

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **IMF has raised its 2017 and 2018 world growth forecasts for yet another time, to 3.6% and 3.7% respectively (+0.1ppt), but warned against the sustainability of the current recovery.** Growth forecasts in the US were raised 0.1ppt from the July update to 2.2% while the UK forecasts are cut by 0.3ppt to 1.6% in 2017. Growth forecasts in the EU, Japan, and China were all being upgraded to 2.1% (+0.2ppt) 1.5% (+0.2ppt), and 6.8% (+0.1ppt) respectively for this year.
- On Fed speak, **President Kashkari inferred that policy tightening should be on hold until inflation meets the Fed's target of 2%.** His "preference would be not to raise rates again" until core PCE inflation "hit 2%".
- **UK data turned out on the positive side** despite lingering concerns over Brexit fallout. Industrial production and construction output picked up steam while trade surplus unexpectedly widened in August, NIERSR GDP estimate also showed the UK economy will be able to sustain its growth momentum going forward.
- **USD fell against all G10s** while the Dollar Index tumbled through Asian - European sessions to close 0.41% lower at 93.67 amid a lack of buying interest as markets await FOMC minutes as well as some downsides from Fed speak. **Stay bearish on USD** as buying interest is likely to remain soft in the absence of major catalyst while markets await FOMC minutes. Strong breakdown of 93.63 has exposed the Dollar Index to a drop to circa 92.63. But we reckon that this level is expected to halt declines and bounce the Dollar Index higher thereafter. Failure to bounce off 92.63 will likely trigger an extended drop to 91.57.
- **MYR strengthened 0.3% to 4.2195 against a soft USD** but retreated against 7 G10s that also climbed higher against the greenback. **Expect MYR to remain bullish against a retreating USD,** further supported by improving risk appetite in the FX space. USDMYR is still inclined to the downsides as bullish bias retreats. The pair is now poised to break below 4.2100, below which a drop to 4.1959 will be exposed.
- **SGD strengthened 0.53% to 1.3561 against USD** and advanced against 7 G10s, supported by firmer risk appetite in the markets. **Remain bullish on SGD against a softening USD.** Bearish bias is gradually picking up, more so after closing below 1.3582 yesterday. We now set sights on a potential decline to 1.3519, which if broken will trigger further losses to 1.3484.

#### Overnight Economic Data

US  
UK  
Japan  
Australia



#### What's Coming Up Next

##### Major Data

- US MBA mortgage applications
- Japan machine tools orders

##### Major Events

- FOMC minutes

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1772	1.1800	1.1821	1.1831	1.1862	↗
USDJPY	112.00	112.19	112.31	112.53	112.71	↘
GBPUSD	1.3041	1.3108	1.3214	1.3235	1.3281	↗
AUDUSD	0.7750	0.7784	0.7795	0.7804	0.7818	↗
EURGBP	0.8906	0.8920	0.8946	0.8960	0.8974	↗
USDMYR	4.2075	4.2100	4.2115	4.2134	4.2178	↘
EURMYR	4.9664	4.9740	4.9795	4.9873	4.9941	↗
JPYMYR	3.7416	3.7461	3.7513	3.7532	3.7593	↘
GBPMYR	5.5549	5.5630	5.5674	5.5738	5.5814	↗
SGDMYR	3.1074	3.1090	3.1100	3.1131	3.1161	↗
AUDMYR	3.2810	3.2850	3.2860	3.2880	3.2900	↘
NZDMYR	2.9830	2.9858	2.9868	2.9893	2.9920	↘
USDSGD	1.3500	1.3519	1.3542	1.3550	1.3570	↘
EURSGD	1.5984	1.6000	1.6010	1.6031	1.6065	↗
GBPSGD	1.7855	1.7868	1.7899	1.7935	1.7960	↘
AUDSGD	1.0531	1.0550	1.0567	1.0569	1.0588	↘

\*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	1761.1	-0.2	7.3	CRB Index	183.2	1.24	-4.8
Dow Jones Ind.	22830.7	0.3	15.5	WTI oil (\$/bbl)	50.9	2.70	-5.2
S&P 500	2550.6	0.2	13.9	Brent oil (\$/bbl)	56.6	1.47	-0.4
FTSE 100	7538.3	0.4	5.5	Gold (\$/oz)	1288.0	0.30	10.8
Shanghai	3383.0	0.3	9.0	CPO (RM/tonne)	2740.0	0.37	-14.3
Hang Seng	28490.8	0.6	29.5	Copper (\$/tonne)	6760.0	1.41	22.1
STI	3289.0	-0.1	14.2	Rubber (sen/kg)	514.5	0.39	-20.2

