November 9, 2017

Global Markets Research

Daily Market Highlights

Key Takeaways

- Market sentiments turned a tad softer amid concerns over potential delay in US tax reform plans as well as lingering jitters in the Middle east. Data flow also turned out on the softer side. **Focus was on China's exports that reported slower gain of 6.9% YOY in October. Imports growth also moderated to 17.2% YOY during the month, adding to signs growth in the Chinese economy is shifting to lower gear.**

- **US consumers spent more on credit in September but mortgage approvals stagnated. Similarly, reports also showed house prices softened in the UK and home loans contracted in Australia. Japanese data took a turn as evident in the pullback in leading and coincident indices and surprised decline in core machine orders, suggesting the Japanese economy, while recovering, is still far from solid.**

- Contrary to the dovish hike by BOE, **RBNZ decision this morning appears to be a hawkish pause.** The RBNZ expectedly kept its official cash rate unchanged at 1.75% this morning. Even though the central bank stated that policy "will remain accommodative for a considerable period, **it signaled that inflation could reach the middle of its 1% - 3% target earlier than expected.** This in turn raised market expectations that a rate hike may come sooner as well, lifting NZD post-announcement.

- **USD ended lower against 8 G10s** despite taking early leads, weighed down by rising doubts over US tax reforms. The Dollar Index that opened lower was mostly range-bound and ended 0.05% lower at 94.86. **USD remains slightly bullish** on technical reasons. Signs point to firmer closings above 94.95 in the coming days. Failure to do so would alter the current bullish technical landscape of the Dollar Index and push it lower. Nonetheless, we caution on a growing downside risks amid continued failure to beat 95.15.

- **MYR was barely changed against USD at 4.2292** after narrowing early gains as the greenback rebounded in European trade. MYR slipped against 6 G10s. **Stay bullish on MYR against a softer overnight USD**. A mild bearish bias has emerged in USDMYR, tilting the pair lower. Caution that closing below 4.2235 will trigger further losses to circa 4.2156.

- **SGD** was also higher against 6 G10s supported by firmer equities and **strengthened 0.17% to 1.3618 against USD**. **Stay bearish on SGD against USD** as we expect an extended softness in market risk appetite. USDSGD direction remains uncertain and erratic. Despite overnight rejection, we now believe that upward direction will prevail as long as the pair stays above 1.3602.

Overnight Economic Data

US	➔
UK	↓
Japan	➔
China	↓
Australia	↓

What's Coming Up Next

Major Data
- Malaysia IPI, manufacturing sales
- US initial jobless claims, wholesale inventories
- UK IPI, manufacturing & construction output, visible trade balance and NIESR GDP estimate
- China CPI & PPI
- Japan Eco Watchers surveys

Major Events
- BNM overnight policy rate
- ECB economic bulletin
- EC economic forecasts

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1554	1.1575	1.1593	1.1608	1.1622	↘
USDJPY	113.43	113.85	113.96	114.13	114.43	↘
GBPUSD	1.3087	1.3100	1.3112	1.3117	1.3163	↘
AUDUSD	0.7624	0.7657	0.7676	0.7700	0.7715	↘
EURGBP	0.8813	0.8835	0.8840	0.8847	0.8862	↗
USDMYR	4.2200	4.2241	4.2270	4.2288	4.2301	↘
EURMYR	4.8877	4.8921	4.8989	4.9036	4.9072	↘
JPYMYR	3.7039	3.7070	3.7082	3.7115	3.7163	↘
GBPMYR	5.5281	5.5378	5.5427	5.5487	5.5525	↘
SGDMYR	3.0976	3.1000	3.1023	3.1033	3.1063	↘
AUDMYR	3.2323	3.2364	3.2415	3.2425	3.2480	↘
NZDMYR	2.9266	2.9330	2.9402	2.9458	2.9500	↗
USDSGD	1.3602	1.3619	1.3621	1.3626	1.3646	↗
EURSGD	1.5733	1.5768	1.5787	1.5805	1.5817	↘
GBPSGD	1.7821	1.7853	1.7860	1.7868	1.7880	↘
AUDSGD	1.0423	1.0441	1.0457	1.0470	1.0482	↗

*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	1744.2	-0.4	6.2	CRB Index	191.9	0.02	-0.3
Dow Jones Ind.	23563.4	0.0	19.2	WTI oil ($/bbl)	56.8	-0.68	5.8
S&P 500	2594.4	0.1	15.9	Brent oil ($/bbl)	63.5	-0.31	11.7
FTSE 100	7529.7	0.2	5.4	Gold (S/oz)	1281.4	0.50	10.8
Shanghai	3415.5	0.1	10.0	CPO (RM/tonne)	2763.0	-0.22	-13.6
Hang Seng	28907.6	-0.3	31.4	Copper ($/tonne)	6826.0	-2.07	23.3
STI	3421.3	0.2	18.8	Rubber (sen/kg)	495.0	0.71	-23.3

