

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks picked up modestly but nonetheless hit record high overnight, boosted by trade optimism as well as better than expected Chinese data.** The US and China had announced a so-called phase one trade deal last week that now targets an early January sign off, while official data show that China industrial production growth topped estimates and jumped to a five-month high in November. **The Dow Jones, S&P 500 and NASDAQ rose by 0.4-0.9%, led by broad-based gains across sectors while treasuries yields recovered by 2-5bps along the curve as investors exited safe havens.** The greenback slipped across the board, the sterling ended on a flattish note post-election and on weaker UK PMIs. Gold price consolidated, crude oils picked up around 0.2% with Brent crude settling at \$65.34/barrel.
- **The latest batch of flash Markit PMIs painted a rather similar picture across the state of major economies** namely the US, Eurozone, UK and Japan where the manufacturing sector remains weak and services sector being the main driver of growth. In the US, **the NAHB Housing Market Index jumped to a 20-year high** this month boosted by currently robust home sales. The New York Fed Empire State Manufacturing Index added less than 1pts in December, fell short of expectation. **China data turned out to be a major positive surprise** with industrial production rose by 6.2% YOY in November and retail sales growth accelerating to 8.0% YOY that corresponds to the annual Singles' Day sales.
- The greenback slipped across the board as markets were risk-on, weakening against most of its major counterparts. **The dollar index finished little changed at 97.14. We are bearish on USD today in the Asian session** as risk-on mode likely leads investors to sell dollar for riskier assets but expect USD to be supported tonight by improving homebuilding numbers and industrial production. **Medium term dollar outlook is still bullish**, supported by relatively solid US fundamentals and data.
- **MYR finished slightly weaker by 0.19% against the USD at 4.1425** alongside its weaker Asian regional peers in a cautious Monday session despite the announcement of US-China trade deal. **MYR daily outlook is slightly bullish** alongside higher yuan, taking cue from overnight dollar weakness as higher risk appetites likely push up riskier emerging market currencies. **MYR medium term outlook is still bearish** as the dollar is still expected to be well supported by relatively solid data.
- **SGD ended two-week winning streak against the USD to close 0.09% lower at 1.3545. Daily outlook for SGD is bearish** as we expect the dollar to begin recovering after rebounding from the recent trough. **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	↑
Eurozone	→
UK	↓
Japan	→
China	↑

What's Coming Up Next

Major Data

- US Housing Starts, Building Permits, Industrial Production
- Eurozone Trade Balance
- UK Job Report
- Singapore NODX
- Australia Home Loans
- New Zealand Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1100	1.1120	1.1136	1.1140	1.1150	→
GBPUSD	1.3150	1.3200	1.3277	1.3300	1.3400	↘
USDJPY	108.40	109.00	109.52	109.70	110.0	→
AUDUSD	0.6830	0.6850	0.6869	0.6880	0.6900	↘
EURGBP	0.8300	0.8340	0.8387	0.8420	0.8455	↗
USDMYR	4.1300	4.1350	4.1435	4.1500	4.1600	↘
EURMYR	4.6000	4.6075	4.6145	4.6200	4.6300	→
JPYMYR	3.7675	3.7750	3.7826	3.7900	3.8000	→
GBPMYR	5.4590	5.4800	5.5030	5.5345	5.5600	↘
SGDMYR	3.0515	3.0530	3.0566	3.0600	3.0650	→
AUDMYR	2.8400	2.8450	2.8491	2.8550	2.8600	→
NZDMYR	2.7000	2.7150	2.7352	2.7400	2.7500	→
USDSGD	1.3530	1.3550	1.3556	1.3575	1.3600	↗
EURSGD	1.5050	1.5080	1.5098	1.5120	1.5150	→
GBPSGD	1.7800	1.7900	1.7999	1.8070	1.8200	↘
AUDSGD	0.9250	0.9300	0.9319	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	1,569.35	-0.12	-7.17	CRB Index	185.21	0.76	9.07
Dow Jones Ind.	28,235.89	0.36	21.04	WTI oil (\$/bbl)	60.21	0.23	32.59
S&P 500	3,191.45	0.71	27.31	Brent oil (\$/bbl)	65.34	0.18	21.45
FTSE 100	7,519.05	2.25	11.76	Gold (S/oz)	1,476.18	-0.01	15.06
Shanghai	2,984.39	0.56	19.67	CPO (RM/tonne)	2,854.00	0.90	46.17
Hang Seng	27,508.09	-0.65	6.43	Copper (\$/tonne)	6,130.00	-0.42	2.77
STI	3,206.09	-0.25	4.48	Rubber (sen/kg)	458.50	-0.11	20.98

