

Global Markets Research

Daily Market Highlights

Key Takeaways

- **FOMC minutes reiterated that policy makers were divided** in the last policy decision to keep interest rates on hold in September, citing **below target inflation the biggest concern. This is seen as a tad dovish in our view**, but markets seem unperturbed by expectations for another rate hike probably by December this year. Fed Funds Implied Probabilities for a December rate hike stood at 77%. **Even if the Fed could still probably deliver another rate hike this year, we are of the view that the pace of interest rate increases will remain very measured next year**, especially with the potential change in Fed Chair when Yellen's term expires in February.
- **Overnight data flow was a mixed bag**, with US mortgage data reiterating a softening US housing market while UK reports by RICS signaled steadying expectations for house prices albeit the low. Japan data turned out more upbeat, with evidence of pick-up in business investment and signs inflation is extending its climb.
- **USD fell against 9 G10s** while the Dollar Index was down through Asian – US sessions, closing 0.29% lower at 93.01 and was uninspired even after FOMC affirmed increased likelihood of a Dec rate hike as markets were wary that policy tightening may not follow through to next year on the back of subdued inflation. **Stay bearish on USD**, damped by softer expectations of future Fed rate hikes beyond Dec amid signs of rising doubts from within the FOMC over inflation trajectory. A gap down below 92.95 in early trade has exposed the Dollar Index to a drop to 92.63. Below this, 92.30 will be targeted.
- **MYR slipped 0.07% to 4.2225 against USD** after overturning losses in European morning and fell against 7 G10s on risk aversion ahead of FOMC minutes. **We stay bullish on MYR against a retreating USD**, further supported by improving risk appetite in the FX space. Today's sharp gap down has invalidated yesterday's close above 4.2200. While below 4.2148, there is scope for USDMYR to slide lower to 4.2075, below which the pair will take aim at 4.1981.
- **SGD also lost out to other rallying majors**, sliding against 8 G10s but **managed to advance 0.13% to 1.3543 against USD. Stay bullish on SGD against a softening USD**, further supported by firmer equities. USDSGD is under threat of further losses. A mild bearish bias has emerged, and caution that closing below 1.3523 will accelerate the downsides that could see USDSGD testing 1.3447 in the next leg lower.

Overnight Economic Data

US
Japan
UK



What's Coming Up Next

Major Data

- Malaysia IPI, manufacturing sales
- US PPI, initial jobless claims
- EU industrial production
- Japan tertiary industry index
- Australia home loans
- Singapore retail sales

Major Events

- Fed speaks – Powell, Brainard

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1830	1.1843	1.1862	1.1881	1.1906	↗
USDJPY	112.00	112.31	112.40	112.60	112.71	↘
GBPUSD	1.3196	1.3214	1.3237	1.3264	1.3280	↗
AUDUSD	0.7789	0.7800	0.7804	0.7821	0.7860	↗
EURGBP	0.8929	0.8939	0.8956	0.8960	0.8974	↗
USDMYR	4.2075	4.2100	4.2125	4.2148	4.2180	↘
EURMYR	4.9866	4.9941	4.9979	5.0000	5.0065	↗
JPYMYR	3.7394	3.7427	3.7490	3.7538	3.7570	↘
GBPMYR	5.5661	5.5759	5.5786	5.5828	5.5880	↗
SGDMYR	3.1090	3.1109	3.1128	3.1150	3.1169	↗
AUDMYR	3.2810	3.2852	3.2891	3.2931	3.3000	↘
NZDMYR	2.9830	2.9858	2.9900	2.9953	2.9981	↘
USDSGD	1.3519	1.3523	1.3534	1.3553	1.3565	↘
EURSGD	1.6034	1.6040	1.6054	1.6065	1.6074	↗
GBPSGD	1.7868	1.7900	1.7923	1.7935	1.7960	↗
AUDSGD	1.0516	1.0546	1.0566	1.0569	1.0594	↗

