

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks rallied to record highs on the first trading day of 2020 as trade optimism and China's central bank's latest round of RRR cut helped fuel risk appetites for equities.** The Dow Jones added 330 points or 1.2%, the NASDAQ jumped by 1.3% while the broader S&P 500 edged up by 0.8%, led by industrials and tech sectors. Bonds lost their appeals as markets went risk-on, treasuries yields slipped around 2-6bps along the curve save for the yield on 2Y notes which was unchanged at 1.57%. Benchmark 10Y UST yield edged lower by 4bps to 1.88%. The greenback regained footing to recover recent losses against major currencies. Gold prices rallied by nearly 0.8% to \$1529.13/roy ounce while crude oils gained modestly by 0.2-0.4%. Brent crude last settled at \$66.25/barrel.
- **Manufacturing PMI data deteriorated by and large.** IHS Markit PMI for US manufacturing sector slipped a little but still points to a modest expansion in the sector. In contrast, operating condition in European factories continued to lose momentum as PMIs for both the Eurozone and UK slipped deeper in the negative territory. In Asia, China Caixin PMI dropped slightly but was in expansion mode nonetheless. Vietnam PMI was a tad softer as well. Malaysia PMI escaped contractionary area for the first time in 15 months to hit the neutral 50.0 mark.
- The greenback regained footing to recover recent losses against major currencies. USD was seen closing higher against most of its main counterparts. **DXY managed to recoup some of past week's losses by adding 0.42% overnight. USD looks set to strengthen today** despite markets still being in risk-on mode as it continues to recover recent losses. **Medium term dollar outlook is still bullish**, supported by relatively solid US fundamentals and data.
- **MYR extended its gaining streak against the USD by 0.06% to close at 4.0885**, its strongest level in nearly nine months. **Ringgit daily outlook is bearish**, as USDMYR has bottomed out and is set to rebound today judging from overnight's broad-based dollar strength. **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 snapped winning streak against the USD, closing 0.16% softer at 1.3471. SGD is slightly bearish today** as the dollar strength took hold of market. **Medium term outlook is bearish** on relatively weaker albeit improving Singapore data versus a stronger dollar that is supported by solid US data.

Overnight Economic Data

Malaysia	↑
US	→
Eurozone	↓
UK	↓
China	↓
Vietnam	↓

What's Coming Up Next

Major Data

- Malaysia Exports
- US Construction Spending, ISM Manufacturing Index
- UK Nationwide House Price Index, Markit/CIPS Services PMI
- Hong Kong Retail Sales
- Singapore Purchasing Manager Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1120	1.1150	1.1172	1.1200	1.1220	↘
GBPUSD	1.3050	1.3100	1.3149	1.3200	1.3265	→
USDJPY	108.30	108.50	108.55	108.90	109.10	↘
AUDUSD	0.6950	0.6970	0.6982	0.7000	0.7020	↘
EURGBP	0.8435	0.8460	0.8497	0.8517	0.8550	→
USDMYR	4.0800	4.0850	4.0890	4.0950	4.1000	↗
EURMYR	4.5550	4.5620	4.5684	4.6750	4.5800	↘
JPYMYR	3.7600	3.7650	3.7683	3.7737	3.7830	↗
GBPMYR	5.3500	5.3600	5.3771	5.3882	5.4050	↘
SGDMYR	3.0300	3.0320	3.0346	3.0375	3.0400	→
AUDMYR	2.8450	2.8523	2.8549	2.8600	2.8650	↘
NZDMYR	2.7200	2.7300	2.7378	2.7500	2.7765	↘
USDSGD	1.3445	1.3460	1.3475	1.3485	1.3500	↗
EURSGD	1.5000	1.5025	1.5051	1.5080	1.5100	→
GBPSGD	1.7550	1.7630	1.7719	1.7750	1.7830	→
AUDSGD	0.9370	0.9387	0.9405	0.9425	0.9440	↘

* 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	1,602.50	0.86	0.86	CRB Index	185.53	-0.14	-0.14
Dow Jones Ind.	28,868.80	1.16	1.16	WTI oil (\$/bbl)	61.18	0.20	0.20
S&P 500	3,257.85	0.84	0.84	Brent oil (\$/bbl)	66.25	0.38	0.38
FTSE 100	7,604.30	0.82	0.82	Gold (S/oz)	1,529.13	0.78	0.78
Shanghai	3,085.20	1.15	1.15	CPO (RM/tonne)	3,025.50	0.97	0.97
Hang Seng	28,543.52	1.25	1.25	Copper (\$/tonne)	6,174.00	-0.72	-0.72
STI	3,252.00	0.91	0.91	Rubber (sen/kg)	455.00	0.55	0.55

