

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks shrugged off early trading losses to end the day higher** with the Dow rising 1.1% whilst the S&P 500 trailed with a 0.9% gain. Major **European stock indices however ended in the red** as it reopened post Christmas holidays. UST benefitted from safety bids again, with yields gyrating lower by 1-6bps across, bull steepening the curve. Asian stocks were mostly higher on the back of the 5% rally in US equities the day before. The Dollar Index trended steadily lower through the day, amid **renewed risk off in the markets following weaker US consumer confidence and comments from former Fed Governor Lindsey echoing calls for slower rate hikes**. Brent crude fell again by 4.2% to \$52.2/ barrel.
- **Overnight economic releases were largely negative save for Vietnamese data that showed the economy accelerated to grow 7.1% in 2018 (2017: +6.8%), maintaining its status as one of the fastest growing economies in the region.** US consumer confidence was weaker than expected, China industrial profits fell for the first time in almost three years, housing starts, industrial production and retail trade all contracted in Japan, and Hong Kong export unexpectedly fell.
- **USD slipped against 6 G10s** while the DXY retreated through Asian and European sessions before bouncing off intraday low in US afternoon, closing 0.59% lower at 96.48 amid continued US government shutdown that weighs on sentiment. **We maintain a bearish view on USD** in anticipation of extended downside pressure from US government shutdown and softening Fed rate hike outlook. Downward momentum still points to further losses in DXY and losing 96.72 overnight reinforces this view. We expect DXY to take aim at 96.04 next, below which a bearish chart pattern will be completed and likely head for circa 95.00.
- **MYR strengthened 0.30% to 4.1650 against a weak USD** and advanced against 8 G10s, lifted by firmer risk appetite in the Asian trade. **Expect a neutral MYR against USD**, with some inclination towards slight gains as the greenback stays soft. We maintain that USDMYR has topped in our view, and will gradually head lower to complete a bearish chart pattern. With downward momentum increasing, USDMYR is vulnerable to a break below 4.1616, below which 4.1510 will be left exposed.
- **SGD inched 0.09% firmer to 1.3708 against a weak USD** but ended mixed against the G10s. **Continue to expect a slightly bullish SGD in line with our view of a soft USD.** Technical outlook continues to deteriorate and we maintain the view of a drop below 1.3700 going forward. Losing this will accelerate the bears and position USDSGD for an attack at 1.3662 in the next leg lower.

Overnight Economic Data

US	➔
Japan	⬇
China	⬇
Japan	⬇
Hong Kong	⬇
Vietnam	⬆

What's Coming Up Next

Major Data

- US Chicago PMI, pending home sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1407	1.1420	1.1436	1.1442	1.1474	↗
GBPUSD	1.2616	1.2631	1.2645	1.2653	1.2672	↗
USDJPY	110.56	110.80	110.91	111.03	111.23	↘
AUDUSD	0.7000	0.7020	0.7032	0.7050	0.7065	↘
EURGBP	0.9014	0.9033	0.9046	0.9054	0.9069	↗
USDMYR	4.1630	4.1645	4.1655	4.1670	4.1690	↘
EURMYR	4.7600	4.7638	4.7661	4.7692	4.7754	↗
JPYMYR	3.7500	3.7547	3.7566	3.7590	3.7620	↘
GBPMYR	5.2622	5.2650	5.2679	5.2709	5.2743	↘
SGDMYR	3.0362	3.0375	3.0389	3.0400	3.0412	➔
AUDMYR	2.9228	2.9250	2.9298	2.9369	2.9395	↘
NZDMYR	2.7885	2.7900	2.7911	2.7928	2.7950	↘
USDSGD	1.3687	1.3700	1.3709	1.3713	1.3724	↘
EURSGD	1.5654	1.5671	1.5683	1.5693	1.5705	↗
GBPSGD	1.7300	1.7311	1.7335	1.7353	1.7382	↗
AUDSGD	0.9600	0.9624	0.9640	0.9652	0.9667	↘

* 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	1,690.72	1.08	-5.90	CRB Index	170.49	-1.42	-12.06
Dow Jones Ind.	23,138.82	1.14	-6.39	WTI oil (\$/bbl)	44.61	-3.48	-26.17
S&P 500	2,488.83	0.86	-6.91	Brent oil (\$/bbl)	52.16	-4.24	-22.00
FTSE 100	6,584.68	-1.52	-14.35	Gold (\$/oz)	1,275.68	0.67	8.10
Shanghai	2,483.09	-0.61	-24.92	CPO (RM/tonne)	1,965.50	0.31	-17.76
Hang Seng	25,478.88	-0.67	-14.84	Copper (\$/tonne)	5,955.50	-0.59	-17.82
STI	3,044.74	1.12	-10.53	Rubber (sen/kg)	377.50	0.80	-18.38