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US Empire Manufacturing	Dec	3.5	2.9	4.0
US Markit US Manufacturing PMI	Dec P	52.5	52.6	52.6
US Markit US Services PMI	Dec P	52.2	51.6	52.0
US NAHB Housing Market Index	Dec	76	71 (revised)	70
EU Markit Eurozone Manufacturing PMI	Dec P	45.9	46.9	47.3
EU Markit Eurozone Services PMI	Dec P	52.4	51.9	52.0
UK Markit UK PMI Manufacturing SA	Dec P	47.4	48.9	49.2
UK Markit/CIPS UK Services PMI	Dec P	49.0	49.3	49.5
JP Jibun Bank Japan PMI Mfg	Dec P	48.8	48.9	--
JP Jibun Bank Japan PMI Services	Dec P	50.6	50.3	--
CN Fixed Assets Ex Rural YTD YOY	Nov	5.2%	5.2%	5.2%
CN Industrial Production YOY	Nov	6.2%	4.7%	5.0%
CN Retail Sales YOY	Nov	8.0%	7.2%	7.6%

Source: Bloomberg

- PMIs show US business activities broadly in expansion:** The flash US Markit Manufacturing PMI was a tad lower at 52.5 in December (Nov: 52.6) that reflects a broadly similar expansion in the previous month, supported by higher output and new orders. The services PMI rose to a five -month high of 52.2 (Nov: 51.6) to signal a modest increase in services business activity, reaffirming the importance of the sector in supporting overall US growth that appears to be quickening in the final month of 4Q. On a separate note, the New York Fed Empire State Manufacturing Index rose to 3.5 in December (Nov: 2.9), fell short of 4.0 expectation but points to an expansion New York state factory activity.
- Spike in housing demand boosted homebuilders confidence to two-decade high:** On the housing front, the NAHB/Wells Fargo Housing Market Index jumped to a 20-year high of 76 in December (Nov: 71 revised), boosted by the currently robust sales in single family units as well as much higher gauge of prospective buyers traffic. Sales of single family units were also expected to fare well in the coming months according to the survey. NAHB said that builders continued to see the housing rebound that began in spring to be supported by “a low supply of existing homes, low mortgage rates and a strong labour market”.
- Muted growth in Eurozone economy as manufacturing mired in downturn:** The latest PMI readings continued to paint a picture of subdued growth in the Euro area economy. The flash Eurozone Manufacturing PMI came in lower at 45.9 in December (Nov: 46.9) to mark its eleventh month of below-50 reading that points to an ongoing downturn in the bloc’s manufacturing economy. Output was said to be slumping at the fastest rate since Oct-12 with new orders falling continuously that led firms to cut jobs this month. On a brighter note, the flash services PMI rose to a four-month high of 52.4 (Nov: 51.9) driven by gain in business activity and new orders but remained modest according to historical standards. By countries, Germany reported a contraction in manufacturing and a slight gain in services activity. France continued to outperform whereas the rest of the euro area reported unchanged output.
- UK manufacturing and services activity dropped ahead of election:** The flash UK Markit/CIPS Manufacturing PMI dropped to a four-month low of 47.4 in December (Nov: 48.9), its seventh back-to-month contraction. This reflects the faster reductions in output and new orders that were attributed to subdued overseas demand, customer destocking and delayed decision spending ahead of the general election. The flash Services PMI also slipped to 49.0 (Nov: 49.3), marking its second month below 50 and signaled a little drop in business activity. Markit said that survey respondents “overwhelmingly attributed lower business activity to a combination of domestic political uncertainty, a lack of clarity in relation to Brexit and subdued global economic conditions”.
- PMI suggest Japan economy ended 4Q in stagnation:** The Jibun Bank flash manufacturing PMI barely changed at 48.8 in December (Nov: 48.9), marking its eight month of sub-50 reading that suggests a continuous contraction in the manufacturing sector. The flash services PMI rose slightly to 50.6 (Nov: 50.3), to reflect an ongoing recovery in services activity following a contraction in October that was driven by typhoon and sales tax hike. Nonetheless, the expansion was only marginal according to Markit and this, alongside the decline in factory output suggest that the economy stagnated in 4Q.

