

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks pared off some of Monday's losses to end higher** overnight ahead of the FOMC meeting. Volatility persisted in the markets where the Dow was seen swinging by more than 400pts at one point in a choppy session. **Treasury Secretary Steven Mnuchin's remark that the US and China were planning for trade talk in January helped provide some lift to sentiment** but investors' focus were largely on the Fed's plan to deliver its fourth rate hike this year on Wednesday (local time). **The Dow closed modestly higher by 0.35% (+82.7pts), the S&P 500 was virtually unchanged while NASDAQ managed to inch up by 0.45% (+30.2pts).**
- **Treasuries continued to rally with the 10Y treasuries yield dropping by 4bps to 2.82%. Crude oil prices extended further decline** after the API reported large buildup in US crude inventories- **WTI erased \$3.64 to settle at \$46.24/barrel (-7.3%) while Brent gave up \$3.35 to end at \$56.26/barrel (-5.62%).** Elsewhere, risk-off sentiment led European and Asian equity benchmarks to end mostly in the red. In Australia, the RBA's newly released meeting minutes offered no fresh insights in our view, the next cash rate movement is likely an up according to the central bank.
- **US housing data surprised to the upside** as housing starts rose by 3.2% MOM whereas building permits surged by 5.0% MOM in November. **Japan trade deficit widened** as exports took a break, rising a mere 0.1% YOY following October's sharp rise. **Hong Kong unemployment rate remained unchanged** at 2.8% in November. Australia Westpac leading index annualized six-month growth rose to +0.43%.
- **USD slipped against 7 G10s** as buying interest recede ahead of FOMC policy decision while the DXY staged a strong bounce off intraday low following sharp decline in CAD, overturning early losses to close unchanged at 97.10. **We maintain a slightly bearish view on USD,** anticipating receding buying interest heading into FOMC policy decision. Caution that there may be a sharp sell-off post FOMC decision as investors are likely to evaluate the tightening path going into next year. Downward momentum has emerged and DXY remains subdued. We maintain a bearish view, expecting a drop to 96.66 soon.
- **MYR advanced 0.12% to 4.1740 against a softening USD** but weakened against 8 G10s that were firmer on a soft greenback. **MYR is likely neutral against USD** with room for slight gains as the greenback is expected to retreat heading into FOMC policy decision. 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	↑
Japan	↓
Hong Kong	→
Australia	↑

What's Coming Up Next

Major Data

- Malaysia CPI YOY
- US MBA Mortgage Applications, Existing Home Sales MOM
- Eurozone Construction Output MOM
- UK CPI YOY, CPI Core YOY, CBI Trends Total Orders

Major Events

- FOMC Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1367	1.1381	1.1386	1.1400	1.1410	↗
GBPUSD	1.2638	1.2655	1.2669	1.2687	1.2708	↗
USDJPY	111.82	112.00	112.26	112.31	112.46	↘
AUDUSD	0.7168	0.7188	0.7193	0.7200	0.7227	↘
EURGBP	0.8936	0.8967	0.8986	0.8989	0.8998	↘
USDMYR	4.1740	4.1765	4.1772	4.1800	4.1820	→
EURMYR	4.7463	4.7500	4.7542	4.7588	4.7637	↗
JPYMYR	3.7073	3.7108	3.7157	3.7184	3.7207	↗
GBPMYR	5.2836	5.2876	5.2908	5.2949	5.3000	↗
SGDMYR	3.0446	3.0471	3.0500	3.0512	3.0524	→
AUDMYR	2.9978	3.0000	3.0048	3.0104	3.0168	↘
NZDMYR	2.8570	2.8620	2.8640	2.8680	2.8730	↘
USDSGD	1.3678	1.3687	1.3695	1.3707	1.3718	↘
EURSGD	1.5563	1.5572	1.5590	1.5598	1.5611	↗
GBPSGD	1.7300	1.7334	1.7350	1.7381	1.7400	↗
AUDSGD	0.9834	0.9844	0.9850	0.9862	0.9879	↘

* 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	1,635.31	-0.38	-8.99	CRB Index	174.42	-1.97	-10.03
Dow Jones Ind.	23,675.64	0.35	-4.22	WTI oil (\$/bbl)	46.24	-7.30	-23.47
S&P 500	2,546.16	0.01	-4.77	Brent oil (\$/bbl)	56.26	-5.62	-15.87
FTSE 100	6,701.59	-1.06	-12.83	Gold (\$/oz)	1,249.42	0.29	8.10
Shanghai	2,576.65	-0.82	-22.09	CPO (RM/tonne)	1,801.50	0.31	-24.62
Hang Seng	25,814.25	-1.05	-13.72	Copper (\$/tonne)	6,123.00	-0.14	-15.51
STI	3,045.54	-2.21	-10.50	Rubber (sen/kg)	381.00	0.13	-17.62

