out 2.11% (-507.5pts), 2.08% (-54.0pts) and 2.27% (-156.9pts)**. Bonds rallied across the curve as investors fled to safety amidst equity rout - **10Y treasuries yield fell by 3bps to 2.86%**. Crude oil suffered similar fate as well with the WTI settling below \$50/barrel for the first time since October last year to close at \$49.88/barrel (-2.58%) while Brent dropped to \$59.61/barrel (-1.11%). Elsewhere, European stocks declined as the retail sector came under huge selling pressure after UK-based online retailer ASOS PLC cut its forward sales and profit guidance. Asian benchmarks meanwhile ended on a mixed note.
- **US data came in lower than expected-** New York Fed Empire State Manufacturing Index fell by 12pts to 10.9 in December while the NAHB Housing Market Index fell to 56.0 in the same month. Eurozone November headline inflation was confirmed to be 1.9% YOY marking its return to the ECB's target of just below 2.0% whereas core inflation eased to 1.0% YOY. Trade surplus narrowed to €12.5b in October on higher import growth. Singapore NODX contracted by 4.2% YOY in November. New Zealand ANZ Business Confidence surged to an 8-month high.
- **USD weakened against 8 G10s** while the DXY fell 0.35% to 97.10, weighed down by risk aversion ahead of FOMC policy decision and by comments from US President Trump aimed at discouraging further Fed rate hikes. **We maintain a slightly bearish view on USD**, anticipating receding buying interest heading into FOMC policy decision. DXY was again rejected from attempt to push higher and we reckon that the resulting decline could reach 96.66 going forward.
- **MYR advanced 0.17% to 4.1790 against a softening USD** heading into European session but slipped against 8 G10s. **Expect a slightly bullish MYR against a soft USD** though gains are likely modest given lingering risk-off sentiment in the markets. Technically, we note that upside bias continues to weaken and caution that USDMYR could be on its way to completing a bearish chart pattern. Expect a potential test at 4.1690 – 4.1700 soon.

Overnight Economic Data

US	↓
Eurozone	→
Singapore	↓
New Zealand	↑

What's Coming Up Next

Major Data

- US Housing Starts, Building Permits
- Hong Kong Unemployment Rate

Major Events

- RBA December Meeting Minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1322	1.1344	1.1352	1.1367	1.1380	↗
GBPUSD	1.2583	1.2600	1.2613	1.2645	1.2660	↗
USDJPY	112.31	112.46	112.80	112.97	113.09	↘
AUDUSD	0.7151	0.7168	0.7176	0.7191	0.7212	↘
EURGBP	0.8967	0.8987	0.8998	0.9004	0.9014	↗
USDMYR	4.1750	4.1770	4.1785	4.1790	4.1800	↘
EURMYR	4.7365	4.7398	4.7413	4.7431	4.7470	↗
JPYMYR	3.7000	3.7048	3.7075	3.7106	3.7133	↗
GBPMYR	5.2600	5.2643	5.2706	5.2768	5.2800	↗
SGDMYR	3.0400	3.0416	3.0443	3.0472	3.0493	↘
AUDMYR	2.9954	2.9970	2.9983	3.0000	3.0026	↘
NZDMYR	2.8420	2.8450	2.8487	2.8528	2.8560	↘
USDSGD	1.3711	1.3721	1.3729	1.3741	1.3751	↗
EURSGD	1.5546	1.5559	1.5573	1.5591	1.5600	↗
GBPSGD	1.7285	1.7300	1.7312	1.7347	1.7381	↘
AUDSGD	0.9820	0.9840	0.9849	0.9862	0.9878	↘

* 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	1,641.62	-1.22	-8.64	CRB Index	177.92	-1.33	-8.23
Dow Jones Ind.	23,592.98	-2.11	-4.56	WTI oil (\$/bbl)	49.88	-2.58	-17.44
S&P 500	2,545.94	-2.08	-4.78	Brent oil (\$/bbl)	59.61	-1.11	-12.28
FTSE 100	6,773.24	-1.05	-11.90	Gold (\$/oz)	1,245.85	0.55	8.10
Shanghai	2,597.97	0.16	-21.44	CPO (RM/tonne)	1,796.00	0.45	-24.85
Hang Seng	26,087.98	-0.03	-12.81	Copper (\$/tonne)	6,131.50	-0.38	-15.39
STI	3,114.25	1.21	-8.48	Rubber (sen/kg)	380.00	0.93	-17.84