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Markit Manufacturing PMI	Dec	50.0	49.5	--
US Initial Jobless Claims	28 Dec	222k	224k (revised)	220k
US Markit Manufacturing PMI	Dec F	52.4	52.6	52.5
EU Markit Manufacturing PMI	Dec F	46.3	46.9	45.9
UK Markit Manufacturing PMI	Dec F	47.5	48.9	47.4
CN Caixin Manufacturing PMI	Dec	51.5	51.8	51.6
VN Markit Manufacturing PMI	Dec	50.8	51.0	-

Source: Bloomberg

Macroeconomics

- US manufacturing sector grew modestly; jobless claims slipped by 2k:** The final reading of IHS Markit US Manufacturing PMI was revised from 52.5 to 52.4 in December (Nov: 52.6), slightly lower than November's reading to indicate only a modest growth in US manufacturing. The expansion was supported by solid rise in new business and further upturn in output according to the survey but expectations remained historically muted. The ISM manufacturing index slated for tonight's release will provide further assessment of the manufacturing sector. On a separate note, initial jobless claims slipped by 2k to 222k for the week ended 28 Dec (previous: 224k revised), back to a comfortably low level that indicates current tightness in the labour market.
- UK manufacturing downturn deepened in December:** The IHS Markit PMI slipped to 47.5 in December (Nov: 48.9) to confirm a larger contraction in UK manufacturing condition at the end of 2019. The reading marks the manufacturing gauge's eighth successive month of below 50.0 reading as the sector remained mired in a downturn that was driven by sharp falls in output, new orders and new exports orders amidst Brexit uncertainties and slower overseas demand.
- PMI points to further loss in Eurozone manufacturing momentum:** The final reading of IHS Markit Eurozone PMI was revised higher from 45.9 to 46.3 in December (Nov: 46.9) but nonetheless reflecting the accelerating contraction in Eurozone's manufacturing industry. The latest release marks the PMI's 11th month of back-to-back contraction that points to continuous decline in the bloc's goods producing sector amidst falls in both output and new orders at the end of 2019. Germany was again the weakest-performing country according to the survey while Italy and the Netherlands saw sharpest deterioration in more than 6.5 years. Underperformance was centered on the intermediate and investment goods sectors while household helped to improve demand. A return to growth was still "a long way off" despite somewhat more optimistic sentiment, suggesting a weak start to Eurozone manufacturing industry in 2020.
- China manufacturing sector grew in December:** The Caixin China Markit PMI slipped to 51.5 in December (Nov: 51.8) to reflect a slightly slower expansion of the manufacturing sector, but was nonetheless consistent with the trend of a modest improvement as indicated by the headline Markit reading in recent months. Survey shows that production continues to increase strongly but new orders growth softened with employment in plateauing state. The index roughly corresponds with the official NBS reading that suggests that the manufacturing sector is stabilizing ahead of the Chinese Lunar New Year.
- Vietnam manufacturing moderated slightly:** The Vietnam Manufacturing PMI went down a little to 50.8 in December (Nov: 51.0) to signal a slight softening in the country's manufacturing health, amid higher new business and a slight reduction in output.
- Markit PMI signals a good start to Malaysia manufacturing:** The IHS Markit Malaysia PMI rose to the neutral 50.0 mark in December (Nov: 49.5), its highest reading as well as the first non-contractionary reading in 15 months. The survey reported faster increase in goods production and continuous pickup in new orders attributing to project tenders and greater sales. Markit appears optimistic over Malaysian manufacturing outlook, expecting the sector to head into 2020 on a firm footing supported by firmer demand condition and better business confidence.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
03/01	Malaysia	Exports YOY	Dec	0.0%	-6.7%	--
03/01	US	Construction Spending MOM	Nov	0.4%	-0.8%	--
		ISM Manufacturing Index	Dec	49.0	48.1	--
06/01		Markit US Services PMI	Dec	52.2	52.2	--
06/01	Eurozone	Markit Eurozone Services PMI	Dec F	52.4	52.4	--
		Sentix Investor Confidence	Jan	2.5	0.7	--
		PPI MOM	Nov	-0.1%	0.1%	--
03/01	UK	Nationwide House Px NSA YOY	Dec	1.4%	0.8%	--
		Markit/CIPS UK Services PMI	Dec F	49.1	49.0	--
06/01	Japan	Jibun Bank Japan PMI Mfg	Dec F	--	48.8	--
06/01	China	Caixin China PMI Services	Dec	53.4	53.5	--
03/01	Hong Kong	Retail Sales Value YOY	Nov	-24.6%	-24.3%	--
03/01	Singapore	Purchasing Manager Index	Dec	49.9	49.8	--
06/01		Markit Singapore PMI	Dec	--	50.4	--
06/01	Australia	AiG Performance of Mfg Index	Dec	--	48.1	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1172	-0.36	1.1225	1.1164	-0.36
GBPUSD	1.3145	-0.82	1.3266	1.3116	-0.87
USDJPY	108.57	-0.17	108.87	108.21	-0.05
AUDUSD	0.6993	-0.34	0.7020	0.6979	-0.58
EURGBP	0.8499	0.44	0.8515	0.8459	0.50
USDMYR	4.0885	-0.06	4.0920	4.0815	-0.06
EURMYR	4.5807	-0.15	4.5908	4.5781	-0.15
JPYMYR	3.7582	-0.27	3.7650	3.7547	-0.27
GBPMYR	5.4053	0.52	5.4264	5.3951	0.52
SGDMYR	3.0357	-0.18	3.0416	3.0335	-0.18
AUDMYR	2.8639	-0.13	2.8717	2.8594	-0.13
NZDMYR	2.7473	-0.19	2.7564	2.7445	-0.19
CHFMYR	4.2190	-0.21	4.2278	4.2109	-0.21
CNYMYR	0.5873	-0.11	0.5874	0.5858	-0.11
HKDMYR	0.5247	-0.17	0.5252	0.5238	-0.17
USDSGD	1.3471	0.16	1.3483	1.3446	0.12
EURSGD	1.5050	-0.23	1.5109	1.5045	-0.23
GBPSGD	1.7705	-0.66	1.7848	1.7676	-0.78
AUDSGD	0.9418	-0.21	0.9447	0.9405	-0.34

