

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Market expectations for a December Fed rate hike continue to build up after Fed Chair Yellen's hawkish comment reiterating a gradual rate hike path.** She downplayed current soft inflation trend, saying it was "imprudent to keep monetary policy on hold until inflation is back to 2%". She also expressed that the Fed still expects price pressures to shift towards the 2% target, fueled by a tightening labour market. Overnight US data was a mixed bag though, witnessing softer home sales and consumer confidence but quicker gains in house prices and quicker gains in manufacturing in the Richmond district.
- In Asia, Hong Kong sustained a 7.4% YOY increase in exports while Singapore reported a slight moderation in industrial production growth which nevertheless still beat estimates at 19.1% YOY in August. **Overall growth outlook in the Asian region remains favourable, evident in the upgrades in Developing Asia growth forecasts by ADB to 5.9% and 5.8% for 2017 and 2018 (previous: 5.7% and 5.7%), driven by recovery in global trade and strong growth in major industrial economies. Growth in the China economy is upgraded by 0.2ppt to 6.7% and 6.4% for this and next year respectively while Malaysia stood out among its South-east Asian peers, with growth revising up a whopping 1.0ppt to 5.4% for 2017 and 0.8ppt to 5.4% next year.**
- **USD climbed against 9 G10s** while the Dollar Index rose through Asian - European sessions before narrowing gains in US afternoon, though still ending 0.34% higher at 92.64 amid support from continued hawkish tone from Yellen. **USD is expected to keep a bullish path** on extended buying interest from Fed's hawkish rhetoric. Expect firm US data to further boost the bulls. Technically, we view that the Dollar Index is likely to extent current rebound, targeting a test or perhaps even a break at 93.69. Bypassing this firm resistance will ease the passage for a return to 95.00 - 95.20.
- **MYR slipped 0.05% to 4.2065 against USD** but managed to advance against 8 G10s. **Expect a bearish MYR against a rebounding USD.** Positive momentum has emerged for USDMYR and there is scope to test 4.2260 going forward. Beating 4.2260 will set a course for 4.2406.
- **SGD retreated 0.25% to 1.3545 against USD** but managed to advance against 7 G10s. **SGD is likely to stay bearish against a firmer USD.** USDSGD expectedly moved above 1.3548 - 1.3550 overnight, and will likely climb higher going forward. We set sights on a test at 1.3605 next, above which 1.3632 will be challenged.

Overnight Economic Data

US
Hong Kong
Singapore



What's Coming Up Next

Major Data

- US MBA mortgage applications, durable goods orders, pending home sales
- UK CBI reported sales
- Japan small business confidence and machine tools
- China industrial profits

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1733	1.1758	1.1780	1.1805	1.1832	↘
USDJPY	111.54	112.00	112.39	112.53	112.72	↗
GBPUSD	1.3410	1.3430	1.3443	1.3471	1.3519	↘
AUDUSD	0.7840	0.7859	0.7874	0.7911	0.7937	↘
EURGBP	0.8725	0.8750	0.8763	0.8775	0.8809	↘
USDMYR	4.2048	4.2100	4.2135	4.2183	4.2215	↗
EURMYR	4.9572	4.9618	4.9640	4.9714	4.9814	↘
JPYMYR	3.7234	3.7394	3.7462	3.7542	3.7614	↘
GBPMYR	5.6517	5.6598	5.6635	5.6688	5.6748	↘
SGDMYR	3.0938	3.1003	3.1066	3.1074	3.1097	↘
AUDMYR	3.3027	3.3084	3.3187	3.3235	3.3371	↘
NZDMYR	3.0227	3.0300	3.0334	3.0360	3.0429	↘
USDSGD	1.3516	1.3544	1.3563	1.3576	1.3592	↗
EURSGD	1.5942	1.5955	1.5981	1.5986	1.6000	↘
GBPSGD	1.8200	1.8224	1.8234	1.8285	1.8315	↗
AUDSGD	1.0655	1.0668	1.0680	1.0700	1.0723	↘

