December 16, 2019

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US major stocks indexes ended Friday on a flat note after hitting record highs in the previous session as US and China finally announced a phase one trade deal that narrowly avoided the scheduled 15 Dec US tariffs hike on Chinese goods.** The limited agreement, to be signed in early January involves China purchasing $200bn additional US goods and services over the next two years in exchange for a reduction of US tariffs on some Chinese goods, to be effective 30 days after the deal has been signed. Among other outcomes include China's commitments to improve protection for intellectual property and a currency provision to not devalue the yuan to boost competitiveness. **Cautious sentiments remained with equities little changed and treasuries yields slipping by around 6-7bps.** The dollar's performance was uneven across the FX board; **the pound soared over the Conservative Party's landslide victory.** Oil prices were up by around 1.5%. Brent crude finished at $65.22/barrel on Friday.

- **Data were scanty towards the end of last week. US retail sales rose just 0.2% MOM in November, below forecast of 0.5% growth**, casting a little gloom over US consumption outlook in 4Q. Imported prices index picked up 0.2% MOM in November due to higher prices of fuel import. UK house prices experienced a minor YOY gain**. Japan industrial production contracted by 7.7% YOY in October** as typhoon disrupted factories' activities. New Zealand services sector growth pulled back in November as suggested by the lower reading of PMI.

- The greenback's performance across the FX board was uneven on Friday. **The dollar index slipped by 0.23% to 97.12**, led by the strength in the sterling. **We are neutral on broad USD today**, despite positive trade news given the presence of underlying caution in the market. Key data to watch out today are Markit PMI readings. Medium term dollar outlook is still bullish, supported by solid US fundamentals and data.

- **MYR strengthened against the USD by 0.64% to 4.1345** on Friday alongside its Asian regional peers amidst broad-based dollar weakness following news that the US and China had reached a phase one trade agreement. **MYR daily outlook is neutral with a bullish bias** as we expect the ringgit to consolidate around recent ranges 4.1350 – 4.1550 and unlikely to breach below the 4.1300 handle given the presence of underlying cautious sentiment in the market. MYR medium term outlook is still bearish as the dollar is still expected to be well supported by relatively solid data.

- **SGD finished 0.08% stronger against the USD at 1.3533** over the news of a US-China trade deal. **Daily outlook for SGD is bearish as the USD likely rebound over the presence of underlying caution.** Medium term outlook is bearish on relatively weaker (although improving) Singapore fundamentals versus stronger dollar that is supported by solid data.

Overnight Economic Data

US	➔
UK	↑
Japan	↓
New Zealand	↓

What's Coming Up Next

Major Data

- Flash Markit PMI for US, Eurozone, UK and Japan
- US Empire Manufacturing, NAHB Housing Market Index
- China Fixed Assets Investment, Industrial Production, Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1100	1.1120	1.1124	1.1140	1.1150	➔
GBPUSD	1.3200	1.3300	1.3356	1.3400	1.3450	↗
USDJPY	108.40	109.00	109.38	109.70	110.0	➔
AUDUSD	0.6830	0.6850	0.6875	0.6880	0.6900	➔
EURGBP	0.8275	0.8300	0.8330	0.8400	0.8455	↘
USDMYR	4.1300	4.1350	4.1420	4.1500	4.1600	➔
EURMYR	4.5900	4.6000	4.6075	4.6100	4.6200	↘
JPYMYR	3.7675	3.7750	3.7872	3.8015	3.8330	➔
GBPMYR	5.4880	5.5140	5.5318	5.5560	5.6000	↘
SGDMYR	3.0450	3.0515	3.0578	3.0600	3.0650	↘
AUDMYR	2.8400	2.8450	2.8495	2.8550	2.8600	↘
NZDMYR	2.7000	2.7150	2.7335	2.7400	2.7500	↘
USDSGD	1.3515	1.3530	1.3544	1.3550	1.3600	↗
EURSGD	1.5015	1.5040	1.5068	1.5090	1.5120	↗
GBPSGD	1.7860	1.8000	1.8088	1.8150	1.8200	↗
AUDSGD	0.9250	0.9300	0.9316	0.9335	0.9360	➔

