

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks staged an impressive rebound on Friday after Fed Chair Jerome Powell signaled flexibility in monetary policy**, offering some comfort to investors who have been underpricing the Fed's two intended rate hike in 2019. **The upbeat December job report which saw the US labour market ended 2018 on a strong footing helped improve sentiments** as well while markets were also anticipating the resumed trade talk between China and US in Beijing this week. The Dow, S&P 500 and NASDAQ surged by 3.2%-4.2% while treasuries yield spiked 11-12bps across the curve as investors dumped US government debt in favour of equity. Crude oil prices continued to build momentum - WTI rose to \$47.96/barrel (+1.85%) and Brent climbed further to \$57.06/barrel (+1.98%). Elsewhere, **the PBOC announced that it will cut its reserve requirement ratios (RRR) for both large and smaller banks by 100bps**, staggered over two 50bps cut on 15 Jan and 25 Jan respectively in a move to support the slowing economy.
- **The US economy added 312k nonfarm jobs in December** accompanied by a net 58k revisions to previous two months' figure. Wage growth strengthened to 3.2% while unemployment rate rose to 3.9% due to expansion of labour force. **A slew of services PMI painted a picture of limited growth in services sector** in the US, Eurozone and the UK, but China's services industry still held up. Japanese manufacturing sector recovered in December whereas Australia saw a contraction in its manufacturing conditions. **Malaysia exports normalized from October's exceptional surge, to grow a modest 1.6% YOY in November.**
- **USD weakened against 8 G10s** on easing expectations on future Fed rate hikes after Fed Chair Powell's commented that the Fed can be patient with regards to policy tightening. DXY that jumped on firmer US data slumped after Powell's remarks, closing 0.13% lower at 96.17. **Expect a bearish USD**, weighed down by further reduction in market expectation of future Fed rate hikes. Continue to expect DXY 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 advanced 0.18% to 4.1360 against a soft USD** but retreated against 8 G10s that were also rallying on a soft greenback. **Expect a bullish MYR against a softer overnight USD**, further buoyed by likelihood of improving risk appetite in the markets. USDMYR has slipped to 4.1230 earlier than we expected. Bearish trend continues to prevail in USDMYR and further losses cannot be ruled out. Caution that losing 4.1200 could expose a drop to 4.1060.
- **SGD strengthened 0.35% to 1.3593 against a weak USD** but was outperformed by 6 G10s that were boosted by improved market sentiment. **Stay bullish on SGD in anticipation of extended weakness in USD.** Sliding below 1.3600 is likely to add more downside pressure on USDSGD, thus continue to expect further losses going forward, with room to test 1.3540 – 1.3550.

Overnight Economic Data

Malaysia	↓
US	→
Eurozone	↓
UK	→
Japan	↑
Hong Kong	↑
China	↑
Singapore	↓
Australia	↓

What's Coming Up Next

Major Data

- US ISM Non-Manufacturing Index
- Eurozone Sentix Investor Confidence, Retail Sales
- Japan Nikkei Services PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1388	1.1400	1.1406	1.1432	1.1450	↗
GBPUSD	1.2700	1.2713	1.2731	1.2745	1.2760	↗
USDJPY	108.00	108.14	108.56	108.92	109.24	↘
AUDUSD	0.7088	0.7100	0.7121	0.7149	0.7158	↗
EURGBP	0.8927	0.8944	0.8961	0.8971	0.8985	↘
USDMYR	4.1185	4.1200	4.1225	4.1260	4.1300	↘
EURMYR	4.7000	4.7021	4.7048	4.7106	4.7133	→
JPYMYR	3.7900	3.7939	3.7983	3.8031	3.8080	↘
GBPMYR	5.2450	5.2466	5.2491	5.2524	5.2572	→
SGDMYR	3.0279	3.0310	3.0333	3.0359	3.0372	↘
AUDMYR	2.9300	2.9332	2.9356	2.9369	2.9400	↗
NZDMYR	2.7700	2.7738	2.7753	2.7804	2.7836	↗
USDSGD	1.3555	1.3570	1.3586	1.3600	1.3621	↘
EURSGD	1.5463	1.5480	1.5501	1.5513	1.5536	↗
GBPSGD	1.7261	1.7280	1.7302	1.7325	1.7338	↗
AUDSGD	0.9645	0.9661	0.9677	0.9698	0.9721	↗

