

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks managed to close higher overnight after choppy trading on positive earnings from IBM and Procter & Gamble but concerns over government shut down, trade war and slower global growth lingered.** The Dow, S&P500 and NASDAQ eked out gains of 0.1-0.7% after falling at early trading hours. Treasuries were little changed with the yield on 10y notes staying at 2.74%. Oil prices retreated slightly – Brent crude fell by 0.6% to \$61.14/barrel while WTI lost 0.1% to \$51.62/barrel. The US government shutdown has now entered its 33rd day, the Senate's Thursday votes on dueling bills are unlikely to end the shutdown, but the votes are seen as a sign of progress to resolve the current impasse. Investors will be paying attention to more earnings results and ECB President Draghi's press conference tonight.
- In the US, the Richmond Fed Manufacturing Index rose to -2.0 in January indicating that manufacturing growth remained weak in the Fifth District. Mortgage applications fell by 2.7% last week after two straight weeks of impressive gains while house prices grew steadily by 0.4% MOM in November. In Europe, Eurozone consumer confidence index improved slightly while UK manufacturing sentiments deteriorated generally. Release in Asia was limited to Singapore headline CPI which rose by 0.5% YOY in December while the core measure also rebounded to a 1.9% YOY growth.
- **USD retreated against 9 G10s** while the DXY tumbled in US morning, closing 0.19% lower at 96.12, pressured by protracted US government shutdown and a speculated resolution that involves raising the government borrowing limit, thereby eroding creditworthiness. **Stay bullish on USD** in anticipation of risk aversion in European FX space that supports refuge demand. Minor bullish trend suggests DXY is likely to beat 96.33 today, before heading slightly higher still thereafter. Failure to do so will tilt DXY to the downside and set a course for a break below 96.05, and head for 95.66.
- **MYR weakened 0.15% to 4.1380 against USD** and fell against all G10s on the back of softer market sentiment following concerns of global slowdown. **MYR remains slightly bearish against USD** as we expect market sentiment to fade. A mild upward momentum continues to prevail, alongside lingering bullish trend, are both expected to tilt USDMYR towards the upside. We continue to expect USDMYR to soon challenge 4.1385 – 4.1400.
- **SGD inched 0.08% firmer to 1.3588 against USD** but slipped against 8 G10s. **We turn slightly bearish on SGD against USD** in anticipation of an increase in risk-off sentiment in the markets. Current bullish trend dictates that USDSGD closes above 1.3587 today, and head higher to test 1.3621 going forward. Failure to close above 1.3587 will alter the current technical landscape, possibly tilt USDSGD lower.

Overnight Economic Data

US	➔
Eurozone	➕
UK	➖
Japan	➖
Singapore	➕

What's Coming Up Next

Major Data

- Malaysia CPI
- US Initial Jobless Claims, Markit Manufacturing & Services PMIs, Leading Index
- Eurozone Markit Manufacturing & Services PMIs
- Japan Nikkei Manufacturing PMI, Leading and Coincident Index
- Australia Job Report

Major Events

- BNM MPC meeting
- ECB MPC meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1367	1.1377	1.1386	1.1406	1.1418	➔
GBPUSD	1.3030	1.3050	1.3081	1.3100	1.3120	➔
USDJPY	109.20	109.40	109.58	109.87	110.00	➔
AUDUSD	0.7116	0.7131	0.7148	0.7171	0.7196	➔
EURGBP	0.8685	0.8693	0.8701	0.8711	0.8725	➔
USDMYR	4.1265	4.1290	4.1340	4.1360	4.1380	➔
EURMYR	4.6997	4.7031	4.7076	4.7141	4.7213	➔
JPYMYR	3.7660	3.7700	3.7712	3.7741	3.7765	➔
GBPMYR	5.4013	5.4066	5.4134	5.4165	5.4200	➔
SGDMYR	3.0407	3.0430	3.0458	3.0485	3.0500	➔
AUDMYR	2.9500	2.9528	2.9592	2.9613	2.9640	➔
NZDMYR	2.8014	2.8076	2.8095	2.8118	2.8166	➔
USDSGD	1.3565	1.3575	1.3581	1.3605	1.3621	➔
EURSGD	1.5432	1.5452	1.5463	1.5472	1.5482	➔
GBPSGD	1.7726	1.7741	1.7770	1.7785	1.7900	➔
AUDSGD	0.9700	0.9710	0.9713	0.9725	0.9733	➔

