December 13, 2019

HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks rose to record high, boosted by trade optimism** after President Trump tweeted that the US was "getting very close to a big deal with China". This was then followed by news that the US and China have reached a "deal in principle" to resolve the 17-month long trade dispute and **Bloomberg reported this morning that Trump has signed off on a this phase one trade deal with China** to narrowly avoid the scheduled 15 December US tariffs hike on $160b worth of Chinese goods. **The deal was said to include China's pledge to purchase more US farm goods and reduction of existing tariff rate on China. Investors exited safe havens asset as risk sentiment returned - benchmark US treasuries yields jumped by 4-10bps.** Gold price slipped for the first time in three days, yen suffered largest losses in more than three months. The dollar weakened against most of its major peers. **The pound spiked by more than 2% this morning as early polls pointed to a strong Tories' victory.** On Thursday, the ECB left its key interest rates unchanged and reaffirmed its accommodative policy stance. **New ECB President Christine Lagarde held her press conference and said that she was neither a "hawk" nor a "dove" but intended to be a "wise owl",** saying that she has her "own style" in communication. The euro moved up just a little post pressie and closed flat.

- **Dataflow biased to the negative side.** US initial jobless claims jumped but was skewed by thanksgiving holiday. Eurozone industrial production extended its decline signaling a still weak manufacturing sector. Business confidence as shown by Tankan survey was mixed, better among non-manufacturers but weaker among manufacturers. New Zealand PMI manufacturing softened while Singapore retail sales extended its decline. Back home, Malaysia IPI grinded to a near halt, distorted by high base effect and is set to tick higher.

- Positive US-China trade headlines sent the dollar weakening against most of its major peers. **The dollar index however rebounded to add 0.3% at 97.40** due to weaker JPY and CHF as safe havens lost demand and a weaker pound. **We are very bearish on broad USD today** expecting the dollar weakness to roll into today's Asian session on news of US-China trade deal that narrowly avoids the scheduled tariff hike.

- **MYR finished slightly stronger against the USD at 4.1610** on Thursday alongside its regional Asian peers on post-FOMC broad dollar weakness. **MYR daily outlook is very bullish today** as it opened at 4.1425 and is now seen trading around at 4.1345 - 4.1390. Latest news on a US-China trade deal is leaving the dollar vulnerable and is expected to benefit riskier emerging market currencies in general.

- **SGD finished 0.21% stronger against the USD at 1.3544** amidst broad dollar weakness. **Daily outlook is bullish as l**atest news on a US-China trade deal is leaving the dollar vulnerable and is expected to benefit riskier emerging market currencies in general.

Overnight Economic Data

Malaysia	↓
US	→
Eurozone	↓
Japan	→
Singapore	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US Import Prices Index, Retail Sales
- Japan Industrial Production

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1120	1.1150	1.1172	1.1180	1.1200	↗
GBPUSD	1.3200	1.3300	1.3452	1.3500	1.3515	↗
USDJPY	108.40	109.00	109.54	109.70	110.0	↗
AUDUSD	0.6830	0.6900	0.6917	0.6940	0.6960	↗
EURGBP	0.8250	0.8280	0.8301	0.8350	0.8400	↘
USDMYR	4.1300	4.1345	4.1392	4.1400	4.1500	↘
EURMYR	4.6100	4.6200	4.6245	4.6300	4.6400	↗
JPYMYR	3.7500	3.7700	3.7793	3.8015	3.8330	↘
GBPMYR	5.4600	5.5250	5.5710	5.6090	5.6300	↗
SGDMYR	3.0575	3.0600	3.0619	3.0650	3.0685	↗
AUDMYR	2.8250	2.8450	2.8635	2.8650	2.8700	↗
NZDMYR	2.6830	2.7000	2.7371	2.7550	2.7750	↗
USDSGD	1.3450	1.3500	1.3519	1.3550	1.3600	↘
EURSGD	1.5060	1.5090	1.5105	1.5125	1.5140	↗
GBPSGD	1.7860	1.8000	1.8197	1.8300	1.8400	↗
AUDSGD	0.9250	0.9300	0.9353	0.9400	0.9417	↗

