Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks sdropped on Friday as investors fled riskier assets in favour of safe havens after the US government engineered a drone strike that killed a high-ranking Iranian commander, sparking a renewed US-Iran tensions.** Major stock indexes dipped by 0.7-0.8%, retreating from their recent all-time highs, whereas treasuries yields slumped by 4 to 9bps in a single day on safe-haven bidding. **JPY gained 0.4% to two-month high and gold prices jumped by 1.5% to a six-year high of $1552/troy ounce. Crude oils spiked around 3.1-3.6%** where Brent crude was last traded at $68.60 on Friday and is seen edging up further near $70/barrel this morning. **The dollar strengthened across the board** as markets went risk-off **but the gain was capped by poor ISM manufacturing PMI;** nearly all major currencies slipped against the greenback on Friday.

- **FOMC minutes suggests that the Fed will most likely maintain the Fed funds rate at a current level this year** amid expectations for a still healthy US economy supported by full effects from the earlier three rate cuts. **The growth optimism however contradicted with the latest ISM manufacturing which unexpectedly plunged to a decade-low.** Construction spending meanwhile picked up in November signaling a recovery in the housing sector amid lower interest rate. **UK house prices also accelerated** reflecting a generally stable housing market. On a less positive note, **Hong Kong retail sales extended its double-digit decline** in November amid ongoing unrest while **Malaysia exports reported its longest losing streak since mid-2013.**

- The dollar strengthened across the board as markets went risk-off; nearly all major currencies slipped against the greenback but the gain was capped by poor ISM manufacturing PMI. The **DXY however was virtually unchanged at 96.84** as the JPY strength offset the weakness in other currencies components. **USD looks set to ride on current risk-off mode in the short term** as markets loses appetites for riskier assets.

- **MYR finished weaker by 0.34% against the USD at 4.1025 o**n Friday as the USD recovered across the FX board amidst a renewed broad-based dollar strength. **Daily outlook for MYR is bearish** as the dollar is expected to benefit on safe havens bidding as risk sentiment retreated amidst heightening US-Iran tensions.
- **SGD weakened further by 0.16% to 1.3493 on broad dollar strength. SGD is bearish today** as it is expected to weaken alongside emerging market currencies amidst broad-based risk aversion.

Overnight Economic Data

Malaysia	↓
US	→
UK	↑
Hong Kong	↓
Singapore	↑

What's Coming Up Next

Major Data

- Markit Services PMI for US, Eurozone, UK , China
- Eurozone Sentix Investor Confidence, PPI
- Japan Markit Manufacturing PMI
- Hong Kong Markit PMI
- Singapore Markit PMI
- Australia AiG Performance of Manufacturing PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1120	1.1150	1.1168	1.1180	1.1220	→
GBPUSD	1.3000	1.3050	1.3087	1.3115	1.3200	→
USDJPY	107.50	107.70	108.01	108.20	108.50	↗
AUDUSD	0.6900	0.6930	0.6952	0.6980	0.7000	↘
EURGBP	0.8460	0.8514	0.8532	0.8550	0.8600	→
USDMYR	4.0950	4.1000	4.1017	4.1050	4.1100	↗
EURMYR	4.5600	4.5700	4.5800	4.5883	4.6000	↗
JPYMYR	3.7580	3.7774	3.7965	3.8056	3.8150	↗
GBPMYR	5.3200	5.3510	5.3683	5.3882	5.4050	→
SGDMYR	3.0300	3.0350	3.0402	3.0450	3.0500	→
AUDMYR	2.8400	2.8450	2.8513	2.8300	2.8650	→
NZDMYR	2.7200	2.7300	2.7327	2.7500	2.7765	→
USDSGD	1.3450	1.3470	1.3494	1.3500	1.3520	↗
EURSGD	1.5000	1.5025	1.5069	1.5080	1.5100	→
GBPSGD	1.7550	1.7630	1.7658	1.7750	1.7830	→
AUDSGD	0.9350	0.9370	0.9381	0.9400	0.9425	→

* 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	1,611.38	0.55	1.42	CRB Index	186.90	0.73	0.60
Dow Jones Ind.	28,634.88	-0.81	0.34	WTI oil ($/bbl)	63.05	3.06	3.26
S&P 500	3,234.85	-0.71	0.13	Brent oil ($/bbl)	68.60	3.55	5.38
FTSE 100	7,622.40	0.24	1.06	Gold (S/oz)	1,552.20	1.51	3.85
Shanghai	3,083.79	-0.05	1.10	CPO (RM/tonne)	3,054.00	0.94	0.94
Hang Seng	28,451.50	-0.32	0.93	Copper ($/tonne)	6,129.50	-0.95	-0.72
STI	3,238.82	-0.41	0.50	Rubber (sen/kg)	451.50	0.11	-0.22

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MA Exports YOY	Dec	-5.5%	-6.7%	0.0%
US Construction Spending MOM	Nov	0.6%	0.1% (revised)	0.4%
US ISM Manufacturing Index	Dec	47.2	48.1	49.0
UK Nationwide House Px NSA YOY	Dec	1.4%	0.8%	1.4%
HK Retail Sales Value YOY	Nov	-23.6%	-24.3%	-24.6%
SG Purchasing Manager Index	Dec	50.1	49.8	49.9

