

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks fell sharply overnight as investors continued to be spooked by the Fed's fresh guidance on interest rates on Thursday while at the same time the fear of a looming (partial) shutdown of the US government also helped drive interest away from the equity market. The Dow and S&P 500 each wiped out 1.99% and 1.58% whereas a loss of 1.63% sent the NASDAQ approaching the bear territory as it closed almost 20% lower than August record high. The Fed aftermath sent rippling effect across Europe and Asia as well where stocks were seen tumbling earlier in both regions. Yield rose across the curve- 2Y treasuries yield ended 2bps higher at 2.67% while 10Y yield rose by 6bps to 2.81%. Failing to sustain previous day's rallies, crude oil prices suffered the same fate alongside sliding equity- WTI slipped to 17-month low of \$45.88/barrel (-2.8%) while Brent dropped to a 16-month low of \$54.35/barrel (-5.1%). Thursday was also full of central bank meetings - the BOE and BOJ left their benchmark interest rates unchanged while the Bank of Indonesia also held its 7-day reverse repo rate steady at 6.0% to mark the end of a volatile year.
- At the data front, US initial jobless claims rose by 8k to 214k last week, Philly Fed Manufacturing Index slipped to 9.4 this month while Conference Board Leading Index increase by 0.2% in November. UK retail sales staged a recovery of 1.4% MOM in November during holiday season but consumer and business confidence weakened. In Japan, headline CPI eased to 0.8% YOY in November while core CPI (ex. fresh food) also dropped to 0.9% YOY. The All Industry Activity Index rebounded whereas machine tools orders contracted. Hong Kong CPI also eased to 2.6% YOY in November. New Zealand ANZ Consumer Confidence ticked up again this month alongside improvement in business confidence.
- **USD weakened against 8 G10s** on the back of receding expectations on the Fed to tighten policy more gradually than before, which led DXY to tumble in European morning and then US afternoon to close 0.78% lower at 96.27. **Stay bearish on USD** as markets continue to re-evaluate prospects of the Fed maintaining a tightening path on the back of losses in equities and softer growth outlook. Downsides in US data will likely add more pressure on USD. DXY is on the verge of completing a bearish pattern; downside break at 96.04 will likely trigger a drop to 95.75, below which 95.04 will be targeted.
- **MYR inched 0.05% firmer to 4.1770 against USD** after overturning early losses but slipped against 7 G10s. **MYR is likely neutral against USD** with room for minor gains as we expect the greenback to retreat further. 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	➔
UK	➔
Japan	➔
Hong Kong	➔
New Zealand	⬆️

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US 3Q GDP, Durable Goods Orders, Core Capital Orders, Personal Income, Personal Spending, Core PCE, U. of Mich. Sentiment
- Eurozone Consumer Confidence
- UK 3Q GDP

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1420	1.1439	1.1457	1.1472	1.1500	↗️
GBPUSD	1.2610	1.2647	1.2667	1.2686	1.2703	↗️
USDJPY	110.85	111.00	111.19	111.38	111.58	↘️
AUDUSD	0.7181	0.7100	0.7114	0.7125	0.7149	↘️
EURGBP	0.9011	0.9022	0.9044	0.9054	0.9069	↗️
USDMYR	4.1740	4.1765	4.1785	4.1800	4.1820	➔
EURMYR	4.7754	4.7800	4.7863	4.7885	4.7945	↗️
JPYMYR	3.7525	3.7550	3.7578	3.7600	3.7650	↗️
GBPMYR	5.2850	5.2900	5.2925	5.3015	5.3074	↗️
SGDMYR	3.0470	3.0485	3.0499	3.0512	3.0522	➔
AUDMYR	2.9652	2.9700	2.9724	2.9753	2.9804	↘️
NZDMYR	2.8235	2.8265	2.8303	2.8352	2.8390	➔
USDSGD	1.3669	1.3686	1.3700	1.3712	1.3721	↘️
EURSGD	1.5660	1.5681	1.5693	1.5724	1.5739	↗️
GBPSGD	1.7300	1.7337	1.7351	1.7364	1.7384	↗️
AUDSGD	0.9700	0.9724	0.9746	0.9761	0.9777	↘️

