November 2, 2017

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **The FOMC expectedly kept the Fed Fund Rate unchanged at 1.00 - 1.25% range** but slightly altered its assessment on the economy, stated to be "rising at a solid rate". The economy was last said to be expanding "moderately" in Sept FOMC announcement. **This has likely paved the way for a rate hike in Dec**, backed by recent upticks in US data despite still subdued inflation. On prices, the FOMC maintained its view that it would be "somewhat below 2% in the near term" before stabilizing around 2% "over the medium term".

- **Data was positive from the US and the UK**, affirming recent upsides that suggest continued expansion. Manufacturing sector in the US stays solid, while the labour market continues to improve. UK's manufacturing sector also firmed up, extending the PMI uptrend. In the housing market, UK house prices grew at a softer pace, affirming the cooldown in an overheated market.

- Manufacturing sector in China remains expansionary, growing at a steady pace, but factory activities were softer in Japan, similarly in Vietnam as well. In Malaysia, the PMI remains in contractionary territory, suggesting that activities continue to ease.

- **MYR returned most gains made in Asian afternoon to close barely changed at 4.2315 against USD** while settling mixed against the G10s. **MYR remains bullish against USD**, supported by continued buying interest in the local unit amid positive regional sentiment. Bullish bias continues to fade, limiting USDMYR's upside strength. Caution that closing below 4.2294 will tilt USDMYR firmly to the downside, setting a potential decline to 4.2227.

- **USD advanced against 6 G10s** while the Dollar Index was boosted by firmer US data and expectations of a Dec Fed rate hike to strengthen 0.28% to 94.55. **Stay bullish on USD** supported by firmer signs of Fed rate hike in Dec and potential policy continuity amid rising speculation on the choice of Fed Chair nominee. Bullish bias still prevails and likely to support the Dollar Index's advance for another test at 95.15 going forward. Another rejection here is likely to trigger a drop to 93.56, otherwise, set sights on a climb to 96.20.

- **SGD strengthened 0.13% to 1.3610 against USD** and beat 6 G10s, supported by firmer equities. **We now turn bullish on SGD against USD**, underpin by firmer risk appetite in the markets. Another close below 1.3629 has weakened USDSGD's attempt to push higher. The pair is now on the defensive and likely to slide to circa 1.3555 in the next leg lower.

Overnight Economic Data

Malaysia	↓
US	↑
UK	↑
Japan	↓
China	→

What's Coming Up Next

Major Data

- US initial jobless claims
- EU PMI manufacturing
- UK PMI construction
- Singapore PMI
- Australia trade balance and building approvals.

Major Events

- BOE policy decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1585	1.1600	1.1628	1.1641	1.1665	↘
USDJPY	113.81	113.97	114.16	114.28	114.53	↘
GBPUSD	1.3196	1.3216	1.3259	1.3289	1.3300	↘
AUDUSD	0.7624	0.7656	0.7680	0.7693	0.7715	↘
EURGBP	0.8746	0.8759	0.8770	0.8793	0.8810	↘
USDMYR	4.2227	4.2267	4.2292	4.2309	4.2358	↘
EURMYR	4.9120	4.9155	4.9209	4.9280	4.9327	↘
JPYMYR	3.7000	3.7039	3.7100	3.7115	3.7198	↘
GBPMYR	5.6000	5.6031	5.6102	5.6126	5.6175	↗
SGDMYR	3.1043	3.1065	3.1094	3.1126	3.1143	↗
AUDMYR	3.2382	3.2432	3.2472	3.2522	3.2576	↘
NZDMYR	2.9100	2.9141	2.9165	2.9232	2.9293	↘
USDSGD	1.3555	1.3592	1.3604	1.3610	1.3629	↘
EURSGD	1.5785	1.5801	1.5822	1.5835	1.5850	↘
GBPSGD	1.8012	1.8027	1.8043	1.8077	1.8100	↘
AUDSGD	1.0400	1.0425	1.0448	1.0455	1.0483	↘

*at time of writing

↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1743.9	-0.2	6.2
Dow Jones Ind.	23435.0	0.2	18.6
S&P 500	2579.4	0.2	15.2
FTSE 100	7488.0	-0.1	4.8
Shanghai	3395.9	0.1	9.4
Hang Seng	28594.1	1.2	30.0
STI	3391.6	0.5	17.7

Name	Last Price	DoD %	YTD %
CRB Index	187.9	0.20	-2.4
WTI oil ($/bbl)	54.3	-0.15	1.1
Brent oil ($/bbl)	60.5	-0.74	2.0
Gold (S/oz)	1274.7	0.30	10.8
CPO (RM/tonne)	2820.5	0.46	-11.8
Copper ($/tonne)	6839.0	-0.41	23.5
Rubber (sen/kg)	470.0	2.29	-27.1