Source: Bloomberg

Macroeconomics

- ***Fed sees rate on hold in 2020***: The minutes of the December FOMC meeting shows that central bank policy makers viewed the current stance of monetary policy as "likely to remain appropriate for a time as long as" incoming data remained broadly consistent with economic outlook. Officials mostly saw eye-to-eye regarding current policy stance on how it could give some time to assess full effects (of recent policy actions) and cushion the economy from global development. Officials generally expressed concerns over inflation still being below the 2% target but some noted that the factors holding down inflation could be transitory. The minutes suggest that Fed officials are comfortable with the current level of interest rates, reaffirming expectation that it might hold rate in 2020.

- ***US manufacturing downturn deteriorated; construction spending got a boost:*** The ISM Manufacturing Index slipped further to 47.2 in December (Nov: 48.1), its lowest level more than ten years ago in Jun-09 to indicate a faster contraction in US manufacturing sector. The downturn was a result of continuous decline in new orders, employment, new exports order and notably, production which recorded a nearly 6pts drop. December print marks the PMI's fifth monthly back-to-back contraction, highlighting the entrenched weakness in US manufacturing in 2H19 as the US government was negotiating a trade deal with China. On a separate note, construction output picked up 0.6% MOM in November (Oct: +0.1% revised), boosted by spending in private home building that confirms that the housing sector is on course for gradual recovery in a low interest rate environment. Data for October was also revised from a 0.8% contraction to a 0.1% increase.

- ***UK house prices accelerated in December:*** The Nationwide House Price Index gained by 0.1% MOM in December (Nov: +0.5%) to indicate little change in house prices last month. YOY, the index gain however accelerated to 1.4% (Dec: +0.8%), its first time recording a more than 1% growth for 12 months. Despite that, Nationwide said that the underlying pace of housing activity remained broadly stable and expected house prices to be broadly flat over the next 12 months. Factors that drive house prices in 2020 will be how quickly Brexit uncertainty lifts and global growth outlook.

- ***Slump in retail sales continued as Hong Kong embroiled in unrests***: Hong Kong retail sales continued to plunge in November, recording a 23.6% YOY contraction (Oct: -24.3%) as the ongoing civil political unrest continues to haunt the city that turns away international visitors. The retail sector was hurt badly amidst poor demand among the locals and scanty tourists especially those from China that has prompted several international retailers (most recently luxury brand Louis Vuitton) to shut some stores temporarily in Hong Kong.

- ***Singapore manufacturing conditions expanded for first time in eight months:*** The official Singapore Purchasing Manager Index rose above 50.0 for the first time in eight months. PMI stood a tad higher at 50.1 in December (Nov: 49.8), reflecting a marginal expansion in the manufacturing industry, that was in line with recent data that suggest a stabilization in the economy. The electronics PMI climbed for the third month to 49.9 (Nov: 49.7) to indicate an improvement in the electronics-producing sector.

