

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks got a boost on the final day of 2018** as the Dow, S&P 500 and NASDAQ each snapped a gain of 1.15% (+265.1pts), +0.85% (+21.1pts) and 0.77% (+50.8pts). **Year to date, all three benchmarks ended in the red as the selloff** in the fourth quarter more than reversed gains made in the first nine months - the Dow, S&P 500 and NASDAQ lost 5.6%, 6.2% and 3.9% respectively in 2018. Investors grabbed US government papers before the year ends leading treasuries to rally - 2Y and 10Y yield each fell to 2.49% (-3bps) and 2.68% (-4bps) **Crude oil managed to inch upwards** - WTI settled slightly higher at \$45.41/barrel (+0.18%) while Brent crude saw a more meaningful gain closing at \$53.80/barrel (+1.11%).
- Limited data releases on new year eve. In the US, the latest **Texas Manufacturing Outlook** Survey reported that the general business activity index **plummeted 23 points to -5.1, the lowest level since mid-2016**. Meanwhile, **China official NBS Manufacturing PMI dropped below the neutral line of 50.0 to 49.4 in December, indicating a contraction. The Non-Manufacturing PMI rebounded to 53.8 in December** mainly contributed by the faster expansion of new order. **The advance estimate of Singapore 4Q GDP growth clocked in at 2.2% YOY bringing the full year 2018 GDP growth to 3.3% YOY**, down from 2017's 3.6% but within MAS revised forecast range of 3.0-3.5%.
- **USD inched firmer against 6 G10s**, supported by buying interest amid closure of major markets for New Year holiday. DXY however, ended 0.09% lower at 96.08, pulled down by a rally in CHF. **Expect USD to remain bearish** in anticipation of sustained downside pressure from prolonged US government shutdown and softening Fed rate hike outlook. We continue to set sights on DXY taking aim at 96.04, below which a bearish chart pattern will be completed and likely head for circa 95.00.
- **MYR rallied another 0.49% to close 4.1335 against a soft USD** on Monday and extended its advance against 8 G10s. **Expect a slightly bullish MYR against a soft USD** though gains may be modest amid still fragile market sentiment. We maintain that USDMYR has completed a bearish chart pattern, which suggests a drop to circa 4.1230 in the coming weeks.
- **SGD slipped 0.02% to 1.3632 against USD** but managed to climb against 6 G10s. **Continue to expect a slightly bullish SGD in line with our view of a soft USD**. Downward momentum has increased further, keeping USDSGD pressured. Modest bounces after recent losses cannot be ruled out, but we expect gains to fizzle out at 1.3653 before heading lower thereafter.

#### Overnight Economic Data

|           |   |
|-----------|---|
| US        | ↓ |
| China     | → |
| Singapore | ↓ |

#### What's Coming Up Next

##### Major Data

- Malaysia Nikkei PMI
- US Markit Manufacturing PMI
- Eurozone Markit Manufacturing PMI
- UK Markit Manufacturing PMI SA
- China Caixin PMI
- Vietnam Nikkei Manufacturing PMI

