

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended higher for a fourth consecutive day supported by positive US-China trade headline as well as a dovish FOMC December minutes which confirmed Fed Chair Jerome Powell's earlier remark on more measured rate hikes.** Concerns over ongoing US government shutdown partly weighed down sentiments as President Trump continued to fistfight with the Democrats over border wall funding suggesting that the current impasse is unlikely to end soon. Treasuries rose with the yield on 2Y notes fell by 4bps to 2.55% while the 10Y ended 2bps lower at 2.71%. Riding on trade optimism, both European and Asian equities had rallied earlier while similarly crude oil prices were boosted further – WTI climbed above \$50 to settle at \$52/36/barrel (+5.18%), Brent closed at \$61/44/barrel (+4.63%).
- **Data flow was muted in the US as most of the scheduled releases have been postponed due to the government shutdown.** Mortgage applications staged a hefty rebound of 23.5% last week as interest rates fell across the board confirming that higher rates have been key reason causing the lacklustre demand for mortgages in the past month. **Eurozone unemployment rate fell to 7.9% in November, marking its first time falling below 8% in a decade.**
- **USD slumped against all G10s while the DXY plunged in late US morning to close 0.71% lower at 95.21, pressured by risk aversion ahead of FOMC minutes and receding demand for refuge as market sentiment advanced. Stay bearish on USD** as we expect further erosion in expectations of future Fed rate hikes after FOMC minutes suggested that there will be more restraint in policy tightening going forward. With downward momentum picking up and a break below 95.82, expect further losses in DXY. Continue to expect DXY heading towards 95.04, below which 94.78 will be challenged.
- **MYR inched 0.09% firmer to 4.1145 against USD** and advanced against 7 G10s, supported by extended risk-on in the markets. **MYR is bullish against a weak USD**, supported by extended risk-on sentiments. Bearish bias prevails and USDMYR remains inclined the downsides, with room to slide to 4.0860 going forward. But still, we caution that recent declines may have exhausted USDMYR's bearish strength and there may be a minor rebound, possibly back to circa 4.1110 – 4.1150 first, before extending further losses.
- **SGD advanced 0.35% to 1.3533 against a weak USD** but fell against all other G10s as demand for refuge continue to recede. **SGD is still slightly bullish in anticipation of extended weakness in USD.** With downward momentum rising, we continue to expect further losses in USDSGD. A test at 1.3500 is likely, though at current juncture, we believe that a downside break here may not yield a sustainable downtrend.

Overnight Economic Data

US	↑
Eurozone	↑

What's Coming Up Next

Major Data

- US Initial Jobless Claims, Wholesale Inventories
- Japan Leading Index, Coincident Index
- China PPI, CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1520	1.1542	1.1553	1.1566	1.1581	↗
GBPUSD	1.2760	1.2773	1.2796	1.2809	1.2839	↗
USDJPY	107.68	108.00	108.16	108.44	108.60	↘
AUDUSD	0.7124	0.7155	0.7172	0.7180	0.7207	↗
EURGBP	0.9018	0.9023	0.9026	0.9030	0.9041	↗
USDMYR	4.0985	4.1000	4.1030	4.1060	4.1080	↘
EURMYR	4.7309	4.7359	4.7397	4.7414	4.7475	↗
JPYMYR	3.7874	3.7900	3.7934	3.7976	3.8000	↗
GBPMYR	5.2400	5.2432	5.2485	5.2524	5.2572	↗
SGDMYR	3.0279	3.0300	3.0317	3.0340	3.0353	→
AUDMYR	2.9369	2.9400	2.9426	2.9455	2.9497	↗
NZDMYR	2.7800	2.7810	2.7846	2.7859	2.7879	↗
USDSGD	1.3500	1.3522	1.3530	1.3548	1.3555	↘
EURSGD	1.5611	1.5617	1.5630	1.5640	1.5653	↗
GBPSGD	1.7280	1.7300	1.7309	1.7318	1.7329	↗
AUDSGD	0.9681	0.9692	0.9705	0.9727	0.9740	↗

