

Global Markets Research

Daily Market Highlights

Key Takeaways

- Wall Street stocks notched a third consecutive sessions of gains, ended higher between 0.9-1.1% supported by optimism that the US-China trade negotiation was going well especially with the participation of Vice Premier Liu He. The trade sensitive industrials sector was the second best performing sector (trailing behind communications services) driven by the surge in share price of aircraft maker Boeing which has earlier reported a record high jet delivery figure. Investors continued to ditch US treasuries amidst rallying stocks leading yields to rise across the curve. Earlier European stocks ended higher whereas Asian equities were mixed. Crude oil prices sustained upward momentum with Brent settling higher at \$58.72/barrel (+2.42%) while WTI went further up to \$49.78/barrel (+2.60%).
- In the US, the NFIB Small Business Optimism Index drifted slightly lower to 104.4 in December pointing to slightly softer sentiments among small business owners. Eurozone Consumer Confidence Index fell to -6.2 in the same month marking its worst streak since the financial crisis. UK house prices rose by 1.3% YOY in the fourth quarter. Japan wage growth picked up further by 2.0% YOY in November. Australia December trade surplus narrowed while services PMI weakened. Building approvals dipped by 9.1% MOM amidst soft housing market.
- **USD rebounded to beat 9 G10s** in what is likely a technical pullback from recent sharp losses. The DXY climbed 0.25% to 95.90 after some restrained upticks through European-US sessions. **Stay bearish on USD** in anticipation of extended retreat in refuge demand amid continued improvement in risk sentiment, further spurred by optimism of US-China trade talks. Expect losses to accelerate if FOMC reiterate a less hawkish tone of the Fed. DXY remains tilted to the downside amid rising downward momentum and recent downside break below 96.00. Continue to expect DXY heading towards 95.04.
- **MYR slipped 0.09% to 4.1180 against USD**, returning some gains from recent rally and retreated against 8 G10s as local sentiment eased. **MYR is slightly bullish against a soft USD**, supported by extended risk-on in the markets. Bearish bias prevails and USDMYR remains inclined to the downsides, with room to slide to 4.1060 next. We caution that recent declines may have exhausted USDMYR's bearish strength and losses may be more moderate going forward.
- **SGD slipped 0.14% to 1.3581 against a rebounding USD** but managed to beat 7 G10s. **SGD is slightly bullish in anticipation of extended weakness in USD**. As noted yesterday, USDSGD indeed bounced higher. We caution that 1.3590 remains the level to beat for further gains, otherwise a downside bias is likely to prevail and push USDSGD lower towards 1.3550.

Overnight Economic Data

US	↓
Eurozone	↓
UK	↑
Japan	↑
Australia	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications
- Eurozone Unemployment Rate

Major Events

- FOMC Meeting Minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1418	1.1450	1.1460	1.1468	1.1486	↗
GBPUSD	1.2700	1.2726	1.2738	1.2745	1.2760	↗
USDJPY	108.50	108.65	108.76	108.86	109.00	↘
AUDUSD	0.7135	0.7150	0.7157	0.7161	0.7178	↗
EURGBP	0.8981	0.8991	0.8996	0.9006	0.9018	↗
USDMYR	4.1085	4.1100	4.1125	4.1150	4.1185	↘
EURMYR	4.7085	4.7100	4.7115	4.7133	4.7159	→
JPYMYR	3.7754	3.7782	3.7804	3.7833	3.7863	↘
GBPMYR	5.2300	5.2345	5.2373	5.2400	5.2435	↘
SGDMYR	3.0259	3.0279	3.0296	3.0300	3.0319	→
AUDMYR	2.9351	2.9369	2.9404	2.9455	2.9463	↗
NZDMYR	2.7698	2.7717	2.7731	2.7752	2.7764	→
USDSGD	1.3554	1.3569	1.3574	1.3585	1.3600	↘
EURSGD	1.5520	1.5538	1.5550	1.5568	1.5582	↗
GBPSGD	1.7256	1.7277	1.7287	1.7302	1.7327	↗
AUDSGD	0.9681	0.9700	0.9706	0.9727	0.9744	↗

* 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	1,672.76	-0.38	-1.05	CRB Index	175.96	0.76	3.63
Dow Jones Ind.	23,787.45	1.09	1.97	WTI oil (\$/bbl)	49.78	2.60	9.62
S&P 500	2,574.41	0.97	2.70	Brent oil (\$/bbl)	58.72	2.42	9.14
FTSE 100	6,861.60	0.74	1.98	Gold (\$/oz)	1,285.39	-0.30	8.10
Shanghai	2,526.46	-0.26	1.31	CPO (RM/tonne)	2,029.50	-0.47	3.94
Hang Seng	25,875.45	0.15	0.12	Copper (\$/tonne)	5,923.00	0.08	-0.70
STI	3,122.94	0.65	1.77	Rubber (sen/kg)	398.50	2.05	5.15