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

|        | S2     | S1     | Indicative | R1     | R2     | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1436 | 1.1454 | 1.1459     | 1.1474 | 1.1483 | ↗       |
| GBPUSD | 1.2707 | 1.2729 | 1.2748     | 1.2769 | 1.2791 | ↗       |
| USDJPY | 109.30 | 109.55 | 109.61     | 109.73 | 110.00 | ↘       |
| AUDUSD | 0.7000 | 0.7020 | 0.7039     | 0.7046 | 0.7070 | ↘       |
| EURGBP | 0.8975 | 0.8983 | 0.8986     | 0.8995 | 0.9000 | ↘       |
| USDMYR | 4.1300 | 4.1320 | 4.1345     | 4.1370 | 4.1390 | ↘       |
| EURMYR | 4.7300 | 4.7329 | 4.7367     | 4.7397 | 4.7423 | ↗       |
| JPYMYR | 3.7633 | 3.7673 | 3.7700     | 3.7754 | 3.7800 | ↗       |
| GBPMYR | 5.2650 | 5.2671 | 5.2703     | 5.2740 | 5.2780 | ↗       |
| SGDMYR | 3.0279 | 3.0300 | 3.0319     | 3.0340 | 3.0359 | ↘       |
| AUDMYR | 2.9074 | 2.9100 | 2.9113     | 2.9135 | 2.9165 | ↘       |
| NZDMYR | 2.7720 | 2.7750 | 2.7766     | 2.7780 | 2.7800 | ↘       |
| USDSGD | 1.3621 | 1.3632 | 1.3637     | 1.3646 | 1.3653 | ↘       |
| EURSGD | 1.5590 | 1.5610 | 1.5621     | 1.5624 | 1.5648 | ↘       |
| GBPSGD | 1.7333 | 1.7352 | 1.7383     | 1.7391 | 1.7422 | ↗       |
| AUDSGD | 0.9575 | 0.9588 | 0.9601     | 0.9624 | 0.9640 | ↘       |

\* 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           | 1,690.58   | -0.09 | -5.9   | CRB Index          | 169.80     | -0.68 | -12.79 |
| Dow Jones Ind. | 23,327.46  | 1.15  | -5.63  | WTI oil (\$/bbl)   | 45.41      | 0.18  | -24.84 |
| S&P 500        | 2,506.85   | 0.85  | -6.24  | Brent oil (\$/bbl) | 53.80      | 3.07  | -19.55 |
| FTSE 100       | 6,728.13   | -0.09 | -12.48 | Gold (\$/oz)*      | 1,282.60   | 0.01  | -0.08  |
| Shanghai       | 2,493.90   | 0.44  | -25.52 | CPO (RM/tonne)     | 1,952.50   | -1.49 | -18.31 |
| Hang Seng      | 25,845.70  | 1.34  | -13.6  | Copper (\$/tonne)  | 5,965.00   | -0.53 | -17.69 |
| STI            | 3,068.76   | 0.50  | -10.54 | Rubber (sen/kg)    | 379.00     | -0.13 | -18.05 |

Source: Bloomberg

All indexes closing are for 31 Dec 2018

\*Closing for 1 Jan 2019

## Economic Data

|                             | For | Actual | Last              | Survey |
|-----------------------------|-----|--------|-------------------|--------|
| US Dallas Fed Manf Activity | Dec | -5.1   | 17.6              | 15.0   |
| China Manufacturing PMI     | Dec | 49.4   | 50.0              | 50.0   |
| China Non-Manufacturing PMI | Dec | 53.8   | 53.4              | 53.2   |
| SG GDP YOY                  | 4QA | 2.2%   | 2.3%<br>(revised) | 2.5%   |

