

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks rose modestly overnight** to recover some of its most recent losses **but global equities were seen engaged in a broad based declines amidst a flare-up in US-Iran tension** following the US government's killing of top Iranian commander Qassem Soleimani. US major indexes picked up around 0.2-0.6%, led by gains in the communication service sector as investors weighed potential retaliation by the Iranian government which could lead to a significant escalation of geopolitical risk in the Middle East. **US Treasuries fell**, leading yields to pick up around 2-4bps along the curve. **Gold prices spiked to a near seven-year high** at \$1565.74/roy ounce as investors rushed to safe havens while **crude oils extended further gain** by 0.4% - Brent crude settled at 68.91/barrel, its highest in more than three months.
- **On the data front, the most recent slate of positive PMI services readings offered added signs the world economy is stabilizing** although we believe it remains premature to conclude a firm recovery is on the cards. Market showed services sectors improved in the US, Eurozone, the UK, Singapore and even Hong Kong recorded a smaller contraction. On the contrary, China Caixin PMI services pulled back more than expected from a 7-month high to 52.5 in December, still indicating an expansion in line with the official print. **On the manufacturing front, activities remained contractionary in both Japan and Australia**, reaffirming the fallout from trade-inflicted slower global demand.
- Dollar reversed gains and weakened against major peers save for the yen and Aussie. The sterling was the major winner of the day. **The Dollar index slipped by 0.17% to 96.67. USD looks set to trade on a mixed note** against its major peers amidst an easing of risk-off mode. **Medium term dollar outlook is still bullish**, supported by solid US fundamentals and data.
- MYR traded in a tight range against the USD within 4.1000-4.1115 in Monday's muted session as markets await further development in US-Iran standoff. **MYR finished little changed at 4.1035** alongside regional Asian peers that were kept around respective recent ranges. **Daily outlook for MYR is neutral** expecting the local unit to continue trading within the 4.1000 - 4.1200 range as risk-off mode eased slightly while investors wait for more US-Iran related development. **MYR medium term outlook is still bearish** taking into account solid US fundamentals/data in 1Q20 that is expected to keep USD supported.
- **SGD was unchanged against the USD at 1.3493 SGD is expected to trade neutral today** alongside regional Asian peers as risk-off mode eased for now. **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

US	↑
Eurozone	↑
UK	↑
Japan	↓
China	↓
Hong Kong	↑
Singapore	↑
Australia	↑

What's Coming Up Next

Major Data

- US Trade Balance, ISM Non-Manufacturing Index, Factory Orders
- Eurozone Retail Sales, HICP Inflation
- Japan Jibun Bank Services PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1150	1.1180	1.1193	1.1200	1.1220	↗
GBPUSD	1.3059	1.3117	1.3172	1.3180	1.3210	→
USDJPY	107.70	108.00	108.42	108.50	108.70	→
AUDUSD	0.6900	0.6920	0.6933	0.6950	0.6980	↘
EURGBP	0.8435	0.8460	0.8498	0.8550	0.8600	→
USDMYR	4.0950	4.1000	4.1003	4.1050	4.1100	→
EURMYR	4.5700	4.5760	4.5894	4.6000	4.6100	→
JPYMYR	3.7545	3.7670	3.7824	3.7940	3.8060	↘
GBPMYR	5.3600	5.3882	5.4018	5.4250	5.4500	↗
SGDMYR	3.0325	3.0350	3.0395	3.0400	3.0440	→
AUDMYR	2.8330	2.8400	2.8433	2.8500	2.8550	↘
NZDMYR	2.7120	2.7250	2.7322	2.7450	2.7550	→
USDSGD	1.3450	1.3470	1.3490	1.3500	1.3520	→
EURSGD	1.5040	1.5070	1.5097	1.5120	1.5140	→
GBPSGD	1.7625	1.7700	1.7774	1.7850	1.7900	→
AUDSGD	0.9320	0.9340	0.9353	0.9375	0.9400	↘

* 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	1,597.76	-0.85	0.57	CRB Index	187.39	0.26	0.86
Dow Jones Ind.	28,703.38	-0.24	0.58	WTI oil (\$/bbl)	63.27	0.35	3.62
S&P 500	3,246.28	-0.35	0.48	Brent oil (\$/bbl)	68.91	0.45	4.41
FTSE 100	7,575.34	-0.62	0.44	Gold (\$/oz)	1,565.74	0.87	3.11
Shanghai	3,083.41	-0.01	1.09	CPO (RM/tonne)	3,057.00	0.10	1.04
Hang Seng	28,226.19	-0.79	0.13	Copper (\$/tonne)	6,129.50	-0.95	-0.72
STI	3,218.86	-0.62	-0.12	Rubber (sen/kg)	455.50	0.89	0.66