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Housing Starts MOM	Nov	3.2%	-1.6% (revised)	0.0%
US Building Permits MOM	Nov	5.0%	-0.4% (revised)	-0.4%
JP Trade Balance	Nov	¥737.3b	¥450.1b (revised)	¥630.0b
JP Exports YOY	Nov	0.1%	8.2%	1.2%
HK Unemployment Rate SA	Nov	2.8%	2.8%	2.8%
AU Westpac Leading Index 6-month Annualized Growth	Nov	0.45%	0.10%	--

Source: Bloomberg

➤ Macroeconomics

- US homebuilding data surprised to the upside:** Housing starts staged a rebound to increase by 3.2% MOM in November (Oct: -1.6% revised), but the positive growth figure in the previous month was revised downward to a contraction of 1.6% MOM. The upturn was driven mainly by the 22.4% MOM increase in building of multifamily units as the starts for single family continued to decline for the third consecutive month. Builders finally managed to commence much of the delayed construction works as prices of lumber eased. Building permits meanwhile rose by an impressive 5.0% MOM in the same month (Oct: -0.4 revised), the fastest since October last year following the lacklustre approvals in the past few months, offering tentative signs of stronger building activities in the next couple of months. That said, our view on a slower US housing market ahead remains unchanged as the lack of affordability amidst rising interest rates environment will continue to drive demand away.
- Japan trade deficit widened as exports took a break:** Japan exports rose a mere 0.1% YOY in November (Oct: +8.2%), a blip in our view following an impressive surge in the previous month while imports rose 12.5% YOY (Oct: +19.9%) leading the trade deficit to widen to ¥737.3b (Oct: ¥450.1b revised). Exports in Japan has remained resilient this year but has come off the elevated levels in mid-2017, we foresee shipments growth to skew towards the softer end in light of slower growth in China.
- Hong Kong unemployment rate held steady:** Hong Kong unemployment rate remained unchanged at a low level of 2.8% in November (Oct: 2.8%) for the eighth consecutive month.
- RBA meeting minutes offered little fresh insight, said next cash rate move is likely an up:** The RBA released its November meeting minutes yesterday. Members noted that growth in a number of economies had slowed this year and there was a divergence in GDP growth across major advanced economies. They also pointed out the continuous difficulties in gauging the underlying momentum of the Chinese economy. At the domestic front, housing market had continued to ease but dwelling investment to remain high due to work outstanding and recent high dwelling approval. Labour market conditions continued to improve – employment increase was driven by growth in full-time employment. Leading indicators of labour demand pointed to employment growth being above average for a couple of quarters. Wage growth had picked up a little in 3Q- the increase in minimum wages had contributed to this growth. Average earnings had increased at roughly the same rate as consumer prices over the last five years leaving real average earnings relatively unchanged. Australian economy to perform well and GDP growth was expected to remain above potential over this year and next before slowing in 2020. The outlook for household consumption remained uncertain because growth in household income remained low while debt levels were high and housing prices had declined. That said, the central scenario remained for consumption to grow steadily supported by continued strength in labour markets conditions and pick-up in wage growth. Thus, the current stance of monetary policy would continue to support growth and to further reduce unemployment rate and return inflation towards the midpoint of target. The next move in cash rate was more likely an increase than a decrease but there was no strong case for a near term adjustment.
- Australia leading index bounced up:** The six-month annualized growth rate in the Westpac-Melbourne Institute Leading Index, an indicator of the likely pace of future economic activity rose to +0.43% in November (Oct: +0.10%). Seven of the eight components contributed to the surprised lift but the higher latest figure did not override the general message of slower growth from the index over most of 2018 according to Westpac. This is because the readings from October 2017 to April 2018 had averaged 0.89% which were in line with the faster, above trend growth observed in the Australian economy for the first half of 2018, whereas in the seven month since April 2018, the growth rate has average only 0.24%, a clear step down.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
19/12	Malaysia	CPI YOY	Nov	0.4%	0.6%	--
19/12	US	MBA Mortgage Applications	Dec-14	--	1.6%	--
		Existing Home Sales MOM	Nov	-0.4%	1.4%	--
20/12		FOMC Rate Decision	Dec-19	2.25% - 2.5%	2.00% - 2.25%	--
		Philadelphia Fed Business Outlook	Dec	15.0	12.9	--
		Initial Jobless Claims	Dec-15	215k	206k	--
		Leading Index	Nov	0.0%	0.1%	--
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	--
20/12		Retail Sales Inc Auto Fuel MOM	Nov	0.2%	-0.5%	--
		Bank of England Bank Rate	Dec-20	0.75%	0.75%	--
20/12	Japan	All Industry Activity Index MOM	Oct	2.0%	-0.9%	--
		Machine Tool Orders YOY	Nov F	--	-16.8%	--
		Convenience Store Sales YOY	Nov	--	-1.5%	--
		BOJ Policy Balance Rate	Dec-20	-0.1%	-0.1%	--
20/12	Hong Kong	CPI Composite YOY	Nov	2.5%	2.7%	--
20/12	Australia	Employment Change	Nov	20.0k	32.8k	--
		Unemployment Rate	Nov	5.0%	5.0%	--
		Participation Rate	Nov	65.6%	65.6%	--
20/12	New Zealand	Trade Balance NZD	Nov	-880m	-1295m	--
		Exports NZD	Nov	4.98b	4.86b	--
		GDP SA QOQ	3Q	0.6%	1.0%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1361	0.11	1.1402	1.1337	-3.25
GBPUSD	1.2639	0.12	1.2706	1.2610	-6.36
USDJPY	112.52	-0.27	112.86	112.25	-0.14
AUDUSD	0.7181	0.03	0.7204	0.7165	-7.98
EURGBP	0.8989	-0.03	0.9011	0.8963	1.22
USDMYR	4.1740	-0.12	4.1840	4.1735	3.15
EURMYR	4.7487	0.29	4.7519	4.6916	-2.05
JPYMYR	3.7141	0.72	3.7151	3.6635	3.31
GBPMYR	5.2799	0.19	5.2907	5.2148	-3.37
SGDMYR	3.0466	0.14	3.0495	3.0116	0.58
AUDMYR	3.0044	0.10	3.0104	2.9674	-4.98
NZDMYR	2.8719	0.82	2.8730	2.8196	-0.27
CHFMYR	4.2097	0.35	4.2143	4.1637	1.46
CNYMYR	0.6056	-0.11	0.6066	0.6054	-2.60
HKDMYR	0.5342	-0.19	0.5353	0.5290	3.15
USDSGD	1.3703	-0.18	1.3731	1.3698	2.55
EURSGD	1.5568	-0.06	1.5622	1.5549	-2.90
GBPSGD	1.7320	-0.05	1.7405	1.7302	-4.07
AUDSGD	0.9841	-0.13	0.9877	0.9830	-5.70

