

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global financial markets traded in risk on mode** for another day as D day of the **expected inking of a phase one trade deal** approaches. Investors also cheered a Bloomberg report, which was later confirmed by the official release from the Treasury Department's semi-annual foreign exchange report, that **China is spared from being "labeled" a currency manipulator** although it remained in the watch list together with other countries namely Japan, Korea, Germany, Italy, Ireland, Singapore, Malaysia and Vietnam, with Switzerland being the latest addition. **Major US benchmark equities all ended in the green** with the Nasdaq and S&P hitting fresh record high again led by the rally in tech stocks. Major stock Indices also closed generally higher in Europe and Asia earlier. **UST was sold off pushing yields up 1-3bps across the curve while gold prices plunged nearly 1.0%**, in the absence of safety bids. **Brent crude last settled at \$64.20/ barrel, down 1.2% on the day amid easing tension in the Gulf.**
- **Data is super light and limited to UK releases which surprised to the downside, hence heightening risks of a BOE rate cut in the near term.** Monthly GDP surprisingly fell 0.3% MOM in November bringing about a moderation to 0.6% YOY, its slowest in seven years. Industrial production also fell dragged by a hefty decline in the manufacturing sector. Visible trade deficit narrowed to its smallest in 14 years but that was due to a sharp drop in imports that added to signs of weaker domestic demand in the UK.
- **The Dollar Index narrowed gains to close flat at 97.35**, amid losses in the sterling and JPY, the former dented by weak UK data that heightened expectation for a near term BOE cut while the latter was dampened by paring of refuge demand. **USD is expected to remain neutral to slightly bearish today** in anticipation of the signing of US-China Phase One trade deal later this week. **Medium term dollar outlook is still bullish**, supported by still solid US growth outlook.
- **MYR continued to gain ground**, appreciating 0.35% vs the USD at 4.0625, driven by improving risk appetite that spurred demand for riskier EM currencies. **We remain bullish MYR today** in anticipation of sustained risk-on in the markets, supported by continuous trade optimism and absence of negative surprises from the US Treasury latest semi-annual FX report with no major trading partners labled as a currency manipulator. **MYR medium term outlook is still bearish**, expecting the USD to be well supported by solid data in 1Q20.
- **SGD continued to trade firmer but gains were notably more muted by only 0.03% vs the USD at 1.3466.** **SGD daily outlook is neutral with a bullish bias** ahead of the signing of US-China Phase One trade deal. **Medium term SGD outlook is bearish**, expecting the dollar to be well supported by solid US data in 1Q20.

Overnight Economic Data

UK



What's Coming Up Next

Major Data

- US NFIB Small Business Optimism, CPI
- Japan Economic Watcher Survey
- China Exports

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1100	1.1120	1.1140	1.1150	1.1170	➔
GBPUSD	1.2930	1.2960	1.2993	1.3000	1.3060	⬇
USDJPY	109.65	109.90	110.09	110.26	110.36	⬆
AUDUSD	0.6850	0.6880	0.6906	0.6915	0.6940	➔
EURGBP	0.8500	0.8559	0.8572	0.8585	0.8605	➔
USDMYR	4.0450	4.0550	4.0560	4.0590	4.0620	⬇
EURMYR	4.4926	4.5081	4.5184	4.5236	4.5313	⬇
JPYMYR	3.6780	3.6826	3.6848	3.6939	3.7038	⬇
GBPMYR	5.2511	5.2638	5.2702	5.2807	5.2990	⬇
SGDMYR	3.0096	3.0126	3.0138	3.0165	3.0180	⬇
AUDMYR	2.7977	2.7996	2.8007	2.8023	2.8039	⬇
NZDMYR	2.6855	2.6868	2.6881	2.6923	2.6948	⬇
USDSGD	1.3436	1.3449	1.3457	1.3500	1.3525	➔
EURSGD	1.4970	1.4980	1.4991	1.5030	1.5050	➔
GBPSGD	1.7421	1.7461	1.7487	1.7539	1.7596	➔
AUDSGD	0.9250	0.9280	0.9293	0.9325	0.9340	➔

* 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	1,584.73	-0.42	-0.25	CRB Index	183.01	-0.61	-1.50
Dow Jones Ind.	28,907.05	0.29	1.29	WTI oil (\$/bbl)	58.08	-1.63	-4.88
S&P 500	3,288.13	0.70	1.78	Brent oil (\$/bbl)	64.20	-1.20	-2.73
FTSE 100	7,617.60	0.39	1.00	Gold (\$/oz)	1,547.88	-0.93	2.04
Shanghai	3,115.57	0.75	2.15	CPO (RM/tonne)	3,114.00	0.60	2.93
Hang Seng	28,954.94	1.11	2.71	Copper (\$/tonne)	6,198.00	0.29	0.39
STI	3,251.07	-0.15	0.88	Rubber (sen/kg)	468.00	1.30	3.43

Source: Bloomberg

➤ Macroeconomics

- **Disappointing UK data could potentially reinforce BOE officials call for rate cut:** Monthly GDP unexpectedly fell 0.3% MOM in November (Oct: +0.1% MOM revised), translating into an 0.6% YOY increase. This was a moderation from the 1.0% YOY expansion in October and marked its slowest growth in seven years, signaling that the UK economy is losing momentum going into the final quarter of the year that would likely reinforce BOE's call for a rate cut. Separate release on industrial production also revealed that output unexpectedly fell 1.2% MOM in November (Oct: +0.4% revised), dragged by a hefty 1.7% MOM contraction in manufacturing output, which more than offset gains in electricity and mining. On a less negative note, trade deficit unexpectedly narrowed to £5.3bn in November (Oct: -£10.9bn revised), its smallest deficit in 14 years, as the decline in imports (-11.6% MOM) far outweighed the decline in exports (-2.2% MOM), reinforcing the case of weak domestic demand that would continue to pose risks to the UK economy going forward.

