

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended a choppy session with minimal gains on the first day of trading as risk aversion continued to drive the market amidst partial US government shutdown and continuous concerns over slower global economic growth as seen in the weaker PMI readings in both the Eurozone and China.** The Dow, S&P 500 and NASDAQ rose by a mere 0.08% - 0.46%. The sharp over 2.0% jump in oil prices helped offset some weakness in the market as oil producers' earlier pledges to cut productions are set to take effect. Treasuries rallied as worries over global growth led investors to pile into the perceived safer asset – 2Y treasuries yields dropped 2bps to 2.47% whereas the 10s fell by a whopping 6bps to 2.62%.
- **A slew of December manufacturing PMI readings mostly pointed to the slower growth in the global economy with the exception of the UK where PMI was seen strengthening to a six-month high** but the upturn was mostly driven by clients' higher purchases to prepare for Brexit. **The US Markit PMI came in at 15-month low** whereas that of the **Eurozone also eased further** with its four largest economies all posted lower PMI readings. More notably, **China Caixin PMI fell below the 50.0 neutral threshold to signal a contraction** in the country's manufacturing health. Vietnam PMI eased from the near record high in November but overall factories activities stayed solid. At the home front, **Malaysia Nikkei PMI reading dipped to an all-time low**, suggesting a deterioration in the conditions of the manufacturing industry.
- **USD surged against 8 G10s**, driven partly by increased risk aversion in the FX space amid signs of continued slowdown in major economies, and exacerbated by a weak start to US equities. DXY reversed its tumble in Asian session to advance thereafter, closing 0.76% higher at 96.81. **USD is slightly bearish in our view** as we anticipate a moderate pullback after overnight surge; caution that downside surprises in US data will accelerate losses. Despite DXY breaking multiple firm resistances overnight, we maintain a bearish outlook going forward. Gains are likely to fizzle out approaching 97.19, and holding above 97 will likely be short-lived. We continue to set sights on a drop to 96.05.
- **MYR dipped 0.08% to 4.1370 against a firmer USD** while Asian markets remain in risk-off. MYR fell against 7 G10s. **Expect a slightly bearish MYR against USD**, pressured by continued risk-off in the markets. Bearish trend continues to prevail in USDMYR despite early upsides. As long as USDMYR holds below 4.1540 by tomorrow, we opine that a bearish outlook will sustain and continue to set sights on a decline to 4.1230 in the coming weeks.
- **SGD weakened 0.24% to 1.3665 against a strong USD** but managed to beat 8 G10s amid support from refuge demand. **We turn slightly bearish on SGD against USD** as markets turn more risk averse amid emergence of growth concerns in China. USDUSD has overturned its bearish bias after rallying overnight. It is now inclined to the upsides, with room to test 1.3680 – 1.3691 soon.

Overnight Economic Data

Malaysia	↓
US	↓
Eurozone	↓
UK	↑
China	↓
Vietnam	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, ADP employment, Initial Jobless Claims, ISM Manufacturing
- UK Markit/CIPS UK Construction PMI
- Hong Kong Retail Sales
- Singapore Purchasing Managers Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1300	1.1320	1.1338	1.1343	1.1364	↗
GBPUSD	1.2707	1.2729	1.2541	1.2575	1.2600	↘
USDJPY	107.00	107.20	107.67	108.00	108.14	↘
AUDUSD	0.6909	0.6920	0.6930	0.6940	0.6950	↘
EURGBP	0.9018	0.9031	0.9039	0.9054	0.9069	↗
USDMYR	4.1465	4.1485	4.1500	4.1510	4.1535	↗
EURMYR	4.7000	4.7029	4.7059	4.7106	4.7157	↘
JPYMYR	3.8520	3.8550	3.8593	3.8620	3.8650	↗
GBPMYR	5.2000	5.2020	5.2066	5.2148	5.2212	↘
SGDMYR	3.0320	3.0350	3.0360	3.0378	3.0397	→
AUDMYR	2.8650	2.8700	2.8737	2.8750	2.8780	↘
NZDMYR	2.7460	2.7485	2.7500	2.7520	2.7550	↘
USDUSD	1.3646	1.3659	1.3672	1.3680	1.3691	↗
EURUSD	1.5477	1.5500	1.5505	1.5526	1.5552	↗
GBPUSD	1.7100	1.7120	1.7153	1.7172	1.7200	↘
AUDUSD	0.9430	0.9450	0.9463	0.9477	0.9490	↘

