

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- Risk sentiments improved in overnight markets as **ECB** did not disappoint. The central bank **decided to trim its monthly asset purchase target by half to €30bn from the current €60bn effective January**. Its cautious approach in that it is **extending its asset purchase programme for another nine months to September next year** was also highly lauded as there are still geopolitical uncertainties and downside risks to the global and the region's economy. **President Draghi further reassured a gradual policy stance by saying that there won't be a "sudden end to buying" even after September**, leaving the door open for policy flexibility should the need arise in our view. **We maintain our view that ECB will be staying pat on its benchmark interest rates next year.**
- **Economic releases were a mixed bag**, pointing to continuous recovery in the US job market and manufacturing sector but housing market remains fragile. Survey on UK retail sales showed a surprised plunge that underscored weakness of consumer spending among the Britain. Inflation managed to hold up in Japan but remained way too soft to justify any policy tightening.
- **USD rallied to beat all G10s** on improved US tax reform outlook after the House of Representative passed a resolution while supported also by EUR's slump. The Dollar Index surged in US morning to close 0.96% higher at 94.61. **Stay bullish on USD** as markets gear for US 3Q GDP and risk aversion in the Eurozone as radar zooms in on political development in Spain. The Dollar Index is bullish going forward, but we would not rule out a retracement first given yesterday's strong surge. Looking ahead, the Dollar Index has likely completed a chart pattern that could see it climb to circa 96.25 in the coming weeks.
- **MYR was barely changed against USD at 4.2345** after returning early gains while closing mixed against the G10s. **MYR stays bearish against a strong USD** as well as on continued risk aversion ahead of Malaysia Budget 2018 tabling. USDMYR expectedly moved to 4.2412; caution that a close above 4.2421 will trigger an extended upside to circa 4.2500.
- **SGD** was supported by firmer equities to beat 8 G10s but **weakened 0.51% to 1.3674 against USD**. **SGD remains bearish against a firmer USD**, weighed down by risk aversion in the markets. USDSGD is now back on track to climb to 1.3690, above which there will room to advance to circa 1.3822.

#### Overnight Economic Data

US  
UK  
Japan  
Hong Kong  
Singapore



#### What's Coming Up Next

##### Major Data

- US 3Q GDP, Uni Michigan consumer sentiments index
- China industrial profits
- Australia PPI

##### Major Events

- Malaysia 2018 Budget

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1583	1.1602	1.1634	1.1651	1.1680	↘
USDJPY	113.72	113.97	114.06	114.17	114.50	↗
GBPUSD	1.3080	1.3000	1.3130	1.3139	1.3163	↘
AUDUSD	0.7600	0.7620	0.7649	0.7668	0.7690	↘
EURGBP	0.8831	0.8842	0.8859	0.8873	0.8878	↘
USDMYR	4.2355	4.2373	4.2405	4.2421	4.2450	↗
EURMYR	4.9153	4.9300	4.9321	4.9400	4.9464	↘
JPYMYR	3.7096	3.7150	3.7185	3.7228	3.7278	↘
GBPMYR	5.5510	5.5608	5.5655	5.5761	5.5870	↘
SGDMYR	3.0950	3.0968	3.0988	3.1003	3.1037	↘
AUDMYR	3.2380	3.2400	3.2438	3.2500	2.2524	↘
NZDMYR	2.9620	2.9680	2.8967	2.9000	2.9074	↘
USDSGD	1.3648	1.3664	1.3689	1.3700	1.3720	↗
EURSGD	1.5900	1.5911	1.5918	1.5953	1.5984	↘
GBPSGD	1.7931	1.7948	1.7965	1.8006	1.8058	↘
AUDSGD	1.0420	1.0450	1.0465	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	1736.8	-0.1	5.8	CRB Index	185.9	0.29	-3.4
Dow Jones Ind.	23400.9	0.3	18.4	WTI oil (\$/bbl)	52.6	1.46	-2.0
S&P 500	2560.4	0.1	14.4	Brent oil (\$/bbl)	59.3	1.47	-0.7
FTSE 100	7486.5	0.5	4.8	Gold (\$/oz)	1267.0	-0.80	8.1
Shanghai	3407.6	0.3	9.8	CPO (RM/tonne)	2777.5	0.11	-13.2
Hang Seng	28202.4	-0.4	28.2	Copper (\$/tonne)	6986.0	-0.34	26.2
STI	3356.3	0.4	16.5	Rubber (sen/kg)	474.0	2.27	-26.5