* 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	1,688.14	-0.82	-0.14	CRB Index	178.66	-0.19	5.22
Dow Jones Ind.	24,575.62	0.70	5.35	WTI oil (\$/bbl)	52.62	0.10	15.44
S&P 500	2,638.70	0.22	5.26	Brent oil (\$/bbl)	61.14	-0.59	13.64
FTSE 100	6,842.88	-0.85	1.71	Gold (\$/oz)	1,282.72	-0.19	8.10
Shanghai	2,581.00	0.05	3.49	CPO (RM/tonne)*	2,055.50	0.51	5.28
Hang Seng	27,008.20	0.01	4.50	Copper (\$/tonne)	5,935.00	-0.77	-0.50
STI	3,171.11	-0.68	3.34	Rubber (sen/kg)	392.50	-0.13	3.56

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Jan-18	-2.7%	13.5%	--
US FHFA House Price Index MOM	Nov	0.4%	0.4% (revised)	0.3%
US Richmond Fed Manufacturing Index	Jan	-2.0	-8.0	-2.0
EU Consumer Confidence	Jan A	-7.9	-8.3 (revised)	-6.5
UK CBI Trends Total Orders	Jan	-1.0	8.0	5.0
JP All Industry Activity Index MOM	Nov	-0.3%	2.1% (revised)	-0.4%
JP Nationwide Dept Sales YOY	Dec	-0.7%	-0.6%	--
JP Machine Tool Orders YOY	Dec F	-18.3%	-17.0%	--
JP BOJ Policy Balance Rate	Jan-23	-0.1%	-0.1%	-0.1%
SG CPI YOY	Dec	0.5%	0.3%	0.3%
SG CPI Core YOY	Dec	1.9%	1.7%	1.8%

Source: Bloomberg

➤ Macroeconomics

- BOJ left monetary policy unchanged, trimmed inflation outlook:** In its first monetary policy meeting this year, the BOJ left its monetary policy unchanged as widely expected- keeping the policy balance rate at -0.1% and maintaining the purchase of Japanese Government Bonds (JGBs) so that yield on 10y JGB remain at around 0%. The central bank reaffirmed its goal to ensure the CPI ex fresh food to hit its 2% and said that it intended to keep the extremely low levels of short and long term interest rates for an extended period of time citing uncertainties regarding economic activity and prices including the effects of upcoming October's consumption tax hikes. Economic projections were revised as well - the economy is now expected to grow by 0.9% YOY in 2019 (versus 0.8% YOY in October forecast), inflation outlook was trimmed with CPI (less food) expected to pick up by 0.9% YOY (versus 1.4% in October forecast). There are also plenty of data releases in Japan –the All Industry Index fell 0.3% YOY in November (Oct: +2.1%) due to the decline in industrial productions as well as tertiary industry i.e. services sector activities. Nationwide department store sales dropped for the second consecutive month by 0.7% YOY in December (Nov: -0.6%) as sales of clothing, household goods and food continued to fall. Machine tools order, a gauge of orders placed with Japanese manufacturers dipped 18.3% YOY in December's final reading reflecting softer domestic and foreign demand and partly because of unfavorable base effect.
- US Richmond Fed Manufacturing Index indicated weak growth:** The latest Fifth District Survey of Manufacturing Activity suggests that growth in the region's factories activities remained weak as the headline composite manufacturing index climbed by 6pts to -2 in January (Dec: -8). The index for volume of orders saw further decline indicating falling demand while the index for shipment inched higher but remained in the negative territory. Employment and wage growth continued to increase but firms struggled to find qualified workers. That said, firms generally remained optimistic that conditions will improve in coming months.
- US mortgage applications fell, house prices grew steadily:** Mortgage applications resumed declined after two consecutive weeks of impressive gains, falling by 2.7% for the week ended 18 Jan (previous: +13.5%). Both purchases and refinancing segments dropped, mortgages rates rose generally with the average rate for a 30y fixed rate loan inching slightly upward to 4.75% (previous: 4.74%). The same rate was 4.36% a year ago. Meanwhile, the Federal Housing Finance Agency reported that house prices in the US increased steadily by 0.4% MOM in November (Oct: +0.4%), beating an earlier forecast of 0.3% YOY.
- Eurozone consumer confidence saw slight improvement:** The flash estimate of the European Commission consumer confidence index (DG ECFIN index) picked up slightly by 0.4pts to -7.9 in January (Dec: -8.3 revised) and was above its long run average of -11.3.
- U.K. manufacturing sentiments weakened amidst Brexit uncertainties:** The CBI's latest survey of 326 manufacturing firms in the U.K. suggests weakening sentiments in the manufacturing industry as the index for business optimism fell sharply to -23 in January (Dec: -16). Outlook for trade deteriorated as well with the indicator for export prospects for the year ahead declining at the fastest pace since Jan-09. New total for the next three months are expected to remain flat at -1.0 (Dec: 8.0). CBI said that the sector is "clearly feeling the pinch" of Brexit uncertainties as worsening business sentiments coincide with reluctance to increase capital spending. The last quarter was said to be a challenging one for the sector who are bracing for Brexit and uncertainty has "sadly" become the norm, holding growth and investment.

