

Global Markets Research

Daily Market Highlights

- **US stocks extended further gains in another record-setting session overnight, supported by robust manufacturing and housing data that provide major confidence in the current state of the US economy.** Industrial production, housing starts and permits rose more than expected in November, helping the Dow Jones, S&P 500 and NASDAQ to climb higher by a modest 0.03-0.11% to close at respective high. Treasuries yields barely moved recording minor changes of -0.4 to +1.9bps along the curve while the greenback largely strengthened against major currencies, sterling plunged and erased election spike. On the commodity front, gold finished unchanged whereas crude oils picked up around 1.2%- Brent crude settled at \$66.10/barrel. **Fed policy makers Robert Kaplan and Eric Rosengren reiterated the central bank's message last week that interest rates should be on hold for now, unless there is a material change in outlook.** Meanwhile in the UK, **Boris Johnson's government has set a hard deadline of December 2020 as the date to reach a new trade deal with the EU in a bid to quicken the withdrawal process.**
- **Data were mixed across major economies.** US industrial production rebounded by 1.1% MOM whereas housing starts and building permits rose further by 3.2% and 1.4% MOM. International trade improved for the Eurozone given the jump in exports, but remained weak for Japan and Singapore. UK manufacturing order book deteriorated ahead of election and the economy added 24k new jobs but wage growth slipped. Australia leading index signals weaker growth momentum heading into 2020 while New Zealand business confidence improved further in the final month of 2019.
- The greenback largely strengthened against major currencies, supported by better US data. **The dollar index added 0.21% to 97.22,** led mainly by the plunge in the sterling amidst renewed hard Brexit fear. **We are neutral on broad USD** amidst fading US-China trade optimism and renewed Brexit concerns with no immediate catalyst in sight. **Medium term dollar outlook is still bullish,** supported by relatively solid US fundamentals and data.
- **MYR finished barely changed against the USD at 4.1415** alongside its regional peers that were kept around their recent ranges amidst generally cautious sentiment in a muted Tuesday session. **MYR daily outlook is neutral for now,** expecting the ringgit to continue consolidating around the range of 4.1350-4.1500 amidst fading US-China trade optimism. **MYR medium term outlook is still bearish** as the dollar is still expected to be well supported by relatively solid data.
- **SGD extended further albeit small losses against the USD at 1.3550** alongside regional peers that were kept around their recent ranges. **Daily outlook for SGD is slightly bearish** as we expect the dollar to continue recovering after rebounding from its most 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	↓
Australia	→
New Zealand	↑

What's Coming Up Next

Major Data

- US MBA Mortgage Application
- Eurozone CPI
- UK CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1100	1.1120	1.1147	1.1150	1.1180	→
GBPUSD	1.3050	1.3100	1.3111	1.3200	1.3280	↘
USDJPY	108.40	109.00	109.56	109.70	110.00	→
AUDUSD	0.6815	0.6830	0.6849	0.6880	0.6900	↘
EURGBP	0.8400	0.8440	0.8502	0.8530	0.8560	↗
USDMYR	4.1300	4.1350	4.1423	4.1500	4.1600	→
EURMYR	4.6000	4.6075	4.6176	4.6200	4.6300	→
JPYMYR	3.7675	3.7750	3.7817	3.7900	3.8000	→
GBPMYR	5.3750	5.4000	5.4312	5.4660	5.5190	↘
SGDMYR	3.0515	3.0530	3.0564	3.0600	3.0650	→
AUDMYR	2.8300	2.8320	2.8374	2.8430	2.8500	→
NZDMYR	2.7000	2.7150	2.7193	2.7340	2.7450	→
USDSGD	1.3530	1.3550	1.3554	1.3575	1.3600	↗
EURSGD	1.5050	1.5080	1.5108	1.5120	1.5150	→
GBPSGD	1.7700	1.7740	1.7772	1.7880	1.8000	↘
AUDSGD	0.9250	0.9270	0.9284	0.9300	0.9315	→

