

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks extended further winning streak** to end modestly higher overnight, as Fed Chair Jerome Powell once again emphasized that the Fed will be patient and flexible in normalizing monetary policy. His remarks came following Thursday's release of what appeared to be a dovish Fed meeting minutes. **The Dow, S&P 500 and NASDAQ rose by 0.51% (+122.8pts), 0.45% (+11.7%) and 0.42% (+29.0pts)** respectively. Treasuries fell amidst rising equity - **yield on 2y notes picked up by 3bps to 2.58% while 10y yield climbed 3bps to 2.74%**. Elsewhere European and Asian stocks ended mixed. Crude oil prices stabilized with Brent closing at \$61.68/barrel (+0.39%) while WTI inched up to \$52.59/barrel (+0.44%).
- Data releases in the US are limited to jobless claims figures given the ongoing government shutdown. Initial jobless claims fell by 17k to 216k last week reaffirming a tightening US job market. Japan household spending contracted for the third consecutive month by 0.6% YOY, while leading and coincident indexes both registered declines. **China CPI eased to a six-month low of 1.9% YOY while PPI grew a mere 0.9%** suggesting that a lack of price pressure will **allow more room for PBOC monetary loosening**. Australia construction PMI fell to 42.6 indicating a further deterioration of the health of sector while its retail sales rose by 0.4% MOM.
- **USD rebounded moderately to beat 9 G10s** while the DXY climbed through all trading sessions to end 0.34% higher at 95.53, partly on a rebound from sharp losses a day prior as well as on Fed Chair Powell's remarks. **Expect USD to remain bearish** amid downside potential in US data, on top of continued retreat in demand for refuge. We view overnight rebound as a correction from the sharp decline a day before, thus we maintain a bearish view, expect another test at 95.04, below which 94.78 will be challenged.
- **MYR strengthened 0.37% to 4.0990 against USD** and advanced against 5 G10s amid continued support from improving market sentiment. **MYR is slightly bullish against USD**, supported by extended risk-on in the markets. 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 inched 0.05% firmer to 1.3626 against USD** and strengthened against 9 G10s. **We stay slightly bullish on SGD in anticipation of extended weakness in USD**. With downward momentum rising, we continue to expect further losses in USDSGD. A test 1.3500 is likely, though at current juncture, we still opine that a downside break here may not yield a sustainable downtrend.

#### Overnight Economic Data

US	↑
Japan	↓
China	↓
Australia	↓

#### What's Coming Up Next

##### Major Data

- Malaysia Industrial Production
- US CPI, Core CPI
- UK Visible Trade Balance, Industrial Production, Monthly GDP
- Japan Eco Watchers Survey
- Singapore Retail Sales

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1480	1.1500	1.1517	1.1535	1.1550	↗
GBPUSD	1.2720	1.2746	1.2755	1.2760	1.2771	↗
USDJPY	107.77	108.02	108.34	108.49	108.71	↘
AUDUSD	0.7159	0.7182	0.7197	0.7207	0.7229	↗
EURGBP	0.9006	0.9020	0.9026	0.9041	0.9050	↗
USDMYR	4.0925	4.0950	4.0960	4.0985	4.1005	↘
EURMYR	4.7133	4.7150	4.7162	4.7213	4.7233	→
JPYMYR	3.7785	3.7800	3.7838	3.7869	3.7890	↘
GBPMYR	5.2212	5.2258	5.2268	5.2299	5.2350	↗
SGDMYR	3.0279	3.0300	3.0320	3.0343	3.0353	→
AUDMYR	2.9400	2.9455	2.9493	2.9540	2.9594	↗
NZDMYR	2.7764	2.7810	2.7826	2.7843	2.7859	↗
USDSGD	1.3485	1.3502	1.3512	1.3527	1.3548	↘
EURSGD	1.5522	1.5541	1.5560	1.5573	1.5595	↗
GBPSGD	1.7220	1.7233	1.7237	1.7263	1.7280	↗
AUDSGD	0.9700	0.9713	0.9726	0.9739	0.9750	↗