* 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	1,667.83	-0.29	-1.35	CRB Index	179.04	1.75	5.44
Dow Jones Ind.	23,879.12	0.39	2.36	WTI oil (\$/bbl)	52.36	5.18	15.30
S&P 500	2,584.96	0.41	3.12	Brent oil (\$/bbl)	61.44	4.63	14.20
FTSE 100	6,906.63	0.66	2.65	Gold (S/oz)	1,293.56	0.64	8.10
Shanghai	2,544.35	0.71	2.02	CPO (RM/tonne)	2,042.50	0.64	4.61
Hang Seng	26,462.32	2.27	2.39	Copper (\$/tonne)	5,906.00	-0.29	-0.99
STI	3,158.07	1.12	2.91	Rubber (sen/kg)	402.00	0.50	6.07

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	04 Jan	23.5	-8.5%	--
EU Unemployment Rate	Nov	7.9%	8.0% (revised)	8.1%

Source: Bloomberg

➤ Macroeconomics

- Dovish FOMC minutes confirmed Fed nearing the end of hiking cycle, to exercise more caution in 2019:*** The newly released FOMC meeting minutes for December was in line with Fed Chair Jerome Powell's recent change in tone regarding monetary policy path. The Fed had raised the fed funds target range to 2.25- 2.5% last month and revised its median projections from four hikes to two hikes in 2019. Among the key points being picked up was that after taking into account incoming economic data, information from business contacts and the tightening financial conditions, participants generally revised down their individual assessments of the appropriate path for monetary policy. On monetary policy outlook, the minutes pointed that with the increase in the target range, the fed funds rate would be at or close to the lower end of longer run neutral interest rates. Members expressed that recent developments including the volatility in financial markets and the increased concerns about global growth made the appropriate extend and timing of future policy firming "less clear than earlier". Against this backdrop, especially in the environment of muted inflation pressures, **the Committee could "afford to be patient" about policy firming.** From the minutes, we can conclude that members generally noted the contrast between the strength in (domestic) economic data and the downside risk posted by a volatile financial markets. Given that the global economy is showing visible signs of a slowdown and the possibility of a rapid waning of fiscal stimulus as well as escalating trade tensions, the Fed is likely to exercise caution in maneuvering its policy normalization path. Premised on the above, we are expecting the central bank to raise the fed fund rate by only one time in 2019.
- US mortgage applications saw hefty rebound as interest rates fell:*** MBA mortgage applications increased by a whopping 23.5% WOW for the week ended 4 Jan (previous: -8.5%), rebounding from three consecutive weeks of decline. The number of applications for purchases rose by 16.5% (previous: -7.6%) while the rate-sensitive refinancing segment jumped by 35.3% (previous: -10.6%). The hefty gains last week confirmed that the lack of applications in the past month was mainly due to rising interest rate. The sharp jump in applications was after all driven by generally lower mortgages rates across the board following the fall in treasuries yields, with the average rate of a fixed-rate 30-year loan sliding to 4.74% (previous: 4.84%).
- Eurozone unemployment rate fell below 8%:*** Unemployment rate in the euro area beat expectations to fall to 7.9% in November (Oct: 8.0%), marking its lowest level in 10 year further confirming that slower growth in the 19-member bloc has not weakened the tightening labour market.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
11/01	Malaysia	Industrial Production YOY	Nov	2.3%	4.2%	--
10/01	US	Initial Jobless Claims	05 Jan	226k	231k	--
11/01		CPI YOY	Dec	1.9%	2.2%	--
		CPI Ex Food and Energy YOY	Dec	2.2%	2.2%	--
11/01	UK	Visible Trade Balance GBP/Mn	Nov	-£11,400m	-£11,873m	--
		Industrial Production MOM	Nov	0.2%	-0.6%	--
		GDP MOM	Nov	0.1%	0.1%	--
10/01	Japan	Leading Index CI	Nov P	99.6	99.6	--
		Coincident Index	Nov P	103.0	104.9	--
11/01		Household Spending YOY	Nov	-0.1%	-0.3%	--
		Eco Watchers Survey Current SA	Dec	50.7	51.0	--
		Eco Watchers Survey Outlook SA	Dec	51.4	52.2	--
10/01	China	PPI YOY	Dec	1.6%	2.7%	--
		CPI YOY	Dec	2.1%	2.2%	--
11/01	Singapore	Retail Sales YOY	Nov	-2.4%	0.1%	--
11/01	Australia	AiG Perf of Construction Index	Dec	--	44.5	--
		Retail Sales MOM	Nov	0.3%	0.3%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1543	0.89	1.1557	1.1437	0.77
GBPUSD	1.2789	0.57	1.2804	1.2712	0.35
USDJPY	108.17	-0.53	109.00	107.97	-1.36
AUDUSD	0.7170	0.42	0.7194	0.7135	1.80
EURGBP	0.9026	0.32	0.9042	0.8975	0.43
USDMYR	4.1145	-0.09	4.1180	4.1110	-0.46
EURMYR	4.7151	-0.03	4.7220	4.7101	-0.26
JPYMYR	3.7780	-0.13	3.7869	3.7734	0.54
GBPMYR	5.2518	-0.24	5.2545	5.2348	-0.30
SGDMYR	3.0317	-0.03	3.0346	3.0292	-0.14
AUDMYR	2.9434	0.16	2.9497	2.9392	0.70
NZDMYR	2.7812	0.17	2.7821	2.7706	0.09
CHFMYR	4.1961	-0.11	4.1991	4.1902	-0.07
CNYMYR	0.6023	0.22	0.6023	0.6012	-0.49
HKDMYR	0.5247	-0.15	0.5253	0.5245	-0.66
USDSGD	1.3533	-0.35	1.3581	1.3527	-0.74
EURSGD	1.5625	0.55	1.5634	1.5522	0.02
GBPSGD	1.7306	0.20	1.7330	1.7252	-0.39
AUDSGD	0.9703	0.06	0.9739	0.9689	1.06