- Singapore inflation rebounded in December:** Singapore headline CPI picked up to 0.5% YOY in December (Nov: +0.3%) after registering a slower print in the previous month. The stronger showing reflects the faster rise in prices of clothing & footwear, housing & utilities, household durables & services as well as recreation & culture. Meanwhile, cost of transport continued to decline albeit at a slower pace in December (-2.6% vs -2.8%). Core CPI also rebounded to 1.9% YOY (Nov: +1.7%) suggesting that the buildup in price pressure resumed in the economy. Looking ahead, the Monetary Authority of Singapore (MAS) and Ministry of Trade and Industry (MTI) said that core inflation is expected to fall within the range of 1.5-2.5% in 2019 while headline CPI to increase up to 1-2%.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
24/01	Malaysia	CPI YOY	Dec	0.3%	0.2%	--
		BNM Overnight Policy Rate	Jan-24	3.25%	3.25%	--
24/01	US	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%	--
25/01		Kansas City Fed Manf. Activity	Jan	3.0	3.0	--
		Durable Goods Orders	Dec P	1.7%	--	--
		Cap Goods Orders Nondef Ex Air	Dec P	0.0%	--	--
		New Home Sales MOM	Dec	5.5%	--	--
24/01	Eurozone	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%	--
24/01	Japan	Nikkei Japan PMI Mfg	Jan P	--	52.6	--
		Leading Index CI	Nov F	--	99.3	--
		Coincident Index	Nov F	--	103.0	--
25/01	Singapore	Industrial Production YOY	Dec	4.0%	7.6%	--
24/01	Australia	Employment Change	Dec	18.0k	37.0k	--
		Unemployment Rate	Dec	5.1%	5.1%	--
		Participation Rate	Dec	65.7%	65.7%	--
25-31/01	Vietnam	Industrial Production YOY	Jan	--	11.4%	--
		Retail Sales YTD YOY	Jan	--	11.7%	--
		Exports YTD YOY	Jan	--	13.8%	--
		Trade Balance	Jan	--	-\$200m	--
		CPI YOY	Jan	--	2.98%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1381	0.18	1.1394	1.1351	-0.71
GBPUSD	1.3069	0.89	1.3081	1.2943	-2.56
USDJPY	109.60	0.21	110.00	109.33	-0.16
AUDUSD	0.7142	0.25	0.7144	0.7118	-1.36
EURGBP	0.8708	-0.68	0.8782	0.8698	-3.18
USDMYR	4.1380	0.15	4.1410	4.1263	-0.11
EURMYR	4.6991	0.11	4.7052	4.6924	-0.60
JPYMYR	3.7761	0.02	3.7796	3.7664	-0.49
GBPMYR	5.3696	0.85	5.3748	5.3499	-1.94
SGDMYR	3.0438	0.24	3.0454	3.0368	-0.26
AUDMYR	2.9519	0.19	2.9550	2.9404	-0.99
NZDMYR	2.8079	1.17	2.8118	2.7878	-1.05
CHFMYR	4.1464	0.08	4.1501	4.1411	-1.26
CNYMYR	0.6100	0.52	0.6102	0.6077	-0.78
HKDMYR	0.5273	0.13	0.5279	0.5263	-0.17
USDSGD	1.3588	-0.08	1.3606	1.3585	-0.34
EURSGD	1.5466	0.12	1.5486	1.5433	-1.06
GBPSGD	1.7759	0.81	1.7783	1.7588	-2.21
AUDSGD	0.9704	0.19	0.9712	0.9681	-1.03

