

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks broadly ended lower overnight as investors took in news that the United States would not slash current tariffs on Chinese goods until after November general election.** The removal or reduction of tariffs would depend on China's compliance with the Phase One trade deal slated to be signed today at Washington DC. Nonetheless, a December announcement over the 50% cut in the current 15% tariffs on some \$120b of Chinese goods is still expected to take effect. The blue chip Dow Jones Industrial Average edged up slightly by 0.11% on solid banks earnings. The broader S&P500 and NASDAQ dropped around 0.2%. US bond yields tipped lower by 2-4bps. **The yuan rose as the US dropped its "currency manipulator" label on China.** Gold prices moved down a little to \$1546.39 while crude oils picked up 0.3-0.5%; Brent crude finished at \$64.49/barrel.
- On the data front, **US December headline and core CPI both missed forecast on a monthly basis due to a surprise pull-back in gain in housing cost.** However, on an annual basis, headline CPI inflation accelerated to 2.3% YOY on higher energy prices and core CPI gain was steady at 2.3% for the third straight month. Meanwhile, the NFIB Small Business Optimism Index slipped to 102.7 in December as small firms' confidence eased at year end. Japan Economic Watcher Survey reflected mixed outlook. **China exports rose 7.6% YOY in December, its first increase in five months and imports jumped by 16.3% ahead of the Lunar New Year Celebration later this month.**
- The greenback's performance was uneven across the FX board with the Swiss Franc being the major winner while New Zealand dollar the top loser among major currencies. The dollar index was virtually unchanged at 97.345. **USD is expected to remain neutral** and trade sideways against major currencies as markets turn cautious in anticipation of the signing of US-China Phase One trade deal today. **Medium term dollar outlook is still bullish**, supported by still solid US growth outlook.
- **MYR snapped gaining streak to finish 0.25% lower against the USD at 4.0725** as the dollar rebounded and corrected amidst an oversold condition. **MYR daily outlook is slightly bearish** expecting USDMYR to continue recover back above 4.0800-4.1000 range in the short term amidst news that US tariffs on Chinese goods will remain in place. Nonetheless we look towards today's signing of the US-China Phase One trade deal for more information. **MYR medium term outlook is still bearish**, expecting the USD to be well supported by solid data in 1Q20.
- **SGD ended virtually unchanged against the USD at 1.3468. SGD daily outlook is neutral** 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

US	➔
Japan	➔
China	⬆

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, PPI Final Demand, Empire Manufacturing
- Eurozone Industrial Production, Trade Balance
- UK CPI
- Japan Machine Tool Orders

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1100	1.1120	1.1130	1.1150	1.1180	➔
GBPUSD	1.2950	1.3000	1.3024	1.3060	1.3084	➔
USDJPY	109.45	109.70	109.95	110.00	110.20	➔
AUDUSD	0.6850	0.6880	0.6897	0.6915	0.6940	➔
EURGBP	0.8500	0.8525	0.8546	0.8550	0.8600	➔
USDMYR	4.0600	4.0700	4.0810	4.0900	4.1000	↗
EURMYR	4.5335	4.5300	4.5422	4.5546	4.5600	↗
JPYMYR	3.7020	3.7035	3.7122	3.7180	3.7350	↗
GBPMYR	5.2670	5.2880	5.3130	5.3227	5.3376	↗
SGDMYR	3.0200	3.0230	3.0275	3.0300	3.0335	↗
AUDMYR	2.8000	2.8060	2.8142	2.8200	2.8275	↗
NZDMYR	2.6855	2.6900	2.6969	2.7036	2.7100	➔
USDSGD	1.3445	1.3460	1.3479	1.3490	1.3500	➔
EURSGD	1.4970	1.4980	1.5000	1.5030	1.5050	➔
GBPSGD	1.7450	1.7500	1.7542	1.7600	1.7634	➔
AUDSGD	0.9250	0.9280	0.9297	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	1,580.60	-0.26	-0.51	CRB Index	183.64	0.35	-1.16
Dow Jones Ind.	28,939.67	0.11	1.41	WTI oil (\$/bbl)	58.23	0.26	-4.63
S&P 500	3,283.15	-0.15	1.62	Brent oil (\$/bbl)	64.49	0.45	-2.29
FTSE 100	7,622.35	0.06	1.06	Gold (\$/oz)	1,546.39	-0.10	2.15
Shanghai	3,106.82	-0.28	1.86	CPO (RM/tonne)	3,093.00	-0.67	2.23
Hang Seng	28,885.14	-0.24	2.47	Copper (\$/tonne)	6,290.00	1.48	1.88
STI	3,270.54	0.60	1.48	Rubber (sen/kg)	468.00	-0.64	3.43