Source: Bloomberg

Forex

MYR

- **MYR extended its gaining streak against the USD by 0.06% to close at 4.0885**, its strongest level in nearly nine months.
- **Ringgit daily outlook is bearish**, as USDMYR has bottomed out and is set to rebound today judging from overnight's broad-based dollar strength. **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

- The greenback regained footing to recover recent losses against major currencies. USD was seen closing higher against most of its main counterparts. **DXY managed to recoup some of past week's losses by adding 0.42% overnight.**
- **USD looks set to strengthen today** despite markets still being in risk-on mode as it continues to recover recent losses. **Medium term dollar outlook is still bullish**, supported by relatively solid US fundamentals and data.

EUR

- **EUR retreated to close 0.36% weaker against the USD at 1.1172.**
- **EUR daily outlook is slightly bearish** as it closed below 1.12 key handle and is likely hovering at at 1.1150-1.1180 with technicals pointing to a gradual loss in momentum. **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 snapped gaining streak against the USD as it plunged by a whopping 0.82% to 1.3145.**
- **GBP is neutral today** and is expected to consolidate around 1.3100- 1.3200 amidst broad dollar strength and the absence of Brexit headlines. **Medium term outlook is neutral** for now, awaiting more Brexit related development.

JPY

- **JPY gained 0.17% against the USD to 108.57 despite prevailing risk-on market sentiment.**
- **JPY daily outlook is slightly bullish** as USD seems losing momentum against the safe havens currency but nonetheless the overall better risk appetites could still potentially pave the way for a rebound in USD. **JPY medium term outlook is neutral** over lower risks of US-China trade war escalation.

AUD

- **AUD retreated below 0.7000, losing 0.34% against the USD at 0.6993.**
- **AUD daily outlook is bearish** after pulling back from key 0.7000 handle and looks set to weaken today in a stronger USD environment. **Medium term outlook is neutral** amidst lower risk of a US-China trade war escalation and RBA's accommodative stance.

SGD

- **SGD snapped winning streak against the USD, closing 0.16% softer at 1.3471.**
- **SGD is slightly bearish today** as the dollar strength took hold of market. **Medium term outlook is bearish** on relatively weaker albeit improving Singapore data versus a stronger dollar that is supported by solid US data.

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**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.