

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks snapped four-day winning streak** to end considerably lower overnight on renewed concerns over trade tensions and slower global economic growth following weak China data and the IMF's downward revision of its 2019 growth forecast while the current political deadlock in Washington continued to chip away investors' optimism. **A Financial Times' story on the US having rejected China's offer for a preparatory talk this week helped fuel the sell-off.** The Dow, S&P500 and NASDAQ each erased between 1.2-1.9%. Treasuries rallied on safe-haven bidding as investors fled equity for bonds. Yields on US 2y notes fell 2bps to 2.59% while that of the 10s closed 4bps lower at 2.74%. Earlier European stock benchmarks ended mostly in the red while Asian equity saw mixed performances. **Crude oil prices retreated on similar growth concerns** – Brent lost 1.98% to \$61.50/barrel while WTI dropped 2.29% to \$52.57/barrel.
- **At the data front, US existing home sales recorded a sharp fall** of 6.4% following a brief rebound. **Investors' confidence for Germany and Eurozone growth outlook saw some improvements.** **UK job report surprised to the upside** as unemployment rate fell to a 43-year low. **Japan exports fell** by 3.8% as Chinese demand weakened. **Hong Kong inflation rate eased** to 2.5% YOY while **New Zealand headline CPI grew steadily** by 1.9% YOY, suggesting that RBNZ is unlikely to cut rate. **Australia Westpac 6-month annualized growth rate retreated** to -0.27%. **Foreign reserves in Malaysia ticked higher** to \$101.7bn as at 15-Jan, bouncing off slightly from the 15-month low of \$101.4bn as at end-Dec.
- **USD advanced against 5 G10s** but the DXY slipped 0.03% to 96.30 after tumbling in US morning as lower global growth projections by the IMF weighed down expectations on the Fed to stay on track with current pace of policy tightening. **Stay bullish on USD**, supported by refuge demand on the back of extended risk-off in the FX space as a result of IMF global growth outlook downgrade. 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 weakened 0.46% to 4.1320 against USD** and retreated against 6 G10s on the back of softer market sentiment following concerns of global slowdown. **MYR remains slightly bearish against USD**, pressured by softer global growth outlook. A mild upward momentum continues to prevail, alongside lingering bullish trend, are both expected to tilt USDMYR towards the upside. Now that 4.1313 has been broken, we expect USDMYR to soon challenge 4.1385 – 4.1400.
- **SGD dipped 0.04% to 1.3599 against USD** and retreated against 6 G10s, also weighed down by rising concerns over global growth outlook. **We turn slightly bullish on SGD against USD** for today, as we expect some form of speculation that China would stimulate its economy to boost market sentiment. We expect a mild pullback in USDSGD that could last 1-2 days, as part of a correction to recent gains, before extending its upward direction due to lingering bullish trend. There is still room to test 1.3621 going forward.

#### Overnight Economic Data

Malaysia	↑
US	↓
Eurozone	↑
UK	↑
Japan	↓
Hong Kong	↓
Australia	↓
New Zealand	→

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage App, FHFA House Prices, Richmond Fed Mfg Index
- EU Consumer Confidence, UK CBI Trends Total Orders
- Japan All Industry Activity, Dept Store Sales, Machine Tool Orders
- Malaysia & Singapore CPI

##### Major Events

- BOJ Policy Balance Rate

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1336	1.1350	1.1363	1.1367	1.1371	↘
GBPUSD	1.2905	1.2930	1.2954	1.2975	1.3000	↗
USDJPY	108.77	109.09	109.44	109.87	110.00	↗
AUDUSD	0.7100	0.7120	0.7128	0.7140	0.7158	↗
EURGBP	0.8750	0.8760	0.8773	0.8785	0.8800	↘
USDMYR	4.1265	4.1290	4.1325	4.1360	4.1380	↗
EURMYR	4.6900	4.6935	4.6960	4.7000	4.7035	↗
JPYMYR	3.7700	3.7712	3.7755	3.7785	3.7821	→
GBPMYR	5.3446	5.3500	5.3520	5.3554	5.3608	↗
SGDMYR	3.0354	3.0375	3.0387	3.0403	3.0424	↗
AUDMYR	2.9381	2.9416	2.9444	2.9495	2.9521	→
NZDMYR	2.7900	2.7943	2.7958	2.7983	2.8015	↗
USDSGD	1.3585	1.3593	1.3598	1.3607	1.3615	↗
EURSGD	1.5432	1.5445	1.5452	1.5469	1.5480	↘
GBPSGD	1.7590	1.7600	1.7612	1.7627	1.7640	↗
AUDSGD	0.9672	0.9783	0.9689	0.9700	0.9713	↗

