

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks rebounded on New Years' Eve, fueled by renewed trade optimism** that led major benchmark indexes to close around 0.3% higher. **President Trump announced on twitter that the much anticipated US-China phase one trade deal would be signed on 15th Jan** at the White House in ceremony attended by high level Chinese officials. He added that he would travel to China to start negotiating on a phase two deal. **It has been a good year for stocks** as the blue chip Dow Jones notched its largest gain since 2017, by 22.3%, whereas the broader S&P500 index and tech-heavy NASDAQ each ramped up a nearly 29% and 35% gain, their best annual performance since 2013. Bond yields rose ahead of the new year around 2-6bps except for yield on the shorter benchmark 2Y notes that was little changed at 1.57% versus 2.49% seen at the same time last year after the Federal Reserve cut rate for three times in 2019. **10Y UST yields closed at 1.92% on New Year's Eve, much lower than the 2.69% recorded last year.** Dollar weakness prevailed as the year ended amidst better risk sentiment. **China's PBOC announced a 50 bps cut in its Reserve Ratio Requirement (RRR), effective 5th Jan** that will see the RRR going down to 12.5% for big banks and 10.5% for smaller banks.
- On the data front, **US Conference Board Consumer Index fell a little** to 126.5 in December (Nov: 126.8) to indicate a slight decline in consumer confidence. Home prices are seen picking up in the US as suggested by both the S&P CoreLogic Case-Schiller and FHFA. **China official NBS Manufacturing PMI held steady at 50.2 in December**, suggesting that the manufacturing sector is stabilizing. **The services PMI dropped a little** to 53.5 but is still reasonably comfortable above 50.0. **The Singapore economy grew a tad quicker by 0.8% YOY in 4Q thanks to growth in services and construction.**
- Dollar weakness prevailed as the year ended as USD weakened against its major counterparts amidst better risk sentiment. **The dollar index slipped by 0.36% on the last day of 2019**, led by the strength in the sterling and euro. **USD remains bearish in our view** as markets roll into the new year with better risk sentiment especially after Trump announced the date for the signing of the phase one trade deal.
- **MYR extended its gaining streak against the USD to close 0.48% higher at 4.0910**, its strongest level since last April as the greenback continued to be weighed down by better risk sentiment amidst ongoing positive US-China trade development. For the year, MYR gained a mere 1.03% against the greenback in a year driven and moved by US-China trade development. **USDMYR daily outlook is slightly bullish** as the overbought ringgit condition likely leads to a rebound in USD today before trending lower to 4.0800 area in the short term amidst fresh trade optimism.
- **SGD continued to firm up against the USD by 0.20% at 1.3459** amidst broad dollar weakness. **SGD is bullish today** on continuous broad dollar weakness amidst renewed trade optimism.

Overnight Economic Data

US	➔
China	⬇
Singapore	⬆

What's Coming Up Next

Major Data

- US initial jobless claims
- US, Eurozone, UK, China, Malaysia, and Vietnam Market Manufacturing PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1180	1.1200	1.1217	1.1220	1.1250	↗
GBPUSD	1.3130	1.3200	1.3256	1.3320	1.3400	↗
USDJPY	108.30	108.50	108.70	108.90	109.10	➔
AUDUSD	0.6980	0.7000	0.7015	0.7030	0.7050	➔
EURGBP	0.8400	0.8435	0.8462	0.8490	0.8522	➔
USDMYR	4.0800	4.0900	4.0915	4.1000	4.1200	↗
EURMYR	4.5700	4.5800	4.5900	4.6000	4.6100	↗
JPYMYR	3.7550	3.7600	3.7650	3.7730	3.7775	➔
GBPMYR	5.3750	5.4060	5.4253	5.4385	5.4600	↗
SGDMYR	3.0370	3.0400	3.0413	3.0450	3.0500	➔
AUDMYR	2.8600	2.8650	2.8702	2.8770	2.8835	➔
NZDMYR	2.7400	2.7500	2.7554	2.7650	2.7750	➔
USDSGD	1.3430	1.3440	1.3452	1.3475	1.3485	⬇
EURSGD	1.5050	1.5070	1.5091	1.5115	1.5140	↗
GBPSGD	1.7655	1.7747	1.7833	1.7897	1.7950	➔
AUDSGD	0.9400	0.9420	0.9435	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	1,588.76	-1.67	-6.02	CRB Index	185.79	-0.57	9.41
Dow Jones Ind.	28,538.44	0.27	22.34	WTI oil (\$/bbl)	61.06	-1.01	34.46
S&P 500	3,230.78	0.29	28.88	Brent oil (\$/bbl)	66.00	-3.57	22.68
FTSE 100	7,542.44	-0.59	12.10	Gold (\$/oz)	1,517.27	0.14	18.31
Shanghai	3,050.12	0.33	22.30	CPO (RM/tonne)	3,015.50	0.73	55.47
Hang Seng	28,189.75	-0.46	9.07	Copper (\$/tonne)	6,174.00	-0.72	3.50
STI	3,222.83	0.01	5.02	Rubber (sen/kg)	452.50	-0.33	20.07

