

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks edged up slightly overnight supported by trade optimism as the United States and China finally signed the so-called Phase One trade deal** that involves a Chinese pledge to purchase at least an additional \$200b US farm goods and other goods and services over two years. The US in return promised to hold off planned tariff increases and cut levies on \$120m Chinese goods by half to 7.5%. **The eight-part agreement also covered some nagging issues on intellectual properties** and acts as a truce to the nearly two-year old trade dispute initiated by the Trump Administration in 2018, temporarily lifting uncertainties in the year ahead of the US general election. **President Trump promised to drop all US tariffs after the Phase 2 agreement was completed**, that is expected to start soon. **Three Fed Policy makers speaking at different events appeared to be comfortable with the currently appropriate level of rates, reaffirming expectations that the Fed would not cut rate this year.** Treasuries yields slipped around 1-3bps. Gold prices added 0.64% to \$1556.25/troy ounce while crude oils ticked lower around 0.7%.
- **Overnight data skewed were mixed.** There were improvement in the housing and manufacturing front in the US while producer prices remained benign. Little change from the Fed Beige Book that reaffirmed that the US economy continued to expand 'modestly'. In Japan, the turnaround in core machine orders was a welcoming sign for business spending. On the contrary, Eurozone data remained weak while inflation decelerated in the UK, exerting more pressure on the BOE to ease as early as the next meeting in end-Jan.
- The greenback was slightly weaker overnight amidst an uneven performance across FX board. Nearly all major currencies were kept around their recent ranges as the trade truce gave no element of surprise. The dollar index slipped slightly by 0.15% to 97.23 driven mainly by stronger EUR, CHF and CAD. **USD is expected to remain neutral** and trade sideways against major currencies as markets as the US-China trade deal offered neither surprise nor groundbreaking development. Tonight's retail sales data could be a major driver as it gauges the strength of US consumer spending in December during the holiday season.
- **MYR finished little changed against the USD at 4.0745** after USDMYR retreating from daily high of 4.0835 in a rather muted Wednesday session ahead of the signing of US-China trade deal. **MYR daily outlook is slightly bullish after the inking of US-China trade deal but we expect USDMYR to continue recover back above 4.0800-4.1000 range in the short term after hitting a recent trough** given that the US-China trade deal offered neither surprise nor groundbreaking development.
- **SGD closed slightly stronger against the USD at 1.3461. SGD daily outlook is slightly bullish** after the inking of US-China trade deal.

#### Overnight Economic Data

US	↑
Eurozone	→
UK	↓
Japan	↑

#### What's Coming Up Next

##### Major Data

- US Import Price Index, Retail Sales Advance, Philadelphia Fed Business Outlook, Initial Jobless Claims, NAHB Housing Market Index
- UK RICS House Price Balance
- Australia Home Loans

