

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Overnight data flow reaffirmed that the global economy continues to gather pace in major developed economies but inflation remains subdued by and large.** Low inflation may be the biggest hurdle holding back major central banks from normalizing their ultra loose monetary policy, but the Fed, and even BOE appear to be pushing ahead with policy tightening.
- **US durables goods orders and new home sales surprised on the upside in September**, painting a more robust picture on US investment spending and offered some relieves to recent softness seen in the US housing market. **In the UK, advance print showed the UK economy grew at a quicker than expected pace of 0.4% QOQ in 3Q**, its first pick-up in three quarters which could potentially give BOE some "excuses" to raise rates following recent hawkish speaks. We remain skeptical on such a move indeed, staying wary of increasing risks of a disorderly Brexit. **Australia CPI print missed estimates** and underlying soft inflation is further dampening prospects of any tightening move by RBA.
- **USD slipped against 6 G10s** while the Dollar Index tumbled through European trade on the back of rebounds in European majors as well as on softer prospects that Trump tax plan may not be approved, dipping 0.07% to 93.71 after overturning early gap up. **Stay bullish on USD** in anticipation of risk aversion in the markets ahead of ECB policy announcement. The Dollar Index was again rejected by 94.00 and gapped lower this morning. Nonetheless, we maintain a slight bullish view as technicals remain bullish, and set sights on a break higher above 93.77.
- **MYR slipped 0.08% to 4.2352 against USD** but managed to beat 6 G10s. **MYR stays bearish against USD** on continued risk aversion ahead of Malaysia Budget 2018 tabling. USDMYR is still technically bullish and remains tilted upwards. We maintain that there is a potential move to 4.2412 in the next leg higher.
- **SGD remained a proxy for regional safe haven as it beat 7 G10s and advanced 0.15% to 1.3605 against USD. SGD remains bearish against USD**, weighed down by lack of buying interest ahead of Singapore data and risk aversion in the markets. USDSGD must hold above 1.3600 to sustain an upside bias that would help it retake 1.3629. Otherwise, a drop to 1.3585 is highly likely.

#### Overnight Economic Data

US  
UK  
Japan  
Australia  
New Zealand



#### What's Coming Up Next

##### Major Data

- US initial jobless claims, pending home sales, Kansas City Fed manufacturing
- UK CBI reported sales
- Hong Kong exports
- Singapore industrial production

##### Major Events

- ECB policy decision

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1791	1.1803	1.1818	1.1825	1.1837	↘
USDJPY	113.36	113.48	113.64	113.91	114.10	↗
GBPUSD	1.3216	1.3250	1.3268	1.3287	1.3312	↗
AUDUSD	0.7680	0.7700	0.7704	0.7710	0.7720	↘
EURGBP	0.8878	0.8889	0.8907	0.8916	0.8939	↘
USDMYR	4.2269	4.2281	4.2305	4.2325	4.2342	↗
EURMYR	4.9847	4.9911	4.9998	5.0026	5.0106	↗
JPYMYR	3.7132	3.7200	3.7239	3.7305	3.7352	↗
GBPMYR	5.6100	5.6125	5.6141	5.6175	5.6227	↗
SGDMYR	3.1066	3.1093	3.1105	3.1130	3.1139	↗
AUDMYR	3.2550	3.2565	3.2586	3.2613	3.2683	↘
NZDMYR	2.9020	2.9050	2.9091	2.9100	2.9147	↘
USDSGD	1.3566	1.3587	1.3602	1.3616	1.3629	↗
EURSGD	1.6035	1.6051	1.6075	1.6091	1.6116	↗
GBPSGD	1.8000	1.8017	1.8047	1.8061	1.8088	↗
AUDSGD	1.0420	1.0450	1.0477	1.0483	1.0498	↘

\*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	1739.1	0.2	5.9	CRB Index	185.4	-0.23	-3.7
Dow Jones Ind.	23329.5	-0.5	18.0	WTI oil (\$/bbl)	51.9	-0.78	-3.4
S&P 500	2557.2	-0.5	14.2	Brent oil (\$/bbl)	58.4	0.19	-2.2
FTSE 100	7447.2	-1.1	4.3	Gold (\$/oz)	1277.4	0.00	8.1
Shanghai	3396.9	0.3	9.4	CPO (RM/tonne)	2774.5	0.76	-13.3
Hang Seng	28302.9	0.5	28.6	Copper (\$/tonne)	7010.0	-0.36	26.6
STI	3343.9	0.3	16.1	Rubber (sen/kg)	463.0	-0.22	-28.2

