

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US markets were closed on Monday for Martin Luther King Jr. Day. Stocks had rallied for the fourth consecutive session last Friday but the fall in stocks futures following China's weak data yesterday suggests a likely snap in the gaining streak.** Jittery in the markets is expected to heighten since very little progress had been made with regards to the resumed US-China trade negotiations while the government remains in partial shutdown. European equity fell, weighed down by concerns over slower global growth but Asian stocks were unfazed as nearly all benchmarks recorded gains. Meanwhile, the **IMF trimmed its growth forecast for 2019 to 3.5%** (revised from the projected 3.7% in last October) **citing trade policy as well as political uncertainty, carry-over of soft growth momentum from 2018 and tightening financial conditions.** Crude oil had gained further traction - last closed at \$53.80/barrel for WTI while Brent at \$62.74/barrel.
- **China hard data were weak reaffirming a slower growth prospect for the world's second largest economy – GDP grew 6.4% YOY in the fourth quarter of 2018 bringing the full year GDP growth to 6.6% YOY, the slowest pace since 1990.** Industrial production rebounded, inching higher by 5.7% YOY in December due to faster growth rate in the mining sector as manufacturing output slowed. Fixed investment growth was unchanged at 5.9% YOY while retail sales gained by a mere 8.2% YOY. Elsewhere, sales in Japanese convenience store rose 1.5% YOY in the same month, while UK house prices saw a minimal gain. New Zealand services sector PMI fell to 53.0 in December but is likely to strengthen next month as new orders surged.
- **USD advanced against 5 G10s**, supported by buying interest on the back of extended US government shutdown, while the DXY climbed through European and US mornings to pare early losses, closing unchanged at 96.33. **USD remains bullish in our view** as we anticipate softer risk appetite in the markets on continued US government shutdown, cautiousness over on-going US-China trade talks and potential risk aversion in European majors. A minor bullish trend sustains; there is potential for DXY to beat 96.37 and head to circa 96.56 – 96.66 next. Holding above 96.05 supports a bullish tone.
- **MYR was barely changed at 4.1135 against USD** last Friday after overturning early losses as the greenback weakened in European session. MYR ended lower against 6 G10s. **MYR is slightly bearish against USD**, weighed down by continued recede in risk appetite in the markets. A mild upward momentum has emerged, alongside lingering bullish trend, are both expected to tilt USDMYR towards the upside. With 4.1150 already broke, we set sights on a potential move towards 4.1313.
- **SGD dipped 0.04% to 1.3593 against USD** and retreated against 6 G10s. **Maintain a slightly bearish SGD view against USD** on technical reasons. A bullish trend has taken hold of USDSGD and we expect further push higher going forward. There is room to test 1.3621 in the next leg higher, above which 1.3655 will be aimed.

Overnight Economic Data

UK	↑
Japan	↑
China	→
New Zealand	↓

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US Existing Home Sales
- Eurozone ZEW Survey Expectations
- UK Job Report
- Hong Kong CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1350	1.1367	1.1370	1.1382	1.1392	↘
GBPUSD	1.2868	1.2881	1.2889	1.2911	1.2930	↘
USDJPY	109.20	109.50	109.62	109.90	110.13	↗
AUDUSD	0.7135	0.7147	0.7155	0.7170	0.7188	↘
EURGBP	0.8800	0.8810	0.8821	0.8837	0.8858	↘
USDMYR	4.1150	4.1170	4.1185	4.1210	4.1265	↗
EURMYR	4.6762	4.6792	4.6825	4.6867	4.6891	↘
JPYMYR	3.7501	3.7547	3.7576	3.7596	3.7648	↘
GBPMYR	5.3050	5.3077	5.3098	5.3150	5.3197	↘
SGDMYR	3.0279	3.0294	3.0303	3.0323	3.0332	↘
AUDMYR	2.9398	2.9449	2.9470	2.9495	2.9520	↘
NZDMYR	2.7639	2.7671	2.7699	2.7717	2.7766	↘
USDSGD	1.3554	1.3562	1.3590	1.3600	1.3609	↗
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*	1,692.22	0.55	0.10	CRB Index	182.21	1.37	7.31
Dow Jones Ind.*	24,706.35	1.38	5.91	WTI oil (\$/bbl)*	53.80	3.32	18.48
S&P 500*	2,670.71	1.32	6.54	Brent oil (\$/bbl)	62.74	0.06	16.62
FTSE 100	6,970.59	0.03	3.60	Gold (\$/oz)	1,280.47	-0.13	8.10
Shanghai	2,610.51	0.56	4.68	CPO (RM/tonne)*	2,007.50	-0.12	2.82
Hang Seng	27,196.54	0.39	5.23	Copper (\$/tonne)	6,052.00	1.00	1.46
STI	3,220.56	-0.12	4.95	Rubber (sen/kg)	391.50	-0.25	3.30