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US consumer credit	Sept	$20.83b	$13.14b	$17.50b
US MBA mortgage applications	Nov 3	0.0%	-2.6%	--
JP leading index	Sept P	106.6	107.2	106.6
JP coincident index	Sept P	115.8	117.7	115.9
JP core machine orders YOY	Sept	-3.5%	4.4%	2.0%
JP BoP current account balance	Sept	¥2271.b	¥2380.4b	¥2363.4b
UK RICS house price balance	Oct	1%	6%	4%
CH exports YOY	Oct	6.9%	8.0%	7.1%
AU home loans MOM	Sept	-2.3%	1.5%	2.0%
NZ RBNZ official cash rate	Nov 9	1.75%	1.75%	1.75%

Source: Bloomberg

➢ Macroeconomics

- The RBNZ expectedly kept its official cash rate unchanged at 1.75% this morning. Even though the central bank stated that policy "will remain accommodative for a considerable period, it signaled that inflation could reach the middle of its 1% - 3% target earlier than expected. This in turn raised market expectations that a rate hike may come sooner as well, lifting NZD post-announcement.

- US consumers chalked up more credit in Sept, with the amount rising by $20.83b after climbing $13.14b. This brought credit-card debt a tad above $1 trillion, a level not seen since early 2009. Mortgage applications stagnated in the week ended 3 Nov, after dipping 2.6% WOW in the week before.

- UK house prices increased at a softer pace in Oct; according to RICS survey, the balance between respondents reporting house price increases versus others narrowed to 1% in Oct from 6% in Sept, affirming that the heated housing market continues to cool.

- Japan's leading and coincident index both eased in Sept early estimates, suggesting that economic activity is beginning to expand less quickly though growth remains solid through 2017. The leading index eased to 106.6 from 107.2 in Aug, indicating that a set of indicators that include new job offers, new machinery orders, consumer confidence and new housing construction, among others, were softer. Coincident index, which comprise of a set of gauges that include industrial production, power consumption, durable consumer goods, and retail sales, among others, fell to 115.8 from 117.7 in Aug.

- Other reports from Japan this morning came in a tad softer. Core machine orders, a gauge on demand, fell 3.5% YOY in Sept, unraveling the rebound of 4.4% in Aug. Meanwhile, the current account surplus narrowed to ¥2271.0b in Sept, down from ¥2380.4b.

- Exports growth of China continued to taper off, latest being a moderation to 6.9% YOY in Oct from 8.0% in Sept. Meanwhile, imports surged 17.2% in Oct but still softer than 18.6% growth recorded in Sept. The trade surplus widened to $38.17b from an excess of $28.50b.

- In Australia, home loans fell 2.3% MOM in Sept, down from a 1.5% increase previously as cooling measures continue to put downside pressure on demand and prices.