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
US MBA mortgage applications	Oct 20	-4.6%	3.6%	--
US durable goods orders	Sept P	2.2%	2.0%	1.0%
US new home sales	Sept	18.9%	-3.4%	-1.1%
UK 3Q GDP	3Q A	0.4%	0.3%	0.3%
UK index of services	Aug	0.2%	-0.1%	0.3%
JP PPI services YOY	Sept	0.9%	0.8%	0.8%
AU CPI YOY	3Q	1.8%	1.9%	2.0%
NZ trade balance	Sept	-N\$1143m	-N\$1179m	-N\$900m

Source: Bloomberg

## ➤ Macroeconomics

- US data turned out on a more positive note. Durable goods orders staged a surprised pick-up to increase 2.2% MOM in September. Even orders ex-volatile transportation also sustained a 0.7% MOM gain (August's print revised upwards from +0.5% to +0.7%), adding to signs investment spending is picking up in the US economy. Also adding to the robust investment picture was the three-year high gain in core capital equipment orders.
- New home sales unexpectedly turned around in the US, increasing at a whopping 18.9% MOM to 667k units in September, its fastest growth pace in three decades. Although part of the gains was driven by post-hurricanes rebound, the broad-based improvement seen across all regions offered signs of firm underlying demand amid lower supply. On the contrary, weekly mortgage applications fell 4.6% WOW for the week ended Oct-20, dragged by renewed declines in both refinancing and new purchases. The US housing market remains soft in our view, amid subdued wage growth and gradual increase in interest rates.
- UK advance 3Q GDP print surprised on the upside with a 0.4% QOQ increase. This first pick-up in three quarters were driven by quicker growth in mining and manufacturing as well as sustained growth in services, spurring expectations that BOE could indeed deliver a rate hike this year, a scenario which we remain skeptical about. Index of services also rebounded, albeit at a slightly less than expected pace of 0.2% MOM in August. While growth was uneven across the various subsectors, there was notable improvement in retail trades ex-vehicles that points to continuous growth in the services sector.
- Japan PPI services remained soft even though it gained pace for the 2<sup>nd</sup> straight month, rising 0.9% YOY in September, mainly driven up by higher increases in transportation and leasing/ rental.
- In Australia, CPI missed estimates for a stronger reading, quickening less than expected to increase 0.6% QOQ in 3Q (2Q: +0.2%). Smaller than expected gains in CPI trimmed mean (+0.4% vs +0.5%) and CPI weighted median (+0.3% vs +0.6%), as well as the surprised deceleration in YOY CPI to 1.8% in 3Q all signaled soft underlying price pressure that further dampened prospects of any policy tightening by RBA.
- New Zealand registered its 2<sup>nd</sup> straight month of trade deficit, at N\$1.14bn in September, as imports at N\$4.92bn continued to surpass exports of N\$3.78bn despite stronger growth in exports (+2.6% MOM) vis-à-vis imports growth (+1.2% vs +7.4%). Deficit was however narrower compared to August level, thanks to higher exports of dairy products to China.

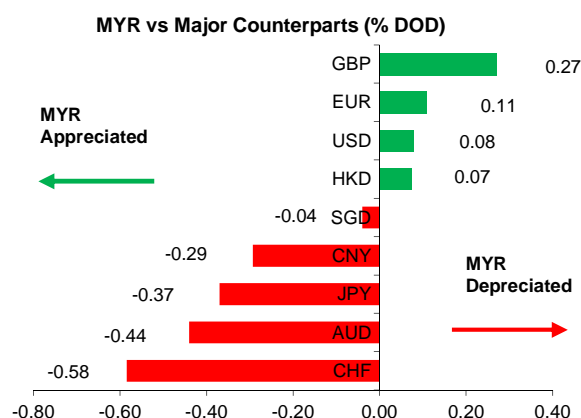
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	10/26	Initial jobless claims	Oct 21	235k	222k	--
		Pending home sales MOM	Sept	0.3%	-2.6%	--
		Kansas City Fed manufacturing	Oct	17	17	--
	10/27	GDP QOQ	3Q A	2.5%	3.1%	--
		Uni Michigan consumer sentiments	Oct F	100.7	101.1	--
EU	10/26	ECB main refinancing rate	Oct 26	0.00%	0.00%	--
UK	10/26	CBI reported sales	Oct	14	42	--
Japan	10/27	National CPI YOY	Sept	0.7%	0.7%	--
China	10/27	Industrial profits YOY	Sept	--	24.0%	--
Hong Kong	10/26	Exports YOY	Sept	5.9%	7.4%	--
Singapore	10/26	Industrial production YOY	Sept	10.0%	19.1%	--
	10/27	Unemployment rate	3Q	2.2%	2.2%	--
Australia	10/27	PPI YOY	3Q	--	1.7%	--
Vietnam	10/25 – 31	CPI YOY	Oct	3.1%	3.4%	--
		Exports YTD YOY	Oct	20.6%	19.8%	--
		Retail sales YTD YOY	Oct	--	10.5%	--
		Industrial production YOY	Oct	--	13.2%	--