* 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	1,668.11	-1.33	-1.33	CRB Index	170.39	0.35	0.35
Dow Jones Ind.	23,346.24	0.08	0.08	WTI oil (\$/bbl)	46.54	2.49	2.49
S&P 500	2,510.03	0.13	0.13	Brent oil (\$/bbl)	54.91	2.06	2.06
FTSE 100	6,734.23	0.09	0.09	Gold (S/oz)	1,284.59	0.16	8.10
Shanghai	2,465.29	-1.15	-1.15	CPO (RM/tonne)	1,952.50	-1.49	-18.31
Hang Seng	25,130.35	-2.77	-2.77	Copper (\$/tonne)	5,965.00	-0.53	-17.69
STI	3,038.89	-0.97	-0.97	Rubber (sen/kg)	381.00	0.53	0.53

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MY Nikkei Malaysia PMI	Dec	46.8	48.2	--
US Markit Manufacturing PMI	Dec F	53.8	55.3	53.9
EU Markit Manufacturing PMI	Dec F	51.4	51.8	51.4
UK Markit PMI Manufacturing SA	Dec	54.2	53.6 (revised)	52.5
CN Caixin PMI Mfg	Dec	49.7	50.2	50.2
VN Nikkei PMI Mfg	Dec	53.8	56.5	--

Source: Bloomberg

➤ Macroeconomics

- US Markit Manufacturing PMI slipped to 15-month low:** The final reading of the Markit Manufacturing PMI was revised lower from 53.9 to 53.8 in December (Nov: 55.3), its lowest reading in 15 months, indicating a slower albeit still solid improvement in the health of the US manufacturing sector. Production remained solid but grew at a slower pace while similarly, new order growth eased as well. New exports orders however managed to pick up at an accelerated pace, increasing for the fifth consecutive month amidst stronger foreign client demand. Business confidence among firms dropped due to the slower gain in overall total new orders but the degree of optimism remained solid. Raw material stockpiling, shortages of electronic components as well as ongoing impact of tariffs were said to have led to greater cost burdens. That said, both input and output price inflation eased in December. The much-watched ISM manufacturing PMI will be released tonight.
- Eurozone manufacturing PMI eased further as demand softens:** The final reading of Eurozone Markit manufacturing PMI was unrevised at 51.4 (Nov: 51.8), easing from November's 51.8 signaling a continuous slowdown in the growth of the Euro area's manufacturing industry. The bloc's four largest economies were reported to have posted the lowest PMI readings during December but generally slower growth was seen elsewhere except for the Netherlands. New orders continued to soften as orders placed with Eurozone manufacturers fell for the third consecutive months. Export trade also faltered led by a sharp decline in Germany. That said, output increased in the month as manufacturers completed their outstanding works. Job creation growth was well supported while input cost inflation eased notably but remained strong leading manufacturers to pass on higher costs whenever possible. Business confidence weakened due to continued worries over global trade, ongoing political uncertainties and tightening financial conditions.
- UK manufacturing PMI rose to six-month high as firms prepared for Brexit:** The headline manufacturing PMI increased to 54.2 in December (Nov: 53.6), the highest level in six months suggesting an improvement in the UK's manufacturing condition in the end of 2018. The upturn was driven by stronger inflow of new businesses and solid increase in stock purchases, reflecting manufacturers' preparation for Brexit. Manufacturers attributed the increases in both domestic and overseas demand to clients purchasing to build up safety stocks to mitigate potential Brexit disruption. Increase in input cost was linked to the weak sterling exchange rate, Brexit uncertainties being priced into goods, and rise in commodity prices, which led to the higher output charges. Firms generally maintained a positive outlook for the next 12 months but Brexit and exchange rate uncertainties weighed on their outlook for 2019.
- China Caixin manufacturing PMI fell below 50 signaling contraction:** The headline Caixin General Manufacturing PMI went below the neutral 50.0 threshold to 49.7 in December (Nov: 50.2) marking a deterioration in the country's small and medium manufacturing sector, the first time since May 2017. Production rose slightly after stagnating for two months while total new orders received fell attributed to relatively subdued market conditions. New exports orders also dropped for nine consecutive months. Employment continued to fall while average input costs also inched lower for the first time in just over one and a half year.
- Vietnam manufacturing sector stayed solid:** The headline Nikkei Vietnam Manufacturing PMI fell to 53.8 in December (Nov: 56.5) easing from the near record high in November suggesting that the manufacturing sector continued to post solid growth. Output and new orders continued to increase, which exerted capacity pressure on manufacturers thus leading to increased employment. Input cost eased causing selling prices to reduce as well. Overall sentiments remained positive as firms generally expected output growth to continue over the coming year.

