October 16, 2017

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Upbeat US data continued to spur growth and rate hike optimism. Retail sales rebounded from hurricane-inflicted weaknesses and advanced at a hefty 1.6% MOM in September, its quickest gain since Mar-15,** driven by higher gasoline prices. Ex-auto and sales, retail sales also managed to register a faster growth of 0.5% MOM during the month, signaling the pick-up was broad-based. Post-storms recovery also led CPI to recover to its best level in five months, at 2.2% YOY in September led by recovery in energy prices. **Core CPI meanwhile held steady at 1.7% YOY, still pointing to the lack of upside price pressure in the US economy.**

- Despite lingering softness in inflation, **Yellen, coupled with other central bank chiefs (ECB Draghi and BOE Carney) said** at an IMF/ World Bank annual meeting that **inflation will soon accelerate** amid synchronized global economic expansion, touted to be the healthiest in a decade. BOJ Kuroda on the other hand said it's still a long way to the 2% price stability target.

- **China exports picked up less than expected to increase 8.1% YOY in September,** while imports growth beat expectations and gained 18.7% YOY. Trade balance narrowed more than expected to a surplus of $28.5bn (Aug: $41.9bn) as a result of more robust imports vis-à-vis exports, suggesting domestic consumption remains solid in China.

- **USD ended weaker against most G10s** but the Dollar Index registered minute gains for the 2nd straight day, by 0.04% to 93.09. **USD is still bearish in our view**, and would need to rely on significantly positive US data to drive further gains. Momentum indicators have turned negative. 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 eked out a 0.04% gain to 4.2220 against USD** at close after erasing early day gains and traded on a softer note in late Asian trading/ early European session. The local unit however weakened against 8 G10s. **Maintaining our view for a slightly softer MYR against USD** today but a sharply lower opening is limiting its losses. Extended close above 4.2200 Friday continued to dampen the bearish bias in USDMYR. We are neutral on this pair technically, with direction expected to be determined if USDMYR can hold below 4.2200.

- **SGD** closed firmer against the USD for the 5th consecutive day, **advancing 0.24% to 1.3492 against the USD** and ended stronger against 8 G10s. **SGD remains slightly bullish against a soft USD**, further supported by firmer risk sentiments in the region. Bearish signs have increased and we maintain that USDSGD is under threat of further losses. Friday's close below 1.3523 has increased downsides in the pair that could see USDSGD testing 1.3447 in the next leg lower.

Overnight Economic Data

US	↑
UK	↑
China	↑
New Zealand	↓

What's Coming Up Next

Major Data
- US Empire manufacturing
- EU trade balance
- Japan industrial production
- China CPI, PPI

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1781	1.1800	1.1815	1.1844	1.1859	→
USDJPY	111.74	111.86	111.94	112.37	112.59	↘
GBPUSD	1.3216	1.3251	1.3294	1.3311	1.3341	↗
AUDUSD	0.7821	0.7867	0.7880	0.7900	0.7928	↗
EURGBP	0.8861	0.8876	0.8888	0.8923	0.8960	↘
USDMYR	4.2075	4.2100	4.2145	4.2200	4.2225	↘
EURMYR	4.9749	4.9794	4.9817	4.9886	4.9966	↘
JPYMYR	3.7473	3.7549	3.7645	3.7704	3.7736	↗
GBPMYR	5.5831	5.5918	5.6031	5.6043	5.6094	↗
SGDMYR	3.1136	3.1176	3.1226	3.1237	3.1270	↗
AUDMYR	3.3121	3.3166	3.3214	3.3256	3.3300	↗
NZDMYR	3.0110	3.0173	3.0264	3.0345	3.0364	↗
USDSGD	1.3469	1.3483	1.3500	1.3524	1.3560	↘
EURSGD	1.5924	1.5940	1.5955	1.5972	1.6020	↗
GBPSGD	1.7903	1.7939	1.7948	1.7982	1.8000	↗
AUDSGD	1.0601	1.0611	1.0641	1.0660	1.0675	↗

*at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1755.3	0.1	6.9
Dow Jones Ind.	22871.7	0.1	15.7
S&P 500	2553.2	0.1	14.0
FTSE 100	7535.4	-0.3	5.5
Shanghai	3390.5	0.1	9.2
Hang Seng	28476.4	0.1	29.4
STI	3319.1	0.5	15.2

