

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Global equities were engulfed in a sea of red as markets fretted over unresolved trade deal between the US and China as the 15-December deadline drew nearer.** Latest noises had it that the tariff hike deadline will be delayed. This overshadowed impeachment risks of the US President as well as headlines that the US, Canada and Mexico are concluding the USMCA agreement in replace of NAFTA, a deal which is seen as a big victory for the Trump Administration. Major equities across the US, Europe and even Asia fell while as investors shunned risk assets while global bonds rallied on flight to safety with the UST yields falling 1-4bps across the curve. Gold rallied for a 4<sup>th</sup> straight day while the Brent was little changed at \$64.20/ barrel.
- **Overnight economic releases sprang some positivity.** Small business confidence shot up to a 4-month high in the US while that of the Eurozone bounced back to positive territory for the first time in eight months, its best level since March last year. UK monthly GDP showed economic activities stabilized in October after contracting in September, industrial production rebounded even though trade deficit widened on bigger increase in imports. Japan data showed business investment remained weak as indicated by extended decline in machine tool orders as well as BSI surveys. China CPI continued to accelerate on higher food prices but PPI extended its fall.
- **The Dollar Index fell 0.24% to 97.41** on the back of gains in the EUR, GBP and Nordic currencies. **We are neutral to slightly bullish on USD today** ahead of FOMC meeting. An updated dot plot that will likely signal the case for a Fed rate pause coupled with unchanged economic projections could help the greenback recoup some grounds. Short term outlook remains bullish as the Fed is expected to keep rate unchanged this week. Medium term outlook is bullish, supported by solid 4Q US data especially in the consumer/retail sector.
- **MYR finished 0.10% weaker vs the USD at 4.1640** as markets traded on risk-off mode ahead of key event risks later this week. **We maintain our neutral view today**, expecting USDMYR to continue range trade around recent ranges of 4.1600-4.1800 just ahead of the Fed, ECB meetings and UK election, not to mention the looming 15 December US tariffs hike deadline. Short term outlook is bearish as the dollar will likely firm up this week as Fed keeps rate unchanged. Medium term outlook is bearish supported by solid 4Q US data especially in the consumer/retail sector.
- **SGD finished minimally firmer for another day against a weaker USD at 1.3584. Daily outlook is still neutral** ahead of key events. Short term outlook is bearish, expecting the USD to firm up this week as the Fed kept rate unchanged. Medium term outlook is bearish on relatively weaker (although improving) Singapore fundamentals.

#### Overnight Economic Data

US	↑
Eurozone	↑
UK	→
Japan	↓
China	→
Australia	↓

#### What's Coming Up Next

##### Major Data

- US CPI, MBA Mortgage Applications

##### Major Events

- FOMC Meeting

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1075	1.1082	1.1092	1.1104	1.1117	→
GBPUSD	1.3100	1.3110	1.3128	1.3160	1.3200	↘
USDJPY	108.55	108.64	108.76	108.85	108.98	↗
AUDUSD	0.6795	0.6805	0.6812	0.6824	0.6834	→
EURGBP	0.8400	0.8430	0.8448	0.8469	0.8480	→
USDMYR	4.1550	4.1600	4.1610	4.1645	4.1685	→
EURMYR	4.6053	4.6092	4.6158	4.6193	4.6226	→
JPYMYR	3.8200	3.8260	3.8296	3.8340	3.8369	→
GBPMYR	5.4534	5.4632	5.4661	5.4770	5.4868	↘
SGDMYR	3.0596	3.0613	3.0627	3.0654	3.0678	↗
AUDMYR	2.8281	2.8302	2.8342	2.8378	2.8415	→
NZDMYR	2.7100	2.7200	2.7215	2.7300	2.7400	→
USDSGD	1.3550	1.3580	1.3588	1.3615	1.3630	→
EURSGD	1.5040	1.5055	1.5072	1.5083	1.5099	→
GBPSGD	1.7800	1.7830	1.7845	1.7871	1.7904	→
AUDSGD	0.9233	0.9243	0.9254	0.9262	0.9276	→

\* 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	1,561.79	-0.06	-7.62	CRB Index	182.17	0.55	7.28
Dow Jones Ind.	27,881.72	-0.10	19.52	WTI oil (\$/bbl)	59.24	0.37	30.46
S&P 500	3,132.52	-0.11	24.96	Brent oil (\$/bbl)	64.20	-0.08	19.33
FTSE 100	7,213.76	-0.28	7.22	Gold (\$/oz)	1,464.39	0.19	14.15
Shanghai	2,917.32	0.10	16.98	CPO (RM/tonne)	2,827.50	2.45	44.81
Hang Seng	26,436.62	-0.22	2.29	Copper (\$/tonne)	6,075.00	1.42	1.84
STI	3,162.89	-0.53	3.07	Rubber (sen/kg)	459.00	1.10	21.11