* 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	1,669.78	-0.36	-1.23	CRB Index	173.35	1.05	2.09
Dow Jones Ind.	23,433.16	3.29	0.45	WTI oil (\$/bbl)	47.96	1.85	5.62
S&P 500	2,531.94	3.43	1.00	Brent oil (\$/bbl)	57.06	1.98	7.40
FTSE 100	6,837.42	2.16	1.62	Gold (S/oz)	1,286.05	-0.64	8.10
Shanghai	2,514.87	2.05	0.84	CPO (RM/tonne)	2,030.50	0.49	3.99
Hang Seng	25,626.03	2.24	-0.85	Copper (\$/tonne)	5,918.00	3.17	-0.79
STI	3,059.23	1.54	-0.31	Rubber (sen/kg)	396.00	2.86	4.49

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Trade Balance MYR	Nov	7.6b	16.3b	11.0b
MY Exports YOY	Nov	1.6%	17.7%	6.6%
US Change in Nonfarm Payrolls	Dec	312k	176k (revised)	184k
US Unemployment Rate	Dec	3.9%	3.7%	3.7%
US Average Hourly Earnings YOY	Dec	3.2%	3.1%	3.0%
US Labor Force Participation Rate	Dec	63.1%	62.9%	--
US Markit Services PMI	Dec F	54.4	54.7	53.4
EU Markit Services PMI	Dec F	51.2	53.4	51.4
EU PPI YOY	Nov	4.0%	4.9%	4.2%
EU CPI Core YOY	Dec A	1.0%	1.0%	1.0%
EU CPI Estimate YOY	Dec	1.6%	1.9% (revised)	1.7%
UK Nationwide House Price MOM	Dec	-0.7%	0.4% (revised)	0.1%
UK Mortgage Approvals	Nov	63.7k	67.1k	66.0k
UK Markit/CIPS Services PMI	Dec	51.2	50.4	50.7
JP Nikkei PMI Mfg	Dec F	52.6	52.2	--
HK Nikkei PMI	Dec	48.0	47.1	--
CN Caixin PMI Services	Dec	53.9	53.8	53.0
SG Nikkei PMI	Dec	52.7	53.8	--
AU Perf of Mfg Index	Dec	49.5	51.3	--

Source: Bloomberg

➤ Macroeconomics

- NFP surprised to the upside reaffirming firm labour market conditions:** The US economy added more jobs than expected in December as the establishment survey showed that total non-farm payroll rose by 312k (Nov: +176k revised) in the last month of 2018. December's strong print was also accompanied by a 58k net revision to October and November figures, bringing the total job creation to 2.6m in 2018, a marked increase compared to 2.2m in 2017. Moreover, wage growth gained further momentum as well with the average hourly earnings inched up by 3.2% YOY (Nov: +3.1%), the strongest level since Apr-09 suggesting a consistent buildup in inflationary pressure. Unemployment rate rose to 3.9% in the same month (Nov: 3.7%) according to the Household Survey due to the expansion of the labour force as the labour participation rate went up to 63.1% (Nov: 62.9%). Overall job report painted a picture of tight labour market conditions but was not sufficient to convince us that growth will be equally solid in 2019 given weaker readings across major indicators. The final reading of Markit US Services Business Activity Index releases on the same day supported this view as the PMI fell to 54.4 in December (Nov: 54.7) suggesting slower growth in the US services sector.
- Eurozone services sector marked by slower expansion; inflation slowed dragged down by energy:** The final reading of the IHS Markit Eurozone Services Index was revised lower from 51.4 to 51.2 in December (Nov: 53.4) partly reflecting the slower activity in France where the sector was disrupted by the gilets jaunes' movement. The slower growth in Germany and Italy also contributed to the lower reading. New business grew at the weakest pace in four years but job creation remained solid. Business confidence generally deteriorated. Meanwhile, the flash estimate of December HICP inflation rate released by the Eurostat fell to 1.6% YOY in December (Nov: +1.9% revised) driven by slower growth in prices of energy (+5.5% vs +9.1%) as well as food, alcohol & tobacco (+1.8% vs +1.9%). Core CPI was unchanged at 1.0% YOY (Nov: +1.0%) as prices of services grew steadily by 1.3% YOY. Similarly, producer prices grew a modest 4.0% YOY in November (Oct: +4.9%) thus translating into the slower consumer inflation in December.
- UK services sector experienced limited growth; housing market slowed:** The headline IHS Markit/CIPS UK Services PMI Business Activity Index rose slightly to 51.2 in December (Nov: 50.4) as new work increased only marginally which in turn contributed to a slower job creation. Brexit-related concerns weighed down on business spending as well as consumer demand. Optimism moderated with worries about the impact of Brexit uncertainty on business investment and consumer demand being the most prominent issues cited by firms. In other separate releases, the Nationwide House Price Index fell noticeably by 0.7% MOM in December (Nov: +0.4% revised) bringing the annual growth to a mere 0.5% YOY (Nov: +1.9%). The number of mortgage approvals in November fell to 63.7k (Oct: 67.1k) and was considered broadly stable. Nonetheless a weaker consumer confidence and lesser buyer enquires continued to suggest that the housing market in the UK will continue to slow.
- Japan manufacturing sector recovered in December:** The headline Nikkei Japan Manufacturing PMI increased to 52.6 in December (Nov: 52.2) rebounding from November's 15-month low, signaling a moderate improvement in the manufacturing sector's operating conditions. The expansion was driven by faster increases in output and new orders which led to higher input buying. Employment saw softer increase whereas input cost rose at the slowest pace in eight months hence weakening the rise in selling prices.