##### Major Events

- Nil

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

	S2	S1	Indicative*	R1	R2	Outlook
EURUSD	1.1120	1.1150	1.1156	1.1160	1.1180	↗
GBPUSD	1.2950	1.3000	1.3042	1.3100	1.3150	↘
USDJPY	109.45	109.70	109.92	110.00	110.20	→
AUDUSD	0.6850	0.6900	0.6914	0.6950	0.6980	↗
EURGBP	0.8500	0.8550	0.8554	0.8600	0.8650	↗
USDMYR	4.0550	4.0600	4.0652	4.0700	4.0800	↘
EURMYR	4.5000	4.5150	4.5351	4.5550	4.5800	→
JPYMYR	3.6325	3.6600	3.6980	3.7350	3.7700	↘
GBPMYR	5.2670	5.2880	5.3027	5.3227	5.3376	↘
SGDMYR	3.0125	3.0150	3.0201	3.0300	3.0335	→
AUDMYR	2.7850	2.7960	2.8105	2.8250	2.8397	→
NZDMYR	2.6855	2.6900	2.6962	2.7036	2.7100	→
USDSGD	1.3400	1.3440	1.3459	1.3500	1.3530	↘
EURSGD	1.4970	1.4980	1.5013	1.5030	1.5050	→
GBPSGD	1.7450	1.7500	1.7553	1.7600	1.7634	↘
AUDSGD	0.9200	0.9250	0.9305	0.9345	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	1,585.14	0.29	-0.23	CRB Index	182.69	-0.52	-1.66
Dow Jones Ind.	29,030.22	0.31	1.72	WTI oil (\$/bbl)	57.81	-0.72	-5.32
S&P 500	3,289.29	0.19	1.81	Brent oil (\$/bbl)	64.00	-0.76	-3.03
FTSE 100	7,642.80	0.27	1.33	Gold (\$/oz)	1,556.25	0.64	2.53
Shanghai	3,090.04	-0.54	1.31	CPO (RM/tonne)	3,042.00	-1.65	0.55
Hang Seng	28,773.59	-0.39	2.07	Copper (\$/tonne)	6,302.00	0.19	2.07
STI	3,256.98	-0.41	1.06	Rubber (sen/kg)	467.50	-0.21	3.31

Source: Bloomberg

## ➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	Jan-10	30.2%	13.5%	--
US PPI Final Demand YOY	Dec	1.3%	1.1%	1.3%
US Empire Manufacturing	Jan	4.8	3.3 (revised)	3.6
EU Industrial Production SA MOM	Nov	0.2%	-0.9% (revised)	0.3%
EU Trade Balance SA	Nov	\$19.2b	24.0b (revised)	22.0b
UK CPI YOY	Dec	1.3%	1.5%	1.5%
JP Core Machine Orders MOM	Nov	18.0%	-6.0%	2.9%
JP PPI YOY	Dec	0.9%	0.1%	0.9%

Source: Bloomberg

- US factory gate inflation subdued; New York Empire State Manufacturing Index posted best reading in 8 months:** Producer prices index for final demand missed estimate to pick up a mere 0.1% MOM in December (Nov: 0.0%) but was nonetheless slightly faster than November rate. The annual pace of increase managed to accelerate to 1.3% YOY (Nov: +1.1%) but still fell short of the around 2-3% range reported in 2018 and earlier 2019. Core PPI inflation eased to 1.1% YOY (Nov: +1.3%), reaffirming the lack of factory gauge inflation. On a separate note, the New York Fed Empire State Manufacturing Index rose to 4.8 in January (Dec: 3.3), its best reading in eight months, attributed to higher new orders, a positive start to 2020.
- US mortgage applications jumped on lower rates:** Mortgage applications jumped by a whopping 30.2% for the week ended 10 Jan (previous: +13.5%), driven by a spike in both refinancing and purchasing applications as borrowing costs fell broadly last week, shoring hopes that the US housing market is on steady path.
- US Fed Beige Book reported modest economic activity as manufacturing sector shed jobs:** The first Federal Reserve Beige Book of 2020 reported that the US economic activity continued to expand "modestly" in the final six weeks of 2019, suggesting little change in the economy. A few key points include holiday sales were said to be solid, manufacturing activity, home sales were flat. Low inventories were restraining home sales and new residential construction expanded modestly. Employment was either steady or rising modestly with a number of districts reporting job cuts or hiring reduction in the manufacturing sector, transportation and energy sectors. Overall the labor markets remained tight throughout the nation. Prices continued to rise at a modest pace.
- Eurozone industrial production slipped for 13<sup>th</sup> month:** Eurozone industrial Production contracted by 1.5% YOY in November (Oct: -2.6% revised) marking its 13<sup>th</sup> month of back-to-back contraction despite a 0.2% expansion (Oct: -0.9% revised) on a monthly basis. Data for October had also been revised further down to reflect larger contraction, both on yearly and monthly basis. November print alongside new October figure continued to paint a weak picture of the Eurozone manufacturing economy which is in line with the recent deterioration in PMI data that suggest that the downturn in the industrial sector would weigh on 4Q GDP growth. Other data from the Eurostat showed that the seasonally adjusted trade surplus narrowed to €19.2b in November (Oct: €24b revised), missing the market expectation of €22.0b.
- UK inflation missed expectations:** UK latest inflation data were a major disappointment as headline CPI index was unchanged in December (Nov: +0.2%) that left the annual pace of change softer at 1.3% YOY (Nov: +1.5%), undershooting consensus forecast of 1.5% and was the slowest rate recorded in more than three years. The deceleration in prices gain was a result of slower gain in prices of food & non-alcoholic beverages, alcohol & tobacco and a decline in prices of clothing and footwear Core CPI growth also pulled back significantly to 1.4% YOY (Nov: +1.7%), after staying at 1.7% for three months reflecting the loss in momentum in underlying inflation. December CPI print moved further away from the BOE's 2% inflation target and added to a trove of recently weak UK data, reaffirming expectations that the central bank might cut its benchmark bank rate by 25bps to 0.5% as soon as late January. Policy makers had grown increasingly concerned over UK growth outlook despite the easing in Brexit uncertainties following early December election with outgoing governor Mark Carney hinting a possible rate cut in a recent interview with the Financial Times.