* 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	1,576.95	0.48	-6.72	CRB Index	185.28	0.04	9.12
Dow Jones Ind.	28,267.16	0.11	21.18	WTI oil (\$/bbl)	60.94	1.21	34.20
S&P 500	3,192.52	0.03	27.35	Brent oil (\$/bbl)	66.10	1.16	22.86
FTSE 100	7,525.28	0.08	11.85	Gold (\$/oz)	1,476.22	0.00	15.09
Shanghai	3,022.42	1.27	21.19	CPO (RM/tonne)	2,856.00	0.07	46.27
Hang Seng	27,843.71	1.22	7.73	Copper (\$/tonne)	6,199.00	1.13	3.92
STI	3,200.80	-0.16	4.30	Rubber (sen/kg)	460.50	0.44	21.50

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US Housing Starts MOM	Nov	3.2%	4.5% (revised)	2.4%
US Building Permits MOM	Nov	1.4%	5.0%	-3.5%
US Industrial Production MOM	Nov	1.1%	-0.9% (revised)	0.8%
EU Trade Balance SA	Oct	€24.5	€18.7b (revised)	€20.0b
UK Average Weekly Earnings 3M/YOY	Oct	3.2%	3.7% (revised)	3.4%
UK ILO Unemployment Rate 3Mths	Oct	3.8%	3.8%	3.9%
UK Employment Change 3M/3M	Oct	24k	-58k	-14k
UK CBI Trends Total Orders	Dec	-28	-26	-25
JP Exports YOY	Nov	-7.9%	-9.2%	-8.9%
SG Non-oil Domestic Exports YOY	Nov	-5.9%	-12.5% (revised)	-6.4%
AU RBA Minutes of Dec. Policy Meeting				
AU Total Home Loans Value MOM	Oct	2.0%	-0.4%	--
AU Westpac Leading Index MOM	Nov	-0.09%	-0.15% (revised)	--
NZ ANZ Business Confidence	Dec	-13.2	-26.4	--

Source: Bloomberg

- RBA to reconsider outlook in Feb'20 meeting:** In the newly published RBA minutes for December meeting where it had left cash rate unchanged, policy makers noted that there had been little change in economic outlook since the last meeting. Notably, members discussed the transmission of the interest rate reductions to the economy since mid-2019 and noted that “the available evidence suggested that more stimulatory monetary policy had been working through the usual channels of lower bond yields, a depreciation of the exchange rate and lower interest rates on mortgage”. It repeated that the low growth in household incomes continued to be a source of concern for the consumption outlook. Economic growth and unemployment rate remained broadly consistent with forecasts. The most appropriate approach is to maintain the current stance of monetary policy and to continue to assess the evidence of how the easing in monetary policy was affecting the economy. RBA concluded by adding that it would be important to “reassess the economic outlook in February 2020, when the Bank would prepare updated forecasts”. It also reiterated that it had the ability to provide further stimulus if required and was prepared to ease policy further if needed to support growth, full employment and to achieve its inflation target.
- US manufacturing sector rebounded back to growth after strike ended:** The Federal Reserve reported that industrial production staged a huge recovery to print an impressive 1.1% MOM growth in November (Oct: -0.9%), topping analysts’ forecast of 0.8% growth. The rebound was mainly led by an increase in manufacturing output (+1.1% vs -0.7% revised) as the GM UAW strike ended last month that returned participating employees back to the production line. Excluding motor vehicles and parts, total industrial production and for manufacturing picked up 0.5% and 0.3% respectively. Mining production slipped by 0.2% (Oct: -0.8%) whereas utilities output increased 2.9% (Oct: -2.4%).
- Robust home building activities in the US:** Low borrowing cost and higher demand boosted home building activities in the US in November. Echoing the jump in the NAHB Housing Market Index, housing starts beat estimates to increase 3.2% MOM (Oct: +4.5% revised) to a seasonally adjusted annual rate of 1.365mil units (Oct: 1.323mil). Building permits, often a leading indicator for housing starts in the coming months jumped by 1.4% MOM (Oct: 5.0%) to an annual pace of 1.482mil units (Oct: 1.461mil), the highest in 12.5 years.
- British manufacturing order slipped before election:** The CBI Trends Total Survey reported that its headline Trends Total Order Index fell to -28 in December (Nov: -26), as 41% of manufacturers surveyed reported a “below-normal” order book versus 13% that said orders were “above normal”. The latest reading fared poorly compared to the long run average of -13. Overseas demand deteriorated as exports order dropped to -35 (Nov:-22) while volume of output for the past 3 months dropped to -16 (Nov:-9). The data collection was done prior to the 12 Dec general election, reflecting the impact of continued Brexit uncertainties as well as weak global manufacturing on British factories that finished the year in a weaker note.
- UK economy added jobs but wage growth pulled back:** The ONS later job report painted a mixed picture of the state of the labour market. The economy added 24k jobs in the three months to October (Sep: -58k), beating analysts’ expectation of a 14k job losses. The gain in hiring came primarily from full time employment given the loss in part-time jobs. The same period also saw unemployment rate remaining unchanged at 3.8%, again better than forecast of 3.9%. On a less positive note, gain in average weekly earnings, a key gauge of wage growth eased substantially to 3.2% YOY in the three months to October (Sep: +3.7% revised), its slowest pace of growth in more than a year in part due to a reduction in bonus payout (-4.2% vs +4.1%) particularly in the public sector. Excluding bonus, wage growth also pulled back to 3.5% YOY (Sep: +3.6%), a six-month low.