Source: Bloomberg

## ➤ Macroeconomics

### Economic Data

	For	Actual	Last	Survey
US initial jobless claims	Oct 21	233k	223k	235k
US pending home sales	Sept	0.0%	-2.8%	0.3%
US Kansas City Fed manufacturing	Oct	23	17	17
ECB main refinancing rate	Oct26	0.00%	0.00%	0.00%
UK CBI reported sales	Oct	-36	42	12
HK exports	Sept	9.4%	7.4%	5.9%
SG industrial production	Sept	14.6%	19.5%	10.0%
JP national CPI YOY	Sept	0.7%	0.7%	0.7%

Source: Bloomberg

➤ ECB decided to trim its monthly asset purchase target by half to €30bn from the current €60bn effective January. Its cautious approach in that it is extending its asset purchase programme for another nine months to September next year was also highly lauded as there are still geopolitical uncertainties and downside risks to the global and the region's economy. President Draghi further reassured a gradual policy stance by saying that there won't be a "sudden end to buying" even after September. This also leave the door open for policy flexibility should the need arise in our view. We maintain our view that ECB will be staying pat on its benchmark interest rates next year.

- US data flow remained rather positive for another day. Initial jobless claims rose less than expected by 10k to 233k for the week ended Oct-21 while continuing claims also extended its downtrend for the 3<sup>rd</sup> straight week, both at its lowest level in nearly 4.5 decades adding to signs of continuous recovery in the labour market. In a separate release, pending home sales managed to snap a two-month decline and saw sales coming in unchanged in September, partly as a result of the aftermath of the hurricane effects and partly as a result of limited supply. This contrasted with the steep increase in new home sales a day earlier suggesting the US housing market remains very fragile.
- On the manufacturing front, Kansas City Fed manufacturing index continued to pick up steam to a reading of 23 in October, in tandem with higher manufacturing activities seen elsewhere in the US recently. This marked its best level since Mar-11, shored up by new orders and employment.
- UK reported sales by CBI unexpectedly plunged to a reading of -36 in October, its worst in eight years dragged by a huge drop in orders and to a smaller extent, sales. The sharp decline added to worries UK consumers are besieged by rising inflation and weak wage growth, potentially exerting downward pressure on the UK economy going forward.
- CPI readings suggest inflation is holding up near its highest level since Mar-15 in Japan but the still soft level implies extended ultra loose monetary policy course by BOJ. National CPI and core CPI sustained a 0.7% YOY increase while CPI ex-food and energy also maintained a 0.2% YOY gain in September.
- Hong Kong exports staged a surprised pick-up, rising 9.4% YOY in September. The fastest growth in three months was driven by continued higher exports to China and a turnaround in exports to the US. Imports also grew at a quicker pace of 9.7% YOY during the month, widening the trade deficit to HKD44.7bn.
- Down in neighbouring Singapore, industrial production growth surprised on the upside in September but still marked a moderation from August's 19.5% YOY increase. Industrial production grew 14.6% YOY in September, supported by broad-based growth in electronics, pharmaceuticals and petrochemicals.