Source: Bloomberg

## ➤ Macroeconomics

### Economic Data

	For	Actual	Last	Survey
US NFIB small biz confidence	Sept	103.0	105.3	105.0
UK industrial production MOM	Aug	0.2%	0.3%	0.2%
UK manufacturing production MOM	Aug	0.4%	0.4%	0.2%
UK construction output MOM	Aug	0.6%	-1.0%	0.0%
UK visible trade balance	Aug	-£14245m	-£12829m	-£11150m
UK NIESR GDP estimate	Sept	0.4%	0.5%	--
JP Eco Watchers outlook	Sept	51.0	51.1	50.5
JP Eco Watchers current	Sept	51.3	49.7	50.5
JP core machine orders YOY	Aug	4.4%	-7.5%	0.8%
AU NAB biz conditions	Sept	14	14	--
AU NAB biz confidence	Sept	7	5	--
AU Westpac consumer confidence	Oct	3.6%	2.5%	--

Source: Bloomberg

- More voices of dissent of late from Fed speak, as Minneapolis Fed President Kashkari inferred that policy tightening should be on hold until inflation meets the Fed's target of 2%. His "preference would be not to raise rates again" until core PCE inflation "hit 2%". He believes that subdued inflation is due to "additional domestic labour market slack and falling inflation expectations", implying that there is room for further tightening in the labour market before prices pick up.
- One piece of data from the US and it turned out softer than expected. The NFIB survey of confidence level amongst small businesses showed a dimmer view, with the index dipping to 103.0 in Sept from 105.3.
- If Brexit uncertainty was a concern, it certainly was not reflected in UK's data of late. UK reports were biased to the upside, with pick-up in industrial production and output in manufacturing. Industrial production for Aug increased 1.6% YOY from 1.1%, led by firmer gains in durable (Aug: +3.3% vs Jul: +1.0%) and non-durable goods (Aug: +1.1% vs Jul: +0.9%). Industrial production rose 0.2% MOM from 0.3% in Jul.
- UK manufacturing output was also a tad firmer, rising 2.8% YOY in Aug after gaining 2.7% previously. A monthly basis, growth steadied at 0.4% MOM. In the construction sector, production accelerated in Aug with a 3.5% YOY gain, up from 2.7% previously. By monthly measurement, output increased 0.6% MOM in Aug after falling 1.0%. Meanwhile, the NIESR estimated that GDP grew 0.4% in the 3 months ended Sept, easing from the 0.5% pace estimated in the 3 months ended Aug.
- Japan Eco Watcher's gauge on current economic conditions and outlook were mixed in Sept. Respondents were more confident in current conditions, lifting the index to 51.3, a 9-month high, from 49.7 in Aug. However, respondents were a tad dimmer on outlook, which led the index to dip to 51.0 from 51.1 in Aug. Demand for machineries improved in Aug, as orders rebounded with a 4.4% YOY growth after slumping 7.5% in Jul.
- In Australia, the NAB's gauge on business confidence improved while business conditions steadied in Sept. The business confidence index climbed to 7 from 5 in Aug, while the business conditions index stood unchanged at 14. Meanwhile, the Westpac gauge on consumer confidence increased 3.6% MOM in Oct to 101.4, up from 97.9 previously, suggesting that consumers are most optimistic since Oct 2016.