- ***Longest losing streak in Malaysian exports since mid-2013:*** Contraction in exports stayed extended for the 4th straight month, albeit at a narrower than expected pace of 5.5% YOY in November (Oct: -6.7% YOY), hampered by slower global demand amid ongoing trade spats. This marked the biggest losing streak in exports since Jun-2013, when exports registered five months of back-to-back decline back then. The weaker November exports was dragged by both manufacturing and commodity exports, most notably the steeper decline in E&E shipment following a drop in exports to Singapore. It is interesting to observe pick-ups in exports to the US and China, the two economic giants deeply intertwined in trade war, while exports to other major destinations fell. MOM, exports plunged 10.8% (Oct: +16.6%) while imports eked out a 1.4% MOM increase, narrowing the trade surplus considerably to RM6.5bn, its smallest in 15 months. External trade outlook remains less sanguine in our view in the wake of lingering uncertainties surrounding global growth outlook even though re-escalation of trade war related risks appears more manageable for now. The US and China is scheduled to sign a phase one trade deal in mid-January followed by purported further talks on a phase two deal. However, we believe the damage has been done and we will likely see the spillover for some time still before the dust surrounding the readjustment and realignment in global trade settles. No change to our view for exports to contract this year and full year growth forecast to moderate to 4.5% and 4.3% this and next year, anticipating softening growth momentum going forward.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
06/01	**US**	**Markit US Services PMI**	**Dec**	**52.2**	**52.2**	**--**
07/01		Trade Balance	Nov	-$43.7b	-$47.2b	--
		ISM Non-Manufacturing Index	Dec	54.5	53.9	--
		Factory Orders	Nov	-0.7%	0.3%	--
		Durable Goods Orders	Nov F	-2.0%	-2.0%	--
		Cap Goods Orders Nondef Ex Air	Nov F	--	0.1%	--
06/01	**Eurozone**	**Markit Eurozone Services PMI**	**Dec F**	**52.4**	**52.4**	**--**
		Sentix Investor Confidence	**Jan**	**2.6**	**0.7**	**--**
		PPI MOM	**Nov**	**0.1%**	**0.1%**	**--**
07/01		Retail Sales MOM	Nov	0.6%	-0.6%	--
		CPI Estimate YOY	Dec	1.3%	1.0%	--
		CPI Core YOY	Dec P	1.3%	1.3%	--
06/01	**UK**	**Markit/CIPS UK Services PMI**	**Dec F**	**49.1**	**49.0**	**--**
06/01	**Japan**	**Jibun Bank Japan PMI Mfg**	**Dec F**	**--**	**48.8**	**--**
07/01		Jibun Bank Japan PMI Services	Dec F	--	50.6	--
06/01	**China**	**Caixin China PMI Services**	**Dec**	**53.2**	**53.5**	**--**
06/01	**HK**	**Markit Hong Kong PMI**	**Dec**	**--**	**38.5**	**--**
06/01	**Singapore**	**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	1.1161	-0.10	1.1180	1.1125	-0.43
GBPUSD	1.3083	-0.47	1.3160	1.3054	-1.36
USDJPY	108.09	-0.44	108.63	107.84	-0.76
AUDUSD	0.6950	-0.61	0.6995	0.6930	-1.20
EURGBP	0.8534	0.40	0.8543	0.8493	0.98
USDMYR	4.1025	0.34	4.1030	4.0890	0.28
EURMYR	4.5699	-0.24	4.5823	4.5231	-0.38
JPYMYR	3.7985	1.07	3.8001	3.7670	0.80
GBPMYR	5.3724	-0.61	5.3870	5.3644	-0.09
SGDMYR	3.0394	0.12	3.0406	3.0344	-0.06
AUDMYR	2.8511	-0.45	2.8591	2.8504	-0.58
NZDMYR	2.7326	-0.54	2.7404	2.7304	-0.73
CHFMYR	4.2196	0.01	4.2313	4.2088	-0.19
CNYMYR	0.5884	0.18	0.5885	0.5873	0.07
HKDMYR	0.5272	0.48	0.5272	0.5250	0.30
USDSGD	1.3493	0.16	1.3509	1.3467	0.38
EURSGD	1.5064	0.09	1.5079	1.5025	-0.09
GBPSGD	1.7672	-0.19	1.7727	1.7628	-1.03
AUDSGD	0.9383	-0.37	0.9423	0.9361	-0.79

Source: Bloomberg

➢Forex

MYR

- **MYR finished weaker by 0.34% against the USD at 4.1025 o**n Friday as the USD recovered across the FX board amidst a renewed broad-based dollar strength.
- **Daily outlook for MYR is bearish** as the dollar is expected to benefit on safe havens bidding as risk sentiment retreated amidst heightening US-Iran tensions. **Medium MYR outlook is still bearish** taking into account solid US fundamentals/data in 1Q20 that is expected to keep USD supported.

USD

- The dollar strengthened across the board as markets went risk-off; nearly all major currencies slipped against the greenback but the gain was capped by poor ISM manufacturing PMI. The **DXY however was virtually unchanged at 96.84** as the JPY strength offset the weakness in other currencies components.
- **USD looks set to ride on current risk-off mode in the short term** as markets loses appetites for riskier assets. **Medium term dollar outlook is still bullish**, supported by solid US fundamentals and data.

EUR

- **EUR finished only a little lower (-0.1%) against the USD at 1.1161** as it recovered from daily low on poor US ISM manufacturing PMI.
- **EUR daily outlook is neutral** for now expecting the currency to consolidate around 1.1150-1.1180 in a likely sideways session today. Markets need a break above 1.1180 for further upside but the lack of driver means that chances are slim. **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 extended further losses against the USD by 0.47% to 1.3083.**
- **GBP is neutral today** and is expected to trade in tight ranges amidst US-Iran standoff and MPs return to Parliament after a break. **Medium term outlook is neutral** for now, awaiting more Brexit related development.

JPY

- **JPY gained 0.47% against the USD to two-month high of 108.09** on safe havens bidding.
- **USDJPY daily outlook is bearish** as the pair seems under pressure around 108.00 handle despite bouncing off low of 107.77 this morning as both US and Iranian governments remain locked in a hostile position against each other. **JPY medium term outlook is neutral for now** awaiting development in US-Iran tension.

AUD

- **AUD plunged by a whopping 0.61% against the USD at 0.6950** amidst broad dollar strength and as the country fights wildfire.
- **AUD daily outlook is still bearish** despite bouncing off daily low this morning as the currency is not expected to fare well amidst risk aversion. Key data to watch out is China Caixin services PMI. **Medium term outlook is neutral** amidst lower risk of a US-China trade war escalation and RBA's accommodative stance.

SGD

- **SGD weakened further by 0.16% to 1.3493 on broad dollar strength.**
- **SGD is bearish today** as it is expected to weaken alongside emerging market currencies amidst broad-based risk aversion. **Medium term outlook is bearish** on relatively weaker albeit improving Singapore data versus a stronger dollar that is supported by solid US data.

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