

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks edged higher overnight as the Federal Reserve kept fed funds rate unchanged as widely expected and signaled no change in rates in 2020.** Wall Street's main stock indexes picked up only slightly by 0.1-0.4% whereas treasuries yields slipped lower by 4-5bps along the curve. Yield on 2Y benchmark treasuries notes lost about 4bps to 1.61% while yield on 10Y UST dropped by 5bps to 1.79%. The greenback weakened across the board in the response to Fed's steady policy rate outlook next year that indicates no hike. Crude oil prices plunged by around 0.8-1.0% on higher US crude and fuel inventories. Brent crude closed at \$63.72/barrel. **Investors are likely kept on toes ahead of today's ECB's Governing Council meeting alongside UK election.** New ECB President Christine Lagarde is expected to hold her first press conference after taking over the role from Mario Draghi in November. Boris Johnson's Conservative Party is widely expected to secure a majority in the much awaited election today.
- On the data front, US CPI growth pulled back to 0.3% MOM in November and core CPI steadied at 0.2% MOM. **YOY, gain in headline CPI accelerated to 2.1% YOY, its largest gain this year** while core CPI recorded a 2.3% YOY increase. Mortgage applications rebounded last week to increase 3.8% due to higher refinancing activities. UK RICS House Price Balance Index dropped to -12% as the property sector remains under pressure. **Japan core machinery orders dropped for the fourth month by 6.0% MOM in October to signal a cutback on capex.**
- The greenback weakened across the board in the response to Fed's steady policy rate outlook next year that indicates no hike. The dollar slipped against nearly all majors and **the dollar index extended its further loss by 0.3% to close at 97.128**, its lowest since mid-July. **We are bearish on broad USD in today's Asian session** expecting the dollar to extend further losses in response to Fed's steady policy rate outlook. Medium term dollar outlook is still bullish, supported by solid US fundamentals and better data especially in the consumer/retail sector.
- **MYR finished little changed at 4.1645 against the USD on Wednesday** as markets stayed sidelined ahead of last night's FOMC meeting. **MYR daily outlook is bullish today** taking cue from the overnight broad-based losses in the greenback in response to the Fed's steady policy rate outlook. MYR medium term outlook is still bearish as the dollar is expected to be well supported by solid data especially in the consumer/retail sector.
- **SGD finished minimally higher against the USD at 1.3573. Daily outlook is bullish as the broader dollar extended further losses.** Medium term outlook is bearish on relatively weaker (although improving) Singapore fundamentals.

Overnight Economic Data

| | |
|-------|---|
| US | ➔ |
| UK | ⬇ |
| Japan | ⬇ |

What's Coming Up Next

Major Data

- Malaysia Industrial Production
- US PPI, Initial Jobless Claims
- Eurozone Industrial Production
- Singapore Retail Sales

Major Events

- ECB Governing Council Meeting
- UK general election

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1080 | 1.1100 | 1.1137 | 1.1150 | 1.1180 | ➔ |
| GBPUSD | 1.3100 | 1.3150 | 1.3208 | 1.3220 | 1.3250 | ⬇ |
| USDJPY | 108.00 | 108.40 | 108.47 | 108.80 | 109.00 | ⬇ |
| AUDUSD | 0.6820 | 0.6850 | 0.6877 | 0.6880 | 0.6900 | ↕ |
| EURGBP | 0.8350 | 0.8400 | 0.8432 | 0.8460 | 0.8480 | ➔ |
| USDMYR | 4.1450 | 4.1500 | 4.1535 | 4.1600 | 4.1700 | ⬇ |
| EURMYR | 4.6100 | 4.6200 | 4.6259 | 4.6300 | 4.6400 | ↕ |
| JPYMYR | 3.8060 | 3.8200 | 3.8295 | 3.8370 | 3.8450 | ➔ |
| GBPMYR | 5.4400 | 5.4600 | 5.4864 | 5.5000 | 5.5100 | ↕ |
| SGDMYR | 3.0575 | 3.0600 | 3.0624 | 3.0650 | 3.0685 | ➔ |
| AUDMYR | 2.8450 | 2.8500 | 2.8567 | 2.8650 | 2.8700 | ↕ |
| NZDMYR | 2.7100 | 2.7250 | 2.7352 | 2.7450 | 2.7530 | ↕ |
| USDSGD | 1.3540 | 1.3560 | 1.3564 | 1.3580 | 1.3600 | ⬇ |
| EURSGD | 1.5060 | 1.5090 | 1.5107 | 1.5125 | 1.5140 | ➔ |
| GBPSGD | 1.7830 | 1.7860 | 1.7916 | 1.7950 | 1.7980 | ➔ |
| AUDSGD | 0.9275 | 0.9300 | 0.9327 | 0.9350 | 0.9375 | ➔ |