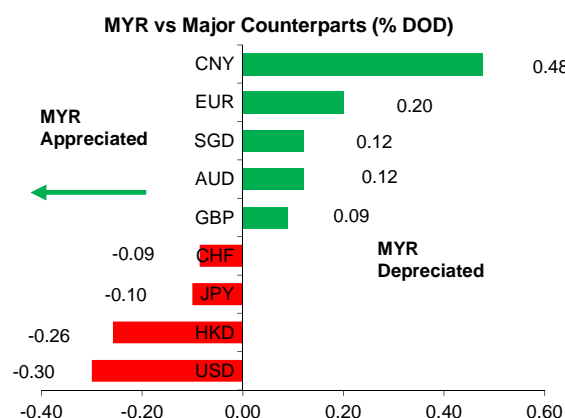
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	10/12	Industrial production	Aug	5.8%	6.1%	--
		Manufacturing sales	Aug	--	22.2%	--
US	10/11	MBA mortgage applications	Oct 6	--	-0.4%	--
	10/12	FOMC minutes	Sept 20			
		PPM final demand MOM	Sept	0.4%	0.2%	--
		Initial jobless claims	Oct 7	250k	260k	--
EU	10/12	Industrial production MOM	Aug	0.6%	0.1%	--
UK	10/12	RICS house price balance	Sept	4.0%	6.0%	--
Japan	10/11	Machine tool orders YOY	Sept P	--	36.2%	--
	10/12	PPI YOY	Sept	3.0%	2.9%	--
		Tertiary industry index MOM	Aug	0.1%	0.1%	--
China	10/11 – 18	FDI YOY	Sept	--	9.1%	--
Australia	10/12	Home loans MOM	Aug	0.5%	2.9%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1808	0.58	1.1825	1.1739	12.3
USDJPY	112.45	-0.20	112.83	111.99	-3.9
GBPUSD	1.3203	0.46	1.3226	1.3131	7.0
AUDUSD	0.7778	0.32	0.7797	0.7750	8.0
EURGBP	0.8943	0.10	0.8955	0.8925	4.8
USDMYR	4.2195	-0.30	4.2300	4.2195	-5.9
EURMYR	4.9797	0.20	5.0393	4.9634	5.4
JPYMYR	3.7547	-0.10	3.8019	3.7461	-2.0
GBPMYR	5.5697	0.09	5.6367	5.5549	1.0
SGDMYR	3.1082	0.12	3.1498	3.1027	0.2
AUDMYR	3.2872	0.12	3.3327	3.2806	1.5
NZDMYR	2.9855	-0.40	3.0291	2.9829	-4.3

Source: Bloomberg



## Forex

### MYR

- **MYR strengthened 0.3% to 4.2195 against a soft USD** but retreated against 7 G10s that also climbed higher against the greenback.
- **Expect MYR to remain bullish against a retreating USD**, further supported by improving risk appetite in the FX space. USDMYR is still inclined to the downsides as bullish bias retreats. The pair is now poised to break below 4.2100, below which a drop to 4.1959 will be exposed.

### USD

- **USD fell against all G10s** while the Dollar Index tumbled through Asian – European sessions to close 0.41% lower at 93.67 amid a lack of buying interest as markets await FOMC minutes as well as some downsides from Fed speak.
- **Stay bearish on USD** as buying interest is likely to remain soft in the absence of major catalyst while markets await FOMC minutes. Strong breakdown of 93.63 has exposed the Dollar Index to a drop to circa 92.63. But we reckon that this level is expected to halt declines and bounce the Dollar Index higher thereafter. Failure to bounce off 92.63 will likely trigger an extended drop to 91.57.

### EUR

- **EUR climbed 0.58% to 1.1808 against USD** and rose against 7 G10s on continued easing of Spanish political woes.
- **We maintain a bullish view on EUR in anticipation of USD staying soft**, and supported by continued ease in Spain's political woes. Bypassing 1.1800 has given EURUSD extra room for upsides; the pair is on course for a test at 1.1862, above which it will target 1.1907 in the next leg higher.

### GBP

- **GBP advanced 0.46% to 1.3203 against USD** and beat 5 G10s, supported by firmer than expected UK data.
- **We turn bullish on GBP against USD**, as expectations on a near-term BOE rate hike improved after recent better than expected UK data. Bearish bias has started to retreat, giving room for more GBPUSD upsides. Holding above 1.3200 is likely to give GBPUSD scope to climb to circa 1.3338 – 1.3361 but direction going forward will depend on whether this range is broken.

### JPY

- **JPY weakened against 8 G10s** as risk appetite returned to the FX space, but **managed to advance 0.2% to 112.45 against a retreating USD**.
- **JPY remains bullish against USD** amid risk aversion in the greenback ahead of FOMC minutes. Bearish bias picked up, tilting USDJPY further downward. We set sights on USDJPY sliding to 111.86 in the next leg lower.

### AUD

- **AUD lost out to firmer European majors** as it closed lower against 6 G10s but **climbed 0.32% to 0.7778 against a soft USD**.
- **We turn bullish on AUD against USD** on firmer commodities and risk appetite in the FX space. Technical signals are now slightly bullish, tilting AUDUSD higher. Closing above 0.7804 will provide a lift to AUDUSD that could see it challenge 0.7863 – 0.7884. Otherwise, AUDUSD remains prone to a close below 0.7753 in the coming days.

### SGD

- **SGD strengthened 0.53% to 1.3561 against USD** and advanced against 7 G10s, supported by firmer risk appetite in the markets.
- **Remain bullish on SGD against a softening USD**. Bearish bias is gradually picking up, more so after closing below 1.3582 yesterday. We now set sights on a potential decline to 1.3519, which if broken will trigger further losses to 1.3484.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.