- **Eurozone external trade surplus biggest in more than 2 years:** Eurozone trade surplus surged to €24.5b in October (Sep: €18.7b), its largest recorded surplus since Sep-17, driven by a jump in exports (+2.1% vs +0.8%) that outweighed the fall in imports (-0.9% vs +1.4%).
- **Japan exports slipped for one full year:** Official data published this morning show that exports slipped by 7.9% YOY in November (Oct: -9.2%), marking its one full-year of back-to-back contraction since December last year, reflecting the impact brought about by weak global demand and rising protectionism on Japanese external trade sector. Imports plunged by another 15.7% YOY (Oct: -14.8%), its seventh consecutive decline, signaling continuously weak domestic demand.
- **Singapore NODX slipped for ninth month:** Singapore non-oil domestic exports contracted at a smaller pace of 5.9% YOY in November (Oct: -12.5% revised), marking its ninth month of back-to-back decline that reflects the ongoing pressure on overseas demand for Singaporean goods. The fall in exports was a result of contraction in shipments to the EU, China, Malaysia, Hong Kong, Japan, Taiwan, Korea and India whereas shipments to the US picked up for the first time in four months.
- **Australia leading index signals weak growth momentum; home loans increased in October:** The Westpac Leading Index dropped a little by 0.09% in November (Oct: -0.15% revised), leaving the 6-month annualized growth rate at a worse -0.81% (Oct: -0.78%) that continued to signal below trend growth in Australia, pointing to weaker economic momentum as we head into 2020. On a separate note yesterday, Australia total home loan values rose 2.0% MOM in October (Sep: -0.4%), led by an increase in lending to owner-occupiers (+2.2% vs +1.0%) and investors (+1.4% vs -3.9%). The Australian Bureau of Statistics lending report has been recalibrated to more closely mirror data used by overseas counterparts, hence the number of home loan approvals will no longer be available from this month onwards.
- **New Zealand business confidence improved further:** The headline ANZ Business Confidence Index jumped another 13 pts to -13.2 in December (Nov: -26.4pts), its highest reading since Oct-17, meaning that the percentage of respondents expecting business conditions to deteriorate went down to 13%. ANZ said that lift across the survey was broad-based but “the clearest theme this month was a large manufacturing bounce-back” as manufacturers expected busier activity ahead and intended to hire more staff and raise investment. Overall the survey suggest that business headed into the end of the year with better sentiment, supported by strong commodity prices and lower interest rates.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
18/12	US	MBA Mortgage Applications	Dec-13	--	3.8%	--
19/12		Philadelphia Fed Business Outlook	Dec	8.0	10.4	--
		Initial Jobless Claims	Dec-14	225k	252k	--
		Leading Index	Nov	0.1%	-0.1%	--
		Existing Home Sales MOM	Nov	-0.4%	1.9%	--
18/12	Eurozone	CPI YOY	Nov F	1.0%	0.7%	0.7%
		CPI Core YOY	Nov F	1.3%	1.3%	--
18/12	UK	CPI YOY	Nov	1.5%	1.5%	--
19/12		Retail Sales Inc Auto Fuel MOM	Nov	0.2%	-0.1%	--
		Bank of England Bank Rate	Dec-19	0.75%	0.75%	--
19/12	Japan	Machine Tool Orders YOY	Nov F	--	-37.9%	--
		BOJ Policy Balance Rate	Dec-19	--	-0.1%	--
19/12	Australia	Employment Change	Nov	15.0k	-19.0k	--
		Unemployment Rate	Nov	5.3%	5.3%	--
19/12	New Zealand	GDP SA QOQ	3Q	0.5%	0.5%	--
		Exports NZD	Nov	5.10b	5.03b	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1150	0.05	1.1175	1.1129	-2.75
GBPUSD	1.3131	-1.51	1.3338	1.3100	2.95
USDJPY	109.48	-0.06	109.63	109.44	-0.16
AUDUSD	0.6851	-0.49	0.6885	0.6838	-2.79
EURGBP	0.8492	1.51	0.8511	0.8356	-5.52
USDMYR	4.1415	-0.02	4.1445	4.1405	0.20
EURMYR	4.6186	0.12	4.6190	4.6110	-2.30
JPYMYR	3.7788	-0.13	3.7839	3.7786	0.56
GBPMYR	5.4675	-1.24	5.5100	5.4551	3.79
SGDMYR	3.0549	0.00	3.0592	3.0546	0.63
AUDMYR	2.8375	-0.36	2.8493	2.8365	-2.93
NZDMYR	2.7242	-0.32	2.7365	2.7238	-1.96
CHFMYR	4.2089	0.01	4.2184	4.2089	0.23
CNYMYR	0.5918	0.05	0.5921	0.5916	-2.23
HKDMYR	0.5316	-0.06	0.5323	0.5313	0.64
USDSGD	1.3550	0.04	1.3563	1.3540	-0.54
EURSGD	1.5110	0.09	1.5144	1.5089	-3.28
GBPSGD	1.7791	-1.49	1.8066	1.7743	2.33
AUDSGD	0.9283	-0.47	0.9327	0.9271	-3.31

