

Global Markets Research

Daily Market Highlights

Key Takeaways

- **The string of economic releases overnight was positive.** US data continues to see the lingering effects of hurricanes with PPI ticking higher as a result of disruption to supply of goods and services while initial jobless claims continued to normalize from storm-related surge. **Fed Powell said "monetary policy normalization has been and should continue to be gradual,** as long as the US economy evolves roughly as expected" but he cautioned against risks of a highly-indebted corporate sector in emerging economies as global interest rate rises.
- **MAS maintained its neutral policy stance** of a zero percent appreciation in the currency by keeping its SGDNEER band unchanged as expected, amid better growth prospects tracking improvement in exports along with global recovery. **Advance estimate of 3Q GDP surprised significantly on the upside, printing a 4.6% YOY growth** (2Q: +2.9%), its best in 3.5 years. The sharp pick-up in manufacturing and continuous growth in services were the main drivers, offsetting continuous decline in construction. QOQ, growth accelerated to 6.3% in 3Q, from +2.4% in 2Q. Retail sales also picked up more than expected to increase 3.5% YOY in August, its fastest pace since Mar-16, offering signs domestic consumption is gaining speed.
- **Back in Malaysia, IPI picked up further to increase at its fastest pace since Mar-15, by 6.8% YOY in August,** underpinned by continuous expansion in all the three main sectors. Slower growth in manufacturing and electricity output offset an improvement in mining production. Sustained increases in IPI added to signs production will remain firm as the world economy continues to improve. **Taking cue from the still favourable economic indicators thus far, we are confident that our full year real GDP growth projection of 5.4% for 2017 is on track.**
- **USD ended mixed against the G10s** while the Dollar Index rebounded from intraday low to close a meekly 0.05% higher at 93.06 on retreats in European majors. **USD remains bearish in our view,** exposed to further losses in the absence of positive catalysts to renew buying interest. Yesterday's rebound is likely a technical pullback from extended losses. While we do not rule out a climb to 93.38, we maintain a bearish view going forward given that technical signals remain bearish and suggest a potential decline to 92.63 in the coming week.
- **MYR slipped 0.03% to 4.2238 against USD** after declining sharply in European session to overturn early gains while sliding against 7 G10s. **Expect a softer MYR against USD** today amid risk aversion going into the weekend. Another close above 4.2200 yesterday has raised doubts over the downward direction of USDMYR. We are neutral on this pair technically, with direction expected to be determined if USDMYR can hold below 4.2200.
- **SGD closed mixed against the G10s but advanced against 0.14% to 1.3524 against a soft USD.** Despite MAS staying pat on a neutral policy, **we keep a slight bullish view on SGD against a soft USD,** further supported by firmer equities. Bearish signs have increased and we maintain that USDSGD is under threat of further losses. 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

Malaysia
US
EU
Japan
Australia
Singapore



What's Coming Up Next

Major Data

- US CPI, retail sales, Uni Michigan consumer sentiments
- China exports

Major Events

- Fed speaks – Rosengren, Evans, Kaplan
- ECB Coeure speaks

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1800	1.1823	1.1836	1.1844	1.1859	↗
USDJPY	111.86	111.98	112.18	112.37	112.59	↘
GBPUSD	1.3216	1.3251	1.3264	1.3291	1.3311	↗
AUDUSD	0.7804	0.7821	0.7829	0.7848	0.7865	↗
EURGBP	0.8878	0.8906	0.8925	0.8939	0.8960	↘
USDMYR	4.2075	4.2100	4.2180	4.2200	4.2225	↗
EURMYR	4.9865	4.9900	4.9939	4.9975	5.0000	↗
JPYMYR	3.7473	3.7549	3.7600	3.7626	3.7704	↗
GBPMYR	5.5831	5.5918	5.5947	5.6011	5.6094	↗
SGDMYR	3.1100	3.1136	3.1147	3.1179	3.1237	↗
AUDMYR	3.2929	3.3000	3.3025	3.3027	3.3067	↗
NZDMYR	3.0000	3.0060	3.0064	3.0132	3.0195	↗
USDSGD	1.3500	1.3519	1.3542	1.3557	1.3560	↘
EURSGD	1.6006	1.6021	1.6024	1.6029	1.6040	↗
GBPSGD	1.7939	1.7950	1.7960	1.7982	1.8000	↗
AUDSGD	1.0569	1.0588	1.0599	1.0603	1.0623	↗