- China data turned positive in November:** China latest data turned out well in November that reflect a rebound in production activity as well as consumer demand. Industrial production picked up 6.2% YOY in November (Oct: +4.7%), way above forecast of 5.0% and was the largest gain in five months. November's bump was a result of a broad-based growth across mining, manufacturing and power supply. Growth in manufacturing output in particular jumped to 6.3% YOY (Oct: +4.6%), in line with recent improvement in PMI readings that suggest a pickup in factory activities. Meanwhile, retail sales growth also edged up to a five-month high of 8.0% YOY (Oct: +7.2%), corresponding to the annual November 11th Single Day's Sales. Nonetheless, the growth recorded was still below that of the same period of 2018 and 2017, proving that Chinese consumers have indeed turned more cautious in a slower growth year. Last but not least, fixed investment picked up 5.2% YOY from the period of Jan-Nov (Jan-Nov'18: +5.9%), a pull-back from the same period last year.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
17/12	US	Housing Starts MOM	Nov	2.3%	3.8%	--
		Building Permits MOM	Nov	-2.9%	5.0%	--
		Industrial Production MOM	Nov	0.8%	-0.8%	--
18/12		MBA Mortgage Applications	Dec-13	--	3.8%	--
17/12	Eurozone	Trade Balance SA	Oct	20.0b	18.3b	--
18/12		CPI YOY	Nov F	1.0%	0.7%	0.7%
		CPI Core YOY	Nov F	1.3%	1.3%	--
17/12	UK	Average Weekly Earnings 3M/YOY	Oct	3.4%	3.6%	--
		ILO Unemployment Rate 3Mths	Oct	3.9%	3.8%	--
		Employment Change 3M/3M	Oct	-14k	-58k	--
18/12		CPI YOY	Nov	1.5%	1.5%	--
18/12	Japan	Exports YOY	Nov	-8.9%	-9.2%	--
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%	--
18/12		Westpac Leading Index MOM	Nov	--	-0.07%	--
17/12	New Zealand	ANZ Business Confidence	Dec	--	-26.4	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1144	0.21	1.1158	1.1120	-2.86
GBPUSD	1.3332	0.01	1.3422	1.3321	4.19
USDJPY	109.55	0.16	109.68	109.27	-0.08
AUDUSD	0.6885	0.13	0.6898	0.6869	-2.45
EURGBP	0.8358	0.16	0.8365	0.8302	-6.75
USDMYR	4.1425	0.19	4.1595	4.1385	0.22
EURMYR	4.6130	-0.20	4.6272	4.5992	-2.42
JPYMYR	3.7838	0.21	3.8021	3.7794	0.69
GBPMYR	5.5360	-0.20	5.5601	5.5206	5.10
SGDMYR	3.0549	-0.16	3.0701	3.0516	0.63
AUDMYR	2.8478	-0.59	2.8594	2.8423	-2.57
NZDMYR	2.7330	-0.24	2.7421	2.7255	-1.64
CHFMYR	4.2084	-0.10	4.2274	4.2020	0.22
CNYMYR	0.5914	-0.16	0.5920	0.5912	-2.28
HKDMYR	0.5319	0.30	0.5333	0.5301	0.70
USDSGD	1.3545	0.09	1.3568	1.3533	-0.57
EURSGD	1.5096	0.25	1.5122	1.5054	-3.41
GBPSGD	1.8061	0.07	1.8196	1.8033	3.60
AUDSGD	0.9327	0.23	0.9341	0.9303	-2.99

Source: Bloomberg

MYR

- **MYR finished slightly weaker by 0.19% against the USD at 4.1425** alongside its weaker Asian regional peers in a cautious Monday session despite the announcement of US-China trade deal.
- **MYR daily outlook is slightly bullish** alongside higher yuan, taking cue from overnight dollar weakness as higher risk appetites likely push up riskier emerging market currencies. **MYR medium term outlook is still bearish** as the dollar is still expected to be well supported by relatively solid data.

USD

- The greenback slipped across the board as markets were risk-on, weakening against most of its major counterparts. **The dollar index finished little changed at 97.14.**
- **We are bearish on USD today in the Asian session** as risk-on mode likely leads investors to sell dollar for riskier assets but expect USD to be supported tonight by improving homebuilding numbers and industrial production. **Medium term dollar outlook is still bullish**, supported by relatively solid US fundamentals and data.

EUR

- **EUR finished 0.21% stronger against the USD at 1.1144** supported by broad-based dollar weakness and partly on better Eurozone services PMI.
- **EUR is neutral with a bearish bias today** after slipping back below 1.1140 and is still likely to consolidate around 1.1120 to 1.1140 over relatively weak economic outlook. A better US data tonight likely gives a boost to the USD hence drives EUR lower. **Medium term outlook is bearish** on ECB's accommodative monetary policy stance and weaker fundamentals compared to that of the US.

GBP

- **GBP finished virtually unchanged against the USD at 1.3322** on post-election correction and weaker UK PMIs.
- **GBP daily outlook is bearish** as the sterling was down in Asia morning to below 1.3300 and technical indicators point to a sell-off in the short term over renewed hard Brexit fear following reports that PM Boris Johnson will amend Brexit bill to rule out any extension (of Britain leaving the EU) beyond 2020. Key data to look towards to today are UK job report. **Medium term outlook is determined by Brexit development.**

JPY

- **JPY finished weaker against the USD at 109.55** alongside higher US yields in a risk-on environment.
- **JPY is neutral with a bearish bias today** and likely trades above 109.50 with a potential re-test of 109.70 resistance as markets remain risk-on. **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 finished slightly 0.13% stronger against the USD at 0.6885** as it fails to benefit much from trade optimism and better China data.
- **Daily outlook is bearish** as AUD is seen trading below 0.6880, clinging to losses after a somewhat dovish RBA meeting minutes that stressed the effectiveness of looser monetary policy and reiterated the central bank's readiness to ease further if needed. **Medium term outlook is slightly bullish** on lower risk of a US-China trade war escalation.

SGD

- **SGD ended two-week winning streak against the USD to close 0.09% lower at 1.3545.**
- **Daily outlook for SGD is bearish** as we expect the dollar to begin recovering after rebounding from the recent trough. **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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