* 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	1,650.56	-0.31	-8.14	CRB Index	172.67	-2.01	-10.93
Dow Jones Ind.	22,859.60	-1.99	-7.52	WTI oil (\$/bbl)	45.88	-2.80	-24.48
S&P 500	2,467.42	-1.58	-7.71	Brent oil (\$/bbl)	54.35	-5.05	-18.72
FTSE 100	6,711.93	-0.80	-12.69	Gold (S/oz)	1,259.86	1.35	8.10
Shanghai	2,536.27	-0.52	-23.31	CPO (RM/tonne)	1,925.50	5.10	-19.44
Hang Seng	25,623.53	-0.94	-14.36	Copper (\$/tonne)	6,015.00	0.75	-17.00
STI	3,050.62	-0.26	-10.35	Rubber (sen/kg)	382.00	0.66	-17.41

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Philadelphia Fed Business Outlook	Dec	9.4	12.9	15.0
US Initial Jobless Claims	15 Dec	214k	206k	215k
US Leading Index	Nov	0.2%	-0.3% (revised)	0.0%
UK Retail Sales Inc Auto Fuel MOM	Nov	1.4%	-0.4% (revised)	0.3%
UK Bank of England Bank Rate	20 Dec	0.75%	0.75%	0.75%
UK GfK Consumer Confidence	Dec	-14.0	-13.0	-14.0
UK Lloyds Business Barometer	Dec	17.0	24.0	--
JP All Industry Activity Index MOM	Oct	1.9%	-0.9%	2.0%
JP Machine Tool Orders YOY	Nov F	-17.0%	-16.8%	--
JP Convenience Store Sales YOY	Nov	0.6%	-1.5%	--
JP BOJ Policy Balance Rate	20 Dec	0.0%	-0.1%	-0.1%
JP Natl CPI YOY	Nov	0.8%	1.4%	0.8%
JP Natl CPI Ex Fresh Food YOY	Nov	0.9%	1.0%	1.0%
HK CPI Composite YOY	Nov	2.6%	2.7%	2.5%
NZ ANZ Consumer Confidence Index	Dec	121.9	118.6	--

Source: Bloomberg

➤ Macroeconomics

- BOE left Bank Rate unchanged, said Brexit “uncertainties have intensified”:** The Bank of England MPC voted unanimously to leave the Bank Rate unchanged at 0.75% as widely expected. In the summary statement, the central bank pointed out that the near term outlook for global growth has softened and downside risks to growth have increased. The fall in oil prices means that CPI is likely to fall below 2% in coming months while the loosening fiscal policy in Budget 2018 will boost GDP by around 0.3%. Most notably, the central bank said that Brexit uncertainties have “intensified tremendously” and these uncertainties, coupled with the slowing economy has also weighed on the UK near term outlook for growth. The labour market remained tight, unemployment rate is likely to stay around 4.0% in the near term. It pointed out that regular wage growth has been stronger than anticipated but services CPI has been subdued, but household and professional forecasters’ inflation expectations have remained broadly unchanged. It emphasized that the broader economic outlook will have to depend significantly on the nature of EU withdrawal especially in the form of new trading agreement between the UK and EU.
- BOJ left monetary policy unchanged, Kuroda said risk tilted to downside:** The Bank of Japan held its ultra-loose monetary policy unchanged as widely expected by maintaining its policy-rate balances at -0.1% and 10-year JGB yield target at 0%. Asset purchase program were unchanged as well with the pace of purchase of JGBs, ETF, J-REITs, CP and corporate bonds all remained the same. The central bank maintained its economic assessment on the current conditions as well as outlook in the official statement. The economy is expected to expand moderately while inflation to increase gradually towards its 2% target. In a post-meeting press conference, BOJ Governor Haruhiko Kuroda said that the risks are tilted towards the downside and the central bank will add stimulus if necessary. Japan’s economic fundamentals remain solid while currency is stable. He said that current JGB yield moves are natural, and it’s not a problem if yields should fall into negative range, and it’s too early to talk about exit.
- US initial jobless claims remained steadily low, Philly Fed Index slipped:** Initial jobless claims rose by 8k to 214k for the week ended 15 December (previous: 206k) bringing the four-week moving average to 222k (previous: 224.75k) reflecting a continuously tight labour market in the US. Meanwhile, the latest Philadelphia Fed Manufacturing Business Outlook Survey reported that the index for current general activities inched lower to 9.4 in December (Nov: 12.9) suggesting a slower expansion of the region’s manufacturing sector. Last but not least, the Conference Board Leading Index ticked up by 0.2% in November (Oct: -0.3% revised) following a decline in the previous month but overall pace of improvement has slowed in the last two months. Conference Board said that the solid GDP growth should continue in early 2019 but the index suggests that the economy is likely to moderate further in 2H2019.
- UK retail sales staged a recovery in holiday season:** Retail sales rebounded to increase 1.4% MOM in November (Oct: -0.4% revised) as consumers ramped up spending in holiday season. The faster gain in sales was driven by the sales of textile, clothing & footwear as well as household goods. Online retailers also saw an improvement in businesses as non-store retail sales expanded by 2.2% MOM (Oct: -0.1%). In a separate release this morning, the GfK Consumer Index slid further to -14.0 in December (Nov: -13.0) while the Lloyds Business Barometer fell sharply to 17.0 in the same month (Nov: 24) indicating a weakening of confidence level among UK consumers and businesses. This was hardly surprising considering the fact that the UK government still hasn’t struck a Brexit deal even when 2018 is coming to an end.