- **China services sector continued to hold up as manufacturing growth faltered:** The Caixin China General Services Business Activities Index edged up to a six-month high of 53.9 in December (Nov: 53.8) indicating a still-solid services sector and in contrast with the faltering growth in the manufacturing sector. December's upturn was driven by a stronger rise in output as new orders were seen increasing at an easing pace. New exports order experienced a sustained rise, employment rose slightly whereas operating expenses continued to go up attributed to higher raw material prices and salary costs.
- **Hong Kong private sector growth remained weak in December:** The headline Nikkei Hong Kong Purchasing Manager Index rose to 48.0 in December (Nov: 47.1) but remained in the contractionary area, suggesting that the health of the Hong Kong private sector continued to deteriorate. Demand conditions weakened further dragged down by a decline in Chinese orders. Firms continued to cut back on output since April, employment fell with no job creation being recorded throughout 2018.
- **Singapore private sector growth lost momentum:** The Nikkei Singapore Purchasing Managers Index fell to 52.7 in December (Nov: 53.8) reflecting weaker expansion in output, new orders, employment and stocks of purchases, suggesting that the private sector growth lost momentum in the last month of 2018.
- **Australia manufacturing sector contracted in December:** The AiG Performance of Manufacturing Index fell by 1.8pts to 49.5 in December (Nov: 51.3) to signal a contraction in Australia's manufacturing sector. The lower reading was driven by fall in production (49.4 vs 51.8), whereas new orders saw some marginal improvement albeit still below the 50.0 threshold. Employment fell as well but average wages continued to rise. At the price front, despite higher input prices the average selling prices actually recorded a decline.
- **Malaysia exports normalized from October's exceptional surge:** Exports pulled back sharply as expected but the rate of increase of 1.6% YOY in November (Oct: +17.7%), was below market as well as our expectations. This confirmed our view that exports demand has weakened in tandem with softening global growth outlook and that October's sharp gain spurred by frontloading shipment was just a temporary boost. The pullback was broad-based across all major exports products spanning from manufacturing to commodity, and across all major export markets as well. In tandem, imports retreated and grew 5.0% YOY in November, more than halved from October's 11.4% YOY increase as a result of pullbacks across all the three main categories, narrowing the trade surplus to RM7.6bn in November, down sharply from the record high of RM16.3bn in October. The external trade report today confirmed our view of the "damage" done once frontloading activities normalized and as slowdown in global growth becomes more evident. While noises surrounding the tension between the US and China appears to be dwarfed by partial US government shutdown and fear of slowing global growth for now, the whole episode has yet to be resolved. Uncertainties surrounding the US and China, not only on trade policies but also on other grounds namely intellectual property rights and diplomatic relation, are expected to continue discourage trade and investment flows that could have macro implications, on top of financial market risks and volatilities. No change to our view for further moderation in exports outlook going forward and hence, our full year real GDP growth forecast at 4.6%.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
07/01	US	ISM Non-Manufacturing Index	Dec	59.0	60.7	--
08/01		NFIB Small Business Optimism	Dec	103.0	104.8	104.8
		Trade Balance	Nov	-\$54.0b	-\$55.5b	--
07/01	Eurozone	Sentix Investor Confidence	Jan	-2.0	-0.3	--
		Retail Sales MOM	Nov	0.2%	0.3%	--
08/01		Consumer Confidence	Dec F	-6.2	-6.2	--
		Economic Confidence	Dec	108.2	109.5	--
08/01	UK	Halifax House Prices MOM	Dec	0.5%	-1.4%	--
07/01	Japan	Nikkei Japan PMI Services	Dec	--	52.3	--
08/01	Australia	Trade Balance	Nov	A\$2,175m	A\$2,316m	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1395	0.01	1.1419	1.1346	-0.51
GBPUSD	1.2723	0.75	1.2745	1.2616	-0.16
USDJPY	108.51	0.77	108.59	107.52	-1.08
AUDUSD	0.7113	1.53	0.7124	0.6994	-1.05
EURGBP	0.8954	-0.75	0.9030	0.8944	-0.34
USDMYR	4.1360	-0.18	4.1435	4.1360	-0.17
EURMYR	4.7163	0.06	4.7271	4.7133	-0.41
JPYMYR	3.8326	-0.39	3.8524	3.8168	1.19
GBPMYR	5.2441	0.75	5.2466	5.2203	-0.25
SGDMYR	3.0391	0.19	3.0424	3.0319	0.04
AUDMYR	2.9095	0.84	2.9115	2.8951	-0.55
NZDMYR	2.7692	0.56	2.7764	2.7639	0.11
CHFMYR	4.1980	-0.07	4.2032	4.1909	-0.29
CNYMYR	0.6031	0.06	0.6035	0.6024	-0.36
HKDMYR	0.5284	-0.08	0.5292	0.5282	-0.27
USDSGD	1.3593	-0.35	1.3648	1.3585	-0.31
EURSGD	1.5490	-0.33	1.5560	1.5470	-0.82
GBPSGD	1.7292	0.38	1.7329	1.7205	-0.47
AUDSGD	0.9669	1.17	0.9680	0.9535	0.76

