

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equity ended virtually unchanged on the last day of Q3.** All three benchmarks produced strong quarterly gains as investor focused on solid economic fundamentals in a period despite ongoing trade war between the US and China. 10Y US treasuries edged up 1 bp to 3.06%. WTI firmed up above \$73/barrel. Elsewhere, **Italian government announced a budget plan targeting a 2.4% deficit against GDP (up from 0.8% this year) prompting a major sell-off in stocks.**
- **Economic releases was a mixed bag.** Inflation in the US remained on track as the **core PCE price index hit the Fed's 2% YOY target for the second month in August.** Personal income growth was held steady at 0.3% MOM whereas personal spending softened to increase 0.3% MOM. Consumer confidence was strong as the University of Michigan Consumer Sentiment Index surged above 100.0 in September. **Eurozone flash September HICP inflation rate rose to 2.1% YOY but core inflation softened to 0.9% YOY. The final reading of UK 2Q GDP growth was unchanged at 0.4% QOQ. China official manufacturing PMI for September dropped to 50.8** while the private Caixin PMI also fell to 50.0, **official non-manufacturing PMI rose to 54.9.** Japan housing starts rose 1.6% YOY in August while construction orders also increased 0.5% YOY.
- **USD advanced against 6 G10** while early gains in DXY were narrowed after US data came out softer than expected, but nonetheless ended 0.25% higher at 95.13, supported by refuge demand on linger concerns regarding US-China trade and Italian fiscal discipline. **USD is likely bullish** given lingering concerns in the markets, but we caution that weakness that was seen after last Friday's softer than expected US data could return if tonight's data disappoint. DXY remains technically bullish but risk of failure on the upside is increasing as it approaches 95.20 – 95.34. Breaking this exposes a move to 95.70, otherwise expect a drop back to 94.75.
- **MYR managed to inch 0.02% firmer to 4.1380 against USD** after edging firmer in Asian afternoon, while beating 9 G10s. **MYR is neutral against USD**, with room for slight losses amid lingering global concerns in the markets that weigh down sentiment. Bullish trend still prevails and USDMYR is likely headed for a break above 4.1410, otherwise the bullish trend will be nullified and a new direction will be established.
- **SGD inched 0.07% firmer to 1.3670 against USD** and advanced against 7 G10s. **Maintain a slight bearish view on SGD against USD**, weighed down by risk-off sentiment in the markets. USDSGD remains in a bullish trend until there is a break below 1.3660. As such, we opine that USDSGD is eyeing a move to 1.3686.

Overnight Economic Data

US	➔
Eurozone	⬇
UK	➔
Japan	⬆
China	➔
Vietnam	➔

What's Coming Up Next

Major Data

- Malaysia Nikkei PMI
- US Markit PMI & ISM Manufacturing, Construction Spending
- Eurozone Markit Manufacturing PMI, Unemployment Rate
- UK Mortgage Approvals, Markit PMI Manufacturing
- Japan Tankan Large Mfg Index, Nikkei PMI Manufacturing
- Australia AiG Perf of Mfg Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1570	1.1594	1.1610	1.1616	1.1640	⬇
USDJPY	1.3000	1.3012	1.3043	1.3065	1.3095	⬇
GBPUSD	113.32	113.59	113.76	113.90	114.00	⬆
AUDUSD	0.7205	0.7220	0.7226	0.7232	0.7250	⬇
EURGBP	0.8881	0.8892	0.8900	0.8908	0.8922	⬇
USDMYR	4.1340	4.1365	4.1385	4.1390	4.1400	➔
EURMYR	4.7970	4.7988	4.8041	4.8115	4.8206	⬇
JPYMYR	3.6300	3.6360	3.6378	3.6425	3.6480	⬇
GBPMYR	5.3900	5.3910	5.3976	5.4015	5.4075	⬇
SGDMYR	3.0240	3.0265	3.0279	3.0295	3.0310	⬇
AUDMYR	2.9869	2.9882	2.9895	2.9923	2.9943	⬇
NZDMYR	2.7367	2.7379	2.7409	2.7430	2.7457	➔
USDSGD	1.3660	1.3665	1.3670	1.3680	1.3686	⬆
EURSGD	1.5833	1.5848	1.5867	1.5880	1.5897	⬇
GBPSGD	1.7781	1.7804	1.7827	1.7835	1.7850	⬇
AUDSGD	0.9850	0.9860	0.9874	0.9876	0.9893	⬇

* 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	1,793.15	-0.31	-0.20	CRB Index	195.16	0.51	0.67
Dow Jones Ind.	26,458.31	0.07	7.04	WTI oil (\$/bbl)	73.25	1.57	21.23
S&P 500	2,913.98	0.00	8.99	Brent oil (\$/bbl)	82.72	1.22	29.28
FTSE 100	7,510.20	-0.47	-2.31	Gold (\$/oz)	1,190.88	0.68	8.10
Shanghai	2,821.35	1.06	-14.69	CPO (RM/tonne)	2,080.00	-1.96	-12.97
Hang Seng	27,788.52	0.26	-7.12	Copper (\$/tonne)	6,258.00	1.15	-13.65
STI	3,257.05	0.64	-4.29	Rubber (sen/kg)	399.50	-0.50	-13.62