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US Markit Services PMI	Dec	52.8	51.6	52.2
EU Markit Services PMI	Dec F	52.8	51.9	52.4
EU Sentix Investor Confidence	Jan	7.6	0.7	2.6
EU PPI MOM	Nov	0.2%	0.0% (revised)	0.1%
UK Markit/CIPS Services PMI	Dec F	50.0	49.3	49.1
JP Jibun Bank PMI Mfg	Dec F	48.4	48.9	--
CN Caixin PMI Services	Dec	52.5	53.5	53.2
HK Markit PMI	Dec	42.1	38.5	--
SG Markit PMI	Dec	51.0	50.4	--
AU AiG Performance of Mfg Index	Dec	48.3	48.1	--

Source: Bloomberg

- Markit US PMI gained further in December:** The IHS Markit US Services PMI edged up to 52.8 in December (Nov: 51.6) to indicate a further rebound in services sector's output growth following a slump in activity during the summer. The moderate expansion was a result of stronger rise in new orders, new exports orders and employment but confidence level remained low. The highly watched ISM non-manufacturing index, a key gauge for the services industry is slated to be released tonight.
- Eurozone services sector remains main driver of growth; factories saw loss of price pressure:** The IHS Eurozone services PMI rose to 52.8 in December (Nov: 51.9), led by growth in all countries which confirmed that the euro area's services industry remains the primary driver of growth and is on solid footing. In a separate release, producer prices index rose 0.2% MOM in November (Oct: 0.0% revised) that resulted in a smaller annual contraction in the index (-1.4% YOY vs -1.9% YOY). The latest print marks PPI's fourth successive contraction since August, confirming the loss in inflationary pressure in the midst of a manufacturing downturn.
- Eurozone investor confidence jumped in January:** The Sentix Investor Confidence Index jumped by nearly 7pts to 7.6 in January (Dec: 0.7), greatly beating consensus estimate of 2.6 and prompting a surge in the euro amidst improving trade sentiment. Investors turned optimistic over both current economic condition and outlook as the current situation index edged up by 6.6pts and while the expectation index rose by 7.3pts.
- UK services industry stabilized amidst greater Brexit clarity:** The Markit/CIPS UK Services PMI managed to rise back to the neutral level of 50.0 in December (Nov: 49.3) following a decline in November according to the final reading, indicating that business activity was unchanged in the last month of 2019. Analysts had been expecting the PMI to drop further to 49.1 in the contractionary territory. The latest print points to a stabilization in the services sector that was helped by improving order book at year end. Notably business optimism rebounded to its highest in 15 months that helped drive employment, a result of greater Brexit clarity after the general election in early December.
- Japan manufacturing downturn deepened at year end:** The Jibun Bank Japan Manufacturing PMI slipped to 48.4 in December (Nov: 48.9) to mark its eighth back-to-back contraction in factory conditions, driven by falling output and new orders. IHS Markit said that the manufacturing sector looks to be contributing negatively to 4Q GDP and this, in tandem with the recently weak services PMI suggest that the economy might be in contraction in the last quarter of 2019.
- China Caixin PMI indicates still solid services sector:** China Caixin Services PM slipped from seven-month high of 53.5 to 52.5 in December to indicate a slower rate of expansion in the services sector. The reading is roughly in line with the official NBS reading that suggests that the sector continued to be in expansion mode, supporting growth in China.
- Hong Kong economic downturn persisted as city mired in protests:** The IHS Markit Hong Kong PMI rose to 40.1 in December (Nov: 38.5) marking a slower rate of deterioration in Hong Kong private sector condition that reflects an easing in output and new orders declines. Nonetheless, the reading confirms the continuous fall in business activities as the city remains mired in unrests with firms staying negative over outlook in 2020.

- **Singapore PMI reflects ongoing recovery:** The IHS Markit Singapore PMI rose to 51.0 in December (Nov: 50.4), in line with the recent climb in the official PMI that confirms an ongoing recovery in the Singapore economy. The upturn was driven by growing order books amidst firmer domestic demand. Foreign demand remains weak as exports dropped sharply in December.
- **Australia manufacturing sector in downturn:** The AiG Performance of Manufacturing Index rose slightly to 48.3 in December (Nov: 48.1), its second month of sub-50 reading that indicates a continuous contraction in manufacturing industry. Production and employment dropped further whereas new orders appeared under pressure still, signaling a weak start to 2020.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
08/01	Malaysia	Foreign Reserves	Dec-31	--	\$103.3b	--
07/01	US	Trade Balance	Nov	-\$43.7b	-\$47.2b	--
		ISM Non-Manufacturing Index	Dec	54.5	53.9	--
		Factory Orders	Nov	-0.8%	0.3%	--
		Durable Goods Orders	Nov F	-2.0%	-2.0%	--
		Cap Goods Orders Nondef Ex Air	Nov F	--	0.1%	--
08/01		MBA Mortgage Applications	Jan-03	--	-5.3%	--
		ADP Employment Change	Dec	160k	67k	--
07/01	Eurozone	Retail Sales MOM	Nov	0.7%	-0.6%	--
		CPI Estimate YOY	Dec	1.3%	1.0%	--
		CPI Core YOY	Dec P	1.3%	1.3%	--
08/01		Economic Confidence	Dec	101.4	101.3	--
		Consumer Confidence	Dec F	--	-8.1	--
07/01	Japan	Jibun Bank Japan PMI Services	Dec F	--	50.6	--
08/01		Labor Cash Earnings YoY	Nov	-0.2=1%	0.5%	0.0%

