January 8, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks reversed some gains overnight, alongside lower oil prices as markets remained concerns over US-Iran tensions after Iran openly vowed retaliation** for the killing of its top Commander General Qassem Soleimani whose funeral was attended by hundreds of thousands of mourners yesterday. The Dow Jones dropped 0.4% whereas the S&P 500 slipped 0.3% and NASDAQ was little changed. Energy shares fell as crude oils edged lower by 0.9% Brent crude last traded at $68.27/barrel on Tuesday. **Treasuries yields closed mixed** between -0.4 to +2bps along the curve. **Gold prices remains elevated and continued to climb higher** at $1574.37/troy ounce. The greenback recovered on better ISM non-manufacturing data. Sterling slipped on BOE Governor Mark Carney's dovish comment, Aussie was the top loser amidst wildfire concerns. **Asian stocks are set to fall today over fresh retreat in risk sentiment in respond to breaking news that US forces in Iraq are under attack by Iranian ballistic missiles.**

- **US data were mixed. ISM Non-manufacturing PMI beat estimate at 55.0** in December alongside smaller trade deficit at $43.1b in November. **Factory orders however slipped** by 0.7% MOM in November, reflecting entrenched factory weakness. **Eurozone data were upbeat** as HICP inflation accelerated to 1.3% YOY in December on higher energy prices. Retail sales also gained more than expected by 1.0% MOM in November. **Japan data turned out poor** as services PMI slipped back to below 50 and wages declined 0.2% MOM, its first drop in three months.

- The greenback recovered on better ISM non-manufacturing data as it strengthened against most major counterparts**. The Dollar Index added 0.35% to just a tad above 97.0. USD looks set to continue its recovery** amidst a fresh retreat in risk sentiment following morning news that US forces in Iraq are under Iranian attack. Key data today is ADP private payrolls. **Medium term dollar outlook is still bullish**, supported by solid US growth outlook.

- **MYR finished stronger by 0.28% against the USD at 4.0920,** alongside its stronger Asian peers amidst an easing of risk-off sentiment on Tuesday. **Daily outlook for MYR is bearish** expecting the dollar to push the ringgit back above 4.1000 with a potential breach of the 4.1200 handle following a fresh retreat in risk sentiment in response to latest news on Iranian strikes on US forces in Iraq. **MYR medium term outlook is still bearish** taking into account solid US fundamentals/data in 1Q20 that is expected to keep USD supported.

- **SGD ended little changed against the USD at 1.3497. SGD daily outlook is bearish in a strong dollar environment as it is expected to trade weaker** alongside regional EMs in a risk-off mode. **Medium term outlook is bearish** on stronger dollar that is supported by solid US growth outlook.

Overnight Economic Data	
US	→
Eurozone	↑
Japan	↓

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US MBA Mortgage Applications, ADP Employment Change
- Eurozone Economic Confidence, Consumer Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1120	1.1150	1.1162	1.1180	1.1200	↘
GBPUSD	1.3000	1.3050	1.3115	1.3180	1.3210	↘
USDJPY	107.00	107.50	107.70	108.00	108.50	↘
AUDUSD	0.6800	0.6830	0.6852	0.6880	0.6900	↘
EURGBP	0.8435	0.8460	0.8516	0.8550	0.8600	→
USDMYR	4.0950	4.1000	4.1118	4.1200	4.1300	↗
EURMYR	4.5700	4.5760	4.5900	4.6000	4.6100	↗
JPYMYR	3.7600	3.7870	3.8175	3.8300	3.8500	↗
GBPMYR	5.3200	5.3500	5.3909	5.4080	5.4380	↘
SGDMYR	3.0325	3.0350	3.0406	3.0450	3.0500	↗
AUDMYR	2.8060	2.8100	2.8173	2.8200	2.8260	↘
NZDMYR	2.7030	2.7100	2.7235	2.7274	2.7380	→
USDSGD	1.3475	1.3500	1.3523	1.3535	1.3550	↗
EURSGD	1.5040	1.5070	1.5092	1.5120	1.5140	↗
GBPSGD	1.7625	1.7700	1.7727	1.7780	1.7850	→
AUDSGD	0.9230	0.9250	0.9264	0.9280	0.9300	↘

* 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	1,611.04	0.83	1.40	CRB Index	186.93	-0.25	0.61
Dow Jones Ind.	28,583.68	-0.42	0.16	WTI oil ($/bbl)	62.70	-0.90	2.69
S&P 500	3,237.18	-0.28	0.20	Brent oil ($/bbl)	68.27	-0.93	3.44
FTSE 100	7,573.85	-0.02	0.42	Gold (S/oz)	1,574.37	0.55	3.97
Shanghai	3,104.80	0.69	1.79	CPO (RM/tonne)	3,064.00	0.23	1.27
Hang Seng	28,322.06	0.34	0.47	Copper ($/tonne)	6,138.50	0.15	-0.57
STI	3,247.86	0.90	0.78	Rubber (sen/kg)	458.00	0.44	1.22