- **Japan core machine orders jumped in November, inflation benign:** Japan core machine orders, a key gauge of business capex rebounded to increase by 18.0% MOM in November (Oct: -6.0%), its first gain in five months, supported by construction reffort and activity following an October typhoon that caused disruption to the economy in 4Q. Meanwhile, producer prices inflation accelerated to 0.9% YOY in December (Nov: +0.1%) but pulled back to a mere 0.1% MOM in December (Nov: +0.2%) reflecting the ongoing lack of momentum in prices pressure.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
16/01	US	Import Price Index YOY	Dec	0.5%	-1.3%	--
		Retail Sales Advance MOM	Dec	0.3%	0.2%	--
		Philadelphia Fed Business Outlook	Jan	3.7	0.3	2.4
		Initial Jobless Claims	Jan-11	218k	214k	--
		NAHB Housing Market Index	Jan	74.0	76.0	--
17/01		Building Permits MOM	Dec	-1.5%	1.4%	0.9%
		Housing Starts MOM	Dec	1.1%	3.2%	--
		Industrial Production MOM	Dec	-0.2%	1.1%	--
		U. of Mich. Sentiment	Jan P	99.3	99.3	--
17/01	Eurozone	CPI YOY	Dec	1.3%	1.0%	1.0%
		CPI Core YOY	Dec F	1.3%	1.3%	--
16/01	UK	RICS House Price Balance	Dec	-8%	-12%	--
17/01		Retail Sales Inc Auto Fuel MOM	Dec	0.6%	-0.6%	--
17/01	China	Retail Sales YOY	Dec	8.0%	8.0%	--
		Industrial Production YOY	Dec	5.9%	6.2%	--
		Fixed Assets Ex Rural YTD YOY	Dec	5.2%	5.2%	--
		GDP YOY	4Q	6.0%	6.0%	--
17/01	Singapore	Non-oil Domestic Exports YOY	Dec	-1.8%	-5.9%	--
16/01	Australia	Investor Loan Value MOM	Nov	1.0%	1.4%	--
		Home Loans Value MOM	Nov	1.4%	2.0%	--
17/01	New Zealand	BusinessNZ Manufacturing PMI	Dec	--	51.4	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1150	0.20	1.1163	1.1119	-0.54
GBPUSD	1.3038	0.15	1.3043	1.2986	-1.62
USDJPY	109.90	-0.08	110.01	109.79	1.19
AUDUSD	0.6902	0.00	0.6917	0.6877	-1.68
EURGBP	0.8552	0.05	0.8578	0.8537	1.08
USDMYR	4.0745	0.05	4.0835	4.0700	-0.40
EURMYR	4.5343	0.02	4.5451	4.5300	-1.16
JPYMYR	3.7063	0.11	3.7159	3.7049	-1.64
GBPMYR	5.3035	0.41	5.3177	5.2975	-1.37
SGDMYR	3.0233	0.07	3.0303	3.0196	-0.59
AUDMYR	2.8056	0.04	2.8173	2.8041	-2.16
NZDMYR	2.6919	-0.17	2.6992	2.6890	-2.21
CHFMYR	4.2168	0.37	4.2228	4.2083	-0.26
CNYMYR	0.5916	0.06	0.5920	0.5911	0.61
HKDMYR	0.5239	0.04	0.5250	0.5235	-0.32
USDSGD	1.3461	-0.05	1.3484	1.3460	0.01
EURSGD	1.5009	0.14	1.5033	1.4987	-0.52
GBPSGD	1.7551	0.10	1.7572	1.7500	-1.60
AUDSGD	0.9296	0.00	0.9310	0.9267	-1.59