\* 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	1,702.12	0.59	0.68	CRB Index	178.99	-1.77	5.41
Dow Jones Ind.	24,404.48	1.22	4.62	WTI oil (\$/bbl)	52.57	-2.29	15.77
S&P 500	2,632.90	1.42	5.03	Brent oil (\$/bbl)	61.50	-1.98	14.33
FTSE 100	6,901.39	0.99	2.58	Gold (S/oz)	1,285.22	0.37	8.10
Shanghai	2,579.70	1.18	3.44	CPO (RM/tonne)*	2,045.00	1.87	4.74
Hang Seng	27,005.45	0.70	4.49	Copper (\$/tonne)	5,981.00	-1.17	0.27
STI	3,192.71	0.86	4.04	Rubber (sen/kg)	396.50	1.28	4.62

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MY Foreign Reserves	15 Jan	\$101.7b	\$101.4b	--
US Existing Home Sales MOM	Dec	-6.4%	+2.1% (revised)	--
EU ZEW Expectations	Jan	-20.9	-21.0	--
UK Average Weekly Earnings 3M/YOY	Nov	3.4%	3.3%	3.3%
UK ILO Unemployment Rate 3Mths	Nov	4.0%	4.1%	4.1%
UK Employment Change 3M/3M	Nov	141k	79k	87k
JP Trade Balance	Dec	¥55.3b	¥737.7b (revised)	¥42.3b
JP Exports YOY	Dec	-3.8%	0.1%	-1.8%
HK CPI Composite YOY	Dec	2.5%	2.6%	2.5%
AU Westpac Leading Index MOM	Dec	-0.21%	-0.09%	--
NZ CPI YOY	4Q	1.9%	1.9%	1.8%

Source: Bloomberg

## ➤ Macroeconomics

- US existing home sales plummeted in December:** US existing home sales dipped sharply by 6.4% MOM in December (Nov: +2.1% revised) in line with our earlier views that the rebound in the previous month was only temporary as the housing market softened following the peak in early 2018. Affordability was a key issue given rising interest rates and house prices.
- German ZEW investor confidence rebounded unexpectedly:** The ZEW Indicator of Economic Sentiment for Germany defied expectations to increase to -15.0 in January (Dec: -17.5) suggesting that investors' confidence over Germany's growth outlook has actually improved. While the index remained in negative territory given that the country is currently facing domestic headwinds especially in its car sector following a new emission guideline, the stronger print this month however pointed to improved optimism among investors potentially for an improved prospect over a US-China trade deal. Meanwhile, the improvement in confidence for the Eurozone meanwhile was less pronounced as a similar reading for the euro area rose only marginally to -20.9 in the same month (Dec: -21.0).
- UK job report surprised to the upside, pound strengthened:** The UK economy surprisingly added a whopping 141k jobs in the three months to November (Oct: 79k) beating a Bloomberg survey of 87k. Unemployment rate also beat expectations falling to a 43-year low of 4.0% in the same month (Nov: 4.1%) reaffirming a tighter labour market in the UK. This led wage growth to strengthen further as the average weekly earnings inclusive of bonus rose to a ten-year high of 3.4% YOY (Oct: +3.3%). Excluding bonus wage growth grew by a consistent 3.3% YOY (Oct: +3.3%). The labour market had managed to strengthen in late 2018 after the country saw an impressive growth in the third quarter. Despite that, growth outlook remains dependent on the outcome of Brexit where the country is scheduled to leave the EU in March this year. The pound surged ahead of the job report and managed to maintain the upward momentum.
- Japan exports fell as Chinese demand weakened:** Japan's exports fell more than expected, recording a drop of 3.8% YOY in December (Nov: +0.1%) after eking out a minimal gain of 0.1% in the previous month. Imports growth meanwhile also eased substantially to 1.9% YOY (Nov: +12.5%) leaving the trade deficit to narrow further to ¥55.3b (Nov: -¥737.7b revised). The decline in shipment was attributed to a lack of Chinese demand for Japanese goods as exports volume to the country fell by a whopping 13.8% YOY (Nov: -5.8%), marking its second consecutive month of decline. Shipment volume to the rest of Asia also experienced a sharper drop of 10.3% YOY (Nov: -4.5%). Demand from the US was seen holding up as exports grew by 3.9% YOY (Nov: +1.9%) whereas that to the EU eased to 5.7% YOY (Nov: +6.3%).
- Hong Kong inflation eased in December:** The Composite CPI index rose 2.5% YOY in December (Nov: +2.6%) easing from the elevated levels of 2.6-2.7% in the Sep-Nov period as gains in prices of food and utilities slowed down while prices of clothing & footwear, durable goods as well as communications declined. Cost of housing continued to increase at a faster rate compared to four months ago due to the one-off upward adjustment in public rent.