- **Malaysia manufacturing PMI hit record low:** The Nikkei Malaysia Manufacturing PMI fell to 46.8 in December (Nov: 48.2), marking its lowest ever reading since the survey was first started in July 2012. The latest print indicates a continuous deterioration of the health of Malaysia's manufacturing sector. A marked reduction in production and new business dragged down the headline index, reflecting a general slowdown across the marketplace. Employment stagnated following six months of job creations and this was attributed to resignations. At the price front, rising operating expenses were said to be caused by unfavourable exchange rate movement and greater raw material costs. That said, inflation eased to a four-month low as selling prices only increased at a mild pace.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
04/01	Malaysia	Trade Balance MYR	Nov	11.0b	16.3b	--
		Exports YOY	Nov	7.0%	17.7%	--
03/01	US	MBA Mortgage Applications	28 Dec	--	-5.8%	--
		ADP Employment Change	Dec	180k	179k	--
		Initial Jobless Claims	29 Dec	220k	216k	--
		ISM Manufacturing	Dec	57.5	59.3	--
		ISM Prices Paid	Dec	57.7	60.7	--
04/01		Change in Nonfarm Payrolls	Dec	180k	155k	--
		Unemployment Rate	Dec	3.7%	3.7%	--
		Average Hourly Earnings YOY	Dec	3.0%	3.1%	--
		Labor Force Participation Rate	Dec	--	62.9%	--
		Markit US Services PMI	Dec F	53.4	54.7	--
04/01	Eurozone	Markit Eurozone Services PMI	Dec F	51.4	53.4	--
		PPI YOY	Nov	4.2%	4.9%	--
		CPI Core YOY	Dec A	1.0%	1.0%	--
		CPI Estimate YOY	Dec	1.8%	2.0%	--
03/01	UK	Markit/CIPS UK Construction PMI	Dec	52.9	53.4	--
04/01		Mortgage Approvals	Nov	66.0k	67.1k	--
		Markit/CIPS UK Services PMI	Dec	50.7	50.4	--
04/01		Nikkei Japan PMI Mfg	Dec F	--	52.2	--
03/01	Hong Kong	Retail Sales Value YOY	Nov	4.5%	5.9%	--
04/01		Nikkei Hong Kong PMI	Dec	--	47.1	--
04/01	China	Caixin China PMI Services	Dec	53.0	53.8	--
03/01	Singapore	Purchasing Managers Index	Dec	--	51.5	--
04/01		Nikkei Singapore PMI	Dec	--	53.8	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1344	-1.06	1.1497	1.1325	-1.10
GBPUSD	1.2607	-1.04	1.2773	1.2582	-1.68
USDJPY	108.88	-0.78	109.73	108.71	-1.87
AUDUSD	0.6985	-0.96	0.7054	0.6982	-1.90
EURGBP	0.8997	-0.10	0.9032	0.8981	-0.60
USDMYR	4.1370	0.08	4.1440	4.1315	0.08
EURMYR	4.7303	0.06	4.7541	4.7255	0.06
JPYMYR	3.7991	1.10	3.8031	3.7690	1.10
GBPMYR	5.2610	-0.13	5.2821	5.2557	-0.13
SGDMYR	3.0363	0.01	3.0375	3.0293	0.01
AUDMYR	2.9051	-0.61	2.9162	2.8987	-0.61
NZDMYR	2.7772	-0.05	2.7804	2.7671	-0.05
CHFMYR	4.2177	0.44	4.2204	4.2030	0.44
CNYMYR	0.6039	-0.23	0.6046	0.6022	-0.23
HKDMYR	0.5281	-0.02	0.5288	0.5274	-0.02
USDSGD	1.3665	0.24	1.3667	1.3625	0.31
EURSGD	1.5502	-0.81	1.5678	1.5477	-0.80
GBPSGD	1.7227	-0.80	1.7416	1.7176	-1.37
AUDSGD	0.9545	-0.72	0.9616	0.9533	-1.59

