January 19, 2018

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Another mixed bag of economic releases** with the US and China taking center stage. **Synchronized declines in both housing starts and building permits in the US added to signs the US housing market has yet to entirely shrug off its soft patch. Business outlook also turned softer in the Philadelphia district** dragged by a sharp pullback in new orders. The only positive signal from the US yesterday came from the **bigger than expected 41k decline in initial jobless claims,** snapping weeks of successive increases.

- **China's 4Q GDP surprised on the upside again, registering a sustained 6.8% YOY increase, resulting in a quicker full year growth of 6.9% for 2017** (2016: 6.7%). Faster growth in agriculture and services sectors neutralized slower growth in the secondary industry (mining, manufacturing and construction). **We expect growth outlook to remain decent in China** despite the anticipated moderation to 6.5% this year, **underpinned by favourable external outlook and moderate domestic consumption.** For the month of December, retail sales unexpectedly tapered off to 9.4% YOY but industrial production ticked higher to 6.2% while fixed asset investment grew at a steady pace of 7.2% in the twelve months to December.

- **USD fell against all G10s**, overturning early gains on the back of rising concerns over potential US government shutdown as the Congress negotiates a spending bill. The Dollar Index overturned an early gap up to close 0.05% lower at 90.49. **Stay bearish on USD**, weighed down by concerns over prospects of US government shutdown. The Dollar Index remains deep in bearish territory and any rebounds are likely capped by 90.97. This level rejected yesterday's rebound attempt and is likely to do so again. A close below 90.39 is likely coming up.

- **MYR eased 0.04% to 3.9550 against a rebounding USD** and fell against 8 G10s as buying interest waned further evident from continued underperformance in Malaysian bonds and equities. **We turn slightly bullish on MYR against a weak USD** but expect gains to narrow approaching the week's close. USDMYR's attempted rebound has likely ended. The pair remains poised to dip lower and caution that there is scope for a test at 3.9165 in the coming weeks. Caution that a close above 3.9555 will again alter the technical outlook to a bullish one.

- **SGD** fell against 8 G10s but **strengthened 0.28% to 1.3209 against a soft USD**. **SGD is now bullish in our view against a weak USD**. USDSGD has returned to a bearish trend after closing below 1.3230. The pair is now titled towards the downside, with scope to slide to 1.3175 next. However, caution that mild signs of reversal still prevail, hinting that a higher levels may be on the horizon.

Overnight Economic Data

US	→
Japan	↓
China	↑
Hong Kong	↑
Australia	→
New Zealand	↓

What's Coming Up Next

Major Data

- US U. of Mich. consumer sentiment
- UK Retail sales Inc auto fuel

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2200	1.2218	1.2246	1.2265	1.2283	↗
USDJPY	111.50	111.70	110.89	111.03	111.16	↗
GBPUSD	1.3888	1.3900	1.3905	1.3923	1.3942	↗
AUDUSD	0.8000	0.8007	0.8017	0.8023	0.8031	↗
EURGBP	0.8792	0.8800	0.8810	0.8815	0.8822	↘
USDMYR	3.9350	3.9390	3.9405	3.9435	3.9450	↘
EURMYR	4.8119	4.8153	4.8240	4.8265	4.8359	↗
JPYMYR	3.5450	3.5479	3.5501	3.5524	3.5560	↘
GBPMYR	5.4633	5.4704	5.4754	5.4831	5.4884	↗
SGDMYR	2.9913	2.9890	2.9841	2.9820	2.9800	↘
AUDMYR	3.1500	3.1541	3.1561	3.1587	3.1600	↗
NZDMYR	2.8679	2.8715	2.8755	2.8762	2.8800	↘
USDSGD	1.3175	1.3184	1.3199	1.3212	1.3233	↘
EURSGD	1.6100	1.6133	1.6164	1.6181	1.6200	↗
GBPSGD	1.8300	1.8330	1.8346	1.8350	1.8391	↗
AUDSGD	1.0538	1.0555	1.0577	1.0591	1.0600	↗

*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	1821.6	-0.4	1.4	CRB Index	196.3	-0.03	1.3
Dow Jones Ind.	26017.8	-0.4	5.3	WTI oil ($/bbl)	64.0	-0.03	5.8
S&P 500	2798.0	-0.2	4.7	Brent oil ($/bbl)	69.3	-0.10	3.6
FTSE 100	7701.0	-0.3	0.2	Gold (S/oz)	1327.0	0.00	2.0
Shanghai	3474.8	0.9	5.1	CPO (RM/tonne)	2459.0	-0.14	2.9
Hang Seng	32121.9	0.4	7.4	Copper ($/tonne)	7076.0	0.60	-2.4
STI	3521.3	-0.6	3.5	Rubber (sen/kg)	492.0	0.10	6.4

