

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks suffered huge losses** on the second trading day of the year after **Apple slashed its forward sales guidance** on the previous day citing weak demand in China. The rare move sent equity into a rout, making the tech sector the worst performing sector overnight with the S&P 500 Info Tech Index wiping out 5.07%. **Adding to the wound was the weaker than expected US ISM manufacturing PMI which further confirmed a softer outlook for the US economy.** The Dow, S&P 500 and NASDAQ each erased 2.83% (-660.0pts), 2.48% (-62.1pts) and 3.04% (-202.4pts). Treasuries yield tumbled on safe haven bidding as investors fled to US government debt - the 10y treasuries yield plunged as much as 10bps during intraday trading and closed 7bps lower at 2.55%. Yield on 2y notes dipped by a whopping 9bps to 2.38% whereas that of the 30s lost 5bps to 2.90%. Crude oil prices saw sustained momentum as API reported a decline in US crude inventory - WTI increased to \$47.09/barrel (+1.18%) whereas Brent settled higher at \$55.95/barrel (+1.89%).
- **Overnight dataflow skewed to the downside with the exception of US ADP job report.** The US ISM manufacturing Index fell by 5.2pts to a two-year low of 54.1 in December whereas the private sector added a more-than-expected 271k jobs in the same month. Initial jobless claims rose by 10k to 231k last week while mortgage applications dipped 8.5%. Elsewhere, UK December construction PMI fell to 53.4. Hong Kong retail sales growth moderated to 1.4% YOY in November. Singapore official PMI fell for the fifth straight month to 51.1 in December.
- **USD weakened against all G10s**, pressured by extended government shutdown as well as softer than expected US data. The DXY reversed course in US session and overturned early gains to close 0.53% lower at 96.81. **Stay bearish on USD** on continued downsides from extended government shutdown and from risk aversion ahead of US data; declines in labour market data will add further weight on USD. Technical outlook remains bearish for DXY, especially after overnight rejection at 96.73. DXY appears to be heading lower, and we still set sights on a drop to 96.05, but we caution that this lower move may be part of a bullish chart pattern that can be nullified only by a drop below 95.75.
- **MYR slipped 0.16% to 4.1435 against USD** but not before reducing the sharply higher opening. MYR ended higher against 8 G10s that were mostly pressured by risk-off sentiment in the markets. **Expect a slightly bullish MYR against a soft USD** but gains are likely modest given extended risk-off in the markets. Bearish trend continues to prevail in USDMYR and likely to slide below 4.1335 going forward. Technical signs suggest a decline to 4.1230 in the coming weeks.
- **SGD climbed 0.18% to 1.3641 against a soft USD** but retreated against 8 G10s following softer than expected Singapore data. **We turn slightly bullish on SGD in anticipation of extended weakness in USD.** USDSGD again lost its initiative to push higher after rejection at 1.3680. It will again threaten 1.3633 and 1.3621, below which 1.3600 will be tested.

Overnight Economic Data

US	↓
UK	↓
Hong Kong	↓
Singapore	↓

What's Coming Up Next

Major Data

- Malaysia Exports
- US nonfarm payroll, jobless rate, Markit Services PMI
- Eurozone Markit Services PMI, CPI
- UK Mortgage Approvals, Markit/CIPS Services PMI
- Japan, HK, Singapore Nikkei Manufacturing PMI
- China Caixin Services PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1367	1.1385	1.1397	1.1407	1.1430	↗
GBPUSD	1.2581	1.2600	1.2627	1.2639	1.2663	↘
USDJPY	107.20	107.58	107.80	108.00	108.14	↘
AUDUSD	0.6950	0.6982	0.7001	0.7019	0.7045	↘
EURGBP	0.9006	0.9018	0.9026	0.9031	0.9041	↗
USDMYR	4.1350	4.1375	4.1398	4.1410	4.1440	↘
EURMYR	4.7120	4.7157	4.7193	4.7212	4.7241	→
JPYMYR	3.8385	3.8400	3.8420	3.8450	3.8480	↘
GBPMYR	5.2212	5.2258	5.2287	5.2327	5.2350	↗
SGDMYR	3.0300	3.0310	3.0342	3.0359	3.0372	→
AUDMYR	2.8888	2.8900	2.8959	2.8987	2.9000	↗
NZDMYR	2.7585	2.7600	2.7647	2.7671	2.7700	↗
USDSGD	1.3621	1.3633	1.3645	1.3653	1.3662	↘
EURSGD	1.5529	1.5545	1.5553	1.5562	1.5575	↗
GBPSGD	1.7183	1.7200	1.7231	1.7242	1.7280	↘
AUDSGD	0.9520	0.9533	0.9547	0.9573	0.9598	↘

