

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks got a boost in the afternoon session to end higher for the third consecutive day following a WSJ report that said the Trump Administration was mulling to lift some tariffs on Chinese imports.** The positive trade headlines helped improve sentiments as concerns on the ongoing government shutdown (now in its 28th day) has become increasingly pronounced in recent days. Treasuries fell as equities rose- yield on 2y notes closed higher at 2.56% (+2bps) while that of the 10s rose to 2.75% (+3bps). **Oil prices weakened slightly** - Brent and WTI each settled lower at \$61.18/barrel (-0.23%) and \$52.07/barrel (-0.46%). Elsewhere, European shares mostly ended in the red while Asian stocks were mixed. **Bank Indonesia left its 7-day reverse repo rate unchanged at 6.0%.**
- In the US, the Philly Fed Manufacturing Index strengthened to 17.0 this month while initial jobless claims fell by 3k to 213k last week. Eurozone HICP inflation eased to 1.6% YOY in the final reading while core inflation steadied at 1.0% YOY. UK house prices were reported to have fallen as the RICS house price balance declined to -19%. Japan headline CPI eased to more-than-a-year low of 0.3% YOY while core CPI softened to 0.7% YOY. Singapore NODX dipped by 8.5% YOY on unfavourable base, Australia home loan approvals fell by 0.9% while New Zealand manufacturing PMI picked up to 8-month high.
- **USD climbed against 8 G10s** while the DXY inched was mostly sideways through trading, closing little changed at 96.06 as risk appetite improved following speculation that the US is contemplating on retracting import tariffs on China. **Maintain a bullish view on USD**, supported by refuge demand amid extended government shutdown. With DXY still holding above 96.05, albeit slightly, we expect bullish bias is likely to prevail. There is now room to challenge 96.24 – 96.37 in the next leg higher.
- **MYR slipped 0.11% to 4.1135 against USD** after tumbling in early Asian session amid diminished risk appetite but managed to beat 9 G10s. **Expect a neutral MYR against USD**, with room for mild losses as overnight improvement in risk appetite is likely to wane heading into a long weekend for Malaysia that is likely to diminish buying interest. Receding downward momentum continues to suggest USDMYR is headed higher. We maintain the view that this is part of a rebound from recent losses, possibly targeting 4.1150, above which a move to 4.1313 will be exposed.
- **SGD slipped 0.05% to 1.3559 against USD** but managed to climb against 6 G10s. **Maintain a slightly bearish SGD view 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. We set sights on a potential advance to 1.3575 – 1.3581.

#### Overnight Economic Data

|             |   |
|-------------|---|
| US          | ➔ |
| Eurozone    | ⬇ |
| UK          | ⬇ |
| Japan       | ⬇ |
| Singapore   | ⬇ |
| Australia   | ⬇ |
| New Zealand | ⬆ |

#### What's Coming Up Next

##### Major Data

- US Industrial Production, U. of Mich. Sentiment
- UK Retail Sales Inc Auto Fuel
- Japan Industrial Production

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

|        | S2     | S1     | Indicative | R1     | R2     | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1367 | 1.1379 | 1.1389     | 1.1393 | 1.1420 | ⬇       |
| GBPUSD | 1.2930 | 1.2950 | 1.2973     | 1.2977 | 1.3001 | ⬇       |
| USDJPY | 109.00 | 109.25 | 109.29     | 109.56 | 109.73 | ⬆       |
| AUDUSD | 0.7176 | 0.7187 | 0.7195     | 0.7200 | 0.7207 | ⬇       |
| EURGBP | 0.8820 | 0.8837 | 0.8780     | 0.8800 | 0.8810 | ⬆       |
| USDMYR | 4.1040 | 4.1070 | 4.1093     | 4.1110 | 4.1150 | ➔       |
| EURMYR | 4.6762 | 4.6800 | 4.6814     | 4.6818 | 4.6852 | ⬇       |
| JPYMYR | 3.7547 | 3.7574 | 3.7593     | 3.7648 | 3.7690 | ⬇       |
| GBPMYR | 5.3240 | 5.3298 | 5.3321     | 5.3358 | 5.3401 | ⬆       |
| SGDMYR | 3.0279 | 3.0301 | 3.0325     | 3.0333 | 3.0353 | ➔       |
| AUDMYR | 2.9511 | 2.9538 | 2.9576     | 2.9625 | 2.9660 | ⬆       |
| NZDMYR | 2.7791 | 2.7800 | 2.7813     | 2.7838 | 2.7870 | ⬆       |
| USDSGD | 1.3527 | 1.3541 | 1.3550     | 1.3555 | 1.3569 | ⬆       |
| EURSGD | 1.5406 | 1.5427 | 1.5438     | 1.5463 | 1.5481 | ⬇       |
| GBPSGD | 1.7550 | 1.7574 | 1.7582     | 1.7600 | 1.7614 | ⬇       |
| AUDSGD | 0.9726 | 0.9744 | 0.9755     | 0.9761 | 0.9775 | ⬇       |

