

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended higher overnight, spurred by** a rally in the tech sector on positive news that **China would provide stimulus via tax cuts and improvement of credit availability for smaller companies to support the slowing economy**. This overshadowed softer earnings reports from big banks such as Citigroup, JP Morgan and Wells Fargo. US treasuries barely budged with the yield on 10Y benchmarks staying at 2.71%. Similarly, crude oil prices were boosted by China stimulus news and OPEC production cut. Elsewhere, **Theresa May's Brexit deal was defeated at the Parliament by a huge margin (432 vs 202) leading opposition party to call for a vote of no confidence in May's government** - political uncertainties in the UK deepens as the deadline for the country to leave the EU looms in March.
- **In the US, the New York Fed Empire State Manufacturing Index fell** in January signaling much slower manufacturing growth, producer prices declined by 0.2% MOM in December but stabilized in annual term by 2.5% YOY. **Eurozone trade balance widened to €15.1b in November with both imports and exports recording declines**. Germany's 2018 growth came in at 5-year low. Japan capex was unchanged in November, machine tools orders dipped further in December, producer prices eased to 1.5% YOY. **Australia consumer confidence weakened significantly** driven by deteriorating perceptions over current conditions and outlook.
- **USD climbed against 7 G10s** while the DXY rallied in European and US mornings to close 0.45% higher at 96.03, supported by risk-off in European FX space and refuge demand on prolonged government shutdown. **Continue to stay bullish on USD**, supported by refuge demand amid extended government shutdown and likelihood of increased risk-off in European FX space. Recapturing above 96.00 is likely to give DXY more upside strength; 96.05 is now under threat and once this is broken, we expect DXY to soon challenge 96.24 – 96.37.
- **MYR weakened 0.13% to 4.1060 against USD** after tumbling in late Asian session but ended mixed against the G10s. **Expect a bearish MYR against a stronger overnight USD**. USDMYR is likely headed higher as part of a rebound from recent losses, possibly targeting 4.1110 – 4.1150 first, before extending further losses. Caution that beating 4.1150 exposes a move to 4.1313.
- **SGD weakened 0.23% to 1.3566 against USD** and fell against 6 G10s as risk appetite improved. **SGD is also slightly bearish against USD** on technical reasons. USDSGD continues to shy away from recent lows and with downward momentum receding, there is more room for further gains. Caution that continued failure to break below 1.3500 will tilt USDSGD towards the upside.

Overnight Economic Data

US	↓
Eurozone	↓
Japan	↓
Australia	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, Import Price Index, NAHB Housing Market Index, Fed Beige Book
- UK CPI, Core CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1382	1.1400	1.1408	1.1418	1.1431	↘
GBPUSD	1.2819	1.2844	1.2850	1.2868	1.2889	↗
USDJPY	108.25	108.44	108.54	108.65	108.77	↗
AUDUSD	0.7175	0.7189	0.7201	0.7207	0.7229	↘
EURGBP	0.8889	0.8900	0.8906	0.8911	0.8922	↘
USDMYR	4.1070	4.1090	4.1105	4.1145	4.1185	↗
EURMYR	4.6816	4.6867	4.6902	4.6920	4.7000	↘
JPYMYR	3.7800	3.7859	3.7897	3.7919	3.7976	↘
GBPMYR	5.2800	5.2836	5.2870	5.2921	5.2985	↗
SGDMYR	3.0279	3.0304	3.0328	3.0339	3.0353	↗
AUDMYR	2.9538	2.9559	2.9585	2.9613	2.9660	↗
NZDMYR	2.7996	2.8020	2.8042	2.8060	2.8095	↗
USDSGD	1.3527	1.3550	1.3553	1.3573	1.3591	↗
EURSGD	1.5420	1.5444	1.5462	1.5470	1.5484	↘
GBPSGD	1.7400	1.7412	1.7433	1.7456	1.7468	↗
AUDSGD	0.9720	0.9741	0.9754	0.9761	0.9773	↘

* 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	1,679.42	0.19	-0.66	CRB Index	178.98	0.67	5.40
Dow Jones Ind.	24,065.59	0.65	3.16	WTI oil (\$/bbl)	52.11	3.17	14.75
S&P 500	2,610.30	1.07	4.13	Brent oil (\$/bbl)	60.64	2.80	12.71
FTSE 100	6,895.02	0.58	2.48	Gold (\$/oz)	1,289.51	-0.17	8.10
Shanghai	2,570.35	1.36	3.07	CPO (RM/tonne)	2,010.50	-0.64	2.97
Hang Seng	26,830.29	2.02	3.81	Copper (\$/tonne)	5,897.00	-0.76	-1.14
STI	3,212.30	1.22	4.68	Rubber (sen/kg)	395.00	-0.25	4.22