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Nikkei PMI	Oct	48.6	49.9	--
US FOMC FFTR decision	Nov	1.00-1.25%	1.00-1.25%	1.00-1.25%
US MBA mortgage applications	Oct 27	-2.6%	-4.6%	--
US ADP employment change	Oct	235k	110k	200k
US PMI manufacturing	Oct F	54.6	54.5	54.5
US ISM manufacturing	Oct	59.8	60.8	59.5
US construction spending	Sept	0.3%	0.5%	-0.2%
UK PMI manufacturing	Oct	56.3	56.0	55.9
UK Nationwide house prices YOY	Oct	2.5%	2.3%	2.2%
JP Nikkei PMI manufacturing	Oct F	52.8	52.9	--
CH Caixin PMI manufacturing	Oct	51.0	51.0	51.0
VN Nikkei PMI	Oct	51.6	53.3	--
NZ QV house prices YOY	Oct	3.9%	4.3%	--

Source: Bloomberg

➢ Macroeconomics

- The FOMC expectedly kept the Fed Fund Rate unchanged at 1.00 – 1.25% range but slightly altered its assessment on the economy, stated to be "rising at a solid rate". The economy was last said to be expanding "moderately" in Sept FOMC announcement. This has likely paved the way for a rate hike in Dec, backed by recent upticks in US data despite still subdued inflation. On prices, the FOMC maintained its view that it would be "somewhat below 2% in the near term" before stabilizing around 2% "over the medium term".

- US continued its run of data upticks, supporting the notion that growth is still firming up. ADP employment change recorded an increase of 235k jobs in Oct, indicating that labour market continues to perform well, through the figure in Sept was downwardly revised to 110k from 135k. Construction spending unexpectedly increased 0.3% MOM in Sept, led by firmer growth in public construction, though still a tad slower than 0.5% in Aug.

- US manufacturing prints contrasted but nonetheless painted a solid picture. The PMI gauge was upwardly revised to 54.6 in Oct final print from 54.5 previously, and rising from 53.1 in Sept. The ISM measure slipped to 59.8 in Oct from 13y-high of 60.8 in Sept, but remains at a strong level. Rounding up the data flow was MBA mortgage applications, which fell 2.6% in the week ended 27 Oct, but pace of decline softened from the 4.6% drop a week before.

- Manufacturing sector in the UK grew at a quicker pace in Oct, continuing the uptrend that began in Jul 2016. Manufacturing PMI inched higher to 56.3 in Oct, up from 56.0. On a less negative note, Nationwide house prices continued to grow at a slightly faster pace for the 2nd consecutive month although the pace of increase remained near 4-year low as the Brits grappled with growth and income uncertainties. House prices rose 2.5% YOY in October.

- Caixin manufacturing PMI showed sustained expansion in China manufacturing. The index held steady at 51.0 in October as expected as higher new orders offset decline in production, reaffirming expectations that China will remain resilient as the economy continues to forge ahead with economic reforms.

- Nikkei PMI showed activities softened across the board in the region in the month of October. In Japan, the index retreated from 52.9 to 52.8 as lower new orders offset the increase in output, but this final reading was more upbeat than initial estimate of 52.5. The index for Malaysia remained in contractionary territory, slipping for a 2nd straight month to 48.6 in October as output and new orders fell while the similar gauge in Vietnam pulled back more sharply from 53.3 to 51.6, its lowest in five months, dragged by lower output and new orders as well.

- House prices in New Zealand grew at the softest pace since Apr 2012, rising 3.9% YOY in Oct and down from 4.3% in Sept, indicating that housing market continues to cool.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
Malaysia	11/03	Exports YOY	Sept	20.0%	21.5%	--
US	11/02	Initial jobless claims	Oct 28	235k	233k	--
	11/03	Change in nonfarm payroll	Oct	312k	-33k	--
		Unemployment rate	Oct	4.2%	4.2%	--
		Trade balance	Sept	-$43.3b	-$42.4b	--
		ISM services	Oct	58.5	59.8	--
		Factory orders	Sept	1.2%	1.2%	--
		Durable goods orders	Sept F	2.0%	2.2%	--
		Markit PMI services	Oct F	55.9	55.9	--
EU	11/02	Markit Eurozone manufacturing PMI	Oct F	58.6	58.6	--
UK	11/02	Markit / CIPS UK construction	Oct	48.5	48.1	--
		BOE bank rate	Nov 2	0.50%	0.25%	
		BOE asset purchase target	Nov	£435b	£435b	--
		BOE inflation report				--
	11/03	Markit PMI services	Oct	53.3	53.6	--
China	11/03	Caixin PMI services	Oct	--	50.6	--
HK	11/03	Nikkei PMI	Oct	--	51.2	--
		Retail sales value YOY	Sept	1.0%	2.7%	--
Singapore	11/02	Purchasing managers index	Oct	51.9	52.0	--
	11/03	Nikkei PMI	Oct	--	53.7	--
Australia	11/02	Trade balance	Sept	A$1200m	A$989m	--
		Building approvals YOY	Sept	-2.4%	-15.5%	--
	11/03	CBA PMI services	Oct	--	53.2	--
		AiG services index	Oct	--	52.1	--
		Retail sales MOM	Sept	0.4%	-0.6%	--