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1197	0.32	1.1206	1.1157	-0.15
GBPUSD	1.3171	0.67	1.3175	1.3064	-0.63
USDJPY	108.37	0.26	108.51	107.77	-0.20
AUDUSD	0.6940	-0.14	0.6968	0.6925	-1.20
EURGBP	0.8502	-0.37	0.8545	0.8493	0.48
USDMYR	4.1035	0.02	4.1115	4.1000	0.31
EURMYR	4.5933	0.51	4.5933	4.5763	0.13
JPYMYR	3.8024	0.10	3.8080	3.7938	0.91
GBPMYR	5.3801	0.14	5.3811	5.3628	0.05
SGDMYR	3.0402	0.03	3.0438	3.0371	-0.03
AUDMYR	2.8513	0.01	2.8553	2.8460	-0.57
NZDMYR	2.7351	0.09	2.7378	2.7276	-0.64
CHFMYR	4.2320	0.29	4.2345	4.2200	0.10
CNYMYR	0.5886	0.04	0.5895	0.5882	0.11
HKDMYR	0.5282	0.19	0.5289	0.5268	0.49
USDSGD	1.3493	0.00	1.3512	1.3485	0.23
EURSGD	1.5109	0.30	1.5120	1.5056	0.09
GBPSGD	1.7772	0.57	1.7777	1.7627	-0.40
AUDSGD	0.9364	-0.20	0.9400	0.9349	-0.89

Source: Bloomberg

Forex

MYR

- MYR traded in a tight range against the USD within 4.1000-4.1115 in Monday's muted session as markets await further development in US-Iran standoff. **MYR finished little changed at 4.1035** alongside regional Asian peers that were kept around respective recent ranges.
- **Daily outlook for MYR is neutral** expecting the local unit to continue trading within the 4.1000 - 4.1200 range as risk-off mode eased slightly while investors wait for more US-Iran related development. **MYR medium term outlook is still bearish** taking into account solid US fundamentals/data in 1Q20 that is expected to keep USD supported.

USD

- Dollar reversed gains and weakened against major peers save for the yen and Aussie. The sterling was the major winner of the day. **The Dollar index slipped by 0.17% to 96.67.**
- **USD looks set to trade on a mixed note** against its major peers amidst an easing of risk-off mode. **Medium term dollar outlook is still bullish**, supported by solid US fundamentals and data.

EUR

- **EUR regained footing to finish 0.32% higher at 1.1197** against the USD, boosted by the jump in the Sentix Investor Confident Index.
- **EUR daily outlook is slightly bullish** for now as market retest 1.1200 key handle after being rejected in previous American session. A break above 1.1200 would open up potential climb to 1.1220 but a lack of driver would likely keep the currency below 1.1200 in the Asian session ahead of key data namely Eurozone HICP inflation and US ISM services index. **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 rebounded to gain 0.67% against the USD at 1.3173**, boosted by the better-than-expected Markit Services PMI that shows a lift in business sentiment.
- **GBP was seen trading near 1.3180 this morning, daily outlook is neutral** as PMI-inspired gain is likely short-lived as Brexit uncertainty return into focus ahead of PM Boris Johnson meeting with European Commission President Ursula von der Leyen on Wednesday. **Medium term outlook is neutral** for now, awaiting more Brexit-related development.

JPY

- **JPY** reversed some of previous gains, **finishing 0.26% lower at 108.37 vs the USD.**
- **USDJPY daily outlook is neutral for now and is likely hovering at 108.20-108.60** as risk-off sentiments eased for now. **JPY medium term outlook is neutral for now** awaiting development in US-Iran tension.

AUD

- **AUD extended further losing streak against the USD, closing 0.14% lower at 0.6940.**
- **AUD daily outlook is still bearish** despite an easing of risk-off sentiment as concerns over the country's wildfire remain high. Futures priced in higher chances of an RBA February rate cut compared to a week ago. **Medium term outlook is neutral for now** amidst lower risk of a US-China trade war escalation, while we assess the impact the wild fire has on the economy.

SGD

- **SGD was unchanged against the USD at 1.3493**
- **SGD is expected to trade neutral today** alongside regional Asian peers as risk-off mode eased for now. **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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