Source: Bloomberg

MYR

- **MYR finished barely changed against the USD at 4.1415** alongside its regional peers that were kept around their recent ranges amidst generally cautious sentiment in a muted Tuesday session.
- **MYR daily outlook is neutral for now**, expecting the ringgit to continue consolidating around the range of 4.1350-4.1500 amidst fading US-China trade optimism. **MYR medium term outlook is still bearish** as the dollar is still expected to be well supported by relatively solid data.

USD

- The greenback largely strengthened against major currencies, supported by better US data. **The dollar index added 0.21% to 97.22**, led mainly by the plunge in the sterling amidst renewed hard Brexit fear.
- **We are neutral on broad USD** amidst fading US-China trade optimism and renewed Brexit concerns with no immediate catalyst in sight. **Medium term dollar outlook is still bullish**, supported by relatively solid US fundamentals and data.

EUR

- **EUR retreated from daily high but managed to finish slightly stronger (+0.05%) against the USD at 1.1150.**
- **EUR is neutral today** with limited upside and was seen trading below 1.1150 this morning and likely to range trade around 1.1120- 1.1170 amidst renewed Brexit fear and a lack of catalyst. **Medium term outlook is bearish** on ECB's accommodative monetary policy stance and continued weaker growth outlook versus a more solid US economy.

GBP

- **GBP collapsed against the USD by 1.51% at 1.3131, erasing election spike** on renewed sense of fear surrounding Brexit as PM Boris Johnson's new government
- **GBP daily outlook is bearish** as the sterling rolled into Asian session lower and looks under pressure around the 1.3100 handle with technical indicators pointing to a loss in momentum the pair. Key data today are UK CPI and BOE is set to announce bank rate decision tomorrow. **Medium term outlook is determined by Brexit development.**

JPY

- **JPY finished little changed against the USD at 109.48** in a muted session marked by cautious sentiment.
- **JPY is neutral today** and likely hovers around 109.50 amidst fading trade optimism and renewed Brexit concerns. **Medium term outlook is neutral** over lower risks of US-China trade war escalation.

AUD

- **AUD plunged against the USD by 0.49% to 0.6851** following a somewhat dovish RBA meeting minutes.
- **Daily outlook is neutral with a bearish bias** as AUD is seen consolidating losses around the 0.6850 rolling into Asian morning. **Medium term outlook is neutral amidst** lower risk of a US-China trade war escalation and RBA 's accommodative stance .

SGD

- **SGD extended further albeit small losses against the USD at 1.3550** alongside regional peers that were kept around their recent ranges.
- **Daily outlook for SGD is slightly bearish** as we expect the dollar to continue recovering after rebounding from its most 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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