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Housing starts MoM	Dec	-8.20%	3.00%	-1.70%
US Building permits MoM	Dec	-0.10%	-1.00%	-0.60%
US Philly Fed business outlook	Jan	22.2	27.9	25.0
US Initial jobless claims	Jan-13	220.0k	261.0k	249.0k
JP Industrial production YoY	Nov F	3.60%	3.70%	--
CH GDP YoY	4Q	6.80%	6.80%	6.70%
CH Retail sales YoY	Dec	9.40%	10.20%	10.20%
CH Industrial production YoY	Dec	6.20%	6.10%	6.10%
CH Fixed asset investment YTD YOY	Dec	7.20%	7.20%	7.10%
HK Unemployment rate SA	Dec	2.90%	3.00%	3.00%
AU Unemployment rate	Dec	5.50%	5.40%	5.40%
AU Participation rate	Dec	65.70%	65.50%	65.50%
AU Employment change	Dec	34.7k	63.6k	15.0k
NZ BusinessNZ manufacturing PMI	Dec	51.2	57.7	--

Source: Bloomberg

➢ Macroeconomics

- The number of housing starts slumped more than expected in Dec, while building permits beat market expectation. Leading to a mixed read over the condition of US housing market. Housing starts declined 8.20% MOM in Dec from a revised of 3.00% gain last month. Such sharp drop was due to single-house homes, the largest share of housing starts fell 11.80% from a month earlier. Meanwhile, building permits edged down 0.10% MOM in Dec from 1.00% decline in Nov, attributed by 1.80% increase in permits for single-family home and 3.90% decline in multifamily buildings.

- Other US data released remained mixed. Jobless claims in US decreased by 41.0k to 220.0k at the week ended 13 Jan, hitting 45-year low and beat the consensus of 249.0k. Meantime, the US Philly Fed business outlook dropped to 22.2 in Jan, from an upwardly revised reading of 27.9 in Dec. Reason being for the down move was mainly due to decreased in new orders by 18.0 points to 10.1, delivery times by 4.9 points to 6.1 and unfilled orders by 14.6 points to -1.8.

- Japan's industrial production eased to 3.60% YOY, down from initial reading of 3.70% in Nov. On monthly basis, the figure slowed to 0.50%, compared to the preliminary reading of 0.60% gain. Overall, industrial production growth remains largely on an uptrend since Jul 2016, suggesting that growth is likely to stay supported by expansionary output.

- China's economy grew 6.80% in the 4Q of 2017 YOY, higher than expectation and unchanged from last quarter's figure. The pace of growth in China's economy accelerated at a quicker pace last year, after consumer consumption, production and exports all climbed strongly. Retail sales slowed below expectation to 9.40% YOY in Dec, though spending pattern remains firm amid quicker growth in household electronics (Dec: +8.7% vs Nov: +8.4%), furniture (Dec: +12.5% vs Nov: +11.9%) and construction materials (Dec: +5.2% vs Nov: +3.6%). Meanwhile, industrial production picked up slightly to 6.20% from 6.10% previous month, lifted by quicker production of power & heat (Dec: +7.2% vs Nov: +3.5%) and textile (Dec: +3.9% vs Nov: +2.0%). Fixed asset investment remained at 7.20%, slightly above expectation.

- Hong Kong unemployment rate unexpectedly dipped to 2.90% in Dec from 3.00% in Nov. The number of unemployed person declined, underemployed unchanged and employment slightly increased.

- In Australia, employment increased by 34.7k in Dec, better than the expected figure of 15.0k, but was down from a revised figured of 63.6k last month. Labour force participation rate rose to 65.70% in Dec, slightly above the preceding month's rate of 65.50%. This is a positive development in the labour market with unemployment rate rose just 0.1% to 5.50% in Dec. Wage growth may start to rise along with the tightening labour market, which could fuel expectation of a rate hike by RBA.