Source: Bloomberg

MYR

- **MYR advanced 0.12% to 4.1740 against a softening USD** but weakened against 8 G10s that were firmer on a soft greenback.
- **MYR is likely neutral against USD** with room for slight gains as the greenback is expected to retreat heading into FOMC policy decision. 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.

USD

- **USD slipped against 7 G10s** as buying interest receded ahead of FOMC policy decision while the DXY staged a strong bounce off intraday low following sharp decline in CAD, overturning early losses to close unchanged at 97.10
- **We maintain a slightly bearish view on USD**, anticipating receding buying interest heading into FOMC policy decision. Caution that there may be a sharp sell-off post FOMC decision as investors are likely to evaluate the tightening path going into next year. Downward momentum has emerged and DXY remains subdued. We maintain a bearish view, expecting a drop to 96.66 soon.

EUR

- **EUR held on to early gains to close 0.11% higher at 1.1361 against USD** and advanced against 5 G10s.
- **Stay bullish on EUR in line with our view of a soft USD.** EURUSD expectedly retook 1.1367. Above this, EURUSD is exposed to a move to 1.1388 – 1.1402; failure here will condemn the pair to another decline to 1.1285 – 1.1293, otherwise, expect a break at 1.1434 and thus completion of a bullish chart pattern that targets 1.1570.

GBP

- **GBP climbed 0.12% to 1.2639 against USD** and rose against 6 G10s amid receding Brexit jitters as PM May is said to continue seeking talks with the EU for concessions to improve the Brexit plan.
- **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 outlook is now more constructive for GBPUSD, with improved upward momentum that suggests a test at 1.2708 next. In any case, technical viewpoint will still play a secondary role to fundamental factors in driving GBPUSD.

JPY

- **JPY strengthened 0.27% to 112.52 against USD** and beat 8 G10s supported by lingering risk-off emanating from losses in Asian and European markets.
- **JPY remains bullish against USD** amid likelihood of extended sell-off in the markets and in the greenback after FOMC policy decision. USDJPY remains in bearish trend after breaking below 112.46. We now set sights on a drop to 111.63 soon.

AUD

- **AUD managed to pip USD by 0.03% to 0.7181** as risk appetite improved in the US session but remained subdued against 6 G10s.
- **Continue to expect a bearish AUD against USD** in anticipation of continued risk-off in the markets ahead of FOMC policy decision. 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 climbed 0.18% to 1.3703 against USD** and strengthened against 8 G10s as risk appetite improved in the US session.
- **We turn bullish on SGD in anticipation of a soft USD.** A bearish trend has emerged in USDSGD after extended losses. It is now likely to challenge 1.3678 soon, below which a drop to 1.3656 is expected.

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