

Global Markets Research

Daily Market Highlights

Key Takeaways

- **RBA minutes of the last meeting remained neutral-toned** as members remained optimistic on employment growth and economic pick-up while at the same time cautioned on low inflation as well as impact of a strong AUD. Board members judged that employment growth was broad-based across the states, and that recent economic data “had, on balance been positive”. However, inflation “had remained low but stable” and will continue to experience slower pick-up, alongside growth, if AUD appreciates further.
- **Data-wise, it was mixed from the US and slightly slanted to the upside from Eurozone, while Japan’s softer.** US housing starts fell unexpectedly in Aug, but building permits, an indication of future demand, rebounded in the same month. In the Eurozone, construction output experienced a softer growth in Jul, but saw wider current account surplus in Jul while ZEW’s survey on economic sentiment showed more positive results.
- **MYR eased 0.06% to 4.1915 against USD** but managed to advance against 5 G10s. **MYR is still slightly bearish against USD** as we expect risk aversion to prevail ahead of FOMC meeting. Caution that USDMYR may be readying for a rebound higher, with scope to test 4.2260 in the coming weeks. Losses could come by, but as long as the pair holds above 4.1800, chances of rebound sustain.
- **USD slipped against 7 G10s** while the Dollar Index tumbled in US afternoon to end the day 0.28% lower at 91.79 as buying interest wane a day before Fed policy decision. **Stay slightly bullish on USD;** we reckon that buying interest may rise modestly heading into FOMC meeting, backed by market expectations of a decision on balance sheet reduction. Despite last Friday’s losses, a mild bullish bias still prevails, therefore, we continue to set sights on a climb to above 92.52 by end week. Losses will likely be protected by 91.87, otherwise, a bearish bias will emerge and take the Dollar Index to 91.28 in the next leg lower.
- **SGD failed the get the better of European and commodity majors, sliding against 7 G10s but managed to close 0.04% firmer at 1.3473 against USD. SGD sustains a bearish view against USD** amid rising risk-off in the markets. A mild bearish bias continues to prevail in USDSGD, tilting the pair slightly towards the upside. We maintain the view of a potential climb higher above 1.3548 – 1.3550.

Overnight Economic Data

US	➔
EU	↕
Japan	↕

What’s Coming Up Next

Major Data

- US MBA mortgage applications & existing home sales
- UK retail sales
- Australia Westpac leading index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1954	1.1965	1.1994	1.2007	1.2020	↘
USDJPY	111.33	111.60	111.63	111.75	111.90	↗
GBPUSD	1.3480	1.3500	1.3516	1.3550	1.3580	↘
AUDUSD	0.7980	0.8000	0.8003	0.8024	0.8033	↘
EURGBP	0.8820	0.8845	0.8871	0.8897	0.8923	↘
USDMYR	4.1875	4.1900	4.1915	4.1958	4.1980	↗
EURMYR	5.0122	5.0202	5.0266	5.0339	5.0428	↘
JPYMYR	3.7500	3.7548	3.7580	3.7603	3.7654	↘
GBPMYR	5.6574	5.6628	5.6673	5.6690	5.6828	↘
SGDMYR	3.1074	3.1100	3.1126	3.1150	3.1174	↗
AUDMYR	3.3500	3.3550	3.3563	3.3600	3.3640	↘
NZDMYR	3.0587	3.0641	3.0667	3.0687	3.0737	↗
USDSGD	1.3442	1.3452	1.3469	1.3489	1.3509	↗
EURSGD	1.6107	1.6136	1.6153	1.6172	1.6200	↘
GBPSGD	1.8150	1.8162	1.8206	1.8246	1.8260	↘
AUDSGD	1.0747	1.0761	1.0783	1.0789	1.0805	↘

*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	1776.7	-0.4	8.2	CRB Index	182.6	-0.63	-5.2
Dow Jones Ind.	22370.8	0.2	13.2	WTI oil (\$/bbl)	49.5	-0.86	-7.9
S&P 500	2506.7	0.1	12.0	Brent oil (\$/bbl)	55.1	-0.61	-3.0
FTSE 100	7275.3	0.3	1.9	Gold (\$/oz)	1311.2	0.30	10.8
Shanghai	3356.8	-0.2	8.2	CPO (RM/tonne)	2849.0	-0.61	-10.9
Hang Seng	28051.4	-0.4	27.5	Copper (\$/tonne)	6539.0	0.18	18.1
STI	3226.0	-0.5	12.0	Rubber (sen/kg)	537.0	-1.56	-16.7

