

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

➤ **US stocks extended further gains overnight on hopes an escalation in the Middle-east tension is slim** despite Iran's attack on US forces in Iraq on Tuesday. Iran's Foreign Minister Javad Zarif said that they weren't seeking escalation or war after a missile attack on US base that involved no casualty while President Trump responded by adding that the US was "ready to embrace peace", suggesting no further actions from both Washington and Tehran that could lead to a broader conflict. The Dow Jones, S&P 500 and NASDAQ rose 0.5-0.7% at the end of the day. **The easing in risk-off mode led treasuries yields to recover** and add 4-6bps after slipping sharply in the immediate response to the attack. 10Y UST yields finished 6bps higher at 1.88%. **Gold price snapped winning streak** as it retreated to \$1,556.42/troy ounce whereas **crude oils collapsed around 4-5%**, giving up recent gains. Brent crude settled at \$65.44/barrel. The greenback continued to strengthen across the board as the dollar benefitted from the tone-down in hostility. Yen was the major loser as USDJPY broke past 109.00.

➤ **Data was scanty but enough to reinforce hopes that the US economy remains on firm footing.** ADP showed the private sector added a remarkable 202k new jobs in the US during the last month of the year while November job gains were revised substantially higher to 124k, confirming that the US labour market remains strong. Mortgage applications also surged in the US as borrowing costs fell. **Over in Eurozone, economic confidence held up pretty well in December**, as slightly softer confidence among consumers was cushioned by steady business sentiments. Australia recorded a larger than expected trade surplus of A\$5.8b in November. Back home, foreign reserves inched slightly higher to \$103.6bn as at end-December.

• The greenback continued to strengthen across the board as the dollar benefitted from the tone-down in hostility. **The Dollar Index added another 0.30% to 97.299. USD is expected to remain strong today** amidst major relief that US and Iran would not go to war, and simultaneously supported by a solid ADP job data. A strong NFP showing on Friday would likely provide a boost to USD in the short term. **Medium term dollar outlook is still bullish**, supported by solid US growth outlook.

• **MYR slipped by 0.22% alongside its regional Asian peers against the stronger USD at 4.1010** on Wednesday in response to news of Iranian missile strikes on US forces in Iraq. **Daily outlook for MYR is still bearish** expecting the ongoing dollar strength to continue keeping USDMYR above 4.1000 with a potential breach of the 4.1200 handle amidst a retreat in risk-off mode. **MYR medium term outlook is still bearish**, expecting the USD to be well supported by solid data in 1Q20.

• **SGD slipped by 0.1% to 1.3511 against the USD amidst broad dollar strength. SGD daily outlook is neutral to slightly bearish in a strong dollar environment. Medium term SGD outlook is bearish**, expecting the dollar to be well supported by solid US data in 1Q20.

#### Overnight Economic Data

Malaysia	↑
US	↑
Eurozone	→
Australia	↑

#### What's Coming Up Next

##### Major Data

- US Initial Jobless Claims
- Eurozone Unemployment Rate
- China CPI, PPI

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0980	1.1100	1.1113	1.1120	1.1250	→
GBPUSD	1.3000	1.3050	1.3108	1.3170	1.3210	→
USDJPY	108,70	109.00	109.19	109.30	109.50	→
AUDUSD	0.6830	0.6850	0.6875	0.6880	0.6900	↗
EURGBP	0.8435	0.8460	0.8480	0.8505	0.8550	→
USDMYR	4.0800	4.0850	4.0907	4.1000	4.1100	↗
EURMYR	4.5300	4.5400	4.5470	4.5600	4.5700	↘
JPYMYR	3.7300	3.7400	3.7463	3.7615	3.7740	↘
GBPMYR	5.3200	5.3500	5.3622	5.3800	5.3930	↘
SGDMYR	3.0250	3.0275	3.0303	3.0350	3.0400	↘
AUDMYR	2.8020	2.8060	2.8118	2.8200	2.8260	↘
NZDMYR	2.6600	2.6630	2.6648	2.6680	2.6700	→
USDSGD	1.3450	1.3475	1.3501	1.3525	1.3550	↗
EURSGD	1.4970	1.4980	1.5004	1.5030	1.5050	→
GBPSGD	1.7550	1.7625	1.7700	1.7780	1.7850	→
AUDSGD	0.9250	0.9265	0.9280	0.9300	0.9325	↗