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US FHFA House Price Index MOM	Oct	0.2%	0.7% (revised)	0.4%
US S&P CaseShiller House Prices YOY	Oct	2.2%	2.1%	2.1%
US Conference Board Consumer Confidence	Dec	126.5	126.8 (revised)	128.4
CN PMI Manufacturing	Dec	50.2	50.2	50.1
CN PMI Non-Manufacturing	Dec	53.5	54.4	54.2
SG GDP YOY	4QA	0.8%	0.7%	0.8%

Source: Bloomberg

Macroeconomics

- US consumer confidence slipped in December:** The Conference Board Consumer Index fell a little to 126.5 in December (Nov: 126.8) to indicate a slight decline in consumer confidence following an improvement in the previous month. Commenting on the latest headline reading, Conference Board said that "While consumers' assessment of current conditions improved, their expectations declined, driven primarily by a softening in their short-term outlook regarding jobs and financial prospects. While the economy hasn't shown signs of further weakening, there is little to suggest that growth, and in particular consumer spending, will gain momentum in early 2020."
- Home prices seen picking up in US:** House prices in the US appeared to be picking up momentum in October as the S&P CoreLogic Case-Schiller Index for 20 US cities rose 2.2% YOY (Sep: +2.1%), its fastest pace in five months and marking its third month of acceleration. The separate FHFA House Price Index meanwhile added a more modest 0.2% MOM in October (Sep: +0.7%) following a newly upward revision. Both data offered signs that house prices are slowly regaining strength amidst cheap borrowing cost and high demand after a period of slump last year.
- China manufacturing sector stabilized as year ends:** The official NBS Manufacturing PMI held steady at 50.2 in December (Nov: 50.2), marking its second month of above-50 reading that suggests that the manufacturing sector is stabilizing in the year end following six months of PMI contraction. The expansion was attributed to a pickup in output, corresponding to the upcoming lunar New Year celebration in late January that often leads firms to ramp up production prior to a long break. The non-manufacturing PMI meanwhile slipped to 53.5 in the same month (Nov: 54.4) to indicate a slower rate of expansion of the services sector but nonetheless the reading still sits comfortably above the 50 neutral threshold that warrants no immediate concern. China data remain weak in recent months but confidence is slowly picking up as the signing of the phase one trade deal looms in January, expect the economy to be supported by the central government fiscal and liquidity injection well into 2020.
- Singapore economy grew at a slightly faster pace in 4Q:** Advance estimate showed the Singapore economy expanded by 0.8% YOY in 4Q, a slight pick-up from the 0.7% YOY in 3Q and placed full year 2019 growth at 0.7% (2018: +3.1%). The services and construction sectors continued to drive growth, offsetting further contraction in manufacturing.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
02/01	Malaysia	Markit Malaysia Manufacturing PMI	Dec	--	49.5	--
03/01		Exports YOY	Dec	-7.1%	-6.7%	--
02/01	US	Initial Jobless Claims	28 Dec	220k	222k	--
		Markit US Manufacturing PMI	Dec F	52.5	52.5	--
03/01		Construction Spending MOM	Nov	0.4%	-0.8%	--
		ISM Manufacturing	Dec	49.0	48.1	--
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	--
03/01		Nationwide House Px NSA YOY	Dec	1.4%	0.8%	--
02/01	China	Caixin China Manufacturing PMI	Dec	51.6	51.8	--
03/01	Hong Kong	Retail Sales Value YOY	Nov	-25.2%	-24.3%	--
03/01	Singapore	Purchasing Manager Index		49.9	49.8	--
02/01	Vietnam	Markit Vietnam Manufacturing PMI	Dec	--	51.0	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1213	0.13	1.1239	1.1198	-2.22
GBPUSD	1.3257	1.10	1.3284	1.3106	3.94
USDJPY	108.61	-0.25	108.89	108.47	-0.98
AUDUSD	0.7021	0.39	0.7032	0.6994	-0.40
EURGBP	0.8459	-0.95	0.8549	0.8452	-5.90
USDMYR	4.0910	-0.48	4.1055	4.0895	-1.03
EURMYR	4.5875	-0.26	4.6005	4.5827	-2.96
JPYMYR	3.7682	0.10	3.7723	3.7643	0.28
GBPMYR	5.3772	-0.05	5.3860	5.3642	2.08
SGDMYR	3.0412	-0.12	3.0461	3.0359	0.17
AUDMYR	2.8676	-0.11	2.8760	2.8639	-1.90
NZDMYR	2.7526	-0.15	2.7664	2.7506	-0.94
CHFMYR	4.2277	0.16	4.2387	4.2217	0.68
CNYMYR	0.5880	-0.02	0.5880	0.5857	-2.86
HKDMYR	0.5256	-0.40	0.5271	0.5252	-0.49
USDSGD	1.3459	-0.20	1.3492	1.3445	-1.25
EURSGD	1.5090	-0.11	1.5118	1.5080	-3.45
GBPSGD	1.7841	0.89	1.7864	1.7649	2.68
AUDSGD	0.9443	0.11	0.9456	0.9427	-1.70