* 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	1,571.16	0.24	-7.06	CRB Index	183.81	0.49	8.25
Dow Jones Ind.	28,135.38	0.01	20.61	WTI oil ($/bbl)	60.07	1.50	32.28
S&P 500	3,168.80	0.01	26.41	Brent oil ($/bbl)	65.22	1.59	20.76
FTSE 100	7,353.44	1.10	9.29	Gold (S/oz)	1,476.33	0.44	14.98
Shanghai	2,967.68	1.78	19.00	CPO (RM/tonne)	2,828.50	0.62	44.87
Hang Seng	27,687.76	2.57	7.13	Copper ($/tonne)	6,130.00	-0.42	2.77
STI	3,214.05	0.61	4.73	Rubber (sen/kg)	459.00	0.11	21.11

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Import Price Index YOY	Nov	-1.3%	-3.0%	-1.2%
US Retail Sales Advance MOM	Nov	0.2%	0.4% (revised)	0.5%
Rightmove House Prices YOY	**Dec**	0.8%	**0.3%**	--
JP Industrial Production YOY	Oct F	-7.7%	+1.3%	--
NZ Performance Services Index	Nov	53.3	55.3 (revised)	--

Source: Bloomberg

➢ Macroeconomics

- ***US retail sales rose less than expected in November***: US retail sales rose just 0.2% MOM in November (Oct: +0.4% revised), below analysts' expectation of a 0.5% growth, casting a little gloom over US consumer consumption outlook in 4Q. On a brighter note, the latest print was accompanied by a revision to October's sales growth from 0.3 to 0.4% MOM. Meanwhile, in November, the so-called retail sales for control group that exclude sales of automobile, gasoline, building materials and food services went up by a mere 0.1% MOM (Oct: +0.3%), suggesting a pull-back in core retail spending.

- ***US imported inflation remained subdued***: On a separate note, import prices index picked up 0.2% MOM in November (Oct: -0.5%), its fastest gain in six months due to higher prices of fuel imports, that correspond to higher oil prices in the month. YOY, import prices continued to contract albeit a softer pace of 1.3% (Oct: -3.0%), reflecting still subdued imported inflation.

- ***UK housing sector remained subdued:*** The Rightmove House Price Index slipped 0.9% MOM in December (Nov: -1.3%), a smaller contraction compared to the previous month. On an annual basis, house prices picked up 0.8% YOY (Nov: +0.3%), still a limited gain compared to the 1-2% rate observed in 2018 and 1-3% gain in 2017, suggesting muted growth in the housing sector.

- ***Japan industrial production contracted in October:*** Japan industrial production slipped 4.5% MOM in October (Sep: +1.7%) leaving the annual contraction at 7.7% YOY (Sep: +1.3%) according to a final reading. The plunge in output was mainly a result of disruption at Japanese factories caused by typhoon in October.

- ***New Zealand services sector growth pulled back in November:*** New Zealand services sector grew at a slower pace in November according to the latest BNZ Performance of Services PMI that slipped to 53.3 (Oct: 55.3 revised). The reading was below the long-term average of 54.4 and was driven by an eight points drop in new orders gauge.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
16/12	**US**	**Empire Manufacturing**	**Dec**	**4.0**	**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**	**70**	**70**	**--**
17/12		Housing Starts MoM	Nov	2.2%	3.8%	--
		Building Permits MoM	Nov	-3.2%	5.0%	--
		Industrial Production MoM	Nov	0.8%	-0.8%	--
16/12	**Eurozone**	**Markit Eurozone Manufacturing PMI**	**Dec P**	**47.3**	**46.9**	**--**
		Markit Eurozone Services PMI	**Dec P**	**52.0**	**51.9**	**--**
17/12		Trade Balance SA	Oct	20.0b	18.3b	--
16/12	**UK**	**Markit UK PMI Manufacturing SA**	**Dec P**	**49.2**	**48.9**	**--**
		Markit/CIPS UK Services PMI	**Dec P**	**49.5**	**49.3**	**--**
17/12		Average Weekly Earnings 3M/YoY	Oct	3.4%	3.6%	--
		ILO Unemployment Rate 3Mths	Oct	3.9%	3.8%	--
		Employment Change 3M/3M	Oct	-10k	-58k	--
16/12	**Japan**	**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%**	**--**
17/12	Singapore	Non-oil Domestic Exports YoY	Nov	-6.4%	-12.3%	--
17/12	Australia	RBA Minutes of Dec. Policy Meeting				
		Home Loans MoM	Oct	--	3.6%	--
		Investment Lending	Oct	--	-4.0%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1121	-0.08	1.1199	1.1112	-2.97
GBPUSD	1.3331	1.29	1.3514	1.3159	4.65
USDJPY	109.38	0.06	109.71	108.99	-0.30
AUDUSD	0.6876	-0.48	0.6939	0.6864	-2.51
EURGBP	0.8344	-1.33	0.8457	0.8277	-7.26
USDMYR	4.1345	-0.64	4.1440	4.1345	0.02
EURMYR	4.6223	-0.17	4.6535	4.6182	-2.22
JPYMYR	3.7759	-1.37	3.7936	3.7710	0.48
GBPMYR	5.5471	0.98	5.6086	5.5441	5.31
SGDMYR	3.0598	-0.21	3.0775	3.0568	0.79
AUDMYR	2.8647	0.05	2.8817	2.8610	-1.99
NZDMYR	2.7397	0.06	2.7540	2.7339	-1.40
CHFMYR	4.2126	-0.58	4.2241	4.1970	0.32
CNYMYR	0.5924	0.18	0.5950	0.5921	-2.12
HKDMYR	0.5303	-0.47	0.5331	0.5298	0.40
USDSGD	1.3533	-0.08	1.3559	1.3514	-0.59
EURSGD	1.5059	-0.13	1.5160	1.5042	-3.53
GBPSGD	1.8049	1.23	1.8293	1.7828	4.04
AUDSGD	0.9306	-0.56	0.9394	0.9302	-3.07