- BusinessNZ manufacturing PMI in New Zealand fell to 51.2 in Dec from 57.7 in Nov, lowest since Dec 2012. All five sub-indexes (production, employment, new orders, finished stocks and deliveries) dropped in Dec compared to previous reading in Nov.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
Malaysia	1/22	Foreign Reserves	Jan-15	--	$102.4b	--
United States	1/19	U. of Mich. Sentiment	Jan P	97.0	95.9	--
	1/22	Chicago Fed Nat Activity Index	Dec	--	0.15	--
United Kingdom	1/19	Retail Sales Inc Auto Fuel MoM	Dec	-1.0%	1.10%	--

Source: Bloomberg

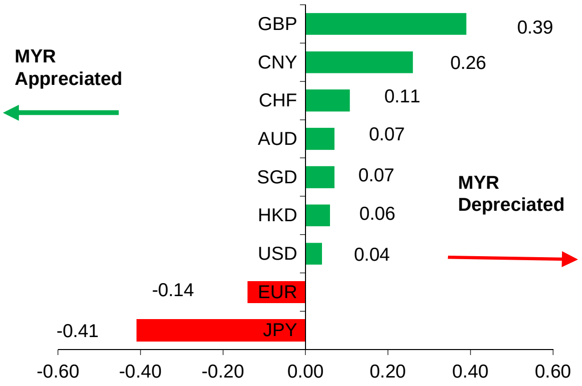
➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2238	0.43	1.2265	1.2165	1.9
USDJPY	111.11	-0.16	111.48	110.70	-1.5
GBPUSD	1.3894	0.46	1.3913	1.3805	2.8
AUDUSD	0.8001	0.39	0.8007	0.7942	2.5
EURGBP	0.8807	-0.04	0.8838	0.8802	-0.8
USDMYR	3.9550	0.04	3.9640	3.9548	-2.3
EURMYR	4.8308	-0.14	4.8380	4.8155	-0.2
JPYMYR	3.5546	-0.41	3.5633	3.5513	-0.9
GBPMYR	5.4749	0.39	5.4831	5.4633	0.5
SGDMYR	2.9896	0.07	2.9950	2.9820	-1.2
AUDMYR	3.1551	0.07	3.1664	3.1472	0.1
NZDMYR	2.8823	0.34	2.8920	2.8712	0.2

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

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- **We turn slightly bullish on MYR against a weak USD** but expect gains to narrow approaching the week's close. USDMYR's attempted rebound has likely ended. The pair remains poised to dip lower and caution that there is scope for a test at 3.9165 in the coming weeks. Caution that a close above 3.9555 will again alter the technical outlook to a bullish one.

USD

- **USD fell against all G10s**, overturning early gains on the back of rising concerns over potential US government shutdown as the Congress negotiates a spending bill. The Dollar Index overturned an early gap up to close 0.05% lower at 90.49.
- **Stay bearish on USD**, weighed down by concerns over prospects of US government shutdown. The Dollar Index remains deep in bearish territory and any rebounds are likely capped by 90.97. This level rejected yesterday's rebound attempt and is likely to do so again. A close below 90.39 is likely coming up.

EUR

- **EUR climbed 0.43% to 1.2238 against USD** and advanced against 5 G10s as the greenback sank.
- **EUR is bullish against a soft USD**. EURUSD still has room to climb but we caution that with upside momentum diminishing, failure to close above 1.2315 in the coming days will weaken the pair's chances to sustain an extended uptrend. This could result in a potential decline to 1.2142 in the weeks ahead.

GBP

- **GBP** is still supported by improving Brexit sentiment to beat 8 G10s and **jump 0.46% to 1.3894 against a soft USD**.
- **Keep a bullish view on GBP against USD** amid rising optimism over Brexit, but could sharply reverse course if UK data disappoints. GBPUSD remains poised for further gains going forward but after recent strong gains, we suspect a pullback may be in the works. Do not rule out a brief retreat to 1.3831.

JPY

- **JPY** fell against 8 G10s amid firmer risk appetite in the FX space but **advanced 0.16% to 111.11 against a soft USD**.
- **Stay bearish on JPY against USD** as improving risk appetite in the markets weighs down demand for refuge. We view current retreat in USDJPY as a correction to recent surge. Technical outlook remains positive and we set sights on a close above 111.29 by mid next week.

AUD

- **AUD** slipped against 6 G10s as European majors advanced but **managed to climb 0.39% to 0.8001 against a soft USD**, supported by firmer China data.
- **Expect a slightly bullish AUD against USD**, supported firm risk appetite in the FX markets. AUDUSD is technically bullish but signs of reversal continue to prevail as upside momentum softens; we caution that gains are likely to diminish going forward, and failure to beat 0.8031 could feed into a bearish scenario.

SGD

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