*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	1757.2	-0.2	7.0	CRB Index	183.5	0.16	-4.7
Dow Jones Ind.	22872.9	0.2	15.7	WTI oil (\$/bbl)	51.3	0.75	-4.5
S&P 500	2555.2	0.2	14.1	Brent oil (\$/bbl)	56.9	0.58	0.2
FTSE 100	7533.8	-0.1	5.5	Gold (\$/oz)	1291.7	0.30	8.1
Shanghai	3388.3	0.2	9.2	CPO (RM/tonne)	2719.0	-0.82	-15.0
Hang Seng	28389.6	-0.4	29.0	Copper (\$/tonne)	6800.0	0.59	22.8
STI	3280.3	-0.3	13.9	Rubber (sen/kg)	503.0	-2.33	-22.0

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US MBA mortgage application	Oct 6	-2.1%	-0.4%	--
UK RICS house price balance	Sept	6%	6%	4%
JP machine tool orders YOY	Sept P	45.3%	36.2%	--
JP core machine orders YOY	Aug	4.4%	-7.5%	0.7%
JP PPI YOY	Sept	3.0%	2.9%	3.0%

Source: Bloomberg

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- US MBA mortgage applications for the week ended 6-Oct extended its decline for the 4th consecutive week, underscoring recent renewed weakness in the housing market. Applications fell 2.1% WOW, dragged by declines in both new purchases and refinancing on the back of higher mortgage rates.
- UK RICS house price balance surprised on the upside with the balance of respondents expecting an increase in house prices held steady at 6%. Despite slowly inching back up for the last two months, sentiments remain near a 4-year low, adding to signs of a softening housing market in the US.
- In Japan, indicators surprised on the upside and pointed to pick-up in business spending. Machine tool orders grew at a faster pace of 45.3% YOY in September, thanks to quicker growth from both domestic and foreign orders. Meanwhile, core machine orders also rebounded more than expected with a 4.4% YOY increase in August, snapping two straight months of contraction, driven by a turnaround in orders by the manufacturers while non-manufacturers orders continued to languish for the 5th straight month. PPI quickened to 3.0% YOY in September as expected, extending its 4th straight month of rising trend to a 3-year high, offering comfort that inflation is picking up in Japan, albeit very gradually. This shall support the case for monetary policy to stay at very accommodative level as sounded by BOJ officials recently.

Economic Calendar Release Date

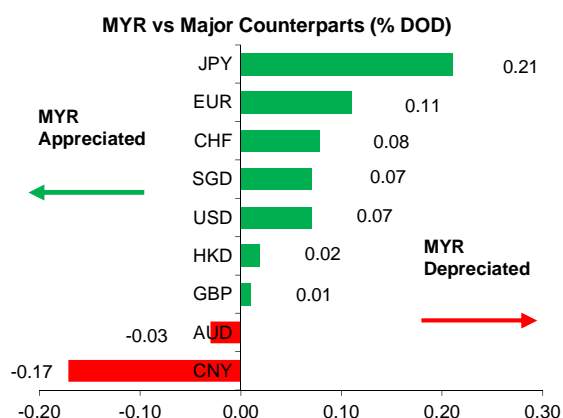
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	10/12	Industrial production	Aug	5.8%	6.1%	--
		Manufacturing sales	Aug	--	22.2%	--
US	10/12	PPM final demand MOM	Sept	0.4%	0.2%	--
		Initial jobless claims	Oct 7	250k	260k	--
	10/13	CPI YOY	Sept	2.3%	1.9%	--
		Retail sales MOM	Sept	1.7%	-0.2%	--
		Uni Michigan consumer sentiments	Oct P	95.0	95.1	--
EU	10/12	Industrial production MOM	Aug	0.6%	0.1%	--
Japan	10/12	Tertiary industry index MOM	Aug	0.1%	0.1%	--
China	10/11 – 18	FDI YOY	Sept	--	9.1%	--
	10/13	Exports YOY	Sept	10.0%	5.5%	5.6%
Singapore	10/12	Retail sales YOY	Aug	2.4%	1.8%	--
	10/13	GDP YOY	3Q A	3.8%	2.9%	--
Australia	10/12	Home loans MOM	Aug	0.5%	2.9%	--
New Zealand	10/12	ANZ consumer confidence	Oct	--	129.9	--
	10/13	Business NZ manufacturing PMI	Sept	--	57.9	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1859	0.43	1.1869	1.1795	12.8
USDJPY	112.50	0.04	112.59	112.08	-3.9
GBPUSD	1.3223	0.15	1.3234	1.3176	7.3
AUDUSD	0.7788	0.13	0.7809	0.7771	8.3
EURGBP	0.8969	0.28	0.89887	0.8939	5.0
USDMYR	4.2225	0.07	4.2225	4.2095	-6.1
EURMYR	4.9853	0.11	4.9956	4.9720	5.9
JPYMYR	3.7624	0.21	3.7624	3.7425	-2.1
GBPMYR	5.5701	0.01	5.5738	5.5575	1.2
SGDMYR	3.1104	0.07	3.1133	3.1031	0.4
AUDMYR	3.2861	-0.03	3.2882	3.2783	1.5
NZDMYR	2.9843	-0.04	2.9903	2.9780	-4.0