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US NFIB Small Business Optimism	Nov	104.7	102.4	103.0
EU ZEW Survey Expectations	Dec	11.2	-1.0	--
UK Monthly GDP (MOM)	Oct	0.0%	-0.1%	0.1%
UK Industrial Production MOM	Oct	0.1%	-0.3%	0.2%
UK Visible Trade Balance GBP/Mn	Oct	-£14,486m	-£11,521m (revised)	-£11,673m
JP Machine Tool Orders YOY	Nov P	-37.9%	-37.4%	--
JP PPI YOY	Nov	0.1%	-0.4%	0.0%
JP BSI Large All Industry QOQ	4Q	-6.2	1.1	--
JP BSI Large Manufacturing QOQ	4Q	-7.8	-0.2	--
CN CPI YOY	Nov	4.5%	3.8%	4.3%
CN PPI YOY	Nov	-1.4%	-1.6%	-1.5%
AU Westpac Consumer Confidence Index	Dec	95.1	97.0	--

Source: Bloomberg

## ➤ Macroeconomics

- US small business confidence rose to a 4-month high:** NFIB small business confidence rose more than expected to 104.7 in November (Oct: 102.4), its highest in four months as businesses turned more optimistic over hiring, profitability and growth outlook, hence expansion plans that could keep growth supported in the 4Q and probably into early next year.
- Eurozone investor sentiment bounced back to positive for the first time in eight months:** ZEW survey showed investors were the most upbeat since Mar 2018, led by a rebound confidence in Germany. This, along with improvement seen in PMIs and exports recently, offered tentative signs condition was stabilizing in the euro region.
- UK economy started 4Q on soft note:** UK monthly nominal GDP was unchanged in October (Sep: -0.1%) following a mild contraction in the September, pointing to a lacklustre start to 4Q. October print reflects a minor MOM increase in industrial production (+0.1% vs -0.3%), a larger decline in construction output (-2.3% vs -0.2%) and a rebound in services output (+0.2% vs 0.0%). Within industrial production, manufacturing output managed to record a 0.2% MOM growth (Sep: -0.4%), offering some comfort that momentum is recovering in a still-weak industry. Meanwhile, the visible trade deficit widened to £14.5b in the same month (Sep: -£11.5b revised) due to much larger gain in imports of goods at 8.3% MOM versus a mere 1.8% MOM rise in exports.
- Japan machine tools orders contracted in November:** Machine tools orders continued to contract by 6.6% MOM in November (Oct: -11.6%) led by the declines in both domestic and foreign demand. Compared to the same period last year, orders dropped by 37.9% YOY (Oct: -37.9%), reflecting higher base effect as well as weaker demand. In line with continuous weaknesses seen on the business front, BSI survey showed sentiments among large all industry as well as large manufacturing all deteriorated sharply in 4Q, to -6.2 and -7.8 respectively (3Q: +1.1 and -0.2). In a separate release, PPI managed to stage a rebound to increase 0.1% YOY in November (Oct: -0.4%), snapping five months of decline, but we believe overall deflationary pressure remains taking cue from lack of demand-pull pressure and continuous declines in both export and import prices.
- Diverging path in China consumer and producer prices:** China consumer prices index (CPI) jumped 4.5% YOY in November (Oct: +3.8%), its largest gain in seven years that was again driven by the continuous spike in food prices (+19.1% vs +15.5%). While the worst of the African swine flu is said to be over, a shortage of pork supply and the Chinese household's reluctance to switch to alternative poultry continued to boost the prices of pork and thus the overall food basket, which masked the slowdown in other categories. On the other hand, factories in China remained mired in deflation as producer prices index declined by 1.4% YOY in the same month (Oct: -1.6%) as prices received for manufacturing goods, raw materials and mining goods continued to decline, pointing to another month of poor industrial profits.
- Australia consumer confidence fell:** A survey by Westpac Banking Group showed consumers are getting more pessimistic in December, with the latest reading pulling back to 95.1 (Nov: 97.0). Consumers are turning more downbeat over both current conditions and future outlook, expressing concerns over family finances and economy as well as holding back plans in buying major household items. This suggests there would still be headwinds to growth outlook ahead hence odds of another RBA cut remain.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
12/12	Malaysia	Industrial Production YOY	Oct	1.6%	1.7%	--
<b>11/12</b>	<b>US</b>	<b>MBA Mortgage Applications</b>	<b>Dec-06</b>	<b>--</b>	<b>-9.2%</b>	<b>--</b>
		<b>CPI YOY</b>	<b>Nov</b>	<b>2.0%</b>	<b>1.8%</b>	<b>--</b>
12/12		FOMC Rate Decision	Dec-11	1.75%	1.75%	--
		PPI Final Demand YOY	Nov	1.3%	1.1%	--
		Initial Jobless Claims	Dec-07	214k	203k	--
12/12	Eurozone	Industrial Production SA MOM	Oct	-0.5%	0.1%	--
		ECB Main Refinancing Rate	Dec-12	0.0%	0.0%	--
12/12	UK	RICS House Price Balance	Nov	-5%	-5%	--
12/12	Japan	Core Machine Orders MoM	Oct	0.5%	-2.9%	--
12/12	Singapore	Retail Sales YOY	Oct	-1.5%	-2.2%	--