Source: Bloomberg

*Last Price on 18 Jan, Friday

Economic Data

	For	Actual	Last	Survey
UK Rightmove House Prices MOM	Jan	0.4%	-1.5%	--
JP Convenience Store Sales YOY	Dec	1.2%	0.6%	--
CH Retail Sales YOY	Dec	8.2%	8.1%	8.2%
CH Industrial Production YOY	Dec	5.7%	5.4%	5.3%
CH Fixed Assets Ex Rural YTD YOY	Dec	5.9%	5.9%	6.0%
CH GDP YOY	4Q	6.4%	6.5%	6.4%
NZ Performance Services Index	Dec	53.0	53.4	--

Source: Bloomberg

➤ Macroeconomics

- China economy grew 6.6% YOY in 2018, slowest pace in 28 years:** China GDP growth slowed for the fourth consecutive quarter 6.4% YOY in 4Q18 (3Q: +6.5%), bringing the full year GDP growth to 6.6% YOY in 2018, the slowest pace since 1990 and down from a revised 6.8% YOY in 2017. While on a quarterly basis, growth also softened to 1.5% QOQ (3Q: +1.6%) as the country's ended 2018 on a weak footing. The slower print however remained above the central government's earlier projected growth rate of 6.5% YOY for 2018. The primary industry managed to record an uptrend growing by a faster rate of 3.5% year-to-date YOY (3Q: +3.4%) while growth in the secondary industry held steady at a weaker 5.8% YTD YOY (3Q: +5.8%) reflecting the recent slowdown in factories activities. The tertiary industry expanded but at a much slower pace this quarter by 7.4% YTD YOY (3Q: +7.7%).
- China key indicators pointed to softer growth prospect ahead:** Industrial production growth rebounded to increase 5.7% YOY in December (Nov: +5.4%) driven by higher output in the mining sector given that both manufacturing and utilities sectors grew at slower pace. The slower growth in manufacturing was in line with the recent weaker readings of both official and private PMIs which indicated that conditions in factories have deteriorated, a confirmation that manufacturing is indeed under huge pressure in China. YTD fixed asset investment excluding rural households (investment) saw a steady growth of 5.9% YOY growth (Nov: +5.9%) as state-owned investment slowed and growth in private investment was held steady. Retail sales experienced a minimal rebound increasing by a mere 8.2% YOY in December (Nov: +8.1%). Majority of the categories recorded faster growth in sales but was offset by continuous weakness in certain items such as electronic gadgets and vehicles. All key economic indicators continued to suggest that prospect for growth skewed to the downside in China amidst weakening global and domestic demand, thus supporting views that the PBOC's January reserve requirement ratio (RRR) cuts for both large and small banks is only the first of many more to come as it intends to free up liquidity to ease credit conditions. Furthermore, the central bank is not constrained by any buildup in price pressure as the easing CPI rate (well below 3%) allows more room for monetary loosening. The central government meanwhile will attempt to introduce more fiscal stimulus potentially in the form of more tax cuts as it has earlier pledged to support the slowing economy.
- UK house prices growth saw a slow start in 2019:** The Rightmove House Prices Index rose a mere 0.4% MOM in January (Dec: -1.5%), the weakest growth rate recorded for a January month since 2012 attributed to challenging market backdrop and political turmoil.
- Japanese convenience store recovered in December:** Total sales in Japanese convenience store rose by 6.6% YOY in December (Nov: +2.5%) while on a same store basis, sales posted a gain of 1.2% YOY (Nov: +0.6%) and this, together with November's modest gain reversed the decline recorded in October.
- New Zealand services sector grew at a slower pace:** New Zealand Performance of Services Index fell to 53.0 in December (Nov: 53.4 revised), the lowest reading since June 2018, suggesting that services sector slowed down in the last month of 2018. The weaker print was driven by lower activity/sales and a marked slowdown in hiring but good news is that new orders managed to surge to a 5-month high thus pointing to better activity ahead.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
22/01	Malaysia	Foreign Reserves	Jan-15	--	\$101.4b	--
23/01		CPI YOY	Dec	0.3%	0.2%	--
22/01	US	Existing Home Sales MOM	Dec	-1.5%	1.9%	--
23/01		MBA Mortgage Applications	Jan-18	--	13.5%	--
		FHFA House Price Index MOM	Nov	0.3%	0.3%	--
		Richmond Fed Manufact. Index	Jan	-2.0	-8.0	--
22/01	Eurozone	ZEW Survey Expectations	Jan	--	-21.0	--
23/01		Consumer Confidence	Jan A	-6.5	-6.2	--
22/01	UK	Average Weekly Earnings 3M/YOY	Nov	3.3%	3.3%	--
		ILO Unemployment Rate 3Mths	Nov	4.1%	4.1%	--
		Employment Change 3M/3M	Nov	87k	79k	--
23/01		CBI Trends Total Orders	Jan	5.0	8.0	--
22-25/09	Japan	Supermarket Sales YOY	Dec	--	-2.5%	--
23/01		Trade Balance	Dec	¥42.3b	¥737.3b	¥737.7b
		Exports YOY	Dec	-1.8%	0.1%	--
		All Industry Activity Index MOM	Nov	-0.4%	1.9%	--
		Nationwide Dept Sales YOY	Dec	--	-0.6%	--
		Machine Tool Orders YOY	Dec F	--	--	--
		BOJ Policy Balance Rate	Jan-23	-0.1%	-0.1%	--
22/01	Hong Kong	CPI Composite YOY	Dec	2.5%	2.6%	--
23/01	Singapore	CPI YOY	Dec	0.3%	0.3%	--
		CPI Core YOY	Dec	1.8%	1.7%	--
23/01	Australia	Westpac Leading Index MoM	Dec	--	-0.09%	--
23/01	New Zealand	CPI YOY	4Q	1.8%	1.9%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1365	0.02	1.1409	1.1357	0.85
GBPUSD	1.2892	0.16	1.2911	1.2831	1.07
USDJPY	109.67	-0.10	109.77	109.48	-0.02
AUDUSD	0.7159	-0.13	0.7188	0.7140	1.55
EURGBP	0.8815	-0.16	0.8863	0.8803	1.88
USDMYR	4.1130	-0.01	4.1170	4.1040	0.50
EURMYR	4.6884	0.04	4.6913	4.6792	1.07
JPYMYR	3.7575	-0.57	3.7660	3.7559	0.20
GBPMYR	5.3236	0.63	5.3460	5.3229	0.65
SGDMYR	3.0340	0.05	3.0366	3.0302	0.33
AUDMYR	2.9529	0.25	2.9640	2.9520	0.72
NZDMYR	2.7785	0.30	2.7871	2.7766	0.46
CHFMYR	4.1381	-0.18	4.1428	4.1323	1.81
CNYMYR	0.6070	-0.05	0.6080	0.6068	0.36
HKDMYR	0.5244	0.04	0.5249	0.5237	0.74
USDSGD	1.3593	0.04	1.3609	1.3576	0.27
EURSGD	1.5449	0.06	1.5500	1.5427	1.12
GBPSGD	1.7524	0.21	1.7551	1.7448	0.79
AUDSGD	0.9730	-0.09	0.9766	0.9713	1.28