* 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	1,567.34	0.27	-7.29	CRB Index	182.92	0.78	7.72
Dow Jones Ind.	28,132.05	0.79	20.60	WTI oil ($/bbl)	59.18	0.71	30.32
S&P 500	3,168.57	0.86	26.40	Brent oil ($/bbl)	64.20	0.75	19.33
FTSE 100	7,273.47	0.79	8.11	Gold (S/oz)	1,469.80	-0.34	14.26
Shanghai	2,915.70	-0.30	16.91	CPO (RM/tonne)	2,811.00	-0.92	43.97
Hang Seng	26,994.14	1.31	4.44	Copper ($/tonne)	6,156.00	0.92	3.20
STI	3,194.67	0.69	4.10	Rubber (sen/kg)	459.00	0.00	21.11

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MY Industrial Production YOY	Oct	0.3%	1.7%	1.6%
US PPI Final Demand YOY	Nov	1.1%	1.1%	1.3%
US Initial Jobless Claims	Dec-07	252k	203k	214k
EU Industrial Production SA MOM	Oct	-0.5%	-0.1% (revised)	-0.5%
EU ECB Main Refinancing Rate	Dec-12	0.0%	0.0%	0.0%
JP Tankan Large Mfg Index Outlook	4Q	0.0	2.0	3.0
JP Tankan Large Non-Mfg Index Outlook	4Q	18.0	15.0	16.0
JP Tankan Large All Industry Capex	4Q	6.8%	6.6%	6.0%
SG Retail Sales YOY	Oct	-4.3%	-2.1% (revised)	-1.5%
NZ BusinessNZ Manufacturing PMI	Nov	51.4	52.6	--

Source: Bloomberg

➢ Macroeconomics

- ***ECB kept key rates steady, maintained dovish tone, saw stabilization in slowdown:*** The ECB kept its key interest rates unchanged as widely expected and said that it will continue its asset purchase program (APP) at a monthly pace of €20bn for as long as necessary before it starts raising rates, reaffirming its accommodative monetary policy stance to support underlying inflation pressures. Ongoing international trade weakness amidst persistent global uncertainties continues to weigh on the euro area manufacturing sector and is dampening investment growth. However, it added that while incoming data remain weak, they point to "some stabilisation" in the slowdown of economic growth in the euro area. Risk surrounding euro area growth outlook remain tilted to the downside but has "become somewhat less pronounced". The December Eurosystem staff macroeconomic projections for the euro area foresee annual real GDP increasing by 1.2% in 2019, 1.1% in 2020 and 1.4% in both 2021 and 2022. On inflation outlook, headline inflation is likely to rise somewhat in the coming months but underlying inflation remains muted. Annual HICP inflation is expected to be 1.2% in 2019, 1.1% in 2020, 1.4% in 2021 and 1.6% in 2022.

- ***US factory gate inflation stayed muted:*** Producer prices index for final demand was unchanged in November (Oct: +0.4%) while core PPI managed to pick up 0.2% MOM (Oct: +0.0%) reflecting a modest improvement in underlying price pressure. Compared to the same period last year, PPI gained a mere 1.1% YOY (Oct: +1.1%), a same rate recorded in the previous month reaffirming the state of muted inflation at US factories in general.

- ***US initial jobless claims spiked to more-than-2-year high:*** Initial jobless claims jumped by 49k to 252k for the week ended 6 December (previous: 203k), its highest level since Sep-17, leaving the four-week moving average at a higher 224k (previous: 217.75k). Data tend to be volatile in the week following thanksgiving holiday and does not necessarily reflect a rise in unemployment.

- ***Eurozone industrial production contracted in October:*** Industrial production contracted by 0.5% MOM in October (Sep: -0.1% revised) following a downward revision to September IPI change that reflected mainly a large decrease in production of capital goods (-2.0% vs +0.7%) and a smaller rise in nondurable consumer goods. This left the annual pace of contraction to accelerated to 2.2% YOY (Sep: -1.8%) marking its one full-year of decline as the manufacturing sector remains mired in a downturn, plagued by trade uncertainties and slower demand abroad. Output in the bloc's largest economy, Germany continued to drop and by even larger margin in October (-1.5% vs -1.2%), suggesting that a recovery is still far off.