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US NFIB Small Business Optimism	Dec	102.7	104.7	104.8
US CPI YOY	Dec	2.3%	2.1%	2.4%
JP Eco Watchers Survey Current SA	Dec	39.8	39.4	40.9
CN Exports YOY	Dec	7.6%	-1.3%	2.5%
CN Imports YOY	Dec	16.3%	0.3%	9.6%

Source: Bloomberg

➤ Macroeconomics

- US inflation missed expectations** : US headline CPI fell short of expectation to increase 0.2% MOM in December (Nov: +0.3%) while core inflation also eased to 0.1% MOM (Nov: +0.2%) on a surprising pull-back in the rise of housing cost which makes up 42% of the CPI basket. On an annual basis, headline CPI inflation accelerated to 2.3% YOY (Nov: +2.1%), its fastest pace in more than a year, driven by spike in energy cost (+3.4% vs -0.6%). Gain in core CPI was held steady at 2.3% YOY for the third consecutive month with core services inflation staying at 3.0% YOY. Given that the higher gain in annual headline CPI was a result of higher energy prices which tend to be volatile, the MOM undershot of both headline and core CPI suggests that the Fed will keep the currently low rate steady for a long period of time especially after the key wage growth gauge, average weekly earnings eased to 2.9% YOY in the same month.
- US small business confidence eased at year end**: The NFIB Small Business Optimism Index slipped to 102.7 in December (Nov: 104.7), below consensus estimate of 104.6 as confidence level among US small firms unexpectedly eased in the last month of 2019. The retreat in sentiment reflects fewer small businesses that plan to raise hiring and business capital despite more firms expecting economy and real sales to improve. Nonetheless, the index finished 2019 on a strong note as firms were generally upbeat throughout the year amidst a solid labour market that supported consumer spending.
- Japan Economic Watcher Survey reflects mixed outlook**: The Economic Watcher Survey reported that the current condition index picked up a little to 39.8 in December (Nov: 39.4) while the outlook index dropped to 45.4 (Nov: 45.7) reflecting mixed perception over the state of the economy.
- China front loaded exports ahead of Lunar New Year, trade deal**: China exports rose for the first time in five months, recording an increase of 7.6% YOY in dollar term in December (Nov: -1.3%). Imports on the other hand jumped by a whopping 16.3% YOY in what appears to be a pent-up demand condition ahead of the Lunar New Year celebration in late January. Firms tend to ramp up exports and imports a month before the annual festivity season when the nation normally go on a week-long holiday. For the year, China total trade went up by 0.5% in 2019 while imports declined 2.8%. Imports had been underperforming since late 2018 and throughout 2019 in a year when China experienced softer consumer spending and weaker manufacturing growth. Trade surplus widened to \$46.7b in December (Nov: \$37.62b revised). Overall China data had improved in the final months of 2019 suggesting that the economy is stabilizing. While global demand remains weak, the fact that Vice Premier Liu He is in Washington to sign the phase one trade deal at the White House today spells positive signs for global trade outlook in 2020.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
15/01	US	MBA Mortgage Applications	Jan-10	--	13.5%	--
		PPI Final Demand YOY	Dec	1.3%	1.1%	--
		Empire Manufacturing	Jan	3.6	3.5	--
16/01		U.S. Federal Reserve Releases Beige Book				
		Import Price Index YOY	Dec	0.5%	-1.3%	--
		Retail Sales Advance MOM	Dec	0.3%	0.2%	--
		Philadelphia Fed Business Outlook	Jan	3.6	0.3	2.4
		Initial Jobless Claims	Jan-11	218k	214k	--
		NAHB Housing Market Index	Jan	74.0	76.0	--
		15/01	Eurozone	Industrial Production SA MOM	Nov	0.3%
		Trade Balance SA	Nov	22.0b	24.5b	--
15/01	UK	CPI YOY	Dec	1.5%	1.5%	--
16/01		RICS House Price Balance	Dec	-8%	-12%	--
15/01	Japan	Machine Tool Orders YOY	Dec P	--	-37.9%	--
16/01		Core Machine Orders MOM	Nov	2.9%	-6.0%	--
		PPI YOY	Dec	0.9%	0.1%	--
16/01	Australia	Investor Loan Value MOM	Nov	1.0%	1.4%	--
		Home Loans Value MOM	Nov	1.4%	2.0%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1128	0.05	1.1145	1.1104	-0.76
GBPUSD	1.3019	0.23	1.3033	1.2955	-1.77
USDJPY	109.99	0.04	110.21	109.86	1.12
AUDUSD	0.6902	0.03	0.6910	0.6885	-1.79
EURGBP	0.8548	0.29	0.8596	0.8540	1.01
USDMYR	4.0725	0.25	4.0743	4.0550	-0.45
EURMYR	4.5336	0.40	4.5374	4.5163	-1.17
JPYMYR	3.7023	0.04	3.7050	3.6809	-1.75
GBPMYR	5.2817	0.01	5.2860	5.2672	-1.78
SGDMYR	3.0212	0.14	3.0216	3.0125	-0.66
AUDMYR	2.8066	0.03	2.8131	2.7959	-2.13
NZDMYR	2.6965	0.06	2.7007	2.6857	-2.04
CHFMYR	4.2011	0.59	4.2040	4.1763	-0.63
CNYMYR	0.5912	0.27	0.5918	0.5900	0.56
HKDMYR	0.5237	0.19	0.5239	0.5216	-0.36
USDSGD	1.3468	0.01	1.3484	1.3456	0.14
EURSGD	1.4988	0.04	1.5021	1.4966	-0.61
GBPSGD	1.7533	0.25	1.7551	1.7458	-1.63
AUDSGD	0.9296	0.00	0.9311	0.9274	-1.59