Source: Bloomberg

*MYR pairs last closed on 18 Jan 2019

MYR

- **MYR was barely changed at 4.1135 against USD** last Friday after overturning early losses as the greenback weakened in European session. MYR ended lower against 6 G10s.
- **MYR is slightly bearish against USD**, weighed down by continued recede in risk appetite in the markets. A mild upward momentum has emerged, alongside lingering bullish trend, are both expected to tilt USDMYR towards the upside. With 4.1150 already broke, we set sights on a potential move towards 4.1313.

USD

- **USD advanced against 5 G10s**, supported by buying interest on the back extended US government shutdown, while the DXY climbed through European and US mornings to pare early losses, closing unchanged at 96.33.
- **USD remains bullish in our view** as we anticipate softer risk appetite in the markets on continued US government shutdown, cautiousness over on-going US-China trade talks and potential risk aversion in European majors. A minor bullish trend sustains; there is potential for DXY to beat 96.37 and head to circa 96.56 – 96.66 next. Holding above 96.05 supports a bullish tone.

EUR

- **EUR inched 0.02% higher to 1.1365 against USD** and climbed against 6 G10s, lifted by improved sentiment in the region.
- **Expect a bearish EUR against USD** as buying interest is likely to wane heading into ECB meeting. Bearish trend alongside increased downward momentum are both likely to keep EURUSD pressured. Unless a rebound beats 1.1392, expect further losses going forward with room to slide to or even below 1.1350.

GBP

- **GBP climbed 0.16% to 1.2892 against USD** and rallied to beat all G10s as optimism improved on the back of unveiling of a new Brexit plan.
- **GBP is slightly bearish against USD** as we are skeptical that current optimism surrounding the Brexit “plan B” could sustain. Technical viewpoint suggests GBPUSD is still weak from a rejection near 1.3000. Rebounds cannot be ruled out, but unless GBPUSD recaptures above 1.2950, we will still set sights on a drop to circa 1.2836.

JPY

- **JPY advanced 0.1% to 109.67 against USD** and beat 7 G10s, supported by risk-off in Asian / European markets after confirmation of slowing growth in the Chinese economy.
- **JPY remains slightly bearish against USD** as refuge demand is likely to be in favour of the greenback. Technically, USDJPY remains in a bullish trend and while losses may appear on and off, we reckon that the overall direction in the coming 4-5 days to be headed higher. We still set sights on a move to circa 110.41 for USDJPY.

AUD

- **AUD weakened 0.13% to 0.7159 against USD** and slipped against 6 G10s, weighed down by risk-off in the Asian space and amid confirmation of slowdown in China.
- **Stay bearish on AUD against USD**, weighed down by slowdown concerns in China and cautiousness over progress of US-China trade talks. Bearish trend prevails and AUDUSD is expected to push lower, with room to break below 0.7123. But caution that some bounces may take place circa 0.7100.

SGD

- **SGD dipped 0.04% to 1.3593 against USD** and retreated against 6 G10s.
- **Maintain a slightly bearish SGD view against USD** on technical reasons. A bullish trend has taken hold of USDSGD and we expect further push higher going forward. There is room to test 1.3621 in the next leg higher, above which 1.3655 will be aimed.

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