Source: Bloomberg

MYR

- **MYR inched 0.09% firmer to 4.1145 against USD** and advanced against 7 G10s, supported by extended risk-on in the markets.
- **MYR is bullish against a weak USD**, supported by extended risk-on in the markets. Bearish bias prevails and USDMYR remains inclined the downsides, with room to slide to 4.0860 going forward. But still, we caution that recent declines may have exhausted USDMYR's bearish strength and there may be a minor rebound, possibly back to circa 4.1110 – 4.1150 first, before extending further losses.

USD

- **USD slumped against all G10s** while the DXY plunged in late US morning to close 0.71% lower at 95.21, pressured by risk aversion ahead of FOMC minutes and receding demand for refuge as market sentiment advanced.
- **Stay bearish on USD** as we expect further erosion in expectations of future Fed rate hikes after FOMC minutes suggested that there will be more restraint in policy tightening going forward. With downward momentum picking up and a break below 95.82, expect further losses in DXY. Continue to expect DXY heading towards 95.04, below which 94.78 will be challenged.

EUR

- **EUR surged 0.89% to 1.1543, boosted by a weak USD** while climbing against 6 G10s with some support from firmer Eurozone data.
- **Expect a bullish EUR against a weak USD.** EURUSD has strongly surpassed 1.1497 and even beaten 1.1516. A test at 1.1581 will be next, but we note that this is a strong resistance; EURUSD's bullish sustainability may still be doubtful even with a break above it.

GBP

- **GBP climbed 0.57% to 1.2789 against a weak USD** but underperformed 6 G10s as demand remains soft on Brexit uncertainties.
- **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 1.2809 next. Beating this, GBPUSD is likely to head towards 1.2839.

JPY

- **JPY strengthened 0.53% to 108.17 against USD** but retreated against 7 G10s as demand for refuge continued to fade.
- **JPY remains slightly bullish on likelihood of a soft USD**, though gains may be kept limited by decreasing demand for refuge. With momentum still net negative, we reckon that USDJPY still carries a bearish bias and expect a drop to circa 107.85 – 108.00 in the next leg lower.

AUD

- **AUD climbed 0.42% to 0.7170 against a weak USD** but weakened against 9 G10s, pressured by softer than expected Australian data.
- **Expect a bullish AUD against USD**, staying supported by improving risk appetite in the markets and optimism of US-China trade talks. Upward momentum continues to improve, supporting further gains in AUDUSD. A test at 0.7178 is next, above which there is room for a climb to 0.7207. We still caution on potential pullback, which we opine is reasonable after having rallied recently.

SGD

- **SGD advanced 0.35% to 1.3533 against a weak USD** but fell against all other G10s as demand for refuge continue to recede.
- **SGD is still slightly bullish in anticipation of extended weakness in USD.** With downward momentum rising, we continue to expect further losses in USDSGD. A test at 1.3500 is likely, though at current juncture, we believe that a downside break here may not yield a sustainable downtrend.

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