\* 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	1,589.10	-1.36	0.02	CRB Index	183.38	-1.90	-1.30
Dow Jones Ind.	28,745.09	0.56	0.72	WTI oil (\$/bbl)	59.61	-4.93	-2.37
S&P 500	3,253.05	0.49	0.69	Brent oil (\$/bbl)	65.44	-4.15	-0.85
FTSE 100	7,574.93	0.01	0.43	Gold (S/oz)	1,556.42	-1.14	2.65
Shanghai	3,066.89	-1.22	0.55	CPO (RM/tonne)	3,061.50	-0.08	1.19
Hang Seng	28,087.92	-0.83	-0.36	Copper (\$/tonne)	6,149.00	0.17	-0.40
STI	3,245.89	-0.06	0.72	Rubber (sen/kg)	462.00	0.00	2.10

Source: Bloomberg

## ➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA Foreign Reserves	Dec-31	\$103.6b	\$103.3b	--
US MBA Mortgage Applications	Jan-03	13.5%	-5.3%	--
US ADP Employment Change	Dec	202k	124k (revised)	160k
EU Economic Confidence	Dec	101.5	101.2 (revised)	101.4
EU Consumer Confidence	Dec F	-8.1	-7.2	--
AU Trade Balance	Nov	A\$5.8b	A\$4.08b (revised)	A\$4.1b

Source: Bloomberg

- Strong job growth in US private sector:** The US private sector added a remarkable 202k new jobs in December (Nov: 124k revised), it's largest gain in eight months according to the latest ADP National Employment Report. The number of payroll gains in November was also revised from 67k to 124k, reflecting a stronger than expected hiring momentum at the end of 2019. Job growth in December came from construction and the broader services sector whereas manufacturing continued to report job losses. The strong showings set a stage for a solid NFP nonfarm payroll number due on Friday.
- US mortgage applications surged as borrowing costs fell:** Mortgage applications jumped by 13.5% in the week ended 3 January (previous: -13.2%) following three weeks of consecutive decline. The gain was driven mainly by a nearly 25% jump in refinancing applications as existing home owners took opportunities of the lower mortgage rates, a result of lower treasuries yields last week to refinance their loans. Applications for new purchases picked up 3.0% (previous: +2.0%) reflecting the currently rising demand in the housing market.
- Eurozone sentiment broadly unchanged in December:** The European Commission Economic Sentiment Indicator (ESI) edged up slightly to 101.5 in December (Nov: 101.2) to indicate broadly unchanged sentiment in the Euro area. The stabilization of ESI reflects markedly higher confidence in services sector, construction and retail trade as confidences fell among consumers (-8.1 vs -7.1) and was little changed in industry. The services sector appeared more optimistic over growth outlook whereas consumers seem worried their future financial conditions.
- Australia recorded larger than expected trade surplus:** Australia recorded A\$5.8b trade surplus in November (Oct: A\$4.08b revised), beating analysts' estimate that called for a smaller surplus of A\$4.1b. The larger balance reflects a 1.8% MOM increase in exports (Oct: -3.8%) and a 2.8% MOM decline in imports (Oct: +0.3%). Exports to China picked up by 8.7% MOM (Oct: -9.8%).
- Malaysia foreign reserves picked up at year end:** The international reserves of Bank Negara Malaysia rose to \$103.6 billion as at 31 December 2019 which is sufficient to finance 7.5 months of retained imports and is 1.1 times total short-term external debt.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
10/01	Malaysia	Industrial Production YOY	Nov	1.1%	0.3%	--
<b>09/01</b>	<b>US</b>	<b>Initial Jobless Claims</b>	<b>Jan-04</b>	<b>220k</b>	<b>222k</b>	--
10/01		Change in Nonfarm Payrolls	Dec	160k	266k	--
		Unemployment Rate	Dec	3.5%	3.5%	--
		Average Hourly Earnings YOY	Dec	3.1%	3.1%	--
		Wholesale Inventories MOM	Nov F	0.0%	0.0%	--
<b>09/01</b>	<b>Eurozone</b>	<b>Unemployment Rate</b>	<b>Nov</b>	<b>7.5%</b>	<b>7.5%</b>	--
10/01	UK	Monthly GDP (MOM)	Nov	0.0%	0.0%	--
		Industrial Production MOM	Nov	0.0%	0.1%	--
		Visible Trade Balance GBP/Mn	Nov	-£11,700m	-£14,486m	--
10/01	Japan	Household Spending YOY	Nov	-1.8%	-5.1%	--
		Leading Index CI	Nov P	90.9	91.6	--
<b>09/01</b>	<b>China</b>	<b>PPI YOY</b>	<b>Dec</b>	<b>-0.4%</b>	<b>-1.4%</b>	--
		<b>CPI YOY</b>	<b>Dec</b>	<b>4.7%</b>	<b>4.5%</b>	--
10/01	Singapore	Retail Sales YOY	Nov	-4.1%	-4.3%	--
10/01	Australia	AiG Perf of Services Index	Dec	--	53.7	--
		Retail Sales MOM	Nov	0.4%	0.0%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1105	-0.43	1.1168	1.1102	-0.95
GBPUSD	1.3097	-0.22	1.3170	1.3081	-1.19
USDJPY	109.12	0.63	109.24	107.65	0.44
AUDUSD	0.6866	-0.06	0.6885	0.6849	-2.22
EURGBP	0.8480	-0.21	0.8517	0.8455	0.24
USDMYR	4.1010	0.22	4.1130	4.0915	0.24
EURMYR	4.5679	-0.19	4.5910	4.5634	-0.43
JPYMYR	3.7826	0.25	3.8194	3.7806	0.38
GBPMYR	5.4018	0.09	5.4025	5.3646	0.46
SGDMYR	3.0384	0.08	3.0445	3.0275	-0.09
AUDMYR	2.8205	-0.19	2.8273	2.8059	-1.64
NZDMYR	2.7327	0.23	2.7364	2.7122	-0.72
CHFMYR	4.2259	0.09	4.2549	4.2206	-0.04
CNYMYR	0.5909	0.13	0.5920	0.5906	0.50
HKDMYR	0.5274	0.19	0.5290	0.5261	0.34
USDSGD	1.3511	0.10	1.3526	1.3496	0.35
EURSGD	1.5003	-0.34	1.5102	1.4997	-0.59
GBPSGD	1.7695	-0.11	1.7781	1.7671	-0.84
AUDSGD	0.9276	0.04	0.9295	0.9255	-1.82

