

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks extended Friday's rally** to end up modestly higher on Monday supported by optimism that the US and China might hammer out a deal in the ongoing trade negotiation in Beijing while at the same time Fed Chair Jerome Powell's Friday dovish comments which suggested fewer rate hikes in 2019 continued to provide major lift in sentiments. The Dow, S&P 500 and NASDAQ posted gains of 0.42-1.26%. Treasuries yield dropped amid rally in equities - Yield on 2Y treasuries rose by 5bps to 2.54% while that of the 10Y ended 3bps higher at 2.70%. **Rising equities and OPEC production cut led crude oil to rally further** - Brent climbed to \$57.33/barrel while the WTI settled higher at \$48.52/barrel.
- **Data flow was negative by and large.** US ISM services index fell to 57.6 in December, suggesting the sector is growing at its slowest pace in 5 months. Meanwhile the Sentix Investor Confidence for the Eurozone fell further to a fresh 4-year low of -1.5 in January indicating a deterioration of investors sentiments but things are looking up in the retail space given the steady 0.6% MOM growth in November retail sales. Japan Nikkei Services PMI weakened to a three-month low of 51.0 in December suggesting slower upturn in the country's services industry.
- **USD weakened against 9 G10s** on continued easing of expectations on future Fed rate hikes and more so on softer US data overnight. DXY slipped through all sessions, closing 0.53% lower at 95.66. **Stay bearish on USD** on continued decline in future Fed rate hike expectations and demand for refuge. With increased downward momentum and a close below 95.75, expect DXY to extend its downsides. The recent bullish chart pattern has been nullified by a drop below 95.75, and DXY is likely heading towards 95.04.
- **MYR strengthened 0.52% to 4.1145 against a weakened USD**, further spurred by improved market sentiment following China's RRR cut. MYR closed stronger against 6 G10s. **MYR is likely neutral against USD** with room for mild gains, supported by extended risk-on in the markets. Bearish bias prevails and USDMYR remains inclined to further losses, but we caution a bounce higher may be on the horizon as part of a corrective move of the recent losses. We continue to set sights on 4.1060.
- **SGD strengthened 0.23% to 1.3562 against a weak USD** but was outperformed by 9 G10s that were boosted by improved market sentiment. **SGD is slightly bullish in anticipation of extended weakness in USD.** While USDSGD remains technically bearish and likely to push lower, we would not rule out a moderate bounce higher. Gains are likely stemmed near 1.3585 – 1.3590 before resuming the current downtrend.

Overnight Economic Data

US	↓
Eurozone	→
Japan	↓

What's Coming Up Next

Major Data

- US NFIB Small Business Optimism
- Eurozone Consumer Confidence
- UK Halifax House Price Index
- Australia Trade Report

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1448	1.1468	1.1482	1.1498	1.1516	↗
GBPUSD	1.2760	1.2776	1.2785	1.2800	1.2814	↗
USDJPY	108.12	108.50	108.70	108.92	109.04	↘
AUDUSD	0.7124	0.7141	0.7146	0.7169	0.7177	↗
EURGBP	0.8951	0.8973	0.8979	0.8991	0.8995	↘
USDMYR	4.1085	4.1100	4.1110	4.1150	4.1185	→
EURMYR	4.7100	4.7133	4.7174	4.7200	4.7226	↗
JPYMYR	3.7712	3.7785	3.7821	3.7863	3.7885	↘
GBPMYR	5.2460	5.2524	5.2538	5.2572	5.2613	↗
SGDMYR	3.0289	3.0300	3.0306	3.0319	3.0325	→
AUDMYR	2.9276	2.9300	2.9355	2.9369	2.9400	↗
NZDMYR	2.7700	2.7717	2.7736	2.7752	2.7764	↘
USDSGD	1.3537	1.3550	1.3557	1.3563	1.3585	↘
EURSGD	1.5520	1.5544	1.5564	1.5586	1.5596	↗
GBPSGD	1.7300	1.7314	1.7333	1.7339	1.7350	↗
AUDSGD	0.9661	0.9680	0.9687	0.9698	0.9712	↗