\* 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           | 1,682.97   | 0.59  | -0.45 | CRB Index          | 179.76     | 0.06  | 5.86  |
| Dow Jones Ind. | 24,370.10  | 0.67  | 4.47  | WTI oil (\$/bbl)   | 52.07      | -0.46 | 14.67 |
| S&P 500        | 2,635.96   | 0.76  | 5.15  | Brent oil (\$/bbl) | 61.18      | -0.23 | 13.59 |
| FTSE 100       | 6,834.92   | -0.40 | 1.59  | Gold (\$/oz)       | 1,292.05   | -0.13 | 8.10  |
| Shanghai       | 2,559.64   | -0.42 | 2.64  | CPO (RM/tonne)     | 2,010.00   | 0.27  | 2.94  |
| Hang Seng      | 26,755.63  | -0.54 | 3.52  | Copper (\$/tonne)  | 5,970.00   | 0.84  | 0.08  |
| STI            | 3,214.44   | -0.45 | 4.75  | Rubber (sen/kg)    | 393.00     | -0.13 | 3.69  |

Source: Bloomberg

**Economic Data**

|                                      | For    | Actual | Last               | Survey |
|--------------------------------------|--------|--------|--------------------|--------|
| US Initial Jobless Claims            | Jan-12 | 213k   | 216k               | 220k   |
| US Philadelphia Fed Business Outlook | Jan    | 17.0   | 9.1<br>(revised)   | 10.0   |
| EU CPI YOY                           | Dec F  | 1.6%   | 1.9%               | 1.6%   |
| EU CPI Core YOY                      | Dec F  | 1.0%   | 1.0%               | 1.0%   |
| UK RICS House Price Balance          | Dec    | -19.0% | -11.0%             | -13.0% |
| JP Natl CPI YOY                      | Dec    | 0.3%   | 0.8%               | 0.3%   |
| JP Natl CPI Ex Fresh Food YOY        | Dec    | 0.7%   | 0.9%               | 0.8%   |
| SG Non-oil Domestic Exports SA MOM   | Dec    | -8.5%  | -2.8%<br>(revised) | 2.0%   |
| AU Home Loans MOM                    | Nov    | -0.9%  | 2.1%<br>(revised)  | -1.5%  |
| NZ BusinessNZ Manufacturing PMI      | Dec    | 55.1   | 53.7<br>(revised)  | --     |