Source: Bloomberg

MYR

- **MYR advanced 0.18% to 4.1360 against a soft USD** but retreated against 8 G10s that were also rallying on a soft greenback.
- **Expect a bullish MYR against a softer overnight USD**, further buoyed by likelihood of improving risk appetite in the markets. USDMYR has slipped to 4.1230 earlier than we expected. Bearish trend continues to prevail in USDMYR and further losses cannot be ruled out. Caution that losing 4.1200 could expose a drop to 4.1060.

USD

- **USD weakened against 8 G10s** on easing expectations on future Fed rate hikes after Fed Chair Powell's commented that the Fed can be patient with regards to policy tightening. DXY that jumped on firmer US data slumped after Powell's remarks, closing 0.13% lower at 96.17.
- **Expect a bearish USD**, weighed down by further reduction in market expectation of future Fed rate hikes. Continue to expect DXY 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 inched 0.01% higher to 1.1395 against USD** after bouncing strongly off intraday low but nonetheless ended lower against 6 G10s.
- **Continue to hold a bullish view on EUR against a soft USD.** Expect upsides to strengthen if Eurozone data outperforms. Early foray above 1.1400 is likely to boost upside strength in EURUSD. Expect a test at 1.1432 soon, above which EURUSD is likely to target 1.1474.

GBP

- **GBP jumped 0.75% to 1.2723 against USD** and advanced against 6 G10s, lifted by firmer UK PMIs.
- **We turn bullish on GBP against a soft USD.** Upside bias has improved, likely to allow passage to circa 1.2760 – 1.2774 in the next leg higher. But caution that failure to beat this level will again condemn GBPUSD to another drop back towards 1.2592.

JPY

- **JPY tumbled 0.77% to 108.51 against USD** and weakened against all G10s as demand for refuge retreated quickly as markets were boosted by Fed Chair Powell's comments.
- **Expect a slightly bullish JPY on the back of a soft USD**, though gains may be kept limited by decreasing demand for refuge. USDJPY still carries a bearish bias and we expect a drop to circa 107.85 – 108.00 in the next leg lower.

AUD

- **AUD surged 1.53% to 0.7113 against USD** and rallied to beat all G10s, boosted by improved risk appetite in the markets.
- **We turn bullish on AUD against USD**, lifted by improving risk appetite in the markets and optimism heading into US-China trade talks. Caution that after Friday's rally, there may be scope of a modest pullback. But as long as AUDUSD hold above 0.7068, we reckon that upside bias remains intact and likely to extend to test 0.7173.

SGD

- **SGD strengthened 0.35% to 1.3593 against a weak USD** but was outperformed by 6 G10s that were boosted by improved market sentiment.
- **Stay bullish on SGD in anticipation of extended weakness in USD.** Sliding below 1.3600 is likely to add more downside pressure on USDSGD, thus continue to expect further losses going forward, with room to test 1.3540 – 1.3550.

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