- ***BOJ Tankan Survey reflects mixed business confidence***: The BOJ quarterly Tankan Survey reported a mixed business confidence among the large manufacturing and non-manufacturing sector. The Large Manufacturing Outlook Index slipped to 0 in 4Q (3Q: 2.0) to indicate manufacturing firms' dimmer growth outlook whereas the Large Non-Manufacturing Outlook Index rose to 18.0 (3Q: 15.0), its highest in three quarters. Meanwhile, the Large All Industry Capex rose 6.8% YOY in 4Q (3Q: +6.6%), a tad higher than that of 3Q's but still a larger pullback compared to the phenomenal double digit growth in 2018.

- ***New Zealand manufacturing sector growth pulled back in November:*** The Business NZ Manufacturing PMI slipped to 51.4 in November (Oct: 52.6) suggesting that expansion of the sector had slowed last month. Three of the five sub-sectors fell with the production index recording a below-50 reading that indicates contraction in output. BNZ said that "manufacturing is still running a bit below average, but caution is mixing with some hints of improvement"

- ***Singapore retail sales slipped in October:*** Singapore retail sales declined 2.2% MOM in October (Sep: +2.0% revised), leaving the annual pace of contraction at a larger 4.3% YOY (Sep: -2.1% revised). The main drag on headline sales last month was the large drop in motor vehicle sales (-22.7% vs -12.3% YOY) as demand for private vehicles remains in its current down cycle. Excluding motor vehicle sales, retail sales recorded a 0.6% YOY decline (Sep: -0.1%), attributed to the continuous drop in sales of furniture & household equipment and department stores goods. Looking back, it has been an unfavourable year for the retail sector as total sales have now fallen for the ninth consecutive month since the pre-Chinese New Year bump in January, reflecting weakness in consumer sentiment and looks set to continue its current trend through 4Q amidst weaker growth outlook and external trade uncertainties.

- ***Malaysia industrial production lost steam on high base distortion:*** Industrial production growth tapered off sharply to increase a mere 0.3% YOY in October (Sept: +1.7% YOY), better than our expectation for a decline but worse than consensus estimate for a 1.6% YOY gain. Production lost steam across the board, with slower expansion in electricity and manufacturing while the mining sector extended its decline for the 4th consecutive month, reaffirming slowdown concern as the world economy and global trade continue to take the brunt of protracted trade dispute between the US and China. Moving forward, we noticed added signs of stabilization in manufacturing activities across the globe. This is a relief and welcoming sign although it is still premature to conclude that the worst is over and that the world economy is in for a sustainable rebound from here. Taking cue from a slow start to 4Q data stream, we maintain our view for a less sanguine growth outlook for the final quarter of the year. While there are tentative signs of stabilization in the global manufacturing front, external trade performance has remained weak-to-date with signs of a still soft exports outlook and subdued domestic demand even though we are hopeful that year-end holiday spending could help cushion some of the slack. We are maintaining our view for easier growth momentum in 4Q, hence our full year GDP growth forecast at 4.5%.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
13/12	**US**	**Import Price Index YOY**	**Nov**	**-1.2%**	**-3.0%**	**--**
		Retail Sales Advance MOM	**Nov**	**0.5%**	**0.3%**	**--**
16/12		Empire Manufacturing	Dec	5.0	2.9	--
		Markit US Manufacturing PMI	Dec P	52.6	52.6	--
		Markit US Services PMI	Dec P	52.0	51.6	--
		NAHB Housing Market Index	Dec	71	70	--
16/12	Eurozone	Markit Eurozone Manufacturing PMI	Dec P	47.1	46.9	--
		Markit Eurozone Services PMI	Dec P	52.0	51.9	--
16/12	UK	Rightmove House Prices YOY	Dec	--	0.3%	--
		Markit UK PMI Manufacturing SA	Dec P	49.4	48.9	--
		Markit/CIPS UK Services PMI	Dec P	49.5	49.3	--
13/12	**Japan**	**Industrial Production YOY**	**Oct F**	**--**	**-7.4%**	**--**
16/12		Jibun Bank Japan PMI Mfg	Dec P	--	48.9	--
		Jibun Bank Japan PMI Services	Dec P	--	50.3	--
16/12	China	Fixed Assets Ex Rural YTD YOY	Nov	5.2%	5.2%	--
		Industrial Production YOY	Nov	5.0%	4.7%	--
		Retail Sales YOY	Nov	7.6%	7.2%	--
16/12	New Zealand	Performance Services Index	Nov	--	55.4	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1130	0.00	1.1154	1.1103	-2.52
GBPUSD	1.3161	-0.27	1.3229	1.3051	5.56
USDJPY	109.31	0.69	109.45	108.46	-0.15
AUDUSD	0.6909	0.48	0.6913	0.6868	-1.62
EURGBP	0.8457	0.26	0.8509	0.8421	-7.64
USDMYR	4.1610	-0.08	4.1630	4.1510	0.67
EURMYR	4.6301	0.31	4.6361	4.6220	-2.06
JPYMYR	3.8282	-0.09	3.8318	3.8253	1.87
GBPMYR	5.4934	0.38	5.4976	5.4826	4.29
SGDMYR	3.0661	0.10	3.0684	3.0598	0.99
AUDMYR	2.8633	0.72	2.8646	2.8544	-2.04
NZDMYR	2.7380	0.60	2.7410	2.7334	-1.46
CHFMYR	4.2372	0.17	4.2396	4.2260	0.90
CNYMYR	0.5913	-0.07	0.5918	0.5907	-2.30
HKDMYR	0.5328	0.00	0.5331	0.5315	0.87
USDSGD	1.3544	-0.21	1.3578	1.3543	-0.73
EURSGD	1.5079	-0.19	1.5136	1.5051	-3.24
GBPSGD	1.7829	-0.45	1.7947	1.7702	4.78
AUDSGD	0.9358	0.27	0.9364	0.9321	-2.32