Source: Bloomberg

## ➤ Macroeconomics

- US Philly Fed manufacturing index strengthened amidst improving demand, jobless claims fell:** The latest Philadelphia Manufacturing Business Outlook Survey reported that the index for current activity increased to 17.0 in January (Dec: 9.1) driven by higher new orders. Shipment fell slightly, employment increased while the growth in prices paid index eased. Most firms reported increase in underlying demand thus expecting higher production in the future. Initial jobless claims decreased further by 3k to 213k for the week ended 12 Jan (previous: 216k) signaling strong employment in the US but may rise in the week after according to Bloomberg due to the government shutdown as furloughed non-essential government workers are entitled for unemployment benefit (not counted in headline jobless claims) and are reported separately with a one-week lag.
- Eurozone inflation eased as oil prices fell:** The final reading of the HICP inflation rate was unrevised at 1.6% YOY in December (Nov: +1.9%), easing substantially from 1.9% YOY in the previous month. The much weaker print left headline inflation at a level well below the ECB's target of just below 2% and was mainly driven by the slower rise in prices energy (+5.4% vs +9.1%) as global oil prices dipped sharply in December and partly by the softer food, tobacco and alcohol category (+1.8% vs +1.9%). Excluding these two items, core inflation steadied at 1.0% YOY (Nov: +1.0%) as cost of services rose by a consistent 1.3% YOY (Nov: +1.3%), pointing to a still-muted underlying inflation in the Eurozone economy despite strengthening wage growth amidst a tightening labour market, a sign that firms are still reluctant to pass on cost to consumers. The softer HICP readings were the latest additions to a generally weak Eurozone data bag, casting doubt over whether the ECB could raise its key rate after summer this year as part of its plan to normalize monetary policy.
- UK housing market weakened further amidst Brexit uncertainties:** House prices were reported to have fallen further in December according to the December RICS UK Residential Market Survey as the net house price balance, a headline indicator for prices fell deeper into -19% (Nov: -11%), marking its fourth consecutive negative reading and the weakest since Aug-12 with prices continued to soften in London and the South East. Other indicators also pointed to a continuously weak housing market with political uncertainties being increasingly cited as a constraint to the market- sales volume dwindled albeit at a slower rate (-11% vs -15%) while net balance for near term expectations dipped to -28%, the poorest reading since the start of the survey.
- Japan inflation faltered, BOJ expected to stay pat:** CPI rose by a mere 0.3% YOY in December (Nov: +0.8%), the slowest rate since October 2017 as prices of fresh food dipped sharply (-9.4% vs -1.4%) and cost of energy was lower thanks to cheaper oil prices in December. The core CPI which excludes fresh food, the BOJ's main gauge of inflation eased to 0.7% YOY (Nov: +0.9%) while the so-called "core" CPI (excluding fresh food and energy) steadied at 0.3% YOY (Nov: +0.3%), both reflecting tepid underlying inflation in the Japanese economy thus reaffirming views that the BOJ will leave its key policy balance rate unchanged and keep its current stimulus.
- Singapore saw sharper fall in December's NODX:** Non-oil domestic exports (NODX) dipped further by 8.5% YOY in December (Nov: -2.8% revised) from the higher base in the previous year. Shipment of electronics failed to sustain last month's gain (-11.2% vs +4.3%) and this was hardly surprising given the softer global electronics demand while that of non-electronics products (-7.4% vs -5.4%) also continued to fall. Exports to China rebounded to increase 15.4% YOY (Nov: -16.4%) following multiple months of decline while that to the US stabilized at above 30% (+31.1% vs +33.1%).

- **Australia home loans fell as housing market softened:** The number of housing loans approved decreased by 0.9% MOM in November (Oct: +2.1% revised) confirming that the rebound in the previous month was mainly due to earlier applications being approved after a period of delay as credit rules tightened in Australia, thus suggesting that the housing market continued to soften in the country.
- **New Zealand manufacturing PMI pointed to quicker expansion in factories activities:** The BusinessNZ Manufacturing PMI picked up to an eight-month high of 55.1 in December (Nov: 53.7 revised), suggesting that the manufacturing sector finally gained momentum following months of muted expansions. The stronger headline index was driven by a surge in production, finished stocks and deliveries while employment rose modestly. New orders eased slightly but remained high suggesting a still-solid demand.

| Economic Calendar |         |                                |                  |        |       |         |
|-------------------|---------|--------------------------------|------------------|--------|-------|---------|
| Date              | Country | Events                         | Reporting Period | Survey | Prior | Revised |
| 18/01             | US      | Industrial Production MOM      | Dec              | 0.2%   | 0.6%  | --      |
|                   |         | U. of Mich. Sentiment          | Jan P            | 96.8   | 98.3  | --      |
| 18/01             | UK      | Retail Sales Inc Auto Fuel MOM | Dec              | -1.0%  | 1.4%  | --      |
| 21/01             |         | Rightmove House Prices MOM     | Jan              |        | -1.5% |         |
| 18/01             | Japan   | Industrial Production YOY      | Nov F            |        | 1.4%  |         |
| 21/01             |         | Convenience Store Sales YOY    | Dec              | --     | 0.6%  | --      |
| 21/01             | China   | Retail Sales YOY               | Dec              | 8.2%   | 8.1%  |         |
|                   |         | Industrial Production YOY      | Dec              | 5.3%   | 5.4%  |         |
|                   |         | Fixed Assets Ex Rural YTD YOY  | Dec              | 6.0%   | 5.9%  |         |
|                   |         | GDP YOY                        | 4Q               | 6.4%   | 6.5%  |         |