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US initial jobless claims	Dec 22	216k	217k (revised)	216k
US Conference Board consumer confidence	Dec	128.1	136.4 (revised)	133.5
JP housing starts YOY	Nov	-0.6%	0.3%	-0.1%
JP jobless rate	Nov	2.5%	2.4%	2.4%
JP industrial production MOM	Nov P	-1.1%	2.9%	-1.5%
JP retail trade YOY	Nov	1.4%	3.6% (revised)	2.1%
CH industrial profits YOY	Nov	-1.8%	3.6%	--
HK exports YOY	Nov	-0.8%	14.6%	7.7%
VN GDP YOY	4Q	7.30%	6.88%	--
VN CPI YOY	Dec	2.98%	3.46%	3.40%
VN exports YTD YOY	Dec	13.8%	14.4%	14.3%
VN industrial production YOY	Dec	11.4%	9.6%	--
VN retail sales YOY	Dec	11.7%	11.5%	--

Source: Bloomberg

➤ Macroeconomics

- US initial jobless claims:** Initial jobless claims was little changed at 216k for the week ended 22-Dec (prior: 217k revised) while continuing claims edged slightly lower to 1701k (prior: 1705k revised), reaffirming the case of a still tight job market despite recent slowing in economic activities.
- US consumer confidence:** Conference Board consumer confidence deteriorated more than expected to a 5-month low of 128.1 in December, from an upwardly revised 136.4 a month ago. Consumers have turned less optimistic over present as well as future outlook, on reduced optimism on both employment and income prospects. This shall exert some downward pressure on consumer spending and retail sales going forward as consumers hold back on spending plans on automotive, houses and major appliances.
- ECB economic bulletin:** The ECB offered little new insights in its latest economic bulletin. While the central bank decided to end its net asset purchase in December 2018, it reinforced the view that significant monetary policy stimulus is still needed to support further build-up of domestic price pressures and headline inflation developments over the medium term. It also reiterated that incoming information has been weaker than expected, reflecting softer external demand but also some country and sector-specific factors.
- Japan housing starts fell more than expected in Nov:** Housing starts fell more than expected by 0.6% YOY in November (Oct: +0.3% YOY) as further declines in housing for rent outweighed growth in housing for sale. Meanwhile, construction orders extended its decline albeit at a smaller rate of 10.7% YOY in November (Oct: -16.5%), adding to signs of further weakness in the housing market as the Japanese economy faces looming downside growth risks and struggles to shrug off fallout from natural disasters.
- Japan jobless rate edged up:** Jobless rate unexpectedly edged a notch up to 2.5% in November. This marked its 2nd straight month of upticks as a result of increase in the number of unemployed for the 2nd straight month despite increases in the overall labour force. In line with overall weaker momentum in the Japanese economy, industrial production fell 1.1% MOM in November (Oct: +2.9%). Meanwhile, retail trade grew at a softer than expected pace of 1.4% YOY in November (Oct: +3.6% revised) and fell 1.0% MOM (Oct: +1.3%). Retail sales, departmental store sales, and supermarket sales all fell in November signaling weaker consumer spending.
- China industrial profits fell in Nov:** Industrial profits in China fell for the first time in almost three years, by 1.8% YOY in November (Oct: +3.6% YOY) as sales growth slowed to 9.1% YOY during the month (Oct: +9.3%). Industrial profits have been trending south for the 7th straight month now as companies grappled with slower economic growth, rising costs and ongoing disputes between the US and China. Softer growth outlook will continue to exert downward pressure on companies' profits going forward.
- Hong Kong exports staged a surprised decline in Nov led by contraction in China:** Exports unexpectedly fell 0.8% YOY in November (Oct: +14.6%), marking its first decline since Jan-17 hit by declines in shipment to China, Germany and Taiwan while export to the US also grew at half the pace of October (+5.0% in November vs +10.3% in October). Meanwhile, imports pulled back substantially to grow a minute 0.5% YOY in November (Oct: +13.1%) Trade balance widened slightly to HKD\$45.0bn (Oct: -HKD\$44.5bn) as the 5.0% MOM fall in exports outweighed the decline in imports (-4.4%)