Source: Bloomberg

➢ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US Trade Balance	Nov	-$43.1b	-$46.9b (revised)	-$43.7b
US ISM Non-Manufacturing Index	Dec	55.0	53.9	54.5
US Factory Orders	Nov	-0.7%	0.2% (revised)	-0.8%
US Durable Goods Orders	Nov F	-2.1%	0.2%	-2.0%
US Cap Goods Orders Nondef Ex Air	Nov F	0.2%	1.0%	--
EU Retail Sales MOM	Nov	1.0%	-0.3% (revised)	0.7%
EU CPI Estimate YOY	Dec	1.3%	1.0%	1.3%
EU CPI Core YOY	Dec P	1.3%	1.3%	1.3%
JP Jibun Bank Japan PMI Services	Dec F	49.4	50.3	--
JP Labor Cash Earnings YoY	Nov	-0.2%	0.0% (revised)	-0.2%

Source: Bloomberg

\

- ***US ISM Non-manufacturing PMI beat estimate:*** The ISM non-manufacturing index beat estimate to record a higher than expected reading of 55.0 in December (Nov: 53.9) that indicates a quicker expansion in services sector activity at year end. The gain in headline reading was led mainly by the nearly 6pts increase in production. New orders continued to pick up albeit at a much slower pace while hiring remained strong that spells good outcome for Friday's NFP payrolls.

- ***US trade deficit narrowed to three-year low:*** US trade deficit shrank to three-year low of $43.1b in November (Oct: -$46.9b), as exports rebounded to increase 0.7% MOM (Oct: -0.1%) whereas imports continued to decline albeit by a smaller magnitude of 1.0% (Oct: -1.7%) Deficit with China also slipped to $26.37b (Oct: -$31.3b) ahead of the phase one trade deal in December. Deficit has been trending down in the recent months and would be a boon to 4QGDP.

- ***Declines in transportation order dragged down US factory orders:*** Headline factory orders reversed previous month's gain to record a 0.7% MOM decline in November (Oct: +0.2%), its third contraction within four months, led by a sharp fall in orders for transportation equipment (-5.9% vs 0.0%). Durable goods order, a subcategory that tracks orders for goods lasting at least three years fell by 2.1% MOM (Oct: +0.2%). The closely watched nondefense capital goods excluding aircrafts picked up 0.2% MOM (Oct: +1.0%) to signal only a minor rise in business capex. The overall report reflects sustained weakness in US manufacturing industry.

- ***Eurozone inflation accelerated on higher energy prices; retail sales beat expectation:*** The headline HICP inflation for all items rose to 1.3% YOY in December (Nov: +1.0%) on higher energy prices as oil prices went up last month. The core reading was held steady at 1.3% YOY for the second month in a row, supported by firmer services inflation, giving some comfort to the ECB despite it's still too early to say that prices are picking up and returning back to the central bank's target. In a separate note, retail sales also came in stronger than expected, recording an impressive growth of 1.0% MOM in December (Nov: -0.3% revised), attributing to Black Friday sales and generally the rise in spending ahead of Christmas.

- ***Japan services sector slumped to contraction:*** Japan services sector activity returned to contraction in December as the Jibun Bank Japan Services PMI slipped to 49.4 (Nov: 50.3) according to a final reading after a short-lived rebound in November. The decline was reported to be the largest in over three years, ending the worst quarterly economic performance since 3Q16 according to Markit. Underlying conditions remained weak in Japan despite an increase in new orders, business from international clients also contracted for the first time since June. The latest services print, alongside yesterday's contracting manufacturing PMI (48.4) built stronger case for a contraction in Japan's 4Q19 GDP.

- ***Japan wages fell in November***: Labour cash earnings dropped more than expected by 0.2% YOY in November (Oct: 0.0% revised) while October data was revised from an initially estimated 0.5% growth to a flat 0.0% reading. November's print marks wages first decline in three months following a two months of lacklustre showings, confirming that the tightness in labour market fails to lead to higher pays for workers. The government's repeated calls for Japanese firms to raise wages do not seem to work as well. Details show that regular pay held steady at 0.2% YOY growth whereas overtime payment, a barometer of corporate activity slipped by a sharper 1.9% YOY (Oct: -0.1%).