* 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	1,679.17	0.56	-0.67	CRB Index	174.64	0.74	2.85
Dow Jones Ind.	23,531.35	0.42	0.87	WTI oil (\$/bbl)	48.52	1.17	6.85
S&P 500	2,549.69	0.70	1.71	Brent oil (\$/bbl)	57.33	0.47	6.56
FTSE 100	6,810.88	-0.39	1.23	Gold (\$/oz)	1,289.21	0.25	8.10
Shanghai	2,533.09	0.72	1.57	CPO (RM/tonne)	2,039.00	0.42	4.43
Hang Seng	25,835.70	0.82	-0.04	Copper (\$/tonne)	5,918.00	3.17	-0.79
STI	3,102.80	1.42	1.11	Rubber (sen/kg)	391.00	-1.26	3.17

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US ISM Non-Manufacturing Index	Dec	57.6	60.7	58.5
EU Sentix Investor Confidence	Jan	-1.5	-0.3	-2.0
EU Retail Sales MOM	Nov	0.6%	0.6% (revised)	0.2%
JP Nikkei Japan PMI Services	Dec	51.0	52.3	--

Source: Bloomberg

➤ Macroeconomics

- US services sector growth at 5-month low:** The ISM Non-Manufacturing Index fell to 57.6 in December (Nov: 60.7), the lowest level since July last year suggesting that the US services sector experienced a weaker mode of expansion in the last month of 2018. Respondents generally maintained their positive view regarding business outlook with some citing rising interest rates being a contributing factor to pullback in certain industries and challenges in finding qualified employees. The weaker headline index was driven by the markedly slower rise in productions (59.9 vs 65.2) but higher demand is reflected in the higher new orders index (62.7 vs 62.5) as well as the new exports orders index (59.5 vs 57.5). Employment index fell modestly indicating slower growth in employment whereas inflationary pressure was seen easing given the substantial fall in the prices index (57.6 vs 64.3). The tariff delay was reported to have slowed increases in material costs.
- Eurozone investors' sentiments deteriorated further:** The Sentix Investor Confidence Index fell further to -1.5 in January (Dec: -0.3), its second straight month in the negative territory. The current situation index fell to 18.0 (Dec: 20.0) whereas the expectations index also declined to -19.3 (Dec:-18.8) suggesting that investors are becoming increasingly pessimistic about the economic situation and prospects of the euro area.
- Eurozone retail sales saw steady growth:** Things are looking up at the retail space as the Eurostat reported that retail sales grew steadily by 0.6% MOM in November (Oct: +0.6% revised). The faster growth in sales of non-food product (excluding fuel) helped offset the decline in sales of goods, drinks and tobacco. Within non-food product, both textile, clothing & footwear and electrical goods & furniture saw a sharp pick-up in sales. Sales of auto fuel meanwhile also increased by 1.2% MOM (Oct: +0.5%). The better-than-expected retail sales is a welcoming sign, suggesting an improvement in demand conditions in the euro area amidst generally weak economic data.
- Japan services industry eased in December:** Contrary to the strong rebound observed in the manufacturing sector, the services industry in Japan saw easier expansion as the headline Nikkei Services Business Activity Index fell to a three-month low of 51.0 in December (Nov: 52.3). The slower upturn was attributed to poor weather and underwhelming sales where new orders experienced weaker growth during the month. However services provider maintained an upbeat view on growth prospects for the next 12 months citing company expansion, new store openings and projects in the pipeline.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
08/01	US	NFIB Small Business Optimism	Dec	103.0	104.8	--
09/01		MBA Mortgage Applications	Jan-04	--	-8.5%	--
08/01	Eurozone	Consumer Confidence	Dec F	-6.2	-6.2	--
09/01		Unemployment Rate	Nov	8.1%	8.1%	--
08/01	UK	Halifax House Prices MOM	Dec	0.5%	-1.4%	--
09/01	Japan	Labor Cash Earnings YOY	Nov	1.2%	1.5%	
09/01	Australia	Trade Balance	Nov	A\$2,175m	A\$2,316m	
		AiG Perf of Services Index	Dec	--	55.1	--
		Building Approvals MOM	Nov	-0.3%	-1.5%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1474	0.69	1.1483	1.1389	0.10
GBPUSD	1.2777	0.42	1.2787	1.2701	0.24
USDJPY	108.72	0.19	108.78	108.02	-0.99
AUDUSD	0.7148	0.49	0.7150	0.7110	1.31
EURGBP	0.8979	0.28	0.8992	0.8950	-0.12
USDMYR	4.1145	-0.52	4.1265	4.1090	-0.45
EURMYR	4.7075	-0.19	4.7194	4.6920	-0.42
JPYMYR	3.8040	-0.75	3.8056	3.7917	1.23
GBPMYR	5.2386	-0.10	5.2662	5.2348	-0.55
SGDMYR	3.0319	-0.24	3.0438	3.0271	-0.13
AUDMYR	2.9370	0.95	2.9463	2.9275	0.48
NZDMYR	2.7814	0.44	2.7821	2.7717	0.10
CHFMYR	4.1827	-0.36	4.1874	4.1736	-0.39
CNYMYR	0.6008	-0.38	0.6016	0.6001	-0.74
HKDMYR	0.5252	-0.61	0.5268	0.5244	-0.57
USDSGD	1.3562	-0.23	1.3599	1.3555	-0.53
EURSGD	1.5560	0.45	1.5568	1.5480	-0.43
GBPSGD	1.7331	0.23	1.7342	1.7264	-0.29
AUDSGD	0.9694	0.26	0.9694	0.9663	0.78