*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	1765.6	-0.2	7.5	CRB Index	183.4	-0.66	-4.7
Dow Jones Ind.	22284.3	-0.1	12.8	WTI oil (\$/bbl)	52.2	3.10	-3.4
S&P 500	2496.8	0.0	11.5	Brent oil (\$/bbl)	58.4	-0.98	2.9
FTSE 100	7285.7	-0.2	2.0	Gold (\$/oz)	1294.0	-1.30	10.8
Shanghai	3343.6	0.1	7.7	CPO (RM/tonne)	2710.0	-2.40	-15.3
Hang Seng	27513.0	0.0	25.1	Copper (\$/tonne)	6413.0	-0.57	15.9
STI	3212.0	-0.1	11.5	Rubber (sen/kg)	523.5	0.19	-18.8

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US S&P CoreLogic house prices YOY	Jul	5.81%	5.65%	5.70%
US new home sales MOM	Aug	-3.4%	-5.5%	2.9%
US Conference Board consumer confidence	Sept	119.8	122.9	120.0
US Richmond Fed manufacturing index	Sept	19	14	13
HK exports YOY	Aug	7.4%	7.3%	7.1%
SG industrial production YOY	Aug	19.1%	21.2%	15.5%

Source: Bloomberg

- Hawkish Fed rhetoric continued to flow in from Fed Chair Janet Yellen, who stated that it was “imprudent to keep monetary policy on hold until inflation is back to 2%”. She also commented that persistently low inflation could “result in a policy path that is somewhat easier than that now anticipated”, but the Fed is not looking into that currently. Speaking at a meeting, she expressed that the Fed still expects price pressures to shift towards the 2% target, fueled by a tightening labour market.
- US data again came in mixed. House prices increased by more than expected in Jul, according to S&P CoreLogic's 20-city composite, picking up from 5.65% growth in Jun. Despite rising prices, sales of new homes disappointed in Aug, declining 3.4% MOM after falling 5.5% in Jul. Consumer sentiment was also softer, based on findings of the Conference Board; consumer confidence index for Aug was downwardly revised from 122.9 to 120.4, and slipped to 119.8 in Sept. Meanwhile, manufacturing activity in Richmond Fed district accelerated in Sept as reflected by an increase to 19 on the index, up from 14 previously.
- Hong Kong's exports growth picked up slightly to 7.4% YOY in Aug, up from 7.3% in Jul, led by firmer increases in shipments to China (Aug: +10.8% vs Jul: +8.8%), Japan (Aug: +11.4% vs Jul: +9.0%) and India (Aug: +5.1% vs Jul: -0.4%). These managed to outpace decline in demand from the US (Aug: -5.5% vs Jul: -0.6%). Imports grew 7.7% in Aug from 5.5% in Jul, widening the trade deficit to HK\$ 35.5bn from a shortfall of HK\$ 29.6bn.
- Industrial production in Singapore eased in Aug, but remained robust and bested market estimates. Output surged 19.1% YOY in Aug, though moderating from 21.2% in Jul. Growth was led by strong performance in pharmaceuticals, which soared 23.1% in Aug, and petrochemicals, which jumped 16.4%.

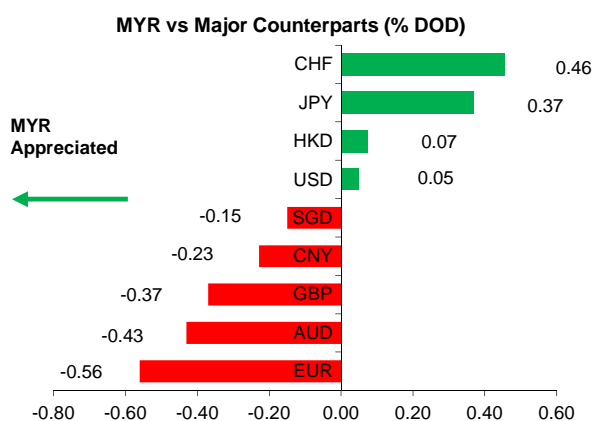
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	9/27	MBA mortgage applications	Sept 22	--	-9.7%	--
		Durable goods orders	Aug P	1.0%	-6.8%	--
		Pending home sales	Aug	-0.5%	-0.8%	--
	9/28	GDP annualized QOQ	2Q T	3.0%	3.0%	--
		Personal consumption	2Q T	3.3%	3.3%	--
		Core PCE QOQ	2Q T	0.9%	0.9%	--
		Initial jobless claims	Sept 23	270k	259k	--
		Kansas City Fed manufacturing activity	Sept	14	16	--
EU	9/28	Economic confidence	Sept	112.0	111.9	--
		Business climate indicator	Sept	1.12	1.09	--
		Consumer confidence	Sept F	-1.2	-1.2	--
UK	9/27	CBI reported sales	Sept	8	-10	--
Japan	9/27	Small business confidence	Sept	49.5	49.0	--
		Machine tool orders YOY	Aug F	--	36.3%	--
China	9/27	Industrial profits YOY	Aug	--	16.5%	--
Vietnam	9/27 - 30	Retail sales YTD	Sept	--	10.3%	--
		GDP YOY YTD	Sept	--	5.73%	--
		Exports YOY YTD	Sept	19.5%	17.9%	--
		Industrial production YOY	Sept	--	8.4%	--
		CPI YOY	Sept	3.50%	3.35%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1793	-0.46	1.1862	1.1758	12.1
USDJPY	112.24	0.46	112.48	111.50	-4.0
GBPUSD	1.3458	-0.06	1.3514	1.3410	9.0
AUDUSD	0.7886	-0.64	0.7949	0.7859	9.4
EURGBP	0.8763	-0.40	0.8803	0.8754	2.7
USDMYR	4.2065	-0.05	4.2120	4.2030	-6.2
EURMYR	4.9698	-0.56	4.9942	4.9679	5.2
JPYMYR	3.7660	0.37	3.7738	3.7634	-1.7
GBPMYR	5.6664	-0.37	5.6842	5.6635	2.8
SGDMYR	3.1087	-0.15	3.1186	3.1068	0.2
AUDMYR	3.3297	-0.43	3.3471	3.3288	2.8
NZDMYR	3.0360	-0.70	3.0546	3.0348	-2.7