Economic Data

	For	Actual	Last	Survey
UK Monthly GDP (MOM)	Nov	-0.3%	0.1% (revised)	0.0%
UK Industrial Production MOM	Nov	-1.2%	0.4% (revised)	0.0%
UK Visible Trade Balance GBP/Mn	Nov	-£5,256m	-£10,947m (revised)	-£11,800m

Source: Bloomberg

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
14/01	US	NFIB Small Business Optimism	Dec	104.8	104.7	--
		CPI YOY	Dec	2.4%	2.1%	--
15/01		MBA Mortgage Applications	Jan-10	--	13.5%	--
		PPI Final Demand YOY	Dec	1.3%	1.1%	--
		Empire Manufacturing	Jan	4.0	3.5	--
15/01	Eurozone	Industrial Production SA MOM	Nov	0.4%	-0.5%	--
		Trade Balance SA	Nov	--	24.5b	--
15/01	UK	CPI YOY	Dec	1.5%	1.5%	--
14/01	Japan	Eco Watchers Survey Current SA	Dec	40.9	39.4	--
15/01		Machine Tool Orders YOY	Dec P	--	-37.9%	--
14/01	China	Exports YOY	Dec	2.5%	-1.3%	--
		Imports YOY	Dec	9.6%	0.3%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1134	0.12	1.1147	1.1113	-0.68
GBPUSD	1.2989	-0.57	1.3064	1.2961	-1.99
USDJPY	109.95	0.46	109.95	109.45	1.22
AUDUSD	0.6904	0.04	0.6920	0.6882	-1.72
EURGBP	0.8572	0.71	0.8582	0.8522	1.32
USDMYR	4.0625	-0.35	4.0910	4.0610	-0.70
EURMYR	4.5156	-0.37	4.5311	4.5153	-1.57
JPYMYR	3.7039	-0.50	3.7181	3.7037	-1.71
GBPMYR	5.2824	-0.90	5.3167	5.2769	-1.76
SGDMYR	3.0170	-0.15	3.0230	3.0150	-0.80
AUDMYR	2.8075	0.15	2.8126	2.8057	-2.10
NZDMYR	2.6950	-0.16	2.7036	2.6944	-2.09
CHFMYR	4.1765	-0.24	4.1852	4.1742	-1.21
CNYMYR	0.5896	0.12	0.5897	0.5877	0.28
HKDMYR	0.5227	-0.48	0.5244	0.5227	-0.55
USDSGD	1.3466	-0.13	1.3494	1.3459	0.06
EURSGD	1.4994	-0.03	1.5007	1.4969	-0.61
GBPSGD	1.7490	-0.72	1.7626	1.7461	-1.93
AUDSGD	0.9296	-0.12	0.9316	0.9282	-1.60

Source: Bloomberg

Forex

MYR

- **MYR** continued to gain ground, **appreciating 0.35% vs the USD at 4.0625**, driven by improving risk appetite that spurred demand for riskier EM currencies.
- **We remain bullish MYR today** in anticipation of sustained risk-on in the markets, supported by continuous trade optimism and absence of negative surprises from the US Treasury latest semi-annual FX report with no major trading partners being labeled as a currency manipulator. **MYR medium term outlook is still bearish**, expecting the USD to be well supported by solid data in 1Q20.

USD

- **The Dollar Index narrowed gains to close flat at 97.35**, amid losses in the sterling and JPY, the former dented by weak UK data that heightened expectation for a near term BOE cut while the latter was dampened by paring of refuge demand.
- **USD is expected to remain neutral to slightly bearish today** in anticipation of the signing of US-China Phase One trade deal later this week. **Medium term dollar outlook is still bullish**, supported by still solid US growth outlook.

EUR

- **EUR** continued to post mild gain, **strengthening 0.12% against the USD at 1.1134** as the greenback pared gains amid improving risk appetite in the markets.
- **Daily outlook remains neutral** with a slight bullish bias expecting continued weakness in the USD. **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 plunged 0.57% against the USD at 1.2989** yesterday, losing its 1.30 key handle after reports showed the UK economy grew at its slowest pace in seven years in November and industrial production surprisingly fell.
- **GBP is expected to remain weak** on increasing expectations of a near term BOE rate cut but stand a chance to recoup recent losses on technical reasons. **Medium term outlook is neutral** now as PM Boris Johnson's Brexit bill is expected to be signed off by the House of Lords before going to the European Parliament that likely to lead Britain finally leaving the EU on 31 Jan.

JPY

- **JPY weakened 0.46% to 109.95 vs the USD** on the back of paring of demand for refuge as markets hung on to expected inking of the US-China phase one trade deal.
- **JPY daily outlook is bearish** amid lingering risk-on sentiments although we opine losses could be limited approaching the 110 handle. **Medium term JPY outlook is neutral** for now amidst easing geopolitical risk and positive trade outlook.

AUD

- **AUD closed flat against the USD at 0.6904** after a day of roller coaster ride.
- **AUD daily outlook is neutral to slightly bullish supported by risk-on market sentiments but upside appears to be capped by 0.6920 for now as the country continues to juggle with the impact of wildfire. Medium term outlook is bearish** on rising possibility of an RBA rate cut in early February.

SGD

- **SGD** continued to trade firmer but gains were notably more muted by only **0.03% vs the USD at 1.3466**.
- **SGD daily outlook is neutral with a bullish bias** ahead of the signing of US-China Phase One trade deal. **Medium term SGD outlook is bearish**, expecting the dollar to be well supported by solid US data in 1Q20.

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