Source: Bloomberg

## Forex

### MYR

- **MYR finished little changed against the USD at 4.0745** after USDMYR retreating from daily high of 4.0835 in a rather muted Wednesday session ahead of the signing of US-China trade deal.
- **MYR daily outlook is slightly bullish after the inking of US-China trade deal but we expect USDMYR to continue recover back above 4.0800-4.1000 range in the short term** after hitting a recent trough given that the US-China trade deal offered neither surprise nor groundbreaking development. **MYR medium term outlook is still bearish**, expecting the USD to be well supported by solid data in 1Q20.

### USD

- The greenback was slightly weaker overnight amidst an uneven performance across FX board. Nearly all major currencies were kept around their recent ranges as the trade truce gave no element of surprise. The dollar index slipped slightly by 0.15% to 97.23 driven mainly by stronger EUR, CHF and CAD.
- **USD is expected to remain neutral** and trade sideways against major currencies as markets as the US-China trade deal offered neither surprise nor groundbreaking development. Tonight's retail sales data could be a major driver as it gauges the strength of US consumer spending in December during the holiday season. **Medium term dollar outlook is still bullish**, supported by still solid US growth outlook.

### EUR

- **EUR finished 0.20% stronger at 1.1150 as US and China signed trade deal.**
- **Daily outlook is slightly bullish** as EUR is looking to breach 1.1160 in Asian morning. Key driver today is US retail sales data of which a strong print could easily reverse EUR's recent gain as this scenario again would put the Eurozone economy back into a relatively much weaker state compared to the US. **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 rebounded from daily low to finish 0.15% stronger at 1.3038** against the USD despite weak CPI data as the dollar turned slightly weaker in the American session.
- **GBP is likely consolidating around 1.3020 -1.3060 today but outlook remains weak** in our view over rising expectations of a BOE rate cut that could happen as soon as the end of this month. Medium term outlook hinges on outcome of the said BOE's MPC meeting and Britain's successful withdrawal from the EU on 31 January which is to be followed by a long period of economic transition.

### JPY

- **JPY finished little changed against the USD at 109.90 amidst lack of key event risk.**
- **JPY daily outlook is neutral and** is likely to continue hovering at near 8-month high but the bulls are eyeing 110.00 handle amidst de-escalation of US-China trade dispute. **Medium term JPY outlook is neutral** for now amidst easing geopolitical risk and more positive trade outlook.

### AUD

- **AUD finished unchanged at 0.6902 against the USD** ahead of the signing of US-China trade deal.
- **AUD daily outlook is slightly bullish** amid more optimistic trade outlook. **Medium term outlook is bearish** on increasing prospect of an RBA rate cut in early February.

### SGD

- **SGD closed slightly stronger against the USD at 1.3461.**
- **SGD daily outlook is slightly bullish** after the inking of US-China 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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