Source: Bloomberg



Forex

MYR

- **MYR slipped 0.05% to 4.2065 against USD** but managed to advance against 8 G10s.
- **Expect a bearish MYR against a rebounding USD.** Positive momentum has emerged for USDMYR and there is scope to test 4.2260 going forward. Beating 4.2260 will set a course for 4.2406.

USD

- **USD climbed against 9 G10s** while the Dollar Index rose through Asian – European sessions before narrowing gains in US afternoon, though still ending 0.34% higher at 92.64 amid support from continued hawkish tone from Yellen.
- **USD is expected to keep a bullish path** on extended buying interest from Fed's hawkish rhetoric. Expect firm US data to further boost the bulls. Technically, we view that the Dollar Index is likely to extent current rebound, targeting a test or perhaps even a break at 93.69. Bypassing this firm resistance will ease the passage for a return to 95.00 – 95.20.

EUR

- **EUR fell 0.46% to 1.1793 against a rebounding USD** but bested 5 G10s even as markets remain concerned about the political landscape in Eurozone.
- **EUR remains bearish on the back of a rebounding USD** and prevailing political concern in Eurozone. EURUSD is targeting 1.1733, and bears will gain once 1.1725 is broken, triggering a potential decline to 1.1663.

GBP

- **GBP** was supported by softer European majors as it advanced against 8 G10s but **slipped 0.06% to 1.3458 against a firmer USD**.
- **GBP is likely to stay slightly bearish against a firmer USD** but losses may be modest given buying support amid weakness in European majors. Bullish bias has diminished further in GBPUSD, therefore we continue to set sights on further retracements. Early loss of 1.3449 has increased chances of GBPUSD heading to 1.3406, and below.

JPY

- **JPY weakened 0.46% to 112.24 against a firmer USD** but was supported by prevailing refuge demand to beat 6 G10s.
- **Keep a bearish view on JPY against USD** as refuge demand is likely to extend its retreat. Technical viewpoint suggest that while USDJPY is bullish, upside strength is fading, thus limiting its gains. There is still room for a climb to circa 112.72 but we caution that risk of rejection rises approaching 113.00.

AUD

- **AUD tumbled 0.64% to 0.7886 against USD** and fell against 6 G10s, weighed down by softer equities and commodities.
- **We are still bearish on AUD on the back of a firmer USD** and softening metal prices. Bearish bias is still picking up; AUDUSD closing below 0.7906 has increased the chances of AUDUSD sliding to circa 0.7821. We caution that losing this will set the pair on a course to 0.7727.

SGD

- **SGD retreated 0.25% to 1.3545 against USD** but managed to advance against 7 G10s.
- **SGD is likely to stay bearish against a firmer USD.** USDSGD expectedly moved above 1.3548 – 1.3550 overnight, and will likely climb higher going forward. We set sights on a test at 1.3605 next, above which 1.3632 will be challenged.

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