Source: Bloomberg

## Macroeconomics

- US Dallas Fed Manufacturing Index slumped to lowest level since mid-2016:** The latest Texas Manufacturing Outlook Survey reported that the general business activity index plummeted 23 points to -5.1, the lowest level since mid-2016 suggesting that perceptions of broader business conditions in the region turned negative in December. Other sub-indexes indicated modest expansion in the manufacturing sector as productions, capacity utilisation and shipments recorded lower reading. Labour market measures also pointed to slower employment growth while price pressures were seen easing as well. The good news is that the new order index inched up higher reflecting a pick-up in demand.
- China factories activities contracted:** China manufacturing sector contracted for the first time since February 2016 as the official NBS Manufacturing PMI dropped below the neutral line of 50.0 to 49.4 in December (Nov: 50.0). The contraction was driven by a broad-based decline where the fall in new orders, raw materials inventories, employment, new exports orders, imports and input prices were seen dragging down the overall index, confirming that factories in China from small to large are facing huge pressure amidst economic slowdown and ongoing trade dispute with the US.
- China services sector growth rebounded:** In contrast, the services sector is seen holding up as the NBS Non-Manufacturing PMI rebounded to 53.8 in December (Nov: 53.4). The upturn was mainly contributed by the faster expansion of new order as selling prices, employment, new exports orders and inventories continued to contract in December, suggesting that the services sector is struggling (albeit less so compared to manufacturing) against a slower growth backdrop as well.
- Singapore advance 4Q GDP reading missed estimates:** The advance estimate of Singapore 2018 4Q GDP growth clocked in at 2.2% YOY (3Q: +2.3% revised), easing slightly from the revised 2.3% YOY observed in the third quarter. In 4Q, the manufacturing sector expanded by 5.5% YOY (3Q: +3.7%) whereas the services sector experienced a much milder growth rate of 1.9% YOY (3Q: +2.6%). The slower growth reaffirmed the loss in momentum in the Singapore economy which had earlier recorded impressive growth of above 4% for the first two quarters of 2018. The latest 4Q release thus brings the full year 2018 GDP growth to tick down to 3.3% YOY compared to 3.6% YOY in 2017.

## Economic Calendar

| Date  | Country   | Events                            | Reporting Period | Survey | Prior | Revised |
|-------|-----------|-----------------------------------|------------------|--------|-------|---------|
| 02/01 | Malaysia  | Nikkei Malaysia PMI               | Dec              | --     | 48.2  | --      |
| 02/01 | US        | Markit US Manufacturing PMI       | Dec F            | 58.2   | 55.3  | --      |
| 03/01 |           | MBA Mortgage Applications         | 28 Dec           | --     | -5.8% | --      |
|       |           | ADP Employment Change             | Dec              | 180k   | 179k  | --      |
|       |           | Construction Spending MOM         | Nov              | 0.3%   | -0.1% | --      |
|       |           | Initial Jobless Claims            | 29 Dec           | 220k   | 216k  | --      |
|       |           | ISM Manufacturing                 | Dec              | 57.6   | 59.3  | --      |
|       |           | ISM Prices Paid                   | Dec              | 57.8   | 60.7  | --      |
| 02/01 | Eurozone  | Markit Eurozone Manufacturing PMI | Dec F            | 51.4   | 51.8  | --      |
| 02/01 | UK        | Markit UK PMI Manufacturing SA    | Dec              | 52.5   | 53.1  | --      |
| 03/01 |           | Markit/CIPS UK Construction PMI   | Dec              | 52.9   | 53.4  | --      |
| 03/01 | Hong Kong | Retail Sales Value YOY            | Nov              | 4.5%   | 5.9%  | --      |
| 02/01 | China     | Caixin China PMI Mfg              | Dec              | 50.2   | 50.2  | --      |
| 03/01 | Singapore | Purchasing Managers Index         | Dec              | --     | 51.5  | --      |
| 02/01 | Vietnam   | Nikkei Vietnam PMI Mfg            | Dec              | --     | 56.5  | --      |