- New Zealand inflation beat expectations:** Headline CPI beat expectations to rise steadily by 1.9% YOY in 4Q (3Q: +1.9%), analysts had earlier projected inflation to ease to 1.8% in the last quarter due to lower global oil prices. Transportation cost did soften rising 3.5% YOY (3Q: +5.6%) with petrol prices up by 11.0% YOY (a petrol tax was newly introduced). The latest showing points to a consistent build-up of underlying price pressure in the broader New Zealand economy as the trimmed mean measures picked up by a range of 2-2.1% YOY (3Q: 1.8-1.9%) suggesting that the RBNZ is less likely to cut its Official Cash Rate. We reaffirm our view that the central bank will keep the key rate steady at 1.75% this year as CPI remains below the midpoint of its 1-3% target range. The kiwi dollar surged following the release.
- Australia leading index indicated dimmer 6-month outlook:** The Westpac Leading Index fell by 0.21% MOM (Nov: -0.09%) to 97.73 in December (Nov: 97.94) leading the 6-month annualized growth rate to fall to the negative territory of -0.27% (Nov: +0.42%) following last month's surprised lift of 0.42%.
- Malaysia foreign reserves increased:** Foreign reserves rose to \$101.7b as of 15 January 2019 (previous: \$101.4b) which was sufficient to finance 7.3 months of retained imports and was 1 time short term external debt.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
23/01	Malaysia	CPI YOY	Dec	0.3%	0.2%	--
24/01		BNM Overnight Policy Rate	Jan-24	3.25%	3.25%	--
23/01	US	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	--
24/01		Initial Jobless Claims	Jan-19	218k	213k	--
		Markit US Manufacturing PMI	Jan P	53.5	53.8	--
		Markit US Services PMI	Jan P	54.0	54.4	--
		Leading Index	Dec	-0.1%	0.2%	--
23/01	Eurozone	Consumer Confidence	Jan A	-6.5	-6.2	--
24/01		Markit Eurozone Manufacturing PMI	Jan P	51.4	51.4	--
		Markit Eurozone Services PMI	Jan P	51.5	51.2	--
		ECB Main Refinancing Rate	Jan-24	0.0%	0.0%	--
23/01	UK	CBI Trends Total Orders	Jan	5.0	8.0	--
23/01	Japan	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%	--
24/01		Nikkei Japan PMI Mfg	Jan P	--	52.6	--
		Leading Index CI	Nov F	--	99.3	--
		Coincident Index	Nov F	--	103.0	--
23/01	Singapore	CPI YOY	Dec	0.3%	0.3%	--
		CPI Core YOY	Dec	1.8%	1.7%	--
24/01	Australia	Employment Change	Dec	18.0k	37.0k	--
		Unemployment Rate	Dec	5.1%	5.1%	--
		Participation Rate	Dec	65.7%	65.7%	--