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US NFIB Small Business Optimism	Dec	104.4	104.8	103.0
EU Consumer Confidence	Dec F	-6.2	-3.9	-6.2
UK Halifax House Prices MOM	Dec	2.2%	-1.2% (revised)	0.5%
JP Labour Cash Earnings YOY	Nov	2.0%	1.5%	1.2%
AU Trade Balance	Nov	A\$1,925m	A\$2,013m (revised)	A\$2,175m
AU AiG Perf of Services Index	Dec	52.1	55.1	--
AU Building Approvals MOM	Nov	-9.1%	-1.4% (revised)	-0.3%

Source: Bloomberg

➤ Macroeconomics

- US small business optimism eased slightly in December:** The NFIB Small Business Optimism Index drifted slightly lower by 0.4pts to 104.4 in December (Nov: 104.8) indicating slightly softer confidence level among US small business owners. Unfilled jobs and the lack of qualified applicants continued to be an ongoing issue with job openings hitting a record high. Expected real sales growth and business conditions in the coming six months accounted for the modest decline in the index.
- European consumer confidence level plunged further in December:** The final reading of European Commission Consumer Confidence Index was unchanged at -6.2 in December, a 2.3pts decline from the -3.9 reading in November, marking its 12th consecutive month of fall and was the index's worst losing streak since the depth of the financial crisis. The weak reading reflects the deteriorating consumer sentiments in the euro area plagued by slower growth outlook (country such as Germany is struggling with domestic headwinds) as well as political uncertainties in certain member countries.
- UK house prices growth strengthened unexpectedly but remained weak:** UK house prices saw a better than expected rebound in December after recording a fall in the previous month. The Halifax House Prices Index rose by 2.2% MOM in December (Nov: -1.2% revised) while the index rose by 1.3% YOY in the three months to December (Nov: +0.3%). That said, gain in house prices in the fourth quarter stayed comparatively weak reaffirming view that the UK housing market is expected to remain soft in 2019.
- Japan wage growth saw further acceleration amidst tight labour market, base pay stabilised:** Japan's labour cash earnings accelerated further by 2.0% YOY in November (Oct: +1.5%), the fastest since June last year. While the faster wage growth was in part supported by the higher bonus payout in November, regular wage pay which excludes bonus and overtime earnings had managed to pick up continuously by 1.6% YOY (Oct: +1.5%) for the past few months indicating a stabilizing growth for underlying wages. Despite that, inflation in Japan is unlikely to follow the trend and is expected to remain subdued in the first half of 2019 given generally softer demand conditions.
- Australia trade surplus narrowed, services PMI eased:** Australia trade surplus continued to narrow in December albeit to a much limited extent compared to the substantial reduction observed in November. Trade surplus fell by 4.4% MOM (Nov: -27.9%) to A\$1.93bn (Nov: A\$2.01bn). Exports grew by a slightly faster pace of 1.4% MOM (Nov: +1.1%) while imports growth eased to 1.7% MOM (Nov: +3.4%). China remained its largest trading partner recording a two-way trade of A\$19.1bn (Nov: \$18.9bn), followed by Japan and the US. In a separate release, the AiG Performance of Services Index fell by 3pts to 52.1 in December (Nov: 55.1) suggesting a softer expansion of the services sector. The slower upturn was driven by the slower gain in sales and contracting employment as new orders managed to notch a 1.2pts increase. Australia building approvals meanwhile declined by 9.1% MOM in November (Oct: -1.4% revised). On a yearly basis, approvals plummeted by a whopping 32.8% YOY (-13.1% revised) against a soft housing backdrop.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
09/01	US	MBA Mortgage Applications	04 Jan	--	-8.5%	--
10/01		FOMC Meeting Minutes	Dec 19	--	--	--
		Initial Jobless Claims	05 Jan	226k	231k	--
		Wholesale Inventories MOM	Nov F	0.5%	--	--
09/01	Eurozone	Unemployment Rate	Nov	8.1%	8.1%	--
10/01	Japan	Leading Index CI	Nov P	99.6	99.6	--
		Coincident Index	Nov P	103.0	104.9	--
10/01	China	PPI YOY	Dec	1.6%	2.7%	--
		CPI YOY	Dec	2.1%	2.2%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1441	-0.29	1.1485	1.1422	-0.11
GBPUSD	1.2717	-0.47	1.2797	1.2707	-0.14
USDJPY	108.75	-0.03	109.09	108.44	-0.87
AUDUSD	0.7140	-0.11	0.7150	0.7117	1.59
EURGBP	0.8997	-0.20	0.9007	0.8948	0.04
USDMYR	4.1180	-0.09	4.1210	4.1055	-0.50
EURMYR	4.7163	-0.19	4.7233	4.7000	-0.34
JPYMYR	3.7831	-0.55	3.7902	3.7709	0.66
GBPMYR	5.2643	-0.49	5.2657	5.2425	-0.55
SGDMYR	3.0327	-0.03	3.0352	3.0259	-0.18
AUDMYR	2.9387	-0.06	2.9402	2.9279	0.76
NZDMYR	2.7764	-0.18	2.7783	2.7698	-0.28
CHFMYR	4.2007	-0.43	4.2017	4.1846	-0.14
CNYMYR	0.6010	-0.04	0.6011	0.5992	-0.71
HKDMYR	0.5255	-0.06	0.5257	0.5238	-0.68
USDSGD	1.3581	-0.14	1.3594	1.3555	-0.41
EURSGD	1.5540	-0.13	1.5573	1.5527	-0.52
GBPSGD	1.7271	-0.35	1.7376	1.7256	-0.55
AUDSGD	0.9697	-0.03	0.9705	0.9672	1.18