\* 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	1,678.88	0.66	-0.69	CRB Index	178.60	-0.25	5.18
Dow Jones Ind.	24,001.92	0.51	2.89	WTI oil (\$/bbl)	52.59	0.44	15.81
S&P 500	2,596.64	0.45	3.58	Brent oil (\$/bbl)	61.68	0.39	14.65
FTSE 100	6,942.87	0.52	3.19	Gold (S/oz)	1,286.65	-0.53	8.10
Shanghai	2,535.10	-0.36	1.65	CPO (RM/tonne)	2,036.00	-0.32	4.28
Hang Seng	26,521.43	0.22	2.61	Copper (\$/tonne)	5,958.00	0.88	-0.12
STI	3,183.51	0.81	3.74	Rubber (sen/kg)	399.50	-0.37	5.41

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
US Initial Jobless Claims	05 Jan	216k	233k (revised)	226k
JP Household Spending YOY	Nov	-0.6%	-0.3%	-0.1%
JP Leading Index CI	Nov P	99.3	99.6	99.6
JP Coincident Index	Nov P	103.0	104.9	103.0
CN PPI YOY	Dec	0.9%	2.7%	1.6%
CN CPI YOY	Dec	1.9%	2.2%	2.1%
AU AiG Perf of Construction Index	Dec	42.6	44.5	--
AU Retail Sales MOM	Nov	0.4%	0.3%	0.3%

Source: Bloomberg

## Macroeconomics

- US jobless claims declined as labour market tightened:** Initial jobless claims in the US fell by 17k to 216k for the week ended 5 Jan (previous: 233k revised) bringing the four-week moving average to 221.75k (previous: 219.25k). Continuous claims for meanwhile also fell to 1.72m for the week ended 29 Dec (previous: 1.75m revised). Both numbers continued to point to strength in the ever tightening US labour market.
- Japan household spending contracted confirming lack of domestic demand:** Household spending contracted for the third consecutive month by 0.6% YOY in November (Oct: -0.3%) after a short-lived rebound in July and August further reaffirming a lack of consumer demand in the domestic economy. Meanwhile, the preliminary leading index fell to 99.3 in November (Oct: 99.6) while the coincident index slid to 103.0 (Oct: 104.9) suggesting a slower growth in the Japanese economy.
- China inflation softened to six-month low, allowing PBOC more room for policy easing:** Consumer price index eased further to 1.9% YOY in December (Nov: +2.2%) after coming off its peak level in the Sep-Oct 2018 period. December's print marked the slowest rise since June 2018 and brought the full year inflation rate to 2.1% YOY (2017: +1.6%), well below the PBOC target of 3%. The much slower gain was attributed to a decline in prices of pork (Chinese household preferred poultry choice), fuel and vehicles. Price pressure at factory lost steam as PPI rose a mere 0.9% YOY (Nov: +2.7%), the lowest level in more than two years thus translating into a slower rise in consumer inflation. The lack of inflationary pressure in the economy was a welcoming sign for the economy and is in line with the PBOC's intention to keep a loose monetary policy in order to combat a slowing economy.
- Australia construction sector saw further contraction in operating conditions:** The AiG Performance of Construction Index fell by 1.9pts to 42.6 in December (Nov: 44.5), marking its fourth month residing below the 50.0 threshold thus suggesting a deterioration of operating conditions in Australia's construction sector. The activity sub-index dipped sharply to below 40 at 35.7 (previous: 41.6) with housing, apartments, commercial and engineering activities all registered declines. A separate release meanwhile shows that retail sales rose by 0.4% MOM in November (Oct: +0.3%) driven by faster sales in food and household goods.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
11/01	Malaysia	Industrial Production YOY	Nov	2.3%	4.2%	--
11/01	US	CPI YOY	Dec	1.9%	2.2%	--
		CPI Ex Food and Energy YOY	Dec	2.2%	2.2%	--
14/01	Eurozone	Industrial Production SA MOM	Nov	-1.1%	0.2%	--
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%	--
11/01	Japan	Eco Watchers Survey Current SA	Dec	50.7	51.0	--
		Eco Watchers Survey Outlook SA	Dec	51.4	52.2	--
14/01	China	Exports YOY	Dec	2.0%	5.4%	--
		Imports YOY	Dec	4.5%	3.0%	--
		Trade Balance	Dec	\$50.0b	\$44.74b	\$44.71b
11/01	Singapore	Retail Sales YOY	Nov	-2.4%	0.1%	--