* 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 | 1,563.19 | 0.09 | -7.54 | CRB Index | 181.49 | -0.37 | 6.89 |
| Dow Jones Ind. | 27,911.30 | 0.11 | 19.65 | WTI oil (\$/bbl) | 58.76 | -0.81 | 29.40 |
| S&P 500 | 3,141.63 | 0.29 | 25.32 | Brent oil (\$/bbl) | 63.72 | -0.96 | 52.48 |
| FTSE 100 | 7,216.25 | 0.03 | 7.25 | Gold (\$/oz) | 1,474.88 | 0.72 | 15.00 |
| Shanghai | 2,924.42 | 0.24 | 17.26 | CPO (RM/tonne) | 2,827.50 | 2.45 | 44.81 |
| Hang Seng | 26,645.43 | 0.79 | 3.09 | Copper (\$/tonne) | 6,100.00 | 0.41 | 2.26 |
| STI | 3,172.90 | 0.32 | 3.39 | Rubber (sen/kg) | 455.50 | -0.65 | 20.18 |

Source: Bloomberg

➤ Macroeconomics

| Economic Data | | | | |
|------------------------------|--------|-----------|-----------|-----------|
| | For | Actual | Last | Survey |
| US MBA Mortgage Applications | Dec-06 | 3.8% | -9.2% | -- |
| US CPI YOY | Nov | 2.1% | 1.8% | 2.0% |
| US FOMC Rate Decision | Dec-11 | 1.5-1.75% | 1.5-1.75% | 1.5-1.75% |
| UK RICS House Price Balance | Nov | -12% | -6% | -5% |
| JP Core Machine Orders MOM | Oct | -6.0% | -2.9% | 0.5% |