*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	1754.0	-0.2	6.8	CRB Index	183.3	-0.12	-4.8
Dow Jones Ind.	22841.0	-0.1	15.6	WTI oil (\$/bbl)	50.6	-1.36	-5.8
S&P 500	2550.9	-0.2	13.9	Brent oil (\$/bbl)	56.3	-1.21	-1.0
FTSE 100	7556.2	0.3	5.8	Gold (\$/oz)	1293.7	0.20	8.1
Shanghai	3386.1	-0.1	9.1	CPO (RM/tonne)	2692.0	-1.07	-15.8
Hang Seng	28459.0	0.2	29.4	Copper (\$/tonne)	6887.0	1.28	24.4
STI	3303.1	0.7	14.7	Rubber (sen/kg)	486.5	-1.62	-24.6

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY IPI	Aug	6.8%	6.1%	5.8%
US PPI MOM	Sept	0.4%	0.2%	0.4%
US initial jobless claims	Oct 7	243k	258k	250k
EU industrial production	Aug	1.4%	0.3%	0.6%
JP tertiary industry index	Aug	-0.2%	0.1%	0.1%
AU home loans	Aug	1.0%	2.8%	0.5%
SG retail sales	Aug	3.5%	1.7%	2.4%
SG GDP	3Q A	4.6%	2.9%	3.8%
NZ Biz NZ PMI manufacturing	Sept	57.5	57.9	--

Source: Bloomberg

➤ Macroeconomics

- US data turned out on a more positive tone but discounting storm-related impact, there was little to cheer about in our view. The increase in PPI picked up to 0.4% MOM as expected in September while core prices ex food and energy ticked up more than expected to 0.4% MOM, boosted by storm-related shortages in food and services. Initial jobless claims fell more than expected by 15k to 243k for the week ended 7-Oct, and so is continuing claims, as the numbers continued to normalize from post-hurricanes spikes. Fed Powell said “monetary policy normalization has been and should continue to be gradual, as long as the US economy evolves roughly as expected” but he cautioned against risks of a highly-indebted corporate sector in emerging economies as global interest rate rises.
- EU industrial production surprised on the upside, increasing 1.4% MOM in August and previous month's gain was upwardly revised to 0.3%. The best gain in nine months was spurred by a turnaround in energy output and quicker gains in intermediate and capital goods, suggesting continuous growth in exports and investment ahead.
- Japan data bucked recent trend as tertiary industry index staged a surprised turn and fell 0.2% MOM in August, pointing to weakness in the services sector. Sectors that contributed to the decline include finance and insurance, retail trade, information and communication, and utilities.
- Down under, home loans grew at a slower pace of 1.0% MOM in August but still bested estimates for a 0.5% increase. The increase was broad-based from construction to new homes and refinancing, underscoring a still intact housing market. By state, loans climbed higher in the major states of New South Wales and Victoria but fell in Queensland.
- New Zealand PMI manufacturing index moderated slightly by 0.4ppts to 57.5 in September but remained elevated nonetheless, dampened by declines in production and employment while other components including new orders ticked higher, signaling growth in the manufacturing sector remains forthcoming.
- Singapore data came in upbeat. Retail sales picked up more than expected to increase 3.5% YOY in August, its fastest pace since Mar-16, led by higher sales at departmental stores and supermarkets, gasoline sales, and auto vehicles. Ex-auto, sales were robust with quicker gain of 3.7% YOY, offering signs domestic consumption is gaining speed. This morning, advance estimate of 3Q GDP in Singapore surprised significantly on the upside, printing a 4.6% YOY growth (2Q: +2.9%), its best in 3.5 years. The sharp pick-up in manufacturing (+15.5% vs +8.2%) and services (+2.6% vs +2.5%) were the main drivers, offsetting continuous decline in construction (-6.3% vs -6.8%). QOQ, growth accelerated to 6.3% in 3Q, from +2.4% in 2Q. As a result of better growth prospects tracking improvement in exports along with global recovery, MAS maintained its neutral policy stance of a zero percent appreciation in the currency by keeping its SGDNEER band unchanged as expected.
- At the local front, IPI picked up further to increase at its fastest pace since Mar-15, by 6.8% YOY in August, underpinned by continuous expansion in all the three main sectors. Slower growth in manufacturing and electricity output offset an improvement in mining production. Sustained increases in IPI added to signs production will remain firm as the world economy continues to improve. Firming production growth as a result of extended gains in both domestic- and export-oriented sectors bodes well with growth prospects in 3Q. Taking cue from the still favourable economic indicators thus far, we are confident that our full year real GDP growth projection of 5.4% for 2017 is on track.