*Closings as at 31 Dec, 2019

Source: Bloomberg

Forex

MYR

- **MYR extended its gaining streak against the USD to close 0.48% higher at 4.0910**, its strongest level since last April as the greenback continued to be weighed down by better risk sentiment amidst ongoing positive US-China trade development. For the year, MYR gained a mere 1.03% against the greenback in a year driven and moved by US-China trade development.

- **USDMYR daily outlook is slightly bullish** as the overbought ringgit condition likely leads to a rebound in USD today before trending lower to 4.0800 area in the short term amidst fresh trade optimism. **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 as the year ended as USD weakened against its major counterparts amidst better risk sentiment. **The dollar index slipped by 0.36% on the last day of 2019**, led by the strength in the sterling and euro.

- **USD remains bearish in our view** as markets roll into the new year with better risk sentiment especially after Trump announced the date for the signing of the phase one trade deal. Continuous trade optimism is likely to weigh down on USD in the short term before staging a recovery in a soon-to-be oversold condition. **Medium term dollar outlook is still bullish**, supported by relatively solid US fundamentals and data.

EUR

- **EUR extended further gain against the USD by 0.13% at 1.1213**, closing above 1.1200 for the first time since August last year.

- **EUR daily outlook is still bullish** as the euro is expected to be supported above 1.1200 in the short term amidst broad dollar weakness. **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 was the top performer on New Year's Eve as it ramped up a whopping 1.1% gain to close at 1.3257 against the USD.**

- **GBP is still bullish today** as it is expected to continue benefiting from USD weakness and likely trade above 1.3250 in the short term. **Medium term outlook is neutral** for now, awaiting more Brexit related development.

JPY

- **JPY gained 0.25% against the USD** in a weak dollar environment.

- **JPY daily outlook is neutral**, torn between factors such as weak dollar and also lesser appetite for safe havens currencies. **Medium term outlook is neutral** over lower risks of US-China trade war escalation.

AUD

- **AUD continued to add 0.39% against the USD to close at 0.7021** on New Year's Eve, closing above 0.7000 for the first time in more than five months.

- **AUD daily outlook is neutral** as it pulled back from 5-month high and a currently overbought condition likely push the Aussie down slightly but is expected to stay supported above 0.7000 amidst renewed trade optimism. **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 0.20% at 1.3459** amidst broad dollar weakness.

- **SGD is bullish today** on continuous broad dollar weakness amidst renewed trade optimism. **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 Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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