Source: Bloomberg

- Fed signaled steady rate in 2020:** In the last FOMC meeting of the year, the Federal Reserve left the target range of fed funds rate unchanged at 1.5-1.75% as widely expected, and signaled no change in its policy rate throughout the 2020 election year. The Fed said in its latest statement that the “current stance of monetary policy is appropriate” to sustain economic growth and removed previous words regarding uncertainties over its inflation target. The overall assessment of the economy is unchanged as it maintained statement over solid job gains, strong household spending but weak business investment and exports. Latest median growth projections for 2019 (+2.2%) and 2020 (+2.0%) were unchanged. Unemployment rate was revised lower for 2019 (3.7 to 3.6%) and 2020 (3.7 to 3.5%). Forecast for core PCE inflation was trimmed for 2019 (+1.8 to +1.6%) and unchanged for 2020 (+1.9%). Meanwhile the median estimate of the fed funds rate is 1.6% (revised from 1.9%) at the end of both 2019 and 2020, signaling no change in rate next year. The new dot plot shows that 13 policy makers see rates steady next year while four officials expect one hike. In its post-meeting press conference, Fed Chair Jerome Powell reaffirmed that both the US economy and monetary policy are in a good place. While asked on potential rate hike, he said that he would prefer to see inflation that is “persistent” and “significant”.
- US consumer inflation picked up in November:** A separate report prior to Fed’s decision shows growth in headline consumer price index (CPI) eased to 0.3% MOM in November (Oct: +0.4%), while gain in the core index was steady at 0.2% MOM. The YOY change in headline CPI however accelerated to 2.1% YOY (Oct: +1.8%), its largest recorded gain this year and core CPI registered a steady growth of 2.3% YOY (Oct: +2.3%), a modest but still lackluster gain in price pressure.
- US mortgage applications rebounded last week:** The MBA mortgage applications rebounded to increase 3.8% last week following a huge drop in the week before, mainly driven by a rise in refinancing applications (+8.7% vs -15.6%). Applications for mortgages to purchase homes dropped 0.4% (previous: +0.9%), as potential buyers stayed sidelined in the holiday season.
- UK property sector under pressure amidst political uncertainties:** The RICS House Price Balance Index dropped to -12% in November (Oct: -6%) to signal continuous downward pressure in the UK housing market amidst Brexit and general political uncertainties.
- Japan capex slipped for fourth month:** Japan core machinery orders, a highly watched gauge for the country’s business spending dropped 6.0% MOM in October (Sep: -2.9%), marking its fourth consecutive month of decline. Compared to the same period last year, orders registered a contraction of 6.1% YOY (Sep: +5.1%). The numbers are in line with the BSI all industry and large manufacturing outlook for 4Q released yesterday that suggest weaker 4Q present condition. The BOJ’s quarterly Tankan Survey is up next tomorrow to gauge Japanese firms’ capex and growth outlook.

| Economic Calendar | | | | | | |
|-------------------|-------------|---------------------------------|------------------|--------|-------|---------|
| Date | Country | Events | Reporting Period | Survey | Prior | Revised |
| 12/12 | Malaysia | Industrial Production YOY | Oct | 1.6% | 1.7% | -- |
| 12/12 | US | PPI Final Demand YOY | Nov | 1.3% | 1.1% | -- |
| | | Initial Jobless Claims | Dec-07 | 214k | 203k | -- |
| 13/12 | | Import Price Index YOY | Nov | -1.2% | -3.0% | -- |
| | | Retail Sales Advance MOM | Nov | 0.5% | 0.3% | -- |
| 12/12 | Eurozone | Industrial Production SA MOM | Oct | -0.5% | 0.1% | -- |
| | | ECB Main Refinancing Rate | Dec-12 | 0.0% | 0.0% | -- |
| 13/12 | Japan | Tankan Large Mfg Index | 4Q | 3.0 | 5.0 | -- |
| | | Tankan Large Non-Mfg Index | 4Q | 16.0 | 21.0 | -- |
| | | Tankan Large All Industry Capex | 4Q | 6.0% | 6.6% | -- |
| | | Industrial Production YOY | Oct F | -- | -7.4% | -- |
| 12/12 | Singapore | Retail Sales YOY | Oct | -1.5% | -2.2% | -- |
| 13/12 | New Zealand | BusinessNZ Manufacturing PMI | Nov | -- | 52.6 | -- |