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1500	-0.37	1.1570	1.1485	0.35
GBPUSD	1.2747	-0.33	1.2801	1.2728	-0.01
USDJPY	108.43	0.24	108.52	107.77	-1.27
AUDUSD	0.7185	0.21	0.7198	0.7146	1.94
EURGBP	0.9018	-0.10	0.9060	0.9013	0.37
USDMYR	4.0990	-0.37	4.1070	4.0935	-0.83
EURMYR	4.7239	0.19	4.7534	4.7213	-0.07
JPYMYR	3.7924	0.38	3.8068	3.7883	0.92
GBPMYR	5.2215	-0.58	5.2658	5.2215	-0.88
SGDMYR	3.0293	-0.08	3.0410	3.0293	-0.22
AUDMYR	2.9387	-0.16	2.9520	2.9337	0.54
NZDMYR	2.7766	-0.17	2.7894	2.7761	-0.08
CHFMYR	4.1968	0.02	4.2220	4.1968	-0.06
CNYMYR	0.6041	0.29	0.6046	0.6017	-0.20
HKDMYR	0.5224	-0.44	0.5241	0.5222	-1.10
USDSGD	1.3526	-0.05	1.3548	1.3502	-0.79
EURSGD	1.5555	-0.45	1.5644	1.5537	-0.45
GBPUSD	1.7242	-0.37	1.7335	1.7199	-0.81
AUDSGD	0.9720	0.18	0.9725	0.9679	1.15

Source: Bloomberg

### MYR

- **MYR strengthened 0.37% to 4.0990 against USD** and advanced against 5 G10s amid continued support from improving market sentiment.
- **MYR is slightly bullish against USD**, supported by extended risk-on in the markets. 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 rebounded moderately to beat 9 G10s** while the DXY climbed through all trading sessions to end 0.34% higher at 95.53, partly on a rebound from sharp losses a day prior as well as on Fed Chair Powell's remarks.
- **Expect USD to remain bearish** amid downside potential in US data, on top of continued retreat in demand for refuge. We view overnight rebound as a correction from the sharp decline a day before, thus we maintain a bearish view, expect another test at 95.04, below which 94.78 will be challenged.

### EUR

- **EUR fell 0.37% to 1.1500 against a rebounding USD** and weakened against 7 G10s, weighed down by softer trading sentiment in early Eurozone session.
- **Maintain a bullish EUR view in anticipation of continued USD weakness.** Overnight pullback held above 1.1480, sustaining a bullish bias. Thus, we continue to set sights on a test at 1.1581 soon. We continue to note that this is a strong resistance; EURUSD's bullish sustainability may still be doubtful even with a break above it.

### GBP

- **GBP weakened 0.33% to 1.2747 against a rebounding USD** and retreated against 5 G10s as Brexit uncertainties continue to weigh.
- **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 weakened 0.24% to 108.43 against USD** as demand for refuge continued to retreat, but managed to beat 5 G10s of mostly European majors.
- **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 0.21% to 0.7185 against USD** and bested all G10s, supported by continued improvement in market sentiment.
- **AUD remains bullish against USD** in our view, 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 0.7207 is next, above which there is room for a climb to 0.7229. There is a risk of a rejection at 0.7207, but as long as AUDUSD holds above 0.7159, a bullish bias should sustain.

### SGD

- **SGD inched 0.05% firmer to 1.3626 against USD** and strengthened against 9 G10s.
- **We stay slightly bullish on SGD in anticipation of extended weakness in USD.** With downward momentum rising, we continue to expect further losses in USDSGD. A test 1.3500 is likely, though at current juncture, we still opine that a downside break here may not yield a sustainable downtrend.

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