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1360	-0.04	1.1374	1.1336	-0.91
GBPUSD	1.2954	-0.48	1.2975	1.2856	-1.58
USDJPY	109.37	-0.27	109.70	109.15	-0.28
AUDUSD	0.7124	-0.49	0.7160	0.7116	-1.02
EURGBP	0.8767	-0.54	0.8829	0.8760	-2.43
USDMYR	4.1320	-0.46	4.1340	4.1178	-0.16
EURMYR	4.6941	-0.12	4.6960	4.6759	-0.73
JPYMYR	3.7754	-0.48	3.7798	3.7501	-0.48
GBPMYR	5.3242	-0.01	5.3256	5.3010	-1.57
SGDMYR	3.0366	-0.09	3.0380	3.0255	-0.04
AUDMYR	2.9462	-0.23	2.9521	2.9424	-0.61
NZDMYR	2.7755	-0.11	2.7801	2.7656	-0.33
CHFMYR	4.1431	-0.12	4.1454	4.1229	-1.38
CNYMYR	0.6068	-0.10	0.6075	0.6065	-0.26
HKDMYR	0.5266	-0.42	0.5269	0.5243	-0.34
USDSGD	1.3599	-0.04	1.3615	1.3587	-0.23
EURSGD	1.5448	-0.01	1.5469	1.5432	-1.13
GBPSGD	1.7617	-0.53	1.7639	1.7501	-1.34
AUDSGD	0.9686	-0.45	0.9732	0.9678	-0.80

Source: Bloomberg

### MYR

- **MYR weakened 0.46% to 4.1320 against USD** and retreated against 6 G10s on the back of softer market sentiment following concerns of global slowdown.
- **MYR remains slightly bearish against USD**, pressured by softer global growth outlook. A mild upward momentum continues to prevail, alongside lingering bullish trend, are both expected to tilt USDMYR towards the upside. Now that 4.1313 has been broken, we expect USDMYR to soon challenge 4.1385 – 4.1400.

### USD

- **USD advanced against 5 G10s** but the DXY slipped 0.03% to 96.30 after tumbling in US morning as lower global growth projections by the IMF weighed down expectations on the Fed to stay on track with current pace of policy tightening.
- **Stay bullish on USD**, supported by refuge demand on the back of extended risk-off in the FX space as a result of IMF global growth outlook downgrade. 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 slipped 0.04% to 1.1360 against USD** after recovering from an early plunge from softer IMF global growth outlook, but managed to beat 6 G10s.
- **Continue to hold a bearish view on EUR against USD** as risk aversion is likely to rise heading into ECB meeting, on top of receding expectation on ECB to normalize policy given a softer global outlook. Bearish trend alongside increased downward momentum are both likely to keep EURUSD pressured. Unless a rebound beats 1.1389, there will be room to slide below 1.1350.

### GBP

- **GBP** was boosted by firmer UK data, climbing to the top of the G10 list and **jumping 0.48% to 1.2954 against USD**.
- **We turn slightly bullish on GBP against USD**, anticipating buying interest to rise amid declines in the European majors, and will also be boosted by prevailing optimism surround Brexit “plan B”. A bounce off 1.2868 is setting GBPUSD up for another attempt at 1.3000 – 1.3014. However, given rising bearish signs, we are skeptical of a success, and warn that a rejection at this range could result in a drop to circa 1.2836.

### JPY

- **JPY strengthened 0.27% to 109.37 against USD** and advanced against 7 G10s, lifted by demand for refuge following IMF downgrade of global growth outlook.
- **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 3-4 days to be headed higher. We still set sights on a move to circa 110.41 for USDJPY.

### AUD

- **AUD weakened 0.49% to 0.7124 against USD** and fell against 6 G10s, pressured by rising concern over global growth after IMF’s downgrade.
- **We turn slightly bullish on AUD against USD** for today, anticipating rising speculation that China implement measures to curb further slowdown of its economy, boosting risk sentiment. Technically, we expect some bounces higher in 1-2 days as part of a correction to recent losses. Unless AUDUSD beats 0.7168, a bearish trend still prevails and likely to see AUDUSD headed lower going forward.

### SGD

- **SGD dipped 0.04% to 1.3599 against USD** and retreated against 6 G10s, also weighed down by rising concerns over global growth outlook.
- **We turn slightly bullish on SGD against USD** for today, as we expect some form of speculation that China would stimulate its economy to boost market sentiment. We expect a mild pullback in USDSGD that could last 1-2 days, as part of a correction to recent gains, before extending its upward direction due to lingering bullish trend. There is still room to test 1.3621 going forward.

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