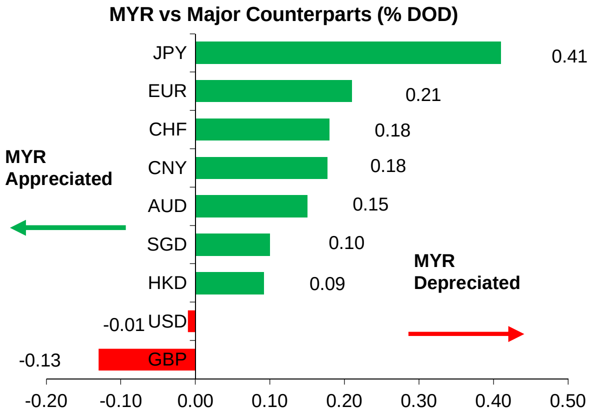
Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
Malaysia	11/09	Industrial production YOY	Sept	6.3%	6.8%	--
		Manufacturing sales value YOY	Sept	--	16.5%	--
		BNM Overnight Policy Rate	Nov 9	3.00%	3.00%	--
US	11/09	Initial jobless claims	Nov 4	232k	229k	--
		Wholesale inventories MOM	Sept F	0.3%	0.3%	--
	11/10	University of Michigan sentiment	Nov P	100.9	100.7	--
EU	11/09	ECB economic bulletin				
		European Commission Economic Forecasts				
UK	11/09	Industrial production YOY	Sept	1.9%	1.6%	--
		Manufacturing production YOY	Sept	2.4%	2.8%	--
		Construction output YOY	Sept	1.7%	3.5%	--
		Visible trade balance GBP/mil	Sept	-£12800	-£14245	--
		NIESR GDP estimate	Oct	--	0.4%	--
Japan	11/09	Eco Watchers Current	Oct	50.8	51.3	--
		Eco Watchers Outlook	Oct	51.5	51.0	--
	11/10	Tertiary industry index MOM	Sept	-0.1%	-0.2%	--
China	11/09 – 18	FDI YOY	Oct	--	17.3%	--
	11/09	CPI YOY	Oct	1.8%	1.6%	--
		PPI YOY	Oct	6.6%	6.9%	--
Hong Kong	11/10	GDP YOY	3Q	3.5%	3.8%	--
Singapore	11/10	Retail sales YOY	Sept	3.1%	3.5%	--
New Zealand	11/10	REINZ house sales YOY	Oct	--	-26.2%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1595	0.07	1.1611	1.1579	10.3
USDJPY	113.87	-0.12	114.03	113.40	-2.6
GBPUSD	1.3116	-0.38	1.3176	1.3087	6.3
AUDUSD	0.7678	0.43	0.7685	0.7639	6.5
EURGBP	0.8840	0.45	0.8863	0.8799	3.6
USDMYR	4.2292	-0.01	4.2310	4.2245	-5.7
EURMYR	4.9028	0.21	4.9079	4.8991	3.8
JPYMYR	3.7167	0.41	3.7190	3.7118	-3.0
GBPMYR	5.5545	-0.13	5.5710	5.5487	0.7
SGDMYR	3.1028	0.10	3.1031	3.0993	0.1
AUDMYR	3.2430	0.15	3.2440	3.2323	0.1
NZDMYR	2.9235	-0.13	2.9259	2.9165	-6.3

Source: Bloomberg



➢Forex

MYR

- **MYR was barely changed against USD at 4.2292** after narrowing early gains as the greenback rebounded in European trade. MYR slipped against 6 G10s.
- **Stay bullish on MYR against a softer overnight USD**. A mild bearish bias has emerged in USDMYR, tilting the pair lower. Caution that closing below 4.2235 will trigger further losses to circa 4.2156.

USD

- **USD ended lower against 8 G10s** despite taking early leads, weighed down by rising doubts over US tax reforms. The Dollar Index that opened lower was mostly range-bound and ended 0.05% lower at 94.86.
- **USD remains slightly bullish** on technical reasons. Signs point to firmer closings above 94.95 in the coming days. Failure to do so would alter the current bullish technical landscape of the Dollar Index and push it lower. Nonetheless, we caution on a growing downside risks amid continued failure to beat 95.15.

EUR

- **EUR inched 0.07% higher to 1.1595 against USD** but remained lower against 5 G10s as buying interest saw no firm catalysts.
- **EUR is likely on a mild retreat against USD**, weighed down ahead of European Commission’s economic forecasts. While we are bearish on EURUSD, note that downside momentum continues to ease, delaying its decline to 1.1511. The pair may rebound moderately, but likely to close below 1.1608 otherwise a bearish technical landscape will change.

GBP

- **GBP fell 0.38% to 1.3116 against USD** and weakened against all G10s on the back of political risks in the UK.
- **Keep a bearish view on GBP against USD** as we anticipate downside risks from news flows on Brexit negotiations as well as bearish potential from UK data. We will maintain a bearish view on GBPUSD while below 1.3245, anticipating potential drop to below 1.3059 in the coming days.

JPY

- **JPY** closed higher against 5 G10s and **advanced 0.12% to 113.87 against USD**, supported by risk-off in European majors and the greenback.
- **Stay bullish on JPY against USD** as refuge demand is likely to build ahead of unveiling of US tax reform bill. As noted before, technical landscape in USDJPY has changed and we therefore maintain a bearish view, setting sights on a drop to 113.19 in the next leg lower.

AUD

- **AUD** was led higher by relatively firmer commodities and equities, beating 8 G10s and **climbing 0.43% to 0.7678 against a soft USD**.
- **We maintain a bearish AUD view against USD** in anticipation of rising risk aversion in the markets ahead of US tax reform plan unveiling as well as gradually diminishing upside momentum in commodities. AUDUSD continues to take aim at a 0.7700 break; while this could prevail in the short term, we reckon that 0.7715 will ultimately reject the pair’s advance and push it lower to circa 0.7624.

SGD

- **SGD** was also higher against 6 G10s supported by firmer equities and **strengthened 0.17% to 1.3618 against USD**.
- **Stay bearish on SGD against USD** as we expect an extended softness in market risk appetite. USDSGD direction remains uncertain and erratic. Despite overnight rejection, we now believe that upward direction will prevail as long as the pair stays above 1.3602.

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