Source: Bloomberg

MYR

- **MYR dipped 0.08% to 4.1370 against a firmer USD** while Asian markets remain in risk-off. MYR fell against 7 G10s.
- **Expect a slightly bearish MYR against USD**, pressured by continued risk-off in the markets. Bearish trend continues to prevail in USDMYR despite early upsides. As long as USDMYR holds below 4.1540 by tomorrow, we opine that a bearish outlook will sustain and continue to set sights on a decline to 4.1230 in the coming weeks.

USD

- **USD surged against 8 G10s**, driven partly by increased risk aversion in the FX space amid signs of continued slowdown in major economies, and exacerbated by a weak start to US equities. DXY reversed its tumble in Asian session to advance thereafter, closing 0.76% higher at 96.81.
- **USD is slightly bearish in our view** as we anticipate a moderate pullback after overnight surge; caution that downside surprises in US data will accelerate losses. Despite DXY breaking multiple firm resistances overnight, we maintain a bearish outlook going forward. Gains are likely to fizzle out approaching 97.19, and holding above 97 will likely be short-lived. We continue to set sights on a drop to 96.05.

EUR

- **EUR plunged 1.06% to 1.1344 against a strong USD** and weakened against 7 G10s on concerns over slowing growth in Europe.
- **Expect a slightly bullish EUR against USD** in expectation of a moderate bounce after overnight slump. Technical outlook has sharply deteriorated but while 1.1289 – 1.1300 will be threatened going forward, we opine that EURUSD is unlikely to stay below 1.1367 for long. We continue to expect a rebound higher to circa 1.1480.

GBP

- **GBP plummeted 1.04% to 1.2607 against USD** and retreated against 6 G10s amid concerns that slowing growth in Europe will further pressure the UK on top of the effects of lingering Brexit uncertainties.
- **We turn bearish on GBP against USD** as re-emergence of worries of a disorderly Brexit. A bullish bias was lost after strong rejection below 1.2600. Expect GBPUSD to slide lower to circa 1.2480 – 1.2510, but caution that while technical outlook is soft, some signs of a potential rebound have emerged.

JPY

- **JPY strengthened 0.78% to 108.88 against USD** and soared against all G10s, lifted by refuge demand as concerns mount over economic health of China.
- **Stay bullish on JPY against USD** on likelihood of extended risk-off in the markets. USDJPY still carries a bearish bias; after losing 108.00, expect 107.00 – 107.20 to be targeted in the next leg lower.

AUD

- **AUD slumped 0.96% to 0.6985 against USD** and weakened against 5 G10s, weighed down by worries of slowdown in China and risk-off in equities.
- **Continue to expect a bearish AUD against USD**, pressured by extended risk-off in the markets and lingering concerns over China slowdown. The potential for rebound that we previously noted has been lost after sliding below 0.7000. AUDUSD is now entrenched in a bearish bias and will threaten 0.6880 in the next leg lower.

SGD

- **SGD weakened 0.24% to 1.3665 against a strong USD** but managed to beat 8 G10s amid support from refuge demand.
- **We turn slightly bearish on SGD against USD** as markets turn more risk averse amid emergence of growth concerns in China. USDSGD has overturned its bearish bias after rallying overnight. It is now inclined to the upsides, with room to test 1.3680 – 1.3691 soon.

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