Source: Bloomberg

## Forex

### MYR

- **MYR slipped by 0.22% alongside its regional Asian peers against the stronger USD at 4.1010** on Wednesday in response to news of Iranian missile strikes on US forces in Iraq.
- **Daily outlook for MYR is still bearish** expecting the ongoing dollar strength to continue keeping USDMYR above 4.1000 with a potential breach of the 4.1200 handle amidst a retreat in risk-off mode. **MYR medium term outlook is still bearish**, expecting the USD to be well supported by solid data in 1Q20.

### USD

- The greenback continued to strengthen across the board as the dollar benefitted from the tone-down in hostility. **The Dollar Index added another 0.30% to 97.299.**
- **USD is expected to remain strong today** amidst major relief that US and Iran would not go to war, and simultaneously supported by a solid ADP job data. A strong NFP showing on Friday would likely provide a boost to USD in the short term. **Medium term dollar outlook is still bullish**, supported by solid US growth outlook.

### EUR

- **EUR extended further loss of 0.43% against the USD at 1.1105** in a strong dollar environment.
- EUR rolled in today's Asian session at just a tad above key 1.1100 support and is currently struggling around 1.1110. **Daily outlook is neutral**, expecting the pair to consolidate around 1.1100 – 1.1130 ahead of Friday's US NFP job report. **Medium term outlook is still bearish** on ECB's accommodative monetary policy stance and continued weaker growth outlook versus a more solid US economy.

### GBP

- **GBP finished 0.22% lower at 1.3097 against the USD amidst broad dollar strength.**
- **GBP daily outlook is neutral for now ahead of today's UK House of Commons' vote on PM Boris Johnson's EU Withdrawal Agreement** before heading to the Lords' next week. **Medium term outlook is neutral** for now, awaiting more Brexit-related development.

### JPY

- **JPY was the major loser on Wednesday finishing 0.63% weaker at 109.12** after the USD bounced off intraday and climbed further before breaking past 109.00 in the American session as markets took comfort that US and Iran would not go to war.
- **JPY daily outlook is neutral** to slightly bearish as USDJPY is expected to stay supported above 109.00 alongside higher Asian equities. **Medium term outlook is neutral for now, awaiting more US-Iran related development.**

### AUD

- **AUD was the little changed against the USD at 0.6866.**
- **Daily outlook is slightly bullish as AUD is expected to rebound on positive** trade report that shows Australia recorded a larger than expected trade surplus in November. **Medium term outlook is bearish** on rising possibility of an RBA rate cut in early February.

### SGD

- **SGD slipped by 0.1% to 1.3511 against the USD amidst broad dollar strength.**
- **SGD daily outlook is neutral to slightly bearish in a strong dollar environment.** **Medium term SGD outlook is bearish**, expecting the dollar to be well supported by solid US data in 1Q20.

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