Source: Bloomberg

## Forex

|        | Last Price | DoD % | High   | Low    | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1465     | -0.02 | 1.1468 | 1.1413 | -0.01 |
| GBPUSD | 1.2740     | -0.11 | 1.2831 | 1.2689 | -0.03 |
| USDJPY | 109.74     | 0.05  | 110.03 | 109.57 | 0.00  |
| AUDUSD | 0.7053     | 0.06  | 0.7075 | 0.7022 | -0.06 |
| EURGBP | 0.8988     | -0.02 | 0.9028 | 0.8974 | 0.04  |
| USDMYR | 4.1335     | -0.49 | 4.1490 | 4.1335 | 0.00  |
| EURMYR | 4.7273     | -0.55 | 4.7518 | 4.7262 | 0.00  |
| JPYMYR | 3.7578     | -0.21 | 3.7656 | 3.7463 | 0.00  |
| GBPMYR | 5.2676     | 0.15  | 5.2736 | 5.2476 | 0.00  |
| SGDMYR | 3.0359     | -0.13 | 3.0403 | 3.0301 | 0.00  |
| AUDMYR | 2.9230     | -0.29 | 2.9276 | 2.9163 | 0.00  |
| NZDMYR | 2.7787     | -0.35 | 2.7859 | 2.7761 | 0.00  |
| CHFMYR | 4.1992     | -0.48 | 4.2225 | 4.1951 | 0.00  |
| CNYMYR | 0.6052     | -0.35 | 0.6071 | 0.6052 | 0.00  |
| HKDMYR | 0.5282     | -0.51 | 0.5304 | 0.5281 | 0.00  |
| USDSGD | 1.3632     | 0.02  | 1.3650 | 1.3607 | 0.01  |
| EURSGD | 1.5629     | 0.00  | 1.5714 | 1.5533 | 0.00  |
| GBPSGD | 1.7366     | -0.10 | 1.7456 | 1.7307 | -0.02 |
| AUDSGD | 0.9614     | 0.08  | 0.9639 | 0.9547 | -0.03 |

Source: Bloomberg

\* MYR pairs last closed on 31 Dec 2018

\*\* CNYMYR last closed on 28 Dec 2018

### MYR

- **MYR rallied another 0.49% to close 4.1335 against a soft USD** on Monday and extended its advance against 8 G10s.
- **Expect a slightly bullish MYR against a soft USD** though gains may be modest amid still fragile market sentiment. We maintain that USDMYR has completed a bearish chart pattern, which suggests a drop to circa 4.1230 in the coming weeks.

### USD

- **USD inched firmer against 6 G10s**, supported by buying interest amid closure of major markets for New Year holiday. DXY however, ended 0.09% lower at 96.08, pulled down by a rally in CHF.
- **Expect USD to remain bearish** in anticipation of sustained downside pressure from prolonged US government shutdown and softening Fed rate hike outlook. We continue to set sights on DXY taking aim at 96.04, below which a bearish chart pattern will be completed and likely head for circa 95.00.

### EUR

- **EUR dipped 0.02% to 1.1465 against USD** but managed to close higher against 6 G10s amid thin trading.
- **Stay bullish on EUR in line with our view of a softer USD.** EURUSD has broken above 1.1454 and is now lined up to challenge 1.1474, the threshold above which a bullish chart pattern will be completed and likely head for 1.1580. Caution that losses below 1.1444 increases the risk of EURUSD failing to push higher.

### GBP

- **GBP fell 0.11% to 1.2740 against USD** and retreated against 8 G10s.
- **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 set sights on GBPUSD testing 1.2791 in the next leg higher, but caution that this level has potential to reject further advances.

### JPY

- **JPY slipped 0.05% to 109.74 against USD** and eased against 7 G10s as markets took a breather.
- **JPY is slightly bullish against USD** as we anticipate resumption of sell-off as markets reopen today. USDJPY still carries a bearish bias and there may still be some losses going forward, with room to test 109.20 – 109.30.

### AUD

- **AUD inched 0.06% to 0.7053 against USD** and advanced against 7 G10s as risk aversion in the markets eased following closure of major markets for the New Year.
- **We turn slightly bearish on AUD against USD**, anticipating renewed risk aversion in the markets. AUDUSD remains subdued in the absence of succinct technical signals. AUDUSD may be caught between 0.7020 – 0.7060, but caution that a rebound higher looks more likely than not going forward.

### SGD

- **SGD slipped 0.02% to 1.3632 against USD** but managed to climb against 6 G10s.
- **Continue to expect a slightly bullish SGD in line with our view of a soft USD.** Downward momentum has increased further, keeping USDSGD pressured. Modest bounces after recent losses cannot be ruled out, but we expect gains to fizzle out before 1.3653 before heading lower thereafter.

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