- Vietnam data remains generally upbeat:** Vietnam 4Q GDP picked up to increase 7.30% YOY in 4Q (3Q: +6.88%), bringing full year GDP growth to 7.08% YOY (2017: +6.81%), as quicker growth in agriculture/ forestry/ fishery (+3.76% vs +2.90%) and industry/ construction (+8.85% vs +8.00%) offset slower growth in services (+7.03% vs +7.44%). Industrial production grew at a faster pace of 11.4% YOY (Nov: +9.6%) as faster growth in manufacturing and utilities overshadowed a decline in mining & quarrying. Reflective of still favourable consumer spending, retail sales grew at a slightly faster pace of 11.7% YOY YTD December (YTD Nov: +11.5%), as a result of higher growth in trade, and hotel/ restaurants. Exports growth however moderated more than expected to 13.8% YOY YTD December (YTD Nov: +14.4%) amid a slower external environment. In line with this, imports also grew at a slower pace of 11.5% YOY YTD December (YTD Nov: +12.4%). Trade deficit narrowed to \$200m from \$400m a month ago.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
28/12	US	Chicago Purchasing Manager	Dec	61.0	66.4	--
		Pending home sales	Nov	1.0%	-2.6%	--
28/12-11/1		New home sales MOM	Nov	4.0%	-8.9%	--
31/12		Dallas Fed manufacturing activity	Dec	17.0	17.6	--
31/12	China	PMI manufacturing	Dec	50.0	50.0	--
		PMI services	Dec	53.1	53.4	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1430	0.68	1.1454	1.1352	-4.76
GBPUSD	1.2644	0.09	1.2675	1.2616	-6.45
USDJPY	111.01	-0.32	111.37	110.46	-1.60
AUDUSD	0.7033	-0.47	0.7078	0.7017	-9.92
EURGBP	0.9041	0.61	0.9061	0.8975	1.85
USDMYR	4.1650	-0.30	4.1785	4.1650	2.92
EURMYR	4.7694	-0.20	4.7575	4.7439	-1.76
JPYMYR	3.7716	-0.51	3.7687	3.7547	4.51
GBPMYR	5.2997	-0.46	5.2913	5.2764	-3.62
SGDMYR	3.0465	-0.34	3.0459	3.0359	0.30
AUDMYR	2.9562	-0.25	2.9566	2.9391	-7.34
NZDMYR	2.8184	-0.47	2.8151	2.7982	-3.10
CHFMYR	4.2087	-0.52	4.2117	4.1992	1.72
CNYMYR	0.6067	0.10	0.6076	0.6058	-2.32
HKDMYR	0.5343	-0.24	0.5337	0.5321	2.68
USDUSD	1.3708	-0.09	1.3738	1.3706	2.63
EURUSD	1.5669	0.58	1.5708	1.5572	-2.32
GBPUSD	1.7333	-0.01	1.7393	1.7314	-4.09
AUDUSD	0.9640	-0.58	0.9713	0.9624	-7.63

Source: Bloomberg

MYR

- **MYR strengthened 0.30% to 4.1650 against a weak USD** and advanced against 8 G10s, lifted by firmer risk appetite in the Asian trade.
- **Expect a neutral MYR against USD**, with some inclination towards slight gains as the greenback stays soft. We maintain that USDMYR has topped in our view, and will gradually head lower to complete a bearish chart pattern. With downward momentum increasing, USDMYR is vulnerable to a break below 4.1616, below which 4.1510 will be left exposed.

USD

- **USD slipped against 6 G10s** while the DXY retreated through Asian and European sessions before bouncing off intraday low in US afternoon, closing 0.59% lower at 96.48 amid continued US government shutdown that weighs on sentiment.
- **We maintain a bearish view on USD** in anticipation of extended downside pressure from US government shutdown and softening Fed rate hike outlook. Downward momentum still points to further losses in DXY and losing 96.72 overnight reinforces this view. We expect DXY to take aim at 96.04 next, below which a bearish chart pattern will be completed and likely head for circa 95.00.

EUR

- **EUR jumped 0.68% to 1.1430 against a weak USD** and climbed against 6 G10s.
- **Stay bullish on EUR in line with our view of a softer USD.** EURUSD has reinstated its bullish bias after retaking 1.1400. Expect another test at 1.1454, above which EURUSD will attempt to challenge 1.1474, the threshold above which a bullish chart pattern will be completed and likely head for 1.1580.

GBP

- **GBP inched 0.09% higher to 1.2644 against a weak USD** but fell against 5 G10s in the absence of positive catalysts to drive gains.
- **Continue to expect a slightly bullish GBP against USD**, supported by receding Brexit jitters. A slight bullish bias continues to prevail in GBPUSD, thus we expect some gains going forward. We expect a break above 1.2703, but will be increasingly prone to rejection approaching 1.2728.

JPY

- **JPY strengthened 0.32% to 111.01 against a weak USD** and advanced against 5 G10s, supported by renewed risk-off in the markets.
- **JPY is slightly bullish against USD** as we anticipate extended risk-off in the markets. USDJPY still carries at bearish bias and is likely to attempt a test at 110.32.

AUD

- **AUD weakened 0.47% to 0.7033 against USD** and tumbled to the bottom of the G10 list as risk appetite waned.
- **We now turn slightly bearish on AUD against USD**, anticipating extended declines in equities having more downside effect on greenback weakness. AUDUSD was prevented from further gains by 0.7078 and the result of this rejection is likely to sustain for today. Expect a subdued AUDUSD today, but caution that a rebound looks more likely than not going forward.

SGD

- **SGD inched 0.09% firmer to 1.3708 against a weak USD** but ended mixed against the G10s.
- **Continue to expect a slightly bullish SGD in line with our view of a soft USD.** Technical outlook continues to deteriorate and we maintain the view of a drop below 1.3700 going forward. Losing this will accelerate the bears and position USDSGD for an attack at 1.3662 in the next leg lower.

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