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
08/01	**Malaysia**	**Foreign Reserves**	**Dec-31**	**--**	**$103.3b**	**--**
08/01	**US**	**MBA Mortgage Applications**	**Jan-03**	**--**	**-5.3%**	**--**
		ADP Employment Change	**Dec**	**160k**	**67k**	**--**
09/01		Initial Jobless Claims	Jan-04	220k	222k	--
08/01	**Eurozone**	**Economic Confidence**	**Dec**	**101.4**	**101.3**	**--**
		Consumer Confidence	**Dec F**	**--**	**-8.1**	**--**
09/01		Unemployment Rate	Nov	7.5%	7.5%	--
09/01	China	PPI YOY	Dec	-0.4%	-1.4%	--
		CPI YOY	Dec	4.7%	4.5%	--
09/01	Australia	Trade Balance	Nov	A$4,200m	A$4,502m	--
		Westpac Consumer Conf Index	Jan	--	95.1	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1153	-0.39	1.1198	1.1134	-0.56
GBPUSD	1.3126	-0.34	1.3212	1.3095	-1.05
USDJPY	108.44	0.06	108.63	108.26	-0.18
AUDUSD	0.6870	-1.01	0.6943	0.6859	-2.21
EURGBP	0.8498	-0.05	0.8527	0.8466	0.48
USDMYR	4.0920	-0.28	4.1035	4.0885	0.02
EURMYR	4.5767	-0.36	4.5940	4.5667	-0.24
JPYMYR	3.7730	-0.77	3.7857	3.7615	0.13
GBPMYR	5.3967	0.31	5.4080	5.3735	0.36
SGDMYR	3.0360	-0.14	3.0415	3.0354	-0.17
AUDMYR	2.8259	-0.89	2.8466	2.8258	-1.45
NZDMYR	2.7263	-0.32	2.7372	2.7220	-0.96
CHFMYR	4.2222	-0.23	4.2357	4.2108	-0.13
CNYMYR	0.5901	0.26	0.5902	0.5857	0.37
HKDMYR	0.5264	-0.34	0.5278	0.5250	0.15
USDSGD	1.3497	0.03	1.3515	1.3477	0.34
EURSGD	1.5054	-0.36	1.5109	1.5042	-0.22
GBPSGD	1.7715	-0.32	1.7809	1.7685	-0.71
AUDSGD	0.9272	-0.98	0.9367	0.9268	-1.81

Source: Bloomberg

➢Forex

MYR

- **MYR finished stronger by 0.28% against the USD at 4.0920,** alongside its stronger Asian peers amidst an easing of risk-off sentiment on Tuesday.
- **Daily outlook for MYR is bearish** expecting the dollar to push the ringgit back above 4.1000 with a potential breach of the 4.1200 handle following a fresh retreat in risk sentiment in response to latest news on Iranian strikes on US forces in Iraq. **MYR medium term outlook is still bearish** taking into account solid US fundamentals/data in 1Q20 that is expected to keep USD supported.

USD

- The greenback recovered on better ISM non-manufacturing data as it strengthened against most major counterparts**. The Dollar Index added 0.35% to just a tad above 97.0.**
- **USD looks set to continue its recovery** amidst a fresh retreat in risk sentiment following morning news that US forces in Iraq are under Iranian attack. Key data today is ADP private payrolls. **Medium term dollar outlook is still bullish**, supported by solid US growth outlook.

EUR

- **EUR finished 0.39% lower against the USD at 1.1153** as the dollar was boosted by upbeat ISM non-manufacturing Index.
- **EUR** is seen struggling around 1.1150 handle this morning, **daily outlook is bearish** on stronger dollar that is likely to benefit from fresh risk-off sentiment. 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 reversed some gains to end 0.34% lower against the USD at 1.3126** on BOE Governor Mark Carney's dovish remark amidst stronger dollar environment.
- **GBP daily outlook is bearish as the dollar is expected to recover further with risk sentiment turning poorer.** Focus returns to debate on PM Boris Johnson's EU Withdrawal Agreement at Parliament. MPs will vote on the bill next Thursday. **Medium term outlook is neutral** for now, awaiting more Brexit-related development.

JPY

- **JPY reversed some of previous gains, finishing 0.06% softer at 108.44 vs the USD.**
- USDJPY slipped by 70pips this morning to below 108.00 in response to breaking news that US forces are under Iranian attack in Iran. **JPY daily outlook is bullish** as this alleged retaliation by Iran likely leads to a flight to safe havens assets. **Medium term outlook is driven by current geopolitical events,** of which an escalation in the current US-Iran conflicts would lead to a stronger JPY.

AUD

- **AUD was the major loser on Tuesday as it slumped by over 1.0% to finish at 0.6870 versus the USD.**
- AUD rolled into the Asian session at 0.6870 and is seen under pressure around 0.6850. **Daily outlook is still bearish** as it is expected to extend current losing streak amidst a fresh retreat in risk sentiment, not to mention the ongoing concerns over the impact of wildfire has on the Australian economy. **Medium term outlook turns bearish** as markets continue to raise bets on possibility of an RBA rate cut in early February.

SGD

- **SGD ended little changed against the USD at 1.3497.**
- **SGD daily outlook is bearish in a strong dollar environment as it is expected to trade weaker** alongside regional EMs in a risk-off mode. **Medium term outlook is bearish** on stronger dollar that is supported by solid US growth outlook.

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