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Empire Manufacturing	Dec	10.9	23.3	20.0
US NAHB Housing Market Index	Dec	56.0	60.0	61.0
EU Trade Balance SA	Oct	12.5b	13.0b (revised)	14.0b
EU CPI Core YOY	Nov F	1.0%	1.1%	1.0%
EU CPI YOY	Nov F	1.9%	2.2%	2.0%
SG Non-oil Domestic Exports YOY	Nov	-2.6%	8.2% (revised)	1.8%
NZ ANZ Business Confidence	Dec	-24.1	-37.1	--

Source: Bloomberg

➤ Macroeconomics

- New York manufacturing growth moderated:** The New York Fed Empire State Manufacturing Survey shows that business activity grew at a slower pace in the state of New York. The headline general business conditions index fell by 12pts to 10.9 in December (Nov: 23.3) as growth in new orders and shipments both moderated considerably. Prices paid came off the elevated levels in the past six months suggesting that inflationary pressure has eased a little but prices received was held steady. The employment index meanwhile rose by an impressive 12pts as firms continued to ramp up hiring. Firms generally remained optimistic about outlook for the next six months but were slightly less so compared to November as the index for future business conditions recorded a drop of 3pts.
- US homebuilders' sentiments weakened to the lowest level in three years:** The NAHB Housing Market Index, a survey of US homebuilders fell by 4pts to 56.0 in December (Nov: 60.0), the lowest level since May 2015. The deteriorating sentiments did not come as a surprise as the US housing market has come off early year's peak and has since then experiencing a sluggish growth amidst rising interest rates environment. The lack of affordability and a shortage of supply were consistently cited as key factors driving potential buyers away from the market. More housing data are due tonight - housing starts and building permits will provide further clarity on last month's homebuilding activities and we expect lacklustre readings given the softer demand conditions as well as colder temperature.
- Eurozone inflation returned to ECB's target; trade surplus narrowed:** The final reading of November Euro area HICP inflation rate was confirmed to be 1.9% YOY (Oct: +2.2%), marking its first time falling back to the ECB's target of just below 2% since May this year. Except for non-energy industrial goods which saw a steady gain, the slower growth in prices of food, alcohol & tobacco, energy and services all contributed to the weaker headline inflation last month. Core inflation which excludes food, alcohol & tobacco and energy also eased to 1.0% YOY (Oct: +1.1%) reaffirming that underlying inflation remained very much subdued, indicating that the higher wage growth has not been passed through to consumers thus far. Meanwhile in a separate release, Euro area exports were seen increasing by 2.1% YOY in October (Sep: -1.3%), a rebound following previous month's contraction while imports rose by 2.6% YOY (Sep: +0.3%) leading the seasonally adjusted trade surplus to narrow to €12.5b (Sep: €13.0bn).
- Singapore NODX contracted for the first time in 8 months:** Singapore non-oil domestic exports dropped 4.2% MOM in November (Oct: +4.2%) to completely wipe out the gains made in the previous month. On a yearly basis, NODX declined by 2.6% YOY (Oct: +8.2% revised), the first contraction since March this year, as the rebound in electronic exports (+4.5% vs -3.6%) was more than offset by the drop in non-electronics exports (-5.2% vs +12.7%). Within non electronics, the shipment of pharmaceutical products (often a volatile figure) eased substantially to increase a mere 8.4% YOY (Oct: +89.7%) whereas petro chemicals contracted further by 7.8% YOY (Oct: -0.1%).
- New Zealand business sentiments saw tremendous improvement:** The ANZ Business Confidence Index rose to -24.1 in December (Nov: -37.1), the highest level since April this year, driven by the surge in the Activity Outlook Index (+13.6 vs +7.6), exports, employment, investment as well as residential construction. The marked improvement in sentiments should come as a welcoming news for the RBNZ which has been refraining from hiking its Official Cash Rate (OCR) on falling business and consumer confidence levels.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
19/12	Malaysia	CPI YOY	Nov	0.4%	0.6%	--
18/12	US	Housing Starts MOM	Nov	0.0%	1.5%	--
		Building Permits MOM	Nov	-0.4%	-0.6%	-0.4%
19/12		MBA Mortgage Applications	Dec-14	--	1.6%	--
		Existing Home Sales MOM	Nov	-0.4%	1.4%	--
19/12	Eurozone	Construction Output MOM	Oct	--	2.0%	--
19/12	UK	CPI YOY	Nov	2.3%	2.4%	--
		CPI Core YOY	Nov	1.8%	1.9%	--
		CBI Trends Total Orders	Dec	6.0	10.0	--
19/12	Japan	Trade Balance	Nov	-¥630.0b	-¥449.3b	-¥450.1b
		Exports YOY	Nov	1.2%	8.2%	--
18/12	Hong Kong	Unemployment Rate SA	Nov	2.8%	2.8%	--
18/12	Australia	RBA Dec. Meeting Minutes				
19/12		Westpac Leading Index MOM	Nov	--	0.08%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1348	0.37	1.1358	1.1299	-3.46
GBPUSD	1.2624	0.33	1.2647	1.2571	-6.63
USDJPY	112.83	0.49	113.52	112.68	0.12
AUDUSD	0.7179	0.10	0.7187	0.7169	-8.09
EURGBP	0.8992	0.10	0.9005	0.8964	1.29
USDMYR	4.1790	0.17	4.1925	4.1790	3.28
EURMYR	4.7348	0.16	4.7423	4.7309	-2.34
JPYMYR	3.6876	0.09	3.6957	3.6860	2.57
GBPMYR	5.2698	0.14	5.2754	5.2613	-3.55
SGDMYR	3.0422	0.02	3.0490	3.0391	0.44
AUDMYR	3.0015	0.20	3.0096	3.0001	-5.07
NZDMYR	2.8486	0.41	2.8489	2.8413	-1.08
CHFMYR	4.1950	0.18	4.2031	4.1923	1.11
CNYMYR	0.6063	0.00	0.6210	0.6060	-2.49
HKDMYR	0.5352	0.06	0.5365	0.5352	3.34
USDSGD	1.3728	0.26	1.3773	1.3726	2.75
EURSGD	1.5577	0.10	1.5604	1.5545	-2.93
GBPSGD	1.7328	0.05	1.7381	1.7291	-4.17
AUDSGD	0.9854	0.23	0.9884	0.9849	-5.64