Source: Bloomberg

## Forex

|        | Last Price | DoD % | High   | Low    | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1389     | -0.03 | 1.1406 | 1.1370 | -0.65 |
| GBPUSD | 1.2986     | 0.78  | 1.3001 | 1.2832 | 1.80  |
| USDJPY | 109.26     | 0.16  | 109.40 | 108.69 | -0.48 |
| AUDUSD | 0.7193     | 0.35  | 0.7222 | 0.7147 | 2.00  |
| EURGBP | 0.8770     | -0.84 | 0.8870 | 0.8764 | -2.39 |
| USDMYR | 4.1135     | 0.11  | 4.1175 | 4.1035 | -0.48 |
| EURMYR | 4.6867     | -0.04 | 4.6891 | 4.6762 | -0.86 |
| JPYMYR | 3.7789     | -0.20 | 3.7861 | 3.7648 | -0.56 |
| GBPMYR | 5.2904     | 0.05  | 5.3011 | 5.2803 | -0.43 |
| SGDMYR | 3.0326     | -0.06 | 3.0346 | 3.0287 | -0.11 |
| AUDMYR | 2.9455     | -0.46 | 2.9473 | 2.9404 | -0.77 |
| NZDMYR | 2.7703     | -1.03 | 2.7841 | 2.7701 | -0.30 |
| CHFMYR | 4.1455     | -0.39 | 4.1529 | 4.1427 | -1.28 |
| CNYMYR | 0.6073     | -0.20 | 0.6088 | 0.6071 | -0.34 |
| HKDMYR | 0.5242     | -0.08 | 0.5249 | 0.5232 | -0.76 |
| USDSGD | 1.3559     | 0.05  | 1.3575 | 1.3539 | -0.54 |
| EURSGD | 1.5441     | -0.02 | 1.5463 | 1.5429 | -1.20 |
| GBPSGD | 1.7607     | 0.84  | 1.7612 | 1.7413 | 1.24  |
| AUDSGD | 0.9753     | 0.40  | 0.9779 | 0.9699 | 1.46  |

Source: Bloomberg

### MYR

- **MYR slipped 0.11% to 4.1135 against USD** after tumbling in early Asian session amid diminished risk appetite but managed to beat 9 G10s.
- **Expect a neutral MYR against USD**, with room for mild losses as overnight improvement in risk appetite is likely to wane heading into a long weekend for Malaysia that is likely to diminish buying interest. Receding downward momentum continues to suggest USDMYR is headed higher. We maintain the view that this is part of a rebound from recent losses, possibly targeting 4.1150, above which a move to 4.1313 will be exposed.

### USD

- **USD climbed against 8 G10s** while the DXY inched was mostly sideways through trading, closing little changed at 96.06 as risk appetite improved following speculation that the US is contemplating on retracting import tariffs on China.
- **Maintain a bullish view on USD**, supported by refuge demand amid extended government shutdown. With DXY still holding above 96.05, albeit slightly, we expect bullish bias is likely to prevail. There is now room to challenge 96.24 – 96.37 in the next leg higher.

### EUR

- **EUR dipped 0.03% to 1.1389 against USD** but advanced against 6 G10s as risk appetite in the FX space improved.
- **Stay bearish on EUR against USD** on technical reasons. Downward momentum continues to increase, keeping EURUSD pressured. We maintain that there is room to test 1.1366 next, below which 1.1300 will be targeted.

### GBP

- **GBP jumped 0.78% to 1.2986 against USD** and rallied to beat all G10s as speculations intensified over the possibility of a second Brexit referendum.
- **We turn bearish on GBP against USD** on technical reasons. Caution that GBP will increasingly be event-driven going forward, and could swing quickly between gains and losses on news flow. While there is room for GBPUSD to test 1.3000, we opine that recent rally may have exhausted upside bias and we would not rule out a potential pullback to circa 1.2900 – 1.2930.

### JPY

- **JPY slipped 0.16% to 109.26 against USD** and fell against 5 G10s as refuge demand continued to retreat.
- **JPY remains slightly bearish against USD** as refuge demand is likely to take a back seat amid extended recovery in equities and commodities. Upward momentum continues to improve and we now set sights on a move to circa 110.41 for USDJPY.

### AUD

- **AUD climbed 0.35% to 0.7193 against USD** and rallied to beat 8 G10s, lifted by speculations that the US may lift import tariffs on China.
- **Maintain a slight bearish view on AUD against USD** on technical reasons. AUDUSD is likely to extend losses after losing 0.7207, and we continue to set sights on a drop to circa 0.7138. Nonetheless, yesterday's rally has diminished AUDUSD's bearish bias, and we caution that a close above 0.7197 today will tilt AUDUSD high going forward.

### SGD

- **SGD slipped 0.05% to 1.3559 against USD** but managed to climb against 6 G10s.
- **Maintain a slightly bearish SGD view 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. We set sights on a potential advance to 1.3575 – 1.3581.

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