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Empire Manufacturing	Jan	3.9	11.5 (revised)	10.0
US PPI YOY	Dec	2.5%	2.5%	2.5%
EU Trade Balance SA	Nov	€15.1b	€13.5b (revised)	€12.6b
JP Machine Tool Orders YOY	Dec P	-18.3%	-17.0%	--
JP Core Machine Orders MOM	Nov	0.0%	7.6%	3.0%
JP PPI YOY	Dec	1.5%	2.3%	1.8%
AU Westpac Consumer Confidence Index	Jan	99.6	104.4	--

Source: Bloomberg

➤ Macroeconomics

- New York manufacturing growth slumped, producer prices index confirmed lack of price pressure:** The latest New York Fed Empire State Manufacturing Survey reported that its headline general business conditions index fell by 7.6 points to 3.9 in January (Dec: 11.5 revised), the lowest level in well over a year, signaling manufacturing in the New York State grew only marginally this month. Slower new orders, declining inventories, modest rise in employment and easing price paid weighed on the index with firms appearing less optimistic over the next 6-month outlook. Producer prices index for final demand meanwhile fell by 0.2% MOM in December (Nov: +0.1%) as the continuous fall in prices of energy (-5.4% vs -5.0%) dragged down the total cost for final demand goods. Prices for final demand services also registered a minimal decline of 0.1% MOM (Nov: +0.3%) reaffirming the lack of price pressure in the US economy. Compared to a year ago, growth in producer prices steadied at 2.5% YOY (for Nov and Dec), easing from the peak of 3.4% in July and translating to a weaker CPI reading in the same month.
- Eurozone trade weakened; Germany growth fell to 5-year low:** Exports decreased by 1.0% MOM in November (Oct: +1.9%) while imports fell by 1.9% MOM (Oct: +1.7%) bringing the seasonally adjusted trade surplus to widen to €15.1bn (Oct: €13.5bn). The weaker shipment growth came amidst slowing production growth in the euro area signaling a lack of global demand for European goods in November. Meanwhile, advance estimate shows that Germany, the bloc's largest economy grew by a much slower pace of 1.5% YOY in 2018 (2017: +2.2%), the weakest reading since 2013 (+0.5%). General data continued to point to gloomier outlook for the Eurozone, suggesting that ECB will struggle in the ongoing attempt to normalize monetary policy.
- Japan capex unchanged, machine tools orders fell, producer prices growth eased further:** Japan core machine order, an indicator for firms' capex stayed unchanged in November (Oct: +7.6%) while on a yearly basis, capex logged in a slower 0.8% YOY growth (Oct: +4.5%), better than expectations. Separately, the preliminary machine tool orders dipped further by 18.3% YOY in December (Nov: -17.0%) as foreign demand for Japanese goods fell and partly because of unfavourable base effect in our view. Producer prices index meanwhile grew 1.5% YOY in December (Nov: +2.3%), the slowest since Mar-17 reaffirming the continuous lack of inflationary pressure in the Japanese economy.
- Australia consumer confidence weakened:** The Westpac Consumer Confidence Index fell for the first time in three months by 4.7% MOM to 99.6 in January (Dec: 104.4) driven by consumers' deteriorating perceptions over current conditions (-3.3% vs +1.2%) and expectations (-5.6% vs -0.7%). The weaker reading came despite a strengthening labour market amidst slowing economic growth as the country relies hugely on demand from China.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
16/01	US	MBA Mortgage Applications	Jan-11	--	23.5	--
		Import Price Index MOM	Dec	-1.3%	-1.6%	--
17/01		NAHB Housing Market Index	Jan	56.0	56.0	--
		U.S. Federal Reserve Releases Beige Book				
		Housing Starts MOM	Dec	-0.5%	3.2%	--
		Building Permits MOM	Dec	-2.9%	5.0%	--
		Initial Jobless Claims	Jan-12	220k	216k	--
		Philadelphia Fed Business Outlook	Jan	10.0	9.4	9.1
17/01	Eurozone	CPI YOY	Dec F	1.6%	1.9%	1.9%
		CPI Core YOY	Dec F	1.0%	1.0%	-
16/01	UK	CPI YOY	Dec	2.1%	2.3%	--
		CPI Core YOY	Dec	1.8%	1.8%	--
17/01		RICS House Price Balance	Dec	-13.0%	-11.0%	--
17/01	Hong Kong	Unemployment Rate SA	Dec	2.8%	2.8%	--
17/01	Singapore	Non-oil Domestic Exports SA MOM	Dec	2.0%	-4.2%	--
17/01	Australia	Home Loans MOM	Nov	-1.5%	2.2%	--
		Investment Lending	Nov	--	0.6%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1413	-0.49	1.1490	1.1382	-0.49
GBPUSD	1.2861	-0.02	1.2916	1.2670	0.91
USDJPY	108.68	0.48	108.77	108.14	-0.95
AUDUSD	0.7201	0.06	0.7226	0.7180	2.14
EURGBP	0.8875	-0.45	0.8985	0.8856	-1.37
USDMYR	4.1060	0.13	4.1065	4.0940	-0.66
EURMYR	4.6948	-0.13	4.7087	4.6867	-0.69
JPYMYR	3.7738	-0.39	3.7890	3.7683	0.43
GBPMYR	5.2780	0.41	5.2927	5.2725	0.20
SGDMYR	3.0317	0.15	3.0328	3.0283	-0.14
AUDMYR	2.9557	0.25	2.9613	2.9511	1.12
NZDMYR	2.8029	0.51	2.8070	2.7974	0.87
CHFMYR	4.1691	-0.08	4.1810	4.1680	-0.72
CNYMYR	0.6069	0.09	0.6079	0.6065	0.28
HKDMYR	0.5226	0.00	0.5230	0.5222	-1.06
USDSGD	1.3566	0.23	1.3576	1.3514	-0.53
EURSGD	1.5483	-0.28	1.5533	1.5443	-1.01
GBPSGD	1.7444	0.18	1.7476	1.7196	0.37
AUDSGD	0.9770	0.30	0.9770	0.9733	1.62