* 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	1,675.83	0.46	-0.87	CRB Index	171.55	0.68	1.03
Dow Jones Ind.	22,686.22	-2.83	-2.75	WTI oil (\$/bbl)	47.09	1.18	3.70
S&P 500	2,447.89	-2.48	-2.35	Brent oil (\$/bbl)	55.95	1.89	4.00
FTSE 100	6,692.66	-0.62	-0.53	Gold (S/oz)	1,294.28	0.75	8.10
Shanghai	2,464.36	-0.04	-1.18	CPO (RM/tonne)	2,020.50	3.48	3.48
Hang Seng	25,064.36	-0.26	-3.02	Copper (\$/tonne)	5,842.00	-2.06	-2.06
STI	3,012.88	-0.86	-1.82	Rubber (sen/kg)	384.50	0.79	1.45

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	28 Dec	-8.5%	-5.8%	--
US ADP Employment Change	Dec	271k	157k (revised)	180k
US Initial Jobless Claims	29 Dec	231k	221k (revised)	220k
US ISM Manufacturing	Dec	54.1	59.3	57.5
US ISM Prices Paid	Dec	54.9	60.7	57.7
UK Markit/CIPS UK Construction PMI	Dec	52.8	53.4	52.9
HK Retail Sales Value YOY	Nov	1.4%	6.0% (revised)	4.5%
SG Purchasing Managers Index	Dec	51.1	51.5	--

Source: Bloomberg

➤ Macroeconomics

- US ISM manufacturing PMI retreated to two-year low:** The ISM Manufacturing PMI fell more than expected by 5.2pts to 54.1 in December (Nov: 59.3), marking its lowest reading since Dec 2016 and suggesting that the US manufacturing activities were growing at a slower pace. The weaker print was driven by weaker demand as well as output where the new order index plunged by 11.0pts while the production index lost 6.3pts. Outlook for trade however saw a slight improvement with the new export orders inched up by 0.6pts. At the price front, firms continued to cite rising raw material cost caused by tariffs as a major burden. That said, the prices paid index, a predictor for CPI fell by 5.8pts to 54.9 (Nov: 60.7) suggesting easing inflationary pressure in the sector. The weaker print is justifiable in our view considering the index's elevated readings in 2018 which suggests that manufacturing growth has come off its peak as we head into the new year. Meanwhile, the economy is also reported to have added 271k private sector jobs in December (Nov: 157k revised) according to the ADP job report, the number came in much better-than-expected as a Bloomberg consensus estimate of 180k. Initial jobless claims rose by 10k to 231k last week (previous: 221k revised), still a historically low number. Both data continued to paint a solid picture of the US labour market. The nonfarm job report for December will be released tonight. Last but not least, mortgage applications saw a sharp fall of 8.5% WOW last week (previous: -5.8%) as both new purchases and refinancing segments recorded declines. Interest rates were generally lower on a weekly basis but was still higher compared to a year ago – the average rate for a 30y fixed rate mortgage fell to 4.84% (previous: 4.86%). The fall of mortgages demand reaffirms a weakening US housing market amidst rising interest rates and lack of supply.
- UK construction PMI fell indicating slower construction activities:** The headline Markit/CIPS UK Construction Total Activity Index fell to 53.4 in December (Nov: 53.4) signaling only a modest expansion in the country's construction sector. The slower print reflected softer rises in commercial and housing activity with commercial building being the worst performing sector in December whereas civil engineering work saw a sustained rebound.
- Hong Kong retail sales saw substantial moderations in November:** Retail sales value grew by a mere 1.4% YOY in November (Oct: +6.0% revised), the slowest since June last year as the rebound in sales of food, alcohol and tobacco (+1.9% vs -2.1%) was offset by the slower sale in fuels (+3.1% vs +10.3%) as well as contractions in sales of clothing & footwear (-2.8% vs +3.5%), consumer durable goods (+2.1% vs +14.5%) and jewelry, watches & clocks (-3.9% vs +3.2%).
- Singapore Purchasing Managers' Index declined for fifth straight month:** The Singapore Institute of Purchasing & Materials Management reported that PMI fell for the fifth consecutive month to 51.1 in December (Nov: 51.5) driven by a broad-based decline. All sub-indexes from registered lower readings in December where the slower expansion of new orders, new exports orders and inventory further confirmed a softer domestic and external demand conditions. The Electronic Sector PMI also inched lower to 49.8 (Nov: 49.9), its second month in the contractionary area (reading below 50.0 indicates contraction) suggesting weakening demand for electronics products as the global electronic cycles came off its peak level.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
04/01	Malaysia	Trade Balance MYR	Nov	11.0b	16.3b	--
		Exports YOY	Nov	6.6%	17.7%	--
04/01	US	Change in Nonfarm Payrolls	Dec	184k	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	--
07/01	US	Factory Orders	Nov	0.3%	-2.1%	--
		Durable Goods Orders	Nov F	--	0.8%	--
		Cap Goods Orders Nondef Ex Air	Nov F	--	-0.6%	--
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	1.7%	2.0%	--
07/01	Eurozone	Sentix Investor Confidence	Jan	-2.1	-0.3	--
		Retail Sales MoM	Nov	0.1%	0.3%	--
04/01	UK	Nationwide House Price MOM	Dec	0.1%	0.3%	--
		Mortgage Approvals	Nov	66.0k	67.1k	--
		Markit/CIPS UK Services PMI	Dec	50.7	50.4	--
04/01	Japan	Nikkei Japan PMI Mfg	Dec F	--	52.2	--
07/01		Nikkei Japan PMI Services	Dec	--	52.3	--
04/01	Hong Kong	Nikkei Hong Kong PMI	Dec	--	47.1	--
04/01	China	Caixin China PMI Services	Dec	53.0	53.8	--
04/01	Singapore	Nikkei Singapore PMI	Dec	--	53.8	--
07/01	Australia	AIG Perf of Mfg Index	Dec	--	51.3	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1394	0.44	1.1411	1.1309	-0.67
GBPUSD	1.2628	0.17	1.2648	1.2441	-0.99
USDJPY	107.68	-1.10	108.92	104.87	-1.69
AUDUSD	0.7006	0.30	0.7019	0.6741	-0.61
EURGBP	0.9021	0.27	0.9108	0.8996	0.34
USDMYR	4.1435	0.16	4.1500	4.1405	0.24
EURMYR	4.7136	-0.35	4.7159	4.6796	-0.29
JPYMYR	3.8476	1.28	3.8789	3.8370	2.39
GBPMYR	5.2050	-1.06	5.2098	5.1778	-1.19
SGDMYR	3.0333	-0.10	3.0368	3.0249	-0.09
AUDMYR	2.8853	-0.68	2.8888	2.8616	-1.29
NZDMYR	2.7538	-0.84	2.7560	2.7422	-0.90
CHFMYR	4.2008	-0.40	4.2064	4.1848	0.04
CNYMYR	0.6027	-0.19	0.6038	0.6019	-0.42
HKDMYR	0.5288	0.13	0.5297	0.5285	0.11
USDSGD	1.3641	-0.18	1.3680	1.3633	0.13
EURSGD	1.5542	0.26	1.5559	1.5463	-0.54
GBPSGD	1.7227	0.00	1.7248	1.7010	-0.87
AUDSGD	0.9557	0.13	0.9573	0.9242	-0.47