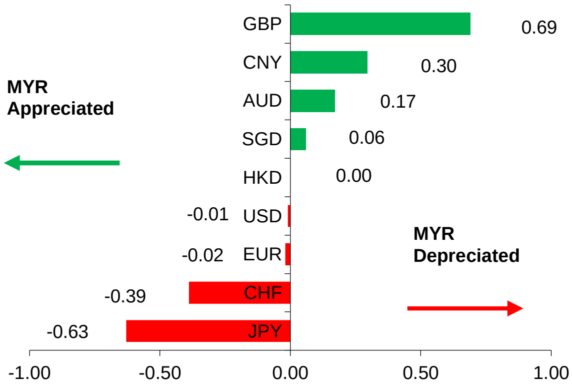
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1619	-0.23	1.1657	1.1606	10.5
USDJPY	114.18	0.48	114.28	113.61	-2.4
GBPUSD	1.3245	-0.29	1.3321	1.3241	7.4
AUDUSD	0.7676	0.26	0.7696	0.7648	6.5
EURGBP	0.8772	0.06	0.8784	0.8733	2.8
USDMYR	4.2315	-0.01	4.2352	4.2288	-5.7
EURMYR	4.9223	-0.02	4.9900	4.9220	4.2
JPYMYR	3.7129	-0.63	3.7677	3.7115	-3.1
GBPMYR	5.6256	0.69	5.6942	5.6170	2.0
SGDMYR	3.1097	0.06	3.1483	3.1034	0.3
AUDMYR	3.2500	0.17	3.2884	3.2382	0.3
NZDMYR	2.9267	1.11	2.9597	2.9141	-6.2

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



Forex

MYR

- **MYR returned most gains made in Asian afternoon to close barely changed at 4.2315 against USD** while settling mixed against the G10s.
- **MYR remains bullish against USD**, supported by continued buying interest in the local unit amid positive regional sentiment. Bullish bias continues to fade, limiting USDMYR's upside strength. Caution that closing below 4.2294 will tilt USDMYR firmly to the downside, setting a potential decline to 4.2227.

USD

- **USD advanced against 6 G10s** while the Dollar Index was boosted by firmer US data and expectations of a Dec Fed rate hike to strengthen 0.28% to 94.55.
- **Stay bullish on USD** supported by firmer signs of Fed rate hike in Dec and potential policy continuity amid rising speculation on the choice of Fed Chair nominee. Bullish bias still prevails and likely to support the Dollar Index's advance for another test at 95.15 going forward. Another rejection here is likely to trigger a drop to 93.56, otherwise, set sights on a climb to 96.20.

EUR

- **EUR fell 0.23% to 1.1619 against a firmer USD** but managed to hold firm against 5 G10s.
- **EUR remains bearish against a well-supported USD**. We continue to set sights on a drop to 1.1511 in the next leg lower as part of a move suggested by chart pattern completion. Rebounds are possible but likely restricted below 1.1670 before sliding lower thereafter.

GBP

- **GBP fell 0.29% to 1.3245 against USD** and retreated against 6 G10s as buying interest wanes ahead of BOE policy decision.
- **GBP is now bearish in our view against USD**, as we suspect a modest pullback after BOE policy decision but expect a bigger drop if BOE fails to hike rates as widely expected. Even as bullish bias prevails, overnight rejection by 1.3316 is likely to put GBPUSD on the defensive for a short while. Bullish bias will still prevail as long as the pair holds above 1.3216.

JPY

- **JPY weakened 0.48% to 114.18 against a firmer USD** and fell against 8 G10s, weighed down by improved risk appetite in the markets.
- **We stay bearish on JPY against USD** as risk aversion is likely to turn firmer ahead of the announcement on Fed Chair nominee. We suspect that a modest retreat is warranted after USDJPY rallied for 2 consecutive days. Moreover, 113.97 is a reversion level that would see the pair slide below it after consecutive closings above.

AUD

- **AUD climbed 0.26% to 0.7676 against USD** and advanced against 9 G10s, supported by firmer equities and commodities.
- **Stay bearish on AUD against a firmer USD** but we reckon that losses are likely modest given rising risk appetite in the markets supporting AUD. Unless AUDUSD breaks above 0.7700, we would view recent upsides as technical rebounds and maintain a bearish view, while setting sights on a drop to 0.7624, below which a decline to 0.7603 is highly likely.

SGD

- **SGD strengthened 0.13% to 1.3610 against USD** and beat 6 G10s, supported by firmer equities.
- **We now turn bullish on SGD against USD**, underpin by firmer risk appetite in the markets. Another close below 1.3629 has weakened USDSGD's attempt to push higher. The pair is now on the defensive and likely to slide to circa 1.3555 in the next leg lower.

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