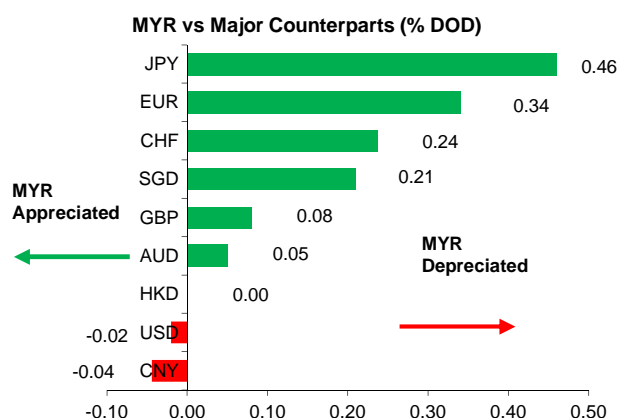
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	10/27	GDP QOQ	3Q A	2.6%	3.1%	--
		Uni Michigan consumer sentiments	Oct F	100.7	101.1	--
	10/30	Personal income	Sept	0.4%	0.2%	--
		Personal spending	Sept	0.8%	0.1%	--
		PCE core YOY	Sept	--	1.3%	--
EU	10/30	Dallas Fed manufacturing	Oct	21.0	21.3	--
		Economic confidence	Oct	--	113.0	--
		Business climate indicator	Oct	--	1.34	--
		Consumer confidence	Oct F	--	-1.0	--
UK	10/30	Net consumer credit	Sept	--	1.6b	--
		Mortgage approvals	Sept	--	66.6k	--
Japan	10/30	Retail sales MOM	Sept	0.6%	-1.7%	-1.6%
		Retail trade YOY	Sept	2.3%	1.7%	1.8%
China	10/27	Industrial profits YOY	Sept	--	24.0%	--
Australia	10/27	PPI YOY	3Q	--	1.7%	--
Vietnam	10/27 – 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	1.1651	-1.37	1.1837	1.1641	10.6
USDJPY	113.98	0.21	114.08	113.34	-2.5
GBPUSD	1.3161	-0.76	1.3279	1.3147	6.4
AUDUSD	0.7660	-0.57	0.7719	0.7656	6.2
EURGBP	0.8854	-0.62	0.8957	0.8851	3.8
USDMYR	4.2345	-0.02	4.2365	4.2290	-5.5
EURMYR	5.0005	0.34	5.0116	4.9975	4.5
JPYMYR	3.7253	0.46	3.7355	3.7208	-3.0
GBPMYR	5.5974	0.08	5.6210	5.5813	1.0
SGDMYR	3.1131	0.21	3.1154	3.1095	0.0
AUDMYR	3.2633	0.05	3.2680	3.2522	0.2
NZDMYR	2.9114	-0.13	2.9232	2.9074	-7.0

Source: Bloomberg



## Forex

### MYR

- **MYR was barely changed against USD at 4.2345** after returning early gains while closing mixed against the G10s.
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### USD

- **USD rallied to beat all G10s** on improved US tax reform outlook after the House of Representative passed a resolution while supported also by EUR's slump. The Dollar Index surged in US morning to close 0.96% higher at 94.61.
- **Stay bullish on USD** as markets gear for US 3Q GDP and risk aversion in the Eurozone as radar zooms in on political development in Spain. The Dollar Index is bullish going forward, but we would not rule out a retracement first given yesterday's strong surge. Looking ahead, the Dollar Index has likely completed a chart pattern that could see it climb to circa 96.25 in the coming weeks.

### EUR

- **EUR plunged 1.37% to 1.1651 against USD** and tumbled against 7 G10s after the ECB extended the duration of QE programme despite making cuts to existing pace of purchases, a move viewed as dovish.
- **EUR remains bearish against USD** on negative impact from ECB decision and potential flare up of political woes in Spain. We view that EURUSD has completed a chart pattern; we set sights on a drop to 1.1511 in the coming weeks. Rebounds are possible but likely blocked by 1.1708 before resuming its decline.

### GBP

- **GBP tumbled 0.76% to 1.3161 against USD**, pressured by speculation that the EU is preparing for a failure in Brexit talks, but rose against 5 G10s, supported by retreats in European majors.
- **We are now bearish on GBP against USD** as we anticipate heightened downside impact from speculation of the EU preparing for a failure in Brexit talks. Technical landscape again changed after losing the key 1.3216. GBPUSD is now tilted to the downsides and likely head towards 1.3053 in the next leg lower.

### JPY

- **JPY beat 9 G10s amid risk-off** in the FX markets but **weakened 0.21% to 113.98 against a rallying USD**.
- **JPY is now bearish in our view on the back of firm upsides in USD**, though losses may be moderate given overall support for JPY amid risk aversion in the markets. USDJPY is tilted to the upside after strong bounce off 113.34. There is potential for USDJPY to test 115.00 in the coming weeks, but note that pace of gains will be gradual.

### AUD

- **AUD managed to advance against 7 G10s** that were sliding on the back of a firmer USD, but **weakened 0.57% to 0.7660 against the greenback**.
- **Continue to expect a soft AUD against USD**, weighed down by soft Australia data on prices as well as risk aversion in the FX markets. Bearish bias has intensified, thus pointing AUDUSD lower. We set sights on a downside break at 0.7600 next, which if true will set a course for 0.7511.

### SGD

- **SGD was supported by firmer equities to beat 8 G10s but weakened 0.51% to 1.3674 against USD**.
- **SGD remains bearish against a firmer USD**, weighed down by risk aversion in the markets. USDSGD is now back on track to climb to 1.3690, above which there will room to advance to circa 1.3822.

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