December 31, 2019

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks retreated from record high on Tuesday amidst profit taking activities with trade-related news and better US data providing little impetus as the year comes to an end**. It was reported that Chinese vice premier Liu He will travel to Washington next Saturday to sign the US-China phase one agreement. White House trade adviser Peter Navarro added that the signing agreement is probably “within next week or so”. **The Dow Jones, S&P500 and NASDAQ posted their biggest declines in about four weeks of around 0.6-0.7%** after hovering at all-time highs for roughly two weeks, fueled by US-China trade optimism. Bond yields barely moved in a quiet market. Dollar weakness prevailed overnight, pushing euro and Aussie to multi-month high. Gold continued to close above $1510/troy ounce, crude oil prices finished mixed. Brent crude gained 0.41% to $68.44/barrel. **Key data to watch out today are China’s official NBS PMIs.**

- On the data front, **US goods trade deficit shrank to $63.2b in November** according to a preliminary report due to a rebound in exports as China bought more soybeans from the US last month. Wholesale inventories were flat for the second straight month. The Dallas Fed manufacturing index slipped to -3.2 in December while MNI Chicago PMI rose to 48.9. Pending home sales rebounded to record a 1.2% MOM gain, reflecting consistent demand. **Hong Kong exports registered a smaller contraction of 1.4% YOY in November** as shipments to China increased for the first time in months.

- Dollar weakness prevailed overnight, pushing euro and Aussie to multi-month high. The greenback slipped against most of its major peers. **The dollar index lost another 0.2% to close below 97.0 for the second session. USD remains bearish** amidst lighter trading with DXY trading below 97.0 as the year ends. Positive trade-related news is likely to continue fueling trade optimism and support risk-taking activities. **Medium term dollar outlook is still bullish**, supported by relatively solid US fundamentals and data.

- **MYR surged by 0.49% against the USD to a multi-month high of 4.1070** on Monday as broad dollar sell-off continued amidst better risk sentiment that was inspired by ongoing positive US-China trade development. **MYR daily outlook is neutral** as we reckon that the ringgit is unlikely to go below 4.1000 despite prevailing dollar weakness as the year comes to an end. **MYR medium term outlook is still bearish** as the dollar is still expected to be well supported by relatively solid US data in Q1 2020.

- **SGD continued to firm up against the USD by 0.27% at 1.3486** amidst broad dollar weakness. **SGD is slightly bullish today** on continuous broad dollar weakness**. Medium term outlook is bearish** on relatively weaker albeit improving Singapore data versus a likely stronger dollar.

Overnight Economic Data	
US	→
Hong Kong	↑

What’s Coming Up Next

Major Data

- FHFA House Price Index, S&P CaseShiller House Prices, Conference Board Consumer Confidence
- China PMI Manufacturing PMI, Non-Manufacturing PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1180	1.1200	1.1203	1.1220	1.1250	↗
GBPUSD	1.3000	1.3060	1.3115	1.3150	1.3200	↗
USDJPY	108.40	108.70	108.87	109.20	109.50	→
AUDUSD	0.6980	0.7000	0.7003	0.7015	0.7030	↗
EURGBP	0.8450	0.8500	0.8543	0.8600	0.8650	→
USDMYR	4.0950	4.1000	4.1025	4.1100	4.1200	→
EURMYR	4.5800	4.5900	4.5954	4.6050	4.6150	→
JPYMYR	3.7600	3.7675	3.7691	3.7800	3.7910	→
GBPMYR	5.3485	5.3735	5.3798	5.4150	5.4300	→
SGDMYR	3.0370	3.0400	3.0428	3.0450	3.0500	↘
AUDMYR	2.8650	2.8700	2.8718	2.8770	2.8835	→
NZDMYR	2.7500	2.7550	2.7633	2.7700	2.7750	→
USDSGD	1.3460	1.3470	1.3483	1.3500	1.3530	↘
EURSGD	1.5080	1.5100	1.5106	1.5140	1.5160	→
GBPSGD	1.7600	1.7650	1.7681	1.7735	1.7800	→
AUDSGD	0.9400	0.9420	0.9438	0.9460	0.9480	→