- Japan inflation stayed subdued, all industry index rebounded, foreign demand for machine tools fell:** Headline CPI matched estimated to clock in at 0.8% YOY in November (Oct: +1.4%), driven by a slower gain in overall food prices where prices of fresh food (within total food) contracted by 1.4% YOY following a surge in the previous month. Excluding fresh food, core CPI missed expectations as it slid further away from the BOJ's 2% target, easing to 0.9% YOY (Oct: +1.0%) reaffirming a lack of inflationary pressure in the Japanese economy. In a separate release yesterday, the All Industry Activity Index rebounded to increase by 1.9% MOM in October (Sep: -1.0% revised) effectively improving the 3-month annualized growth to -0.3% from -3.0% in the previous month. The rebound was led by the recovery in the services and manufacturing sector which have been disrupted in September in the wake of multiple natural disasters. Meanwhile, the final reading of machine tools orders growth was revised downward from -16.8% to -17.0% YOY in November (Oct: -0.7%). The continuously healthy growth in domestic orders (+6.0% vs +1.7%) was more than offset by the plunge in foreign orders (-28.9% vs -2.4%) suggesting a weaker external demand for Japanese machinery tools. The sharp fall was also partly distorted by unfavourable base in the previous year where orders had risen by a whopping 46.8% YOY. Last but not least, convenience store sales increased by 0.6% YOY on same store basis in November (Oct: -1.5%).
- Hong Kong inflation eased in November:** The CPI Composite Index eased from previous month to record a gain of 2.6% YOY in November (Oct: +2.7%) as prices of food, utilities, alcohol & tobacco grew at a slower pace while that of clothing & footwear declined. Cost of housing continued to register faster gain compared to the previous year mainly due to the one-off increase in public housing rent in September whereas cost of miscellaneous services also quickened. Core inflation meanwhile ticked lower to 2.9% YOY (Oct: +3.0%).
- New Zealand saw improvement in consumer confidence:** The ANZ Consumer Confidence Index inched up for the second consecutive month to 121.9 in December (Nov: 118.6) suggesting a strengthening of consumer sentiments alongside the improvement in business confidence this month. Despite that, we are not sure how long this upturn could last as sentiments among consumers and businesses alike might be affected by a much slower 3Q GDP growth reported yesterday.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
21/12	Malaysia	Foreign Reserves	14 Dec	--	\$102.0b	--
21/12	US	GDP Annualized QOQ	3Q T	3.5%	3.5%	--
		Durable Goods Orders	Nov P	1.6%	-4.3%	--
		Cap Goods Orders Nondef Ex Air	Nov P	0.2%	0.0%	--
		Personal Income	Nov	0.3%	0.5%	--
		Personal Spending	Nov	0.3%	0.6%	--
		PCE Deflator YOY	Nov	1.8%	2.0%	--
		PCE Core YOY	Nov	1.9%	2.0%	--
		U. of Mich. Sentiment	Dec F	97.4	97.5	--
22/12		Kansas City Fed Manf. Activity	Dec	13.0	15.0	--
24/12		Chicago Fed Nat Activity Index	Nov	--	0.24	--
21/12	Eurozone	Consumer Confidence	Dec A	-4.3	-3.9	--
21/12	UK	GDP QOQ	3Q F	0.6%	0.6%	--
24/12	Singapore	CPI YOY	Nov	0.6%	0.7%	--
		CPI Core YOY	Nov	1.9%	1.9%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1446	0.62	1.1486	1.1372	-4.56
GBPUSD	1.2656	0.36	1.2707	1.2608	-6.24
USDJPY	111.28	-1.07	112.60	110.81	-11.36
AUDUSD	0.7108	-0.01	0.7149	0.7086	-8.82
EURGBP	0.9043	0.25	0.9055	0.9008	1.84
USDMYR	4.1770	-0.04	4.1875	4.1770	3.23
EURMYR	4.7944	0.74	4.8010	4.7572	-1.11
JPYMYR	3.7378	0.49	3.7448	3.7132	3.97
GBPMYR	5.2949	0.11	5.3055	5.2743	-3.09
SGDMYR	3.0522	-0.02	3.0543	3.0457	0.77
AUDMYR	2.9761	-1.00	2.9804	2.9660	-5.87
NZDMYR	2.8235	-1.52	2.8390	2.8154	-1.96
CHFMYR	4.2176	0.06	4.2205	4.2010	1.65
CNYMYR	0.6060	-0.02	0.6069	0.6050	-2.54
HKDMYR	0.5340	-0.02	0.5351	0.5339	3.11
USDSGD	1.3707	-0.13	1.3732	1.3669	2.52
EURSGD	1.5691	0.51	1.5724	1.5600	-2.22
GBPSGD	1.7346	0.23	1.7384	1.7296	-3.98
AUDSGD	0.9744	-0.12	0.9781	0.9727	-6.60