Name	Last Price	DoD %	YTD %
CRB Index	184.8	0.85	-4.0
WTI oil ($/bbl)	51.5	1.68	-4.2
Brent oil ($/bbl)	57.7	1.00	-3.3
Gold (S/oz)	1304.6	0.80	8.1
CPO (RM/tonne)	2718.0	0.97	-15.0
Copper ($/tonne)	6882.0	-0.07	24.3
Rubber (sen/kg)	482.5	0.00	-25.2

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US CPI YOY	Sept	2.2%	1.9%	2.3%
US retail sales MOM	Sept	1.6%	-0.1%	1.7%
US Uni Michigan consumer sentiments	Oct P	101.1	95.1	95.0
UK RIghtmove house prices YOY	Oct	1.4%	1.1%	--
CH exports YOY	Sept	8.1%	5.1%	10.0%
CH FDI YOY	Sept	17.3%	9.1%	--
NZ performance services index	Sept	56.0	57.2	--

Source: Bloomberg

➢ Macroeconomics

- Upbeat US data continued to spur growth and rate hike optimism. Retail sales rebounded from hurricane-inflicted weaknesses and advanced at a hefty 1.6% MOM in September, its quickest gain since Mar-15, although it fell just a tad short of the expected 1.7% MOM increase. A big chunk of the boost came from gasoline sales due to higher prices. Ex-auto and sales, retail sales also managed to register a faster growth of 0.5% MOM during the month, signaling the pick-up was broad-based.

- Post-storms recovery also led CPI to recover to its best level in five months, at 2.2% YOY in September led by recovery in energy prices. Core CPI meanwhile held steady at 1.7% YOY, still pointing to the lack of upside price pressure in the US economy. Despite lingering softness in inflation, Yellen, coupled with other central bank chiefs (ECB Draghi and BOE Carney) said at an IMF/ World Bank annual meeting that inflation will soon accelerate amid synchronized global economic expansion, touted to be the healthiest in a decade. BOJ Kuroda on the other hand said it's still a long way to the 2% price stability target.

- Preliminary print from Uni Michigan showed consumer sentiments unexpectedly jumped to 101.1 in October, its highest in nearly 19 years as consumers turned more optimistic over current economic conditions and future outlook. This shall be supportive of the US economy which is still very much consumption-led.

- UK Rightmove house prices rose at a faster pace of 1.4% YOY and rebounded to increase 1.1% MOM in October. Gain in house prices however remained near its slowest since 2012, adding to sign the UK housing market is softening, a trend we similarly observed in housing markets of other majors.

- China exports picked up less than expected to increase 8.1% YOY in September, while imports growth beat expectations and gained 18.7% YOY. Trade balance narrowed more than expected to a surplus of $28.5bn (Aug: $41.9bn) as a result of more robust imports vis-à-vis exports, suggesting domestic consumption remains solid in China. Riding on continuous recovery in global demand, exports to its major destinations including the US, EU, and Asean all registered faster gains. In a separate release, FDI jumped 17.3% YOY in September, its best gain in two years, thanks to higher investment in the manufacturing sector.

- New Zealand services sector expanded at a slower pace in September, with the index moderating to 56.0, as activity/ sales, and new orders tapered off, offsetting gains in employment, reflecting setback ahead of the election.

Source: Bloomberg

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
US	10/16	Empire manufacturing	Oct	20.0	24.4	--
	10/17	Import price index MOM	Sept	0.6%	0.6%	--
		Industrial production MOM	Sept	0.2%	-0.9%	--
		NAHB housing market index	Oct	64	64	--
EU	10/16	Trade balance	Aug	€20.2b	€18.6b	--
	10/17	CPI YOY	Sept F	1.5%	1.5%	1.5%
		ZEW expectations survey	Oct	--	31.7	--
UK	10/17	CPI YOY	Sept	3.0%	2.9%	--
		RPI YOY	Sept	4.0%	3.9%	--
		PPI Output YOY	Sept	3.3%	3.4%	--
Japan	10/16	Industrial production MOM	Aug F	--	2.1%	--
China	10/16	CPI YOY	Sept	1.6%	1.8%	--
		PPI YOY	Sept	6.4%	6.3%	--
Singapore	10/17	NODX YOY	Sept	12.6%	17.0%	--
New Zealand	10/17	CPI YOY	3Q	1.8%	1.7%	--