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1092	0.25	1.1098	1.1063	-3.26
GBPUSD	1.3156	0.07	1.3215	1.3133	2.88
USDJPY	108.72	0.15	108.77	108.51	-0.81
AUDUSD	0.6809	-0.21	0.6837	0.6800	-3.42
EURGBP	0.8431	0.17	0.8433	0.8398	-5.96
USDMYR	4.1640	0.10	4.1665	4.1570	0.74
EURMYR	4.6129	0.21	4.6142	4.6007	-2.42
JPYMYR	3.8317	-0.09	3.8359	3.8292	1.97
GBPMYR	5.4764	-0.01	5.4816	5.4664	3.96
SGDMYR	3.0605	0.06	3.0648	3.0576	0.81
AUDMYR	2.8390	-0.01	2.8459	2.8386	-2.87
NZDMYR	2.7266	0.03	2.7351	2.7232	-1.88
CHFMYR	4.2169	0.33	4.2219	4.2088	0.42
CNYMYR	0.5912	0.06	0.5921	0.5911	-2.31
HKDMYR	0.5317	0.02	0.5324	0.5312	0.66
USDSGD	1.3584	-0.07	1.3603	1.3582	-0.32
EURSGD	1.5068	0.18	1.5080	1.5041	-3.58
GBPSGD	1.7871	0.00	1.7949	1.7856	2.54
AUDSGD	0.9250	-0.26	0.9295	0.9249	-3.72

Source: Bloomberg

### MYR

- **MYR finished 0.10% weaker vs the USD at 4.1640** as markets traded on risk-off mode ahead of key event risks later this week.
- **We maintain our neutral view today**, expecting USDMYR to continue range trade around recent ranges of 4.1600-4.1800 just ahead of the Fed, ECB meetings and UK election, not to mention the looming 15 December US tariffs hike deadline. Short term outlook is bearish as the dollar will likely firm up this week as Fed keeps rate unchanged. Medium term outlook is bearish supported by solid 4Q US data especially in the consumer/retail sector.

### USD

- **The Dollar Index fell 0.24% to 97.41** on the back of gains in the EUR, GBP and Nordic currencies.
- **We are neutral to slightly bullish on USD today** ahead of FOMC meeting. An updated dot plot that will likely signal the case for a Fed rate pause coupled with unchanged economic projections could help the greenback recoup some grounds. Short term outlook remains bullish as the Fed is expected to keep rate unchanged this week. Medium term outlook is bullish, supported by solid 4Q US data especially in the consumer/retail sector.

### EUR

- **EUR advanced 0.25% against the USD at 1.1092**, spurred by USD weakness as well as better Eurozone data that offered hopes the worst may be over, a premature view in our opinion.
- **EUR will likely stay neutral today** ahead of FOMC rate decision followed by ECB meeting tomorrow. Short and medium term outlook is bearish, weighed down by still relatively dismal growth and inflation outlook relative to the US. We look towards ECB meeting and Christine Lagarde's first press conference tomorrow for further guidance.

### GBP

- **GBP finished slightly firmer by 0.07% at 1.3156 against a soft USD.**
- We are turning **slightly bearish on the sterling today** expecting the pair to consolidate after recent rally. Overnight mixed UK data and potential renewed USD strength post-FOMC meeting would also likely weigh on the GBP. Short term post-election outlook is volatile with a bearish bias considering the fact that markets have priced in a Conservative win.

### JPY

- **JPY finished 0.15% weaker against the USD at 108.72** amidst cautious sentiment ahead of key central bank meets and looming event risks.
- **JPY is neutral with a bullish bias today** given the lack of concrete development regarding US-China trade talks. Medium term outlook is still bullish over rising global trade tension as well as domestic political risks in multiple countries.

### AUD

- **AUD closed 0.21% weaker against the USD at 0.6809** on paring of demand for risk currencies as trade uncertainties loomed.
- **AUD outlook is neutral today**, and Aussie shall continue to be supported above 0.6800 pending further development in the US-China trade episode and FOMC meeting. Short term outlook is slightly bearish over expected dollar strength this week. Medium term outlook is still neutral, expecting continuous recovery with US-China trade-related headlines posting as downside risk.

### SGD

- **SGD finished minimally firmer for another day against a weaker USD at 1.3584.**
- **Daily outlook is still neutral** ahead of key events. Short term outlook is bearish, expecting the USD to firm up this week as the Fed kept rate unchanged. Medium term outlook is bearish on relatively weaker (although improving) Singapore fundamentals.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damansara  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936  
Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.