Source: Bloomberg

Forex

MYR

- **MYR snapped gaining streak to finish 0.25% lower against the USD at 4.0725** as the dollar rebounded and corrected amidst an oversold condition.
- **MYR daily outlook is slightly bearish** expecting USDMYR to continue recover back above 4.0800-4.1000 range in the short term amidst news that US tariffs on Chinese goods will remain in place. Nonetheless we look towards today's signing of the US-China Phase One trade deal for more information. **MYR medium term outlook is still bearish**, expecting the USD to be well supported by solid data in 1Q20.

USD

- The greenback's performance was uneven across the FX board with the Swiss Franc being the major winner while New Zealand dollar the top loser among major currencies. The dollar index was virtually unchanged at 97.345.
- **USD is expected to remain neutral** and trade sideways against major currencies as markets turn cautious in anticipation of the signing of US-China Phase One trade deal today. **Medium term dollar outlook is still bullish**, supported by still solid US growth outlook.

EUR

- **EUR finished slightly lower against the USD at 1.1128** on mixed US CPI and amidst cautious market sentiment.
- **Daily outlook remains neutral** with a bearish bias ahead of Eurozone industrial production and Germany annual GDP data. **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 snapped losing streak against the USD to close 0.23% higher at 1.3019** as cable managed to regain some ground following five sessions of losses.
- **GBP is still expected to remain weak** on poor data and rising expectation of a BOE rate cut in 1Q but is likely to trade neutral ahead of the release of December CPI later today. **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 barely changed against the USD, hovering at near 8-month high of 109.99.**
- **JPY daily outlook is neutral** as the currency pair struggles to breach above 110.00 ahead of the signing of US-China Phase One trade deal with markets awaiting full details of the agreement. **Medium term JPY outlook is neutral** for now amidst easing geopolitical risk and more positive trade outlook.

AUD

- **AUD again closed flat against the USD at 0.6902.**
- **AUD daily outlook is neutral to slightly bearish** on news that US tariffs on Chinese goods will likely to stay but we are not expecting much movement in the currency pair today as markets await full details of US-China trade deal. **Medium term outlook is bearish** on rising possibility of an RBA rate cut in early February.

SGD

- **SGD ended virtually unchanged against the USD at 1.3468.**
- **SGD daily outlook is neutral** 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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