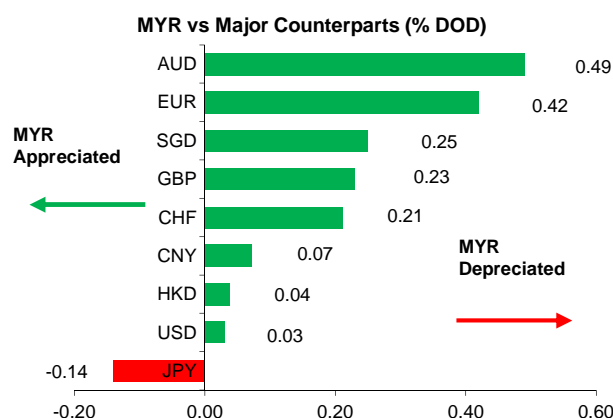
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	10/13	CPI YOY	Sept	2.3%	1.9%	--
		Retail sales MOM	Sept	1.7%	-0.2%	--
		Uni Michigan consumer sentiments	Oct P	95.0	95.1	--
	10/16	Empire manufacturing	Oct	20.4	24.4	--
EU	10/16	Trade balance	Aug	--	€18.6b	--
UK	10/16	Rightmove house prices	Oct	--	1.1%	--
Japan	10/16	Industrial production MOM	Aug F	--	2.1%	--
China	10/13	Exports YOY	Sept	10.0%	5.5%	5.6%
	10/16	CPI YOY	Sept	1.6%	1.8%	--
		PPI YOY	Sept	6.3%	6.3%	--
New Zealand	10/16	Performance services index	Sept	--	57.3	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1830	-0.24	1.188	1.1827	12.6
USDJPY	112.28	-0.20	112.52	112.13	-4.0
GBPUSD	1.3262	0.29	1.3291	1.3122	7.5
AUDUSD	0.7820	0.41	0.7836	0.7787	8.6
EURGBP	0.8919	-0.55	0.9033	0.8915	4.5
USDMYR	4.2238	0.03	4.2238	4.2118	-5.8
EURMYR	5.0062	0.42	5.0133	4.9956	6.0
JPYMYR	3.7573	-0.14	3.7587	3.7452	-1.9
GBPMYR	5.5828	0.23	5.5958	5.5754	1.3
SGDMYR	3.1181	0.25	3.1184	3.1109	0.5
AUDMYR	3.3023	0.49	3.3037	3.2852	1.9
NZDMYR	3.0062	0.73	3.0068	2.9877	-3.6

Source: Bloomberg



Forex

MYR

- **MYR slipped 0.03% to 4.2238 against USD** after declining sharply in European session to overturn early gains while sliding against 7 G10s.
- **Expect a softer MYR against USD** today amid risk aversion going into the weekend. Another close above 4.2200 yesterday has raised doubts over the downward direction of USDMYR. We are neutral on this pair technically, with direction expected to be determined if USDMYR can hold below 4.2200.

USD

- **USD ended mixed against the G10s** while the Dollar Index rebounded from intraday low to close a weekly 0.05% higher at 93.06 on retreats in European majors.
- **USD remains bearish in our view**, exposed to further losses in the absence of positive catalysts to renew buying interest. Yesterday's rebound is likely a technical pullback from extended losses. While we do not rule out a climb to 93.38, we maintain a bearish view going forward given that technical signals remain bearish and suggest a potential decline to 92.63 in the coming week.

EUR

- **EUR fell 0.24% to 1.1830 against USD** and retreated against 7 G10s amid softer sentiment in the European markets.
- **We hold a slight bullish view on EUR in anticipation of USD staying soft**, with scope for further upsides on firmer Eurozone sentiment. Holding above 1.1823 as well as firmer bullish bias still point EURUSD upwards, with potential to test 1.1907 – 1.1917 in the next leg higher.

GBP

- **GBP climbed 0.29% to 1.3262 against USD** and beat 7 G10s, rebounding from early declines after it was reported that the UK may be offered a 2-year transition period for Brexit implementation.
- **GBP is bullish against USD**, supported by firmer buying interest on expectations of a longer transition period for Brexit implementation. GBPUUSD 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 closed higher against 5 G10s and advanced 0.2% to 112.28 against USD**, supported by refuge demand amid softer sentiment in European 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 was lifted by firmer commodities to beat 9 G10s and strengthen 0.41% to 0.7820 against USD.**
- **Stay bullish on AUD against USD**, further supported by extended gains in metals. AUDUSD closed above 0.7804 yesterday and has affirmed the pair's challenge at 0.7863 – 0.7884 next. Bearish bias continues to diminish and we reckon that breaking above 0.7848 will expose a move to 0.7900.

SGD

- **SGD closed mixed against the G10s but advanced against 0.14% to 1.3524 against a soft USD.**
- Despite MAS staying pat on a neutral policy, **we keep a slight bullish view on SGD against a soft USD**, further supported by firmer equities. Bearish signs have increased and we maintain that USDSGD is under threat of further losses. Caution that closing below 1.3523 will accelerate the downsides that could see USDSGD testing 1.3447 in the next leg lower.

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

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.