Source: Bloomberg

| | Last Price | DoD% | High | Low | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1130 | 0.34 | 1.1145 | 1.1070 | -2.91 |
| GBPUSD | 1.3196 | 0.30 | 1.3214 | 1.3108 | 3.47 |
| USDJPY | 108.56 | -0.15 | 108.85 | 108.47 | -1.05 |
| AUDUSD | 0.6876 | 0.98 | 0.6889 | 0.6805 | -2.54 |
| EURGBP | 0.8435 | 0.04 | 0.8462 | 0.8411 | -6.16 |
| USDMYR | 4.1645 | 0.01 | 4.1665 | 4.1580 | 0.75 |
| EURMYR | 4.6157 | 0.06 | 4.6212 | 4.6116 | -2.36 |
| JPYMYR | 3.8315 | -0.01 | 3.8320 | 3.8233 | 1.96 |
| GBPMYR | 5.4725 | -0.07 | 5.4756 | 5.4608 | 3.89 |
| SGDMYR | 3.0631 | 0.08 | 3.0655 | 3.0579 | 0.90 |
| AUDMYR | 2.8428 | 0.13 | 2.8432 | 2.8321 | -2.74 |
| NZDMYR | 2.7218 | -0.18 | 2.7295 | 2.7141 | -2.05 |
| CHFMYR | 4.2302 | 0.32 | 4.2318 | 4.2220 | 0.74 |
| CNYMYR | 0.5918 | 0.09 | 0.5920 | 0.5909 | -2.23 |
| HKDMYR | 0.5328 | 0.21 | 0.5329 | 0.5315 | 0.81 |
| USDSGD | 1.3573 | -0.08 | 1.3602 | 1.3572 | -0.42 |
| EURSGD | 1.5107 | 0.26 | 1.5126 | 1.5056 | -3.32 |
| GBPUSD | 1.7909 | 0.21 | 1.7934 | 1.7808 | 3.04 |
| AUDSGD | 0.9333 | 0.90 | 0.9351 | 0.9245 | -2.94 |

Source: Bloomberg

Forex

MYR

- **MYR finished little changed at 4.1645 against the USD on Wednesday** as markets stayed sidelined ahead of last night's FOMC meeting.
- **MYR daily outlook is bullish today** taking cue from the overnight broad-based losses in the greenback in response to the Fed's steady policy rate outlook. MYR medium term outlook is still bearish as the dollar is expected to be well supported by solid data especially in the consumer/retail sector.

USD

- The greenback weakened across the board in the response to Fed's steady policy rate outlook next year that indicates no hike. The dollar slipped against nearly all majors and **the dollar index extended its further loss by 0.3% to close at 97.128**, its lowest since mid-July.
- **We are bearish on broad USD in today's Asian session** expecting the dollar to extend further losses in response to Fed's steady policy rate outlook. Medium term dollar outlook is still bullish, supported by solid US fundamentals and better data especially in the consumer/retail sector.

EUR

- **EUR jumped by 0.34% to finish at 1.1130 against the USD after FOMC meeting.**
- **EUR is neutral today** and is expected to hover around recent ranges of 1.1120-1.1145 ahead of ECB meeting today. **Medium term outlook is bearish**, weighed down by the Eurozone's relatively dismal growth and inflation outlook versus stronger US fundamentals. We look towards today's ECB statement and Christine Lagarde's first press conference for further guidance.

GBP

- **GBP finished 0.30% higher at 1.3196** amidst broad dollar weakness.
- GBP remains strong as it breached 1.3200 and seen trading at this level this morning ahead of UK election. **Daily outlook is volatile with a bearish bias**, driven by UK election outcome of which markets have priced in a Conservative victory. A reversal is on the way as upside is limited in an extremely overbought condition.

JPY

- **JPY finished 0.15% stronger against the USD at 108.56** on broad dollar weakness.
- **JPY is neutral with a bullish bias today** ahead of key events namely ECB meeting, UK election and most importantly the US 15 December tariff deadline. Medium term outlook is still bullish over Hong Kong's ongoing political unrests, uncertain US-China trade talk outcome, rising global trade tension as well as domestic political risks in multiple countries.

AUD

- **AUD spiked by nearly 1% to finish at 0.6876 against the USD** amidst broad dollar weakness.
- **Daily outlook is bullish as it re-tests 0.6880 key level.** Medium term outlook is still slightly bullish, expecting continuous recovery. US-China trade talk's outcome continues to be a major driver.

SGD

- **SGD finished minimally higher against the USD at 1.3573.**
- **Daily outlook is bullish as the broader dollar extended further losses.** Medium term outlook is bearish on relatively weaker (although improving) Singapore fundamentals.

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