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US housing starts MOM	Aug	-0.8%	-2.2%	1.7%
US building permits MOM	Aug	5.7%	-3.5%	-0.8%
EU ECB current account	Jul	25.1b	22.8b	--
EU ZEW expectations	Sept	31.7	29.3	--
EU construction output YOY	Jul	3.4%	4.3%	--
JP trade balance	Aug	¥113.6b	¥421.7b	¥108.7b

- Minutes of the previous RBA meeting revealed that board members remain optimistic on employment growth, which was opined to be broad-based across the states, and further improvement is likely to continue based on forward indicators. Members also noted that macroeconomic data over the last month “had, on balance been positive and consistent with gradual pick-up in growth as forecast”.
- However, turning to inflation, RBA board members pointed that it “had remained low but stable”, alongside growth in wages, and expected to stay the same for some time. This is compounded by a stronger AUD, though partly due to a softer USD, that is “weighing on domestic growth” and keeping a lid on inflation. Minutes warned that further gains in AUD “would be expected to result in slower pick-up in growth and inflation”.
- US housing market data was mixed as housing starts declined on a monthly basis even as building permits rebounded by the same measure. Number of new housing construction that began construction in Aug dipped 0.8% MOM to 1.18 million, and though improved from a 2.2% decline previously, it was lower than an expected increase of 1.7%. Building permits rose 5.7% MOM and rebounded from a 3.5% fall in Jul. While generally considered as a leading indicator of future demand, there is no assurance that it gets translated into firmer housing starts and sales.
- Save for construction output, data out of the Eurozone improved. The ECB’s current account surplus widened to € 25.1b in Jul from €22.8b in Jun. ZEW’s survey of economic expectations returned more positive results as reading rose to 31.7 in Sept, up from 29.3 previously. Meanwhile, construction output grew slower by 3.4% YOY in Jul, easing from 4.3% previously.
- Japan’s trade surplus narrowed in Aug, sliding to ¥ 113.6b from ¥ 421.7b. Even as exports growth surged 18.1% YOY to ¥ 6278, imports kept pace with a 15.2% increase to ¥ 6164.

Source: Bloomberg

Economic Calendar Release Date

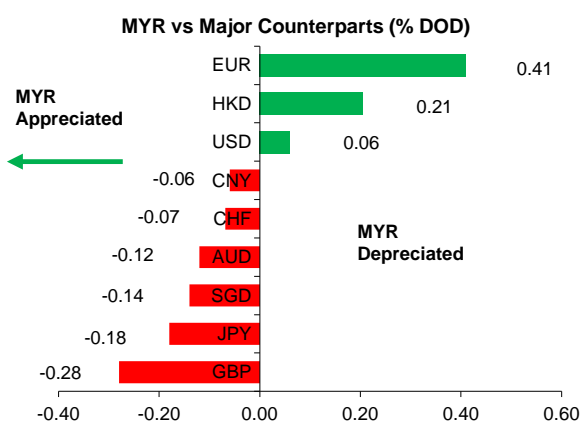
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	9/20	MBA mortgage applications	Sept 15	--	9.9%	--
		Existing home sales MOM	Aug	0.7%	-1.3%	--
	9/21	FOMC rate decision	Sept 20	1.00 – 1.25%	1.00 – 1.25%	1.00 – 1.25%
		Initial jobless claims	Sept 16	300k	284k	--
		Leading index	Aug	0.2%	0.3%	--
EU	9/21	ECB economic bulletin		--	--	--
		Consumer confidence	Sept A	--	-1.5	--
UK	9/20	Retail sales MOM	Aug	0.2%	0.3%	--
	9/21	PSNCR	Aug	--	-3.9b	--
Japan	9/20	Trade balance	Aug	¥108.7b	¥418.8b	¥421.7b
	9/21	All industry activity index MOM	Jul	-0.1%	0.4%	--
		Nationwide dept store sales	Aug	--	-1.4%	--
		Supermarket sales YOY	Aug	--	0.0%	--
		BOJ policy balance	Sept 21	--	-0.1%	--
Hong Kong	9/21	CPI YOY	Aug	2.0%	2.0%	--
Australia	9/20	Westpac leading index	Aug	--	0.12%	--
New Zealand	9/21	GDP SA QOQ	2Q	0.8%	0.5%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD%
EURUSD	1.1994	0.33	1.2007	1.1950	14.1
USDJPY	111.59	0.02	111.88	111.20	-4.7
GBPUSD	1.3503	0.06	1.3552	1.3469	9.6
AUDUSD	0.8010	0.65	0.802	0.7957	11.1
EURGBP	0.8881	0.27	0.8899	0.8843	4.0
USDMYR	4.1915	0.06	4.1935	4.1880	-6.6
EURMYR	5.0252	0.41	5.1041	5.0091	6.4
JPYMYR	3.7543	-0.18	3.8287	3.7469	-2.0
GBPMYR	5.6593	-0.28	5.7688	5.6485	2.6
SGDMYR	3.1072	-0.14	3.1679	3.1070	0.2
AUDMYR	3.3517	-0.12	3.4030	3.3365	3.4
NZDMYR	3.0579	-0.10	3.1016	3.0432	-2.0