Source: Bloomberg

MYR

- **MYR weakened 0.13% to 4.1060 against USD** after tumbling in late Asian session but ended mixed against the G10s.
- **Expect a bearish MYR against a stronger overnight USD.** USDMYR is likely headed higher as part of a rebound from recent losses, possibly targeting 4.1110 – 4.1150 first, before extending further losses. Caution that beating 4.1150 exposes a move to 4.1313.

USD

- **USD climbed against 7 G10s** while the DXY rallied in European and US mornings to close 0.45% higher at 96.03, supported by risk-off in European FX space and refuge demand on prolonged government shutdown.
- **Continue to stay bullish on USD**, supported by refuge demand amid extended government shutdown and likelihood of increased risk-off in European FX space. Recapturing above 96.00 is likely to give DXY more upside strength; 96.05 is now under threat and once this is broken, we expect DXY to soon challenge 96.24 – 96.37.

EUR

- **EUR fell 0.49% to 1.1413 against USD** and weakened against 8 G10s following somewhat dovish comments from ECB President Draghi, which dimmed expectations on the ECB's readiness to tighten policy.
- **Stay bearish on EUR against USD**, weighed down by rising skepticism on the ECB's ability to stay on tightening bias. A downward momentum has emerged and is expected to pressure EURUSD going forward. There is room for a test at 1.1366 – 1.1382 next, below which a drop to 1.1300 will be exposed.

GBP

- **GBP ended 0.02% lower at 1.2861 against USD** but not before staging a sharp rebound from 1.2670 that also helped it beat 6 G10s as Brexit plan's defeat at the parliament raised hopes of alternative scenarios, which include a delayed Brexit, a second referendum on Brexit, and even (albeit unlikely) a no Brexit at all.
- **GBP remains slightly bullish against USD in our view** as optimism appears to have improved even after the defeat of PM May's Brexit plan in parliament. GBPUSD remains technically bullish and there is room for a break above 1.2868, which exposes a move to 1.2916 – 1.2930.

JPY

- **JPY weakened 0.48% to 108.68 against USD** and fell against 6 G10s, weighed down by improving risk appetite in equities.
- **Expect a slightly bearish JPY against USD** as refuge demand is likely to take a back seat amid extended recovery in equities and commodities. A mild upward momentum has emerged, tilting USDPY higher. Meanwhile, holding above 108.00 will likely be constructive for USDJPY, allowing room for a climb to 109.29.

AUD

- **AUD inched 0.06% firmer to 0.7201 against USD** and bested 7 G10s, supported by China undertaking stimulus measures to support its economy.
- **Maintain a slight bearish view on AUD against USD** on technical reasons. AUDUSD appears to have lost its bullish bias, more so on failure to recapture above 0.7207 after rejection at 0.7229. Also, the recent minor bullish trend has run its course, thus we set sights on a retracement going forward, with room to slide to 0.7150 – 0.7174.

SGD

- **SGD weakened 0.23% to 1.3566 against USD** and fell against 6 G10s as risk appetite improved.
- **SGD is also slightly bearish against USD** on technical reasons. USDSGD continues to shy away from recent lows and with downward momentum receding, there is more room for further gains. Caution that continued failure to break below 1.3500 will tilt USDSGD towards the upside.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: 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.