* 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	1,615.67	0.31	-4.43	CRB Index	186.85	-0.18	10.04
Dow Jones Ind.	28,462.14	-0.64	22.01	WTI oil ($/bbl)	61.68	-0.06	35.83
S&P 500	3,221.29	-0.58	28.50	Brent oil ($/bbl)	68.44	0.41	23.92
FTSE 100	7,587.05	-0.76	12.77	Gold (S/oz)	1,515.16	0.30	18.14
Shanghai	3,040.02	1.16	21.90	CPO (RM/tonne)	2,993.50	2.71	53.32
Hang Seng	28,319.39	0.33	9.57	Copper ($/tonne)	6,214.00	-0.02	4.17
STI	3,222.44	-0.13	5.01	Rubber (sen/kg)	456.50	0.44	20.45

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Advance Goods Trade Balance	Nov	-$63.2b	-$66.8b (revised)	-$68.8b
US Wholesale Inventories MOM	Nov P	0.0%	0.0% (revised)	0.2%
US MNI Chicago PMI	Dec	48.9	46.3	47.9
US Pending Home Sales MOM	Nov	1.2%	-1.3% (revised)	1.4%
US Dallas Fed Manf. Activity	Dec	-3.2	-1.3	0.0
HK Exports YOY	Nov	-1.4%	-9.2%	-6.2%

Source: Bloomberg

Macroeconomics

- ***US exports rebounded as China bought more soybeans; wholesale inventories flat:*** US goods trade deficit shrank to $63.2b in November (Oct: -$66.8b revised) according to a preliminary report as exports rebounded to increase 0.7% MOM (Oct: -0.5%) whereas imports continued to decline albeit by a smaller margin of 1.3% MOM (Oct: -2.2%). The upturn in exports was driven by the 2.0% MOM (Oct: -2.6%) increase in shipments of food, feeds and beverages as a result of higher soybean exports to China. China had issued a tariffs waiver on soybeans that allowed Chinese firms to purchase soybean from the US without tariffs in anticipation of a partial trade deal. Apart from that, shipments of automotive vehicles (+3.4% vs -2.3%) and consumer goods (+2.6% vs -4.3%) managed to pick up as well. The decline in imports meanwhile was broad-based, save for the increase in motor vehicles imports. In the similar report, wholesale inventories were unchanged in November (Oct: 0.0% revised), marking its second straight month of flat reading reflecting firms' cutback in inventory investment. Retail inventories slipped 0.7% MOM (Oct: +0.1%) proving that firms eased up on stocking in 4Q despite holiday season in December.

- ***Texas manufacturing mixed, Chicago business activities contracted***: Manufacturing outlook in Texas was rather mixed as the Dallas Fed's Texas Manufacturing Outlook Survey reported that its general business activity index slipped deeper into the negative territory at -3.2 in December (Nov: -1.3) despite rebounds in the production and new orders sub-indexes. Chicago MNI Business Barometer edged up to 48.9 in December (Nov: 46.3) to indicate a smaller contraction in Chicago area regional business activities.

- ***US pending home sales reflects consistent housing demand:*** US pending home sales rebounded to increase 1.2% MOM in November (Oct: -1.3% revised) to mark its third gain within a four-month period, offering positive signs of consistent demand in US existing home market. The National Association of Realtors' pending home sales index tracked contracts to purchase previously owned home and was often a gauge for existing home sales.