Source: Bloomberg



Forex

MYR

- **MYR eased 0.06% to 4.1915 against USD** but managed to advance against 5 G10s.
- **MYR is still slightly bearish against USD** as we expect risk aversion to prevail ahead of FOMC meeting. Caution that USDMYR may be readying for a rebound higher, with scope to test 4.2260 in the coming weeks. Losses could come by, but as long as the pair holds above 4.1800, chances of rebound sustain.

USD

- **USD slipped against 7 G10s** while the Dollar Index tumbled in US afternoon to end the day 0.28% lower at 91.79 as buying interest wane a day before Fed policy decision.
- **Stay slightly bullish on USD**; we reckon that buying interest may rise modestly heading into FOMC meeting, backed by market expectations of a decision on balance sheet reduction. Despite last Friday's losses, a mild bullish bias still prevails, therefore, we continue to set sights on a climb to above 92.52 by end week. Losses will likely be protected by 91.87, otherwise, a bearish bias will emerge and take the Dollar Index to 91.28 in the next leg lower.

EUR

- **EUR was buoyed by USD's retreat to climb 0.33% to 1.1994** and closed higher against 5 G10s.
- **We expect a soft EUR to prevail against USD** as buying interest in the greenback resumes post-FOMC announcement. Bearish bias prevails in EURUSD and therefore remains inclined towards the downside. Caution on potential rejection near 1.2007 – 1.2020 that could trigger losses back to circa 1.1936 going forward. Firmly capturing 1.2048 will see extended gains.

GBP

- **GBP extended its retracement against 6 G10s but inched 0.06% higher to 1.3503 against a soft USD.**
- **We maintain a bearish view on GBP against USD**, weighed down by risk aversion ahead of Brexit speech from UK PM May, as well as bearish potential in UK data. We are still skeptical that GBPUSD can continue pushing higher and set sights on extended retracements. Sliding below 1.3500 will trigger further losses to circa 1.3343 in the longer-term.

JPY

- **JPY eased 0.02% to 111.59 against USD** and fell against 8 G10s on continued retreat in refuge demand.
- **Stay bearish on JPY against USD** in the absence of refuge demand. USDJPY has broken above 111.61 and is now looking to break 111.75. Once this range is broken, expect 112.80 – 113.00 to be under threat.

AUD

- **AUD jumped 0.65% to 0.8010 against a soft USD** and advanced against 8 G10s, supported by firmer risk appetite in the markets.
- **AUD remains bearish against USD** in our view amid risk aversion ahead of FOMC meeting. We view AUDUSD's recent recapturing of 0.7980 to be unsustainable and likely to soon dip below that reversion level. With bearish bias picking up, we still set sights on a drop below 0.7958 soon, below which 0.7900 will be challenged.

SGD

- **SGD failed to get the better of European and commodity majors, sliding against 7 G10s but managed to close 0.04% firmer at 1.3473 against USD.**
- **SGD sustains a bearish view against USD** amid rising risk-off in the markets. A mild bearish bias continues to prevail in USDSGD, tilting the pair slightly towards the upside. We maintain the view of a potential climb higher above 1.3548 – 1.3550.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 6, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Tel: 603-2773 0469
Fax: 603-2164 9305
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.