Source: Bloomberg

MYR

- **MYR weakened 0.15% to 4.1380 against USD** and fell against all G10s on the back of softer market sentiment following concerns of global slowdown.
- **MYR remains slightly bearish against USD** as we expect market sentiment to fade. A mild upward momentum continues to prevail, alongside lingering bullish trend, are both expected to tilt USDMYR towards the upside. We continue to expect USDMYR to soon challenge 4.1385 – 4.1400.

USD

- **USD retreated against 9 G10s** while the DXY tumbled in US morning, closing 0.19% lower at 96.12, pressured by protracted US government shutdown and a speculated resolution that involves raising the government borrowing limit, thereby eroding creditworthiness.
- **Stay bullish on USD** in anticipation of risk aversion in European FX space that supports refuge demand. Minor bullish trend suggests DXY is likely to beat 96.33 today, before heading slightly higher still thereafter. Failure to do so will tilt DXY to the downside and set a course for a break below 96.05, and head for 95.66.

EUR

- **EUR climbed 0.18% to 1.1381 against a weak USD** but remained lower against 5 G10s on soft buying interest ahead of ECB policy decision.
- **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. EURUSD has overturned its bearish trend but caution that it will easily be revived should there be a close below 1.1363 today. Even if bearish trend no longer holds, EURUSD momentum remains in negative territory and expectation of a sustained advance remains soft at this juncture.

GBP

- **GBP stayed at the top of the G10 list for a second day and jumped 0.89% to 1.3069 against a weak USD** as possibility of a no-deal Brexit diminishes.
- **GBP is now slightly bearish against USD in our view** as we expect current Brexit optimism to wane in the absence of any solid progress towards a deal. Even though GBPUSD strongly broke above 1.3000, presence of bearish signs diminish our confidence that further gains can be achieved. We therefore caution on potential to slide back towards 1.2952 in the coming days.

JPY

- **JPY weakened 0.21% to 109.60 against USD** and fell against all G10s as refuge demand receded in line with firmer risk appetite in equities and FX space.
- **JPY remains slightly bearish against USD**; if refuge demand increases, it is likely to be in favour of the greenback, while retreat in refuge demand will impact JPY to the downside. Technically, USDJPY remains in a bullish trend and we expect a break above 109.78, failing which current bullish trend will end.

AUD

- **AUD rose 0.25% to 0.7142 against a weak USD** and climbed against 6 G10s following firmer risk appetite in equities.
- **AUD is now slightly bearish against USD** in our view as we expect risk aversion in the FX space to prevail. A bearish trend prevails and while AUDUSD may still continue the bounce higher from yesterday, it should close below 0.7168 before heading lower and break below 0.7124. A close above 0.7168 will alter current bearish outlook.

SGD

- **SGD inched 0.08% firmer to 1.3588 against USD** but slipped against 8 G10s.
- **We turn slightly bearish on SGD against USD** in anticipation of an increase in risk-off sentiment in the markets. Current bullish trend dictates that USDSGD closes above 1.3587 today, and head higher to test 1.3621 going forward. Failure to close above 1.3587 will alter the current technical landscape, possibly tilt USDSGD lower.

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