6.8%

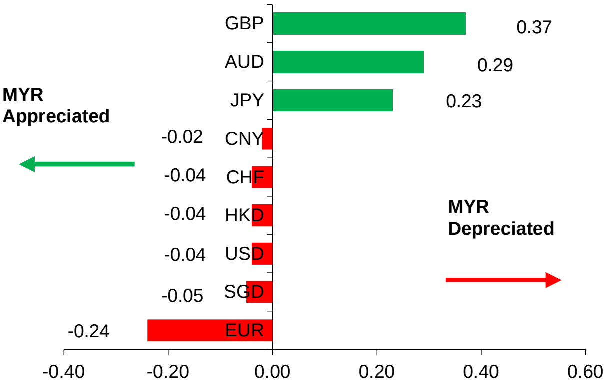
➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1820	-0.08	1.1875	1.1806	12.3
USDJPY	111.82	-0.41	112.31	111.69	-4.3
GBPUSD	1.3285	0.17	1.3338	1.3248	7.6
AUDUSD	0.7887	0.86	0.7897	0.7818	9.3
EURGBP	0.8898	-0.24	0.89308	0.8876	4.2
USDMYR	4.2220	-0.04	4.2963	4.2820	-5.9
EURMYR	4.9940	-0.24	4.9042	4.8877	5.7
JPYMYR	3.7659	0.23	3.7940	3.7789	-1.7
GBPMYR	5.6033	0.37	5.5687	5.5505	1.6
SGDMYR	3.1166	-0.05	3.1267	3.1181	0.5
AUDMYR	3.3119	0.29	3.3323	3.3182	2.2
NZDMYR	3.0168	0.35	3.1506	3.1392	-3.3

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

- **MYR eked out a 0.04% gain to 4.2220 against USD at close** after erasing early day gains and traded on a softer note in late Asian trading/ early European session. The local unit however weakened against 8 G10s.
- **Maintaining our view for a slightly softer MYR against USD** today amid a firmer USD. Extended close above 4.2200 Friday continued to dampen the bearish bias in USDMYR. We are neutral on this pair technically, with direction expected to be determined if USDMYR can hold below 4.2200.

USD

- **USD ended weaker against most G10s but the** Dollar Index registered minute gains for the 2nd straight day, by 0.04% to 93.09.
- **USD is still bearish in our view**, and would need to rely on significantly positive US data to drive further gains. Momentum indicators have turned negative. 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 0.08% to 1.1820 against USD** and retreated against almost all G10s as ECB officials reiterated that policy will remain accommodative for a long time and that the bulk of QE decisions will be taken in October.
- **EUR remains slightly bullish in our view amid signs of lethargy in the USD**, 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 advanced 0.17% to 1.3285 against USD** and traded mixed against 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 a softer bias in the USD** amid lack of further positive catalyst to drive the greenback. 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** strengthened against 8 G10s and **advanced 0.41% to 111.82 against USD**, as it was bidded up across Asian to European and US sessions.
- **JPY remains bullish against USD** on continued softness in the greenback. The pair closed below 111.86 Friday and will target 111.73 next. Successful break here will lead the pair to test 110.87 in the next leg down.

AUD

- **AUD** was lifted by positive US data to beat all G10s and **strengthen 0.86% to 0.7887 against USD**.
- **Stay bullish on AUD against USD**, further supported by extended gains in commodities. The pair closed above 0.7848 Friday and momentum indicators have turned positive for the first time since mid-September. AUDUSD is on track to test 0.7900 next.

SGD

- **SGD** closed firmer against the USD for the 5th consecutive day, **advancing 0.24% to 1.3492 against the USD** and ended stronger against 8 G10s.
- **SGD remains slightly bullish against a soft USD**, further supported by firmer risk sentiments in the region. Bearish signs have increased and we maintain that USDSGD is under threat of further losses. Friday's close below 1.3523 has increased downsides in the pair that could see USDSGD testing 1.3447 in the next leg lower.

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