Source: Bloomberg

Forex

MYR

- **MYR inched 0.04% firmer to 4.1770 against USD** after overturning early losses but slipped against 7 G10s.
- **MYR is likely neutral against USD** with room for minor gains as we expect the greenback to retreat further. 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 weakened against 8 G10s** on the back of receding expectations on the Fed to tighten policy more gradually than before, which led DXY to tumble in European morning and then US afternoon to close 0.78% lower at 96.27.
- **Stay bearish on USD** as markets continue to re-evaluate prospects of the Fed maintaining a tightening path on the back of losses in equities and softer growth outlook. Downsides in US data will likely add more pressure on USD. DXY is on the verge of complete a bearish pattern; downside break at 96.04 will likely trigger a drop to 95.75, below which 95.04 will be targeted.

EUR

- **EUR jumped 0.62% to 1.1446 against a weak USD** and strengthened against 5 G10s.
- **EUR is bullish in line with our view of a soft USD.** EURUSD now needs to break above 1.1472 to complete a bullish chart pattern that suggests a rally to 1.1580 in the next leg higher. In between, there may be modest pullbacks but holding above 1.1400 is likely to sustain a bullish bias.

GBP

- **GBP climbed 0.36% to 1.2656 against a weak USD** but fell against 6 G10s as buying interest remains weighed down by Brexit uncertainties.
- **Maintain 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 remains constructive for GBPUSD, with improved upward momentum that hints at a potential climb to 1.2720. In any case, technical viewpoint will still play a secondary role to fundamental factors in driving GBPUSD.

JPY

- **JPY surged 1.07% to 111.28 against a weak USD** and strengthened against 8 G10s, supported by firm refuge demand amid extended declines in equities.
- **Stay bullish on JPY against USD** amid likelihood of extended sell-off in the markets and in the greenback after FOMC policy decision. USDJPY remains in bearish trend and we continue to set sights on a drop to 111.63 soon. But caution that after yesterday's sharp losses, there is room for a modest rebound but this would likely fizzle out before 112.00.

AUD

- **AUD dipped 0.01% to 0.7108 against USD** and fell against 8 G10s as downside pressure continues to prevail following extended decline in equities.
- **Continue to expect a bearish AUD against USD** in anticipation of continued risk-off in the markets. Bearish trend has solidified, thus expect AUDUSD to remain subdued going forward, with scope to test 0.7085 in the next leg lower. Below this, AUDUSD is set to revisit 0.7020 – 0.7040.

SGD

- **SGD advanced 0.13% to 1.3707 against a weak USD** but retreated against 8 G10s as downsides in equities continue to weigh.
- **We keep a slightly bullish view on SGD in anticipation of a soft USD.** A bearish trend continues to prevail in USDSGD after extended losses. It is now likely to challenge 1.3678 soon, below which a drop to 1.3621 is expected.

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