Source: Bloomberg

MYR

- **MYR advanced 0.17% to 4.1790 against a softening USD** heading into European session but slipped against 8 G10s.
- **Expect a slightly bullish MYR against a soft USD** though gains are likely modest given lingering risk-off sentiment in the markets. Technically, we note that upside bias continues to weaken and caution that USDMYR could be on its way to completing a bearish chart pattern. Expect a potential test at 4.1690 – 4.1700 going forward.

USD

- **USD weakened against 8 G10s** while the DXY fell 0.35% to 97.10, weighed down by risk aversion ahead of FOMC policy decision and by comments from US President Trump aimed at discouraging further Fed rate hikes.
- **We maintain a slightly bearish view on USD**, anticipating receding buying interest heading into FOMC policy decision. DXY was again rejected from attempt to push higher and we reckon that the resulting decline could reach 96.66 going forward.

EUR

- **EUR climbed 0.37% to 1.1348 against a soft USD** and advanced against 7 G10s, buoyed by the end of EU-Italy budget plan impasse.
- **Stay bullish on EUR in anticipation of a soft USD.** We maintain that EURUSD could launch another challenge to retake 1.1367 soon. Above this, EURUSD is exposed to a move to 1.1388 – 1.1402, but failure will condemn the pair to another decline to 1.1285 – 1.1293.

GBP

- **GBP climbed 0.33% to 1.2624 against a soft USD** and rose against 5 G10s as Brexit concerns eased.
- **Expect a slightly bullish GBP against a soft USD.** Caution that GBP remains highly sensitive to Brexit headlines and could quickly swing into gains / losses. Technical signs are still 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 strengthened 0.49% to 112.83 against USD** and beat 8 G10s following sustained refuge demand as equities continued to slide.
- **JPY remains bullish against USD** amid likelihood of extended sell-off in the markets and in the greenback ahead of FOMC policy decision. USDJPY is now back in a bearish trend after breaking below several firm supports. The next test will likely be at 112.46, below which a sustained downtrend could emerge.

AUD

- **AUD managed to rise 0.1% to 0.7179 against a soft USD** but retreated against 5 G10s as downside pressure from sell-off in equities prevailed.
- **Continue to expect a bearish AUD against USD** as risk aversion extends in the markets. We continue to set sights on AUDUSD losing 0.7168 that would push it lower to circa 0.7143. Below this, there is a chance to revising circa 0.7085.

SGD

- **SGD strengthened 0.26% to 1.3728 against a soft USD** but ended mixed against the G10s.
- **Stay bearish on SGD against USD** amid extended risk-off in the markets. A bullish trend still prevails despite overnight tumble. USDSGD remains inclined to the upside and is likely to test 1.3741 – 1.3751 next, but caution that another rejection here will effectively end the current bullish trend.

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