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US PCE YOY	Aug	2.2%	2.3%	2.2%
US Core PCE YOY	Aug	2.0%	2.0%	2.0%
US Personal Income	Aug	0.3%	0.3%	0.4%
US Personal Spending	Aug	0.3%	0.4%	0.3%
US Chicago Purchasing Manager	Sep	60.4	63.6	62.0
US U. of Mich. Sentiment	Sep F	100.1	96.2 (revised)	100.6
EU CPI Core YOY	Sep A	0.9%	1.0%	1.1%
EU CPI Estimate YOY	Sep	2.1%	2.0%	2.1%
UK GfK Consumer Confidence	Sep	-9.0	-7.0	-8.0
UK Lloyds Business Barometer	Sep	29.0	23.0	--
UK GDP QOQ	2Q F	0.4%	0.2%	0.4%
UK GDP YOY	2Q F	1.2%	1.2%	1.3%
JP Construction Orders YOY	Aug	0.5%	-9.3%	--
JP Housing Starts YOY	Aug	1.6%	-0.7%	0.4%
CN Caixin China PMI Mfg	Sep	50.0	50.6	50.6
CN Non-manufacturing PMI	Sep	54.9	54.2	--
CN Manufacturing PMI	Sep	50.8	51.3	51.3
VN GDP YTD YOY	3Q	6.98%	7.08%	7.01%
VN Trade Balance	Sep	-\$700m	-\$100m	\$120m
VN Exports YTD YOY	Sep	15.4%	14.5%	14.3%
VN Imports YTD YOY	Sep	11.8%	11.6%	11.9%
VN Industrial Production YOY	Sep	9.1%	13.4%	--
VN CPI YOY	Sep	3.98%	3.98%	4.00%
VN Retail Sales YTD YOY	Sep	11.3%	11.2%	--

Source: Bloomberg

➤ Macroeconomics

- US inflation on track, consumer sentiments bounced up significantly:** The price index for Personal Consumption Expenditure rose 2.2% YOY in August (Jul: +2.3%). Prices of food increased 0.5% YOY (Jul: +0.5%) while that of energy saw a slower gain of 11.3% YOY (Jul: +13.4%). Excluding these two categories, the gain in core PCE price index, the Fed's preferred measure of inflation stayed at its target of 2.0% YOY as expected (Jul: +2.0%). Meanwhile, growth in personal income was held steady at 0.3% MOM (Jul: +0.3%) driven by a 0.5% MOM (Jul: +0.3%) acceleration in wages and salaries. Personal consumption growth however eased to 0.3% MOM (Jul: +0.4%) as consumers reduced their spending on durable goods (-0.1% vs +0.5%). Overall data affirm that the build-up of inflationary pressure in the economy remained consistent and the earlier concerns over faster increase in prices are overplayed thus allowing the Fed to raise rate for one more time this year in December. Other data continued to suggest favourable economic conditions – the University of Michigan Consumer Sentiment Index surged to 100.1 in September (Aug: 96.2), marking its third time topping 100.0 since January 2004 as consumers anticipated continued growth in the economy and expected the unemployment rate to slowly decline during the year ahead, the Chicago Business Barometer slipped to a 5-month low of 60.4 in September (Aug: 63.6) but improvement in business operations remained solid.
- Eurozone underlying inflations softened, defied Draghi's remark:** The flash HICP inflation rate matched consensus estimate to increase 2.1% YOY in September (Aug: +2.1%) due to accelerations in prices of food, alcohol & tobacco (+2.7% vs +2.4%) and energy (+9.5% vs +9.2%). Excluding these two categories, core inflation managed to gain only 0.9% YOY (Jul: +1.0%), below consensus estimate of 1.1% YOY as prices of services and non-energy industrial goods were held steady at 1.3% YOY and 0.4% YOY respectively and the softening underlying inflation was slightly in contrast with the ECB president Mario Draghi's recent remark that the central bank saw "relatively vigorous" pick up in underlying price pressure. Nonetheless, headline inflation is now above the ECB's target of below but close to 2% and we expect no change to the ECB's ongoing plan to reduce and eventually end its asset purchase program (APP) in December this year.
- UK 2Q GDP growth remained unchanged in final reading:** The final reading of UK 2Q GDP growth was unrevised at 0.4% QOQ (1Q: +0.2%) while the annual growth was revised from 1.3% to 1.2% YOY (1Q: +1.1%). Household consumption saw slower gain (+0.4% vs +0.5%), government spending fell (-0.4% vs +0.2%), private investment contracted further albeit at a slower pace (-0.5% vs -1.0%). Exports declined 2.2% QOQ (1Q: -0.8%) whereas imports fell 0.2% (1Q: -0.3%). The UK economy posted a solid growth in the second quarter after a relatively weak first quarter but outlook for the economy continued to hinge on the outcome of ongoing Brexit negotiation given its impact on overall sentiments. The GfK Consumer Confidence Index dropped further to -9 in September (Aug: -7) as consumer optimism stayed battered. The upside was that business sentiments seem to improve in the same month - the Lloyds Commercial Business Barometer rