

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended slightly lower on Friday** to snap a 5-day winning streak ahead of weekend, but managed to clinch impressive weekly gains. Markets continued to cheer the Fed's and Jerome Powell's clear message that it will exercise cautions in normalizing the fed funds rate, leading to general view that there won't be as many hikes as intended in 2019 amidst a slowing economy. There is also positive news on US-China trade relation as Secretary Steven Mnuchin said that China Vice Premier Liu He will travel to Washington in late January to continue trade negotiations. The Dow, S&P500 and NASDAQ fell by -0.02% (-5.9pts), 0.01% (-0.38pts) and 0.21% (-14.6pts) respectively. Treasuries rebounded as weaker equity boosted bond buying, yields were seen falling by 3-4bps across the curve with that of the 10y benchmark at 2.70% (-4bps). Crude oil snapped up gains- WTI and Brent each gave up \$1.00 and \$1.20 to 51.59/barrel and \$60.48/barrel.
- At the data front, US CPI rose a mere 1.9% YOY in December driven by the fall in energy prices bringing the full year CPI growth for 2018 to 2.4% YOY. Core inflation was held steady at 2.2% YOY in the same month. UK industrial productions continued to fall by 0.4% MOM but monthly GDP managed to rise a bit further supported by the services and construction sectors. Japanese economic surveys indicated weakening sentiments, Singapore retail sales plummeted by 3.0% YOY amidst weakening demand while Malaysia IPI growth eased further to 2.5% YOY.
- **USD extended its rebound to beat 6 G10s** while the DXY jumped in late US morning, closing 0.14% higher at 95.67 on the return of refuge demand amid signs of prolonged US government shutdown. **We turn slightly bullish on USD** amid signs of increasing refuge demand from prolonged government shutdown. Reduced downward momentum is likely to allow current rebound to extend. While we maintain that a bearish trend still prevails, there may be room for DXY to climb to circa 96.00 – 96.05 before relenting and resuming a downtrend.
- **MYR inched 0.1% firmer to 4.0950 against a soft USD** but slipped against 6 G10s. **MYR is neutral, with room for mild losses against USD.** We reiterate our 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 ended mixed against the G10s and slipped 0.06% to 1.3534 against USD.** **We stay slightly bullish on SGD against USD,** supported by lingering optimism of US-China trade talks. 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

Malaysia	↓
US	↓
UK	↓
Japan	↓
Singapore	↓

What's Coming Up Next

Major Data

- Eurozone Industrial Production
- China Trade Report

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1427	1.1439	1.1465	1.1476	1.1500	↘
GBPUSD	1.2815	1.2825	1.2851	1.2882	1.2900	↗
USDJPY	108.20	108.39	108.45	108.60	108.92	↗
AUDUSD	0.7200	0.7207	0.7212	0.7234	0.7247	↗
EURGBP	0.8896	0.8910	0.8919	0.8929	0.8948	↘
USDMYR	4.0920	4.0950	4.0980	4.1015	4.1030	→
EURMYR	4.6870	4.6920	4.6975	4.7000	4.7050	↘
JPYMYR	3.7712	3.7754	3.7792	3.7831	3.7883	↘
GBPMYR	5.2600	5.2635	5.2680	5.2710	5.2740	↗
SGDMYR	3.0259	3.0279	3.0289	3.0304	3.0318	→
AUDMYR	2.9449	2.9508	2.9541	2.9566	2.9600	↗
NZDMYR	2.7894	2.7943	2.7967	2.7982	2.8000	→
USDSGD	1.3510	1.3520	1.3528	1.3536	1.3555	↘
EURSGD	1.5484	1.5500	1.5508	1.5522	1.5530	↘
GBPSGD	1.7332	1.7367	1.7391	1.7416	1.7449	↗
AUDSGD	0.9725	0.9739	0.9753	0.9768	0.9781	↗

* 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	1,683.22	0.26	-0.44	CRB Index	178.08	-0.29	4.88
Dow Jones Ind.	23,995.95	-0.02	2.87	WTI oil (\$/bbl)	51.59	-1.90	13.61
S&P 500	2,596.26	-0.01	3.57	Brent oil (\$/bbl)	60.48	-1.95	13.20
FTSE 100	6,918.18	-0.36	2.82	Gold (S/oz)	1,290.25	0.28	8.10
Shanghai	2,553.83	0.74	2.40	CPO (RM/tonne)	2,023.50	-0.61	3.64
Hang Seng	26,667.27	0.55	3.18	Copper (\$/tonne)	5,942.00	0.20	-0.39
STI	3,198.65	0.48	4.23	Rubber (sen/kg)	399.00	0.13	5.28

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MA Industrial Production YOY	Nov	2.5%	4.3% (revised)	2.3%
US CPI YOY	Dec	1.9%	2.2%	1.9%
US CPI Ex Food and Energy YOY	Dec	2.2%	2.2%	2.2%
UK Visible Trade Balance GBP/Mn	Nov	£12,023	-	-
UK Industrial Production MOM	Nov	-0.4%	-0.5% (revised)	0.2%
UK GDP MOM	Nov	0.2%	0.1%	0.1%
JP Eco Watchers Survey Current SA	Dec	48.0	51.0	50.7
JP Eco Watchers Survey Outlook SA	Dec	48.5	52.2	51.4
SG Retail Sales YOY	Nov	-3.0%	0.1%	-2.4%

Source: Bloomberg

➤ Macroeconomics

- Softer inflation reaffirmed lack of price pressure in US:** CPI matched expectations easing substantially to 1.9% YOY in December (Nov: +2.2%) bringing the full year CPI growth to 2.4% YOY. The weaker print was largely driven by the fall in prices of energy (-0.3% vs +3.1%) which more than offset a spike in prices of food (+1.6% vs +1.4%). Within energy prices of gasoline fell by 2.1% YOY (Nov: +5.0%) reflecting the dip of crude oil prices in December. Excluding food and energy, core CPI growth was held steady at 2.2% YOY (Nov: +2.2%) as underlying inflation stabilized but overall the lack of price pressures in the US economy reinforced view of fewer rate hikes in 2019 as the Fed minutes mentioned that it could afford to be “patient” against a backdrop of muted inflation.
- UK industrial production sustained decline as manufacturing weakened in November:** Industrial production fell for the third consecutive month by 0.4% MOM in November (Oct: -0.6%) driven by the continuous decline in manufacturing output (-0.3% vs -0.6%) as well as the fall in electricity and mining& quarrying output. Services were still holding up and managed to clinch a gain of 0.3% MOM (Oct: +0.2%). construction recovered modestly to grow 0.6% MOM (Oct: +0.0%) while agriculture steadied at 0.2% MOM bringing GDP growth for November to 0.2% MOM (Oct: +0.1%). The contraction in industrial output suggests an entrenched weakness in the UK manufacturing sector but we reckon a potential recovery in output in December following a much stronger PMI reading firms and clients alike ramped up purchases and production to prepare for Brexit in March. This also translates into a slower rolling three-month GDP growth of 0.3% in the three months to November (June to August: +0.4%). A separate release meanwhile shows that the goods trade balance widened further to -£12,023m in November (Oct: -£11,946m revised) as exports of goods fell by 0.3% (Oct: +0.9%) while imports were unchanged.
- Japan economic surveys indicated weakening sentiments:** The Eco Watchers Survey for current conditions fell to 48.0 in December (Nov: 51.0) while similarly the index for outlook also slid to 48.5 (Nov: 52.2) as households and businesses revised downward their economic assessments suggesting weakening sentiments.
- Singapore retails plunged amidst weakening domestic demand:** Retail sales fell by 3.0% YOY in November (Oct: +0.1%), more than what analysts had earlier expected. The weaker print was mainly weighed down by the sharp dip in auto vehicles sales (-15.1% vs -2.0%) as well as the fall in telecommunications computers sales (-22.1% vs +0.8%). Excluding auto vehicle sales, retail sales fell 0.2% YOY (Oct: +0.6%) further confirming that domestic demand conditions in Singapore has softened and in line with the slower 4Q GDP growth in a preliminary reading.
- Malaysia saw more moderate IPI gain:** Industrial production growth moderated in November, rising 2.5% YOY (Oct: +4.3% revised) but bested expectations of a slowdown to 2.3%. The headline IPI was weighed down by underperforming mining and manufacturing sectors while growth of electricity production ticked higher (Nov: +3.2% vs Oct: +2.8%). The turnaround in mining output in Oct was short-lived (Nov: -0.7% vs Oct: +1.4%), as decline in output growth of natural gas (Nov: -1.8% vs Oct: +2.3%) negated the slight pick-up in output growth of crude oil (Nov: +0.6% vs Oct: +0.4%). Latest data bag appears to be reaffirming expectations global growth is fast losing steam. Linger trade and policy risks, coupled with impact of earlier rate hikes and dissipating tax cuts benefits in the US, are all expected to spell downside risks to global growth prospects going forward, not forgetting added signs of growth slowdown in China. In the face of increasing challenges from the external environment that is expected to spill over to the domestic economy, we are maintaining our view for continued moderate growth of 4.7% in the Malaysian economy this year, little changed from the 4.6% growth estimated for 2018.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
15/01	US	Empire Manufacturing	Jan	11.3	10.9	--
		PPI Final Demand YOY	Dec	2.5%	2.5%	--
14/01	Eurozone	Industrial Production SA MOM	Nov	-1.5%	0.2%	--
15/01		Trade Balance SA	Nov	12.8b	12.5b	--
15/01	Japan	Machine Tool Orders YOY	Dec P	--	-17.0%	--
14/01	China	Exports YOY	Dec	2.0%	5.4%	--
		Imports YOY	Dec	4.5%	3.0%	--
		Trade Balance	Dec	\$51.60b	\$44.74b	\$44.71b

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1469	-0.27	1.1540	1.1458	-0.03
GBPUSD	1.2844	0.76	1.2866	1.2710	0.77
USDJPY	108.48	0.05	108.60	108.15	-1.12
AUDUSD	0.7215	0.42	0.7235	0.7182	2.24
EURGBP	0.8931	-0.96	0.9062	0.8922	-0.78
USDMYR	4.0950	-0.10	4.1015	4.0935	-0.87
EURMYR	4.7176	-0.13	4.7236	4.7137	-0.64
JPYMYR	3.7821	-0.27	3.7859	3.7765	0.54
GBPMYR	5.2170	-0.09	5.2310	5.2153	-0.03
SGDMYR	3.0324	-0.10	3.0339	3.0282	-0.26
AUDMYR	2.9557	0.58	2.9573	2.9443	1.02
NZDMYR	2.7984	0.79	2.7987	2.7791	0.62
CHFMYR	4.1702	-0.63	4.1708	4.1627	-0.83
CNYMYR	0.6075	0.56	0.6046	0.6017	0.37
HKDMYR	0.5223	-0.02	0.5232	0.5221	-1.04
USDSGD	1.3534	-0.06	1.3540	1.3499	-0.71
EURSGD	1.5521	-0.22	1.5588	1.5505	-0.75
GBPSGD	1.7381	0.81	1.7399	1.7169	0.05
AUDSGD	0.9763	0.44	0.9768	0.9713	1.52

Source: Bloomberg

MYR

- **MYR inched 0.1% firmer to 4.0950 against a soft USD** but slipped against 6 G10s.
- **MYR is neutral, with room for mild losses against USD.** We reiterate our 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 extended its rebound to beat 6 G10s** while the DXY jumped in late US morning, closing 0.14% higher at 95.67 on the return of refuge demand amid signs of prolonged US government shutdown.
- **We turn slightly bullish on USD** amid signs of increasing refuge demand from prolonged government shutdown. Reduced downward momentum is likely to allow current rebound to extend. While we maintain that a bearish trend still prevails, there may be room for DXY to climb to circa 96.00 – 96.05 before relenting and resuming a downtrend.

EUR

- **EUR fell 0.27% to 1.1469 against a rebounding USD** and weakened against 7 G10s, weighed down by softer trading sentiment in early Eurozone session.
- **EUR is now slightly bearish against a rebounding USD** but losses may be moderate unless Eurozone data surprises to the downside. EURUSD has lost upward momentum and could extend its recent losses. Expect declines to be stemmed near 1.1427, otherwise EURUSD will be exposed to a drop to circa 1.1356 – 1.1375.

GBP

- **GBP** got a boost from rumours that official Brexit date may be postponed beyond 29 Mar, rallying to beat 8 G10s and **jumping 0.76% to 1.2844 against USD.**
- **Expect a slightly bullish GBP against USD,** continued to be supported by improving Brexit sentiment. GBPUSD remains technically bullish and may be headed to 1.2882 next, above which bulls will further be encouraged and challenge 1.2927.

JPY

- **JPY** was supported by return of refuge demand to beat 5 G10s but **slipped 0.05% to 108.48 against USD.**
- **We turn slightly bearish on JPY against a rebounding USD.** Downward momentum has diminished, limiting losses for USDJPY. Meanwhile, holding above 108.00 will likely be constructive for USDJPY, allowing room for a climb to 109.29.

AUD

- **AUD** was buoyed by firmer sentiment in Asian session and optimism of US-China trade talks, **climbing 0.42% to 0.7215 against USD** and advancing against 7 G10s.
- **AUD remains bullish against USD** in our view, supported by lingering optimism of US-China trade talks. A close above 0.7207 on Friday is to us a bullish sign. On top of rising upward momentum, we expect further gains going forward, with room to test 0.7234 – 0.7247 range.

SGD

- **SGD** ended mixed against the G10s and **slipped 0.06% to 1.3534 against USD.**
- **We stay slightly bullish on SGD against USD,** supported by lingering optimism of US-China trade talks. 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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