Source: Bloomberg

➢Forex

MYR

- **MYR finished slightly stronger against the USD at 4.1610** on Thursday alongside its regional Asian peers on post-FOMC broad dollar weakness.
- **MYR daily outlook is very bullish today** as it opened at 4.1425 and is now seen trading around at 4.1345 - 4.1390. Latest news on a US-China trade deal is leaving the dollar vulnerable and is expected to benefit riskier emerging market currencies in general. 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

- Positive US-China trade headlines sent the dollar weakening against most of its major peers. **The dollar index however rebounded to add 0.3% at 97.40** due to weaker JPY and CHF as safe havens lost demand and a weaker pound.
- **We are very bearish on broad USD today** expecting the dollar weakness to roll into today's Asian session on news of US-China trade deal that narrowly avoids the scheduled tariff hike. Medium term dollar outlook is still bullish, supported by solid US fundamentals and better data especially in the consumer/retail sector.

EUR

- **EUR finished unchanged at 1.1130** as EUR barely responded to ECB's statement and Christine Lagarde's first press conference.
- **EUR is bullish today** as it jumped by more than 0.6% this morning to nearly hit the 1.1200 key resistance and is seen trading at 1.1174 as of writing. A break above 1.1180 will open up further upside to retest the 1.200 handle but we reckon that EUR is likely trading around 1.1150 - 1.1180 as markets weigh trade news. **Medium term outlook is bearish** on ECB's accommodative monetary policy stance and weaker fundamentals compared to that of the US.

GBP

- **GBP snapped winning streak to finish 0.27% lower against the USD at 1.3161** as voting began in the UK.
- **GBP daily outlook is very bullish as the pound spiked by more than 2% this morning** with early polls pointing to a strong Tories' victory. **Short term outlook is volatile with a very bearish bias** as we foresee that the current strength is not sustainable, paving way for a reversal in an extremely overbought condition.

JPY

- **JPY suffered its largest losses in more than three months against the USD as it lost 0.69% to close at 109.31** overnight alongside the jump in treasuries yields and a rally in equities.
- **JPY is still bearish today as safe havens lost its** lustre amidst a return in risk sentiment following upbeat news of US-China trade deal. **We will pay close attention to US-China trade development to gauge JPY medium term outlook.**

AUD

- **AUD extended its gaining streak to finish 0.48% higher against the USD at 0.6909** on news of US-China reaching a trade deal.
- **Daily outlook is slightly bullish** as AUD failed to breach 0.6940 handle this morning but is likely to stay supported above 0.6900 today amidst better risk sentiment. Medium term outlook is slightly bullish as we expect gradual recovery in AUD.

SGD

- **SGD finished 0.21% stronger against the USD at 1.3544** amidst broad dollar weakness.
- **Daily outlook is bullish as l**atest news on a US-China trade deal is leaving the dollar vulnerable and is expected to benefit riskier emerging market currencies in general. Medium term outlook is bearish on relatively weaker (although improving) Singapore fundamentals.

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yen suffered largest losses in more than three months.