- ***Hong Kong exports:*** Hong Kong exports slipped less than expected in November as it recorded a decline of 1.4% YOY (Oct: -9.2%), versus a consensus forecast of -6.2%. The smaller contraction reflects the rebound in shipments to China, Hong Kong's largest trading partner (+5.2% vs -7.3%) but nonetheless, November print marks exports' 13th month of back-to-back contraction as global trade remains weak. Imports also declined for the 12th consecutive month by 5.8% YOY (Oct: -11.5%) on the back of weak domestic demand, partly a result of ongoing domestic unrest in the city.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
02/01	Malaysia	Markit Malaysia Manufacturing PMI	Dec	--	49.5	--
31/12	**US**	**FHFA House Price Index MOM**	**Oct**	**0.4%**	**0.6%**	**--**
		S&P CaseShiller House Prices YOY	**Oct**	**2.1%**	**2.1%**	**--**
		Conference Board Consumer Confidence	**Dec**	**128.4**	**125.5**	**--**
02/01		Initial Jobless Claims	28 Dec	220k	222k	--
		Markit US Manufacturing PMI	Dec F	52.5	52.5	--
02/01	Eurozone	Markit Eurozone Manufacturing PMI	Dec F	45.9	45.9	--
02/01	UK	Markit UK Manufacturing PMI	Dec F	47.6	47.4	--
31/12	**China**	**PMI Manufacturing**	**Dec**	**50.1**	**50.2**	**--**
		PMI Non-Manufacturing	**Dec**	**54.2**	**54.4**	**--**
02/01		Caixin China Manufacturing PMI	Dec	51.6	51.8	--
02/01	Vietnam	Markit Vietnam Manufacturing PMI	Dec	--	51.0	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1199	0.20	1.1221	1.1171	-2.31
GBPUSD	1.3113	0.27	1.3150	1.3066	2.85
USDJPY	108.88	-0.51	109.50	108.77	-0.75
AUDUSD	0.6994	0.20	0.7005	0.6964	-0.72
EURGBP	0.8541	-0.08	0.8557	0.8512	-5.00
USDMYR	4.1070	-0.48	4.1225	4.1060	-0.64
EURMYR	4.5996	0.06	4.6150	4.5951	-2.70
JPYMYR	3.7646	-0.14	3.7725	3.7637	0.18
GBPMYR	5.3800	-0.24	5.4035	5.3779	2.13
SGDMYR	3.0449	-0.16	3.0525	3.0437	0.30
AUDMYR	2.8709	-0.08	2.8835	2.8699	-1.78
NZDMYR	2.7566	-0.09	2.7693	2.7562	-0.80
CHFMYR	4.2211	0.04	4.2385	4.2206	0.52
CNYMYR	0.5881	-0.29	0.5894	0.5879	-2.84
HKDMYR	0.5277	-0.45	0.5300	0.5275	-0.09
USDSGD	1.3486	-0.27	1.3526	1.3482	-1.05
EURSGD	1.5106	-0.04	1.5129	1.5082	-3.34
GBPSGD	1.7683	0.01	1.7736	1.7660	1.77
AUDSGD	0.9433	-0.04	0.9450	0.9423	-1.76

Source: Bloomberg

➢Forex

MYR

- **MYR surged by 0.49% against the USD to a multi-month high of 4.1070** on Monday as broad dollar sell-off continued amidst better risk sentiment that was inspired by ongoing positive US-China trade development.
- **MYR daily outlook is neutral** as we reckon that the ringgit is unlikely to go below 4.1000 despite prevailing dollar weakness as the year comes to an end. **MYR medium term outlook is still bearish** as the dollar is still expected to be well supported by relatively solid US data in Q1 2020.

USD

- Dollar weakness prevailed overnight, pushing euro and Aussie to multi-month high. The greenback slipped against most of its major peers. **The dollar index lost another 0.2% to close below 97.0 for the second session.**
- **USD remains bearish** amidst lighter trading with DXY trading below 97.0 as the year ends. Positive trade-related news is likely to continue fueling trade optimism and support risk-taking activities. **Medium term dollar outlook is still bullish**, supported by relatively solid US fundamentals and data.

EUR

- **EUR** extended its gaining streak against the USD amidst broad dollar weakness as **it climbed by another 0.2% to a multi-month high of 1.1199**.
- **EUR daily outlook is still bullish as the euro rolled into Asia morning above 1.1200 key handle**, opening up more upside chances. **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** continued to benefit from broad dollar weakness as it **furthered its gains by 0.27% to close at 1.3113 against the USD.**
- **GBP is still bullish today** after breaching above 1.3100 amidst weaker dollar and receding hard Brexit fear. **Medium term outlook is neutral** for now, determined by Brexit development.

JPY

- **JPY picked up by 0.51% against the USD,** its largest gain in nearly two months to 108.88 amidst broad dollar weakness.
- **JPY daily outlook is neutral** as the lack of key events is likely to keep the safe haven currency at its current below 109.00 level ahead of new year. **Medium term outlook is neutral** over lower risks of US-China trade war escalation.

AUD

- **AUD continued its climb against the USD, firming up by 0.20% to multi-month high of 0.6994.**
- **Daily outlook is bullish** as AUD breached 0.7000 key resistance this morning and is now seen trading at 0.7005, a level last seen in late July, supported positive trade news but watch out for China official NBS PMI. **Medium term outlook is neutral** amidst lower risk of a US-China trade war escalation and RBA's accommodative stance.

SGD

- **SGD continued to firm up against the USD by 0.27% at 1.3486** amidst broad dollar weakness.
- **SGD is slightly bullish today** on continuous broad dollar weakness**.** **Medium term outlook is bearish** on relatively weaker albeit improving Singapore data versus a likely stronger dollar.

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my