Source: Bloomberg



Forex

MYR

- **MYR slipped 0.07% to 4.2225 against USD** after overturning losses in European morning and fell against 7 G10s on risk aversion ahead of FOMC minutes.
- **We stay bullish on MYR against a retreating USD**, further supported by improving risk appetite in the FX space. Today's sharp gap down has invalidated yesterday's close above 4.2200. While below 4.2148, there is scope for USDMYR to slide lower to 4.2075, below which the pair will take aim at 4.1981.

USD

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- **Stay bearish on USD**, damped by softer expectations of future Fed rate hikes beyond Dec amid signs of rising doubts from within the FOMC over inflation trajectory. A gap down below 92.95 in early trade has exposed the Dollar Index to a drop to 92.63. Below this, 92.30 will be targeted.

EUR

- **EUR advanced 0.43% to 1.1859 against USD** and rose against 8 G10s, backed by firmer risk appetite as Catalonia postponed its call for independence.
- **We maintain a bullish view on EUR in anticipation of USD staying soft**, with scope for further upsides if Eurozone data improves. EURUSD expectedly tested 1.1862, and above this, will target a move to 1.1907. We caution that this level could reject further advances and lead to a decline in the coming weeks.

GBP

- **GBP retreated against 6 G10s** amid firmer demand for European majors but **climbed 0.15% to 1.3223 against a softer USD**.
- **Expect a bullish GBP on the back of a soft USD**. GBPUSD continues to hold above 1.3200 and this is giving space for a climb to circa 1.3338 – 1.3361. We caution that the direction thereafter will depend on whether this range is broken.

JPY

- **JPY tumbled against all G10s and eased 0.04% to 112.50 against USD** as risk appetite rebounded in the FX and equity markets.
- **JPY remains bullish against USD** on continued softness in the greenback. Bearish bias picked up, tilting USDJPY further downward. We set sights on USDJPY sliding to 111.86 in the next leg lower.

AUD

- **AUD performance was shadowed by rallies in European and other commodity majors**, closing lower against 8 G10s but **climbed 0.13% to 0.7788 against USD**.
- **AUD remains bullish against a soft USD**, further supported by return of risk appetite in FX and equities markets. AUDUSD will be supported while above 0.78, but we require a close above 0.7804 to affirm that the pair is on track to challenge 0.7863 – 0.7884.

SGD

- **SGD also lost out to other rallying majors**, sliding against 8 G10s but **managed to advance 0.13% to 1.3543 against USD**.
- **Stay bullish on SGD against a softening USD**, further supported by firmer equities. USDSGD is under threat of further losses. A mild bearish bias has emerged, and caution that closing below 1.3523 will accelerate the downsides that could see USDSGD testing 1.3447 in the next leg lower.

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