Source: Bloomberg

MYR

- **MYR slipped 0.16% to 4.1435 against USD** but not before reducing the sharply higher opening. MYR ended higher against 8 G10s that were mostly pressured by risk-off sentiment in the markets.
- **Expect a slightly bullish MYR against a soft USD** but gains are likely modest given extended risk-off in the markets. Bearish trend continues to prevail in USDMYR and likely to slide below 4.1335 going forward. Technical signs suggest a decline to 4.1230 in the coming weeks.

USD

- **USD weakened against all G10s**, pressured by extended government shutdown as well as softer than expected US data. The DXY reversed course in US session and overturned early gains to close 0.53% lower at 96.81.
- **Stay bearish on USD** on continued downsides from extended government shutdown and from risk aversion ahead of US data; declines in labour market data will add further weight on USD. Technical outlook remains bearish for DXY, especially after overnight rejection at 96.73. DXY appears to be heading lower, and we still set sights on a drop to 96.05, but we caution that this lower move may be part of a bullish chart pattern that can be nullified only by a drop below 95.75.

EUR

- **EUR jumped 0.44% to 1.1394 against a soft USD** and advanced against 5 G10s.
- **Continue to hold a bullish view on EUR against a soft USD.** Expect upsides to strengthen if Eurozone data outperforms. EURUSD bouncing back above 1.1367 has alleviated the threat on 1.1289 – 1.1300. It is now likely to set sights on a move to 1.1480 in the next leg higher, above which 1.1515 – 1.1535 will be challenged.

GBP

- **GBP managed to climb 0.17% to 1.2628 against a soft USD** but retreated against 9 G10s as Brexit uncertainties continue to weigh.
- **Stay slightly bearish on GBP against USD** on continued worries of a disorderly Brexit. Despite strong rebound off intraday low yesterday, GBPUSD remains inclined to the downsides amid receding upward momentum. Expect another test at 1.2581 soon, below which 1.2523 will be targeted.

JPY

- **JPY** remained at the top of the G10 list amid continued support from refuge demand and **surged 1.10% to 107.68 against a weak USD.**
- **Stay bullish on JPY against USD** on likelihood of extended risk-off in the markets. USDJPY still carries at bearish bias and we expect 107.00 – 107.20 to be targeted in the next leg lower.

AUD

- **AUD climbed 0.30% to 0.7006 against a soft USD** and managed to climb against 7 G10s amid some upsides in commodities.
- **Maintain a bearish view on AUD against USD**, pressured by extended risk-off in the markets. Despite overnight bounce higher, AUDUSD remains inclined to the downsides amid net downward momentum. It is likely to lose 0.7000 again, and there is scope to test 0.6941 in the next leg lower.

SGD

- **SGD climbed 0.18% to 1.3641 against a soft USD** but retreated against 8 G10s following softer than expected Singapore data.
- **We turn slightly bullish on SGD in anticipation of extended weakness in USD.** USDSGD again lost its initiative to push higher after rejection at 1.3680. It will again threaten 1.3633 and 1.3621, below which 1.3600 will be tested.

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