Source: Bloomberg

MYR

- **MYR strengthened 0.52% to 4.1145 against a weakened USD**, further spurred by improved market sentiment following China's RRR cut. MYR closed stronger against 6 G10s.
- **MYR is likely neutral against USD** with room for mild gains, supported by extended risk-on in the markets. Bearish bias prevails and USDMYR remains inclined to further losses, but we caution a bounce higher may be on the horizon as part of a corrective move of the recent losses. We continue to set sights on 4.1060.

USD

- **USD weakened against 9 G10s** on continued easing of expectations on future Fed rate hikes and more so on softer US data overnight. DXY slipped through all sessions, closing 0.53% lower at 95.66.
- **Stay bearish on USD** on continued decline in future Fed rate hike expectations and demand for refuge. With increased downward momentum and a close below 95.75, expect DXY to extend its downsides. The recent bullish chart pattern has been nullified by a drop below 95.75, and DXY is likely heading towards 95.04.

EUR

- **EUR jumped 0.69% to 1.1474 against USD** and climbed against 5 G10s on the back of a set of better than expected Eurozone data.
- **Continue to hold a bullish view on EUR against a soft USD.** Firmer Eurozone data will spur further upsides. EURUSD is bullish in our view but risk of a rejection still remains as long as it has not cleared 1.1486 – 1.1497. Beating this exposes a move to 1.1516 next, otherwise, a return to 1.1403 is highly likely.

GBP

- **GBP rose 0.42% to 1.2777 against a weak USD** but retreated against 7 G10s that were rallying on improved market sentiment.
- **GBP is slightly bullish against a soft USD**, but is likely fragile with Brexit parliamentary vote (scheduled 15 Jan) back onto markets' radar. Expect negative headlines to quickly reverse GBPUSD back into a bearish mode. Technically, upside bias continues to improve and likely to test 1.2815 next. Beating this, GBPUSD is likely to head towards 1.2855.

JPY

- **JPY weakened 0.19% to 108.72 against USD** and fell to the bottom of the G10 list as risk appetite improved across major markets.
- **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 at bearish bias and we expect a drop to circa 107.85 – 108.00 in the next leg lower.

AUD

- **AUD climbed 0.49% to 0.7148 against a weak USD** but underperformed 6 G10s, likely weighed down by weakness in Australian data.
- **Stay bullish on AUD against USD**, lifted by improving risk appetite in the markets and optimism heading into US-China trade talks. Upward momentum continues to improve, supporting further gains in AUDUSD. Expect a test at 0.7169 – 0.7177 next, above which AUDUSD will be inclined to test 0.7207. A pullback after recent rally is not unreasonable, but should maintain a bullish tone if it holds above 0.7068.

SGD

- **SGD strengthened 0.23% to 1.3562 against a weak USD** but was outperformed by 9G10s that were boosted by improved market sentiment.
- **SGD is slightly bullish in anticipation of extended weakness in USD.** While USDSGD remains technically bearish and likely to push lower, we would not rule out a moderate bounce higher. Gains are likely stemmed near 1.3585 – 1.3590 before resuming the current downtrend.

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