Source: Bloomberg

MYR

- **MYR slipped 0.09% to 4.1180 against USD**, returning some gains from recent rally and retreated against 8 G10s as local sentiment eased.
- **MYR is slightly bullish against a soft USD**, supported by extended risk-on in the markets. Bearish bias prevails and USDMYR remains inclined the downsides, with room to slide to 4.1060 next. We caution that recent declines may have exhausted USDMYR's bearish strength and losses may be more moderate going forward.

USD

- **USD rebounded to beat 9 G10s** in what is likely a technical pullback from recent sharp losses. The DXY climbed 0.25% to 95.90 after some restrained upticks through European-US sessions.
- **Stay bearish on USD** in anticipation of extended retreat in refuge demand amid continued improvement in risk sentiment, further spurred by optimism of US-China trade talks. Expect losses to accelerate if FOMC reiterate a less hawkish tone of the Fed. DXY remains tilted to the downside amid rising downward momentum and recent downside break below 96.00. Continue to expect DXY heading towards 95.04.

EUR

- **EUR fell 0.29% to 1.1441 against USD** but not before bouncing off intraday low, and slipped against 6 G10s.
- **Expect a bullish EUR to the extent of USD downsides.** EURUSD remains technically 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 weakened 0.47% to 1.2717 against USD** and tumbled against 8 G10s as markets turned cautious amid renewed focus on Brexit plan heading into parliamentary vote next week.
- **Continue to expect slight gains in GBP against a soft USD**, but is likely vulnerable to negative Brexit headlines that would quickly reverse accumulated gains. Technically, upside bias continues to improve and likely to test 1.2780 next. Beating this, GBPUSD is likely to head towards 1.2844.

JPY

- **JPY eased 0.03% to 108.75 against USD** but advanced against 8 G10s as risk appetite in the FX space retreated following rebound in the greenback.
- **JPY remains slightly bullish on likelihood of a soft USD**, though gains may be kept limited by decreasing demand for refuge. Unless USDJPY breaks above 109.00, it still carries a bearish bias and we expect a drop to circa 107.85 – 108.00 in the next leg lower.

AUD

- **AUD slipped 0.11% to 0.7140 against a rebounding USD** but held firm against 7 G10s, supported by continued recovery in equities.
- **Maintain a bullish view on AUD against USD**, lifted by improving risk appetite in the markets and optimism of US-China trade talks. Upward momentum continues to improve, supporting further gains in AUDUSD. Expect a test at 0.7178 next, above which AUDUSD will be inclined to challenge 0.7207. As witnessed yesterday, we reiterate that a pullback after recent rally is not unreasonable, but should maintain a bullish tone if it holds above 0.7068.

SGD

- **SGD slipped 0.14% to 1.3581 against a rebounding USD** but managed to beat 7 G10s.
- **SGD is slightly bullish in anticipation of extended weakness in USD.** As noted yesterday, USDSGD indeed bounced higher. We caution that 1.3590 remains the level to beat for further gains, otherwise a downside bias is likely to prevail and push USDSGD lower towards 1.3550.

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