Source: Bloomberg

➢Forex

MYR

- **MYR strengthened against the USD by 0.64% to 4.1345** on Friday alongside its Asian regional peers amidst broad-based dollar weakness following news that the US and China had reached a phase one trade agreement.
- **MYR daily outlook is neutral with a bullish bias** as we expect the ringgit to consolidate around recent ranges 4.1350 – 4.1550 and unlikely to breach below the 4.1300 handle given the presence of underlying cautious sentiment in the market. MYR medium term outlook is still bearish as the dollar is still expected to be well supported by relatively solid data.

USD

- The greenback's performance across the FX board was uneven on Friday. **The dollar index slipped by 0.23% to 97.12**, led by the strength in the sterling.
- **We are neutral on broad USD today**, despite positive trade news given the presence of underlying caution in the market. Key data to watch out today are Markit PMI readings. Medium term dollar outlook is still bullish, supported by solid US fundamentals and data.

EUR

- **EUR came off daily high to finish little changed against the USD at 1.1121.**
- **EUR is neutral today** and is likely to consolidate around 1.1120 to 1.1140 ahead of today's PMI readings. **Medium term outlook is bearish** on ECB's accommodative monetary policy stance and weaker fundamentals compared to that of the US.

GBP

- **GBP surged by 1.29% against the USD at 1.3331** after PM Boris Johnson's Conservative Party secured a landslide victory in the general election**.**
- **GBP daily outlook is bullish** as the sterling clings to gains as fears of a no-deal Brexit eased further following the election ahead of today's Markit/CIPS PMI readings. **Short term outlook is bearish** with the strong RSI overbought condition indicating that the current rally is not sustainable.

JPY

- **JPY finished little changed against the USD at 109.38** as the dollar retreated from daily high in the American session.
- **JPY is neutral today consolidating around 109.25- 109.50** as Asian stocks are set to open on a mixed note. **Medium term outlook is neutral** as risks of US-China trade war escalation and hard Brexit have come down considerably following the major developments over the weekend.

AUD

- **AUD slipped against the USD by 0.48% to 0.6876,** retreating below key 0.6900 handle despite an announcement of a limited trade deal by the US and China.
- **Daily outlook is neutral** as AUD struggles to break above 0.6880 and likely experience a consolidation of last Friday's losses at 0.6860-0.6880 ahead of today's China key data. **Medium term outlook is slightly bullish** on lower risk of a US-China trade war escalation.

SGD

- **SGD finished 0.08% stronger against the USD at 1.3533** over the news of a US-China trade deal.
- **Daily outlook for SGD is bearish** as the USD likely rebound over the presence of underlying caution. **Medium term outlook is bearish** on relatively weaker (although improving) Singapore fundamentals versus stronger dollar that is supported by solid data.

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