Source: Bloomberg

**FX Table**

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1813	0.44	1.1818	1.1753	12.4
USDJPY	113.74	-0.14	114.24	113.48	-2.9
GBPUSD	1.3262	0.97	1.3272	1.3110	7.6
AUDUSD	0.7704	-0.93	0.7784	0.7690	6.9
EURGBP	0.8909	-0.52	0.89734	0.8880	4.3
USDMYR	4.2352	0.08	4.2365	4.2320	-5.7
EURMYR	4.9838	0.11	4.9872	4.9764	5.9
JPYMYR	3.7081	-0.37	3.7228	3.7074	-2.8
GBPMYR	5.5929	0.27	5.5956	5.5510	1.9
SGDMYR	3.1066	-0.04	3.1102	3.1051	0.3
AUDMYR	3.2618	-0.93	3.2955	3.2614	0.6
NZDMYR	2.9153	-0.59	2.9266	2.9135	-6.6

Source: Bloomberg



## Forex

### MYR

- **MYR slipped 0.08% to 4.2352 against USD** but managed to beat 6 G10s.
- **MYR stays bearish against USD** on continued risk aversion ahead of Malaysia Budget 2018 tabling. USDMYR is still technically bullish and remains tilted upwards. We maintain that there is a potential move to 4.2412 in the next leg higher.

### USD

- **USD slipped against 6 G10s** while the Dollar Index tumbled through European trade on the back of rebounds in European majors as well as on softer prospects that Trump tax plan may not be approved, dipping 0.07% to 93.71 after overturning early gap up.
- **Stay bullish on USD** in anticipation of risk aversion in the markets ahead of ECB policy announcement. The Dollar Index was again rejected by 94.00 and gapped lower this morning. Nonetheless, we maintain a slight bullish view as technicals remain bullish, and set sights on a break higher above 93.77.

### EUR

- **EUR advanced 0.44% to 1.1813 against USD** and rose against 7 G10s as markets likely start positioning for a potential announcement on ECB QE taper.
- **We stay bearish on EUR against USD** on risk aversion ahead of ECB policy decision; with much market expectation on QE tapering announcement, anything short will likely trigger strong EURUSD decline. EURUSD broke through firm resistances but we currently maintain a bearish view as upsides may be limited after sharp overnight gains.

### GBP

- **GBP surged 0.97% to 1.3262 against USD** and beat all G10s, lifted by a better than expected UK 3Q GDP that sparked expectations for a Nov BOE rate hike.
- **We again turn bullish on GBP against USD** as market expectations on a near-term BOE rate hike increase. Technical landscape again changed after breaking through several strong resistances. GBPUSD is now inclined towards the upside, with scope to climb to circa 1.3311 before relenting.

### JPY

- **JPY rose 0.14% to 113.74 against USD** and beat 5 G10s amid rising refuge demand on sliding commodity majors and softer equities.
- **We turn bullish on JPY against USD** today as refuge demand is likely to build further ahead of ECB policy decision. USDJPY is likely on the defensive after rejection by 114.24 but we reckon that losses may be limited by 113.52, otherwise current bullish technical landscape will change.

### AUD

- **AUD slumped 0.93% to 0.7704 against USD** and tumbled against all G10s after Australia CPI disappointed.
- **AUD is still bearish against USD** amid extended downside impact from recent soft Australia data as well as market risk aversion. AUDUSD has broken below 0.7710, which we noted will likely trigger a move to 0.7517 on a longer-term. Recapturing 0.7710 will allay the bears but it will not be until a break at 0.7759 that upside bias can prevail.

### SGD

- **SGD remained a proxy for regional safe haven** as it beat 7 G10s and **advanced 0.15% to 1.3605 against USD**.
- **SGD remains bearish against USD**, weighed down by lack of buying interest ahead of Singapore data and risk aversion in the markets. USDSGD must hold above 1.3600 to sustain an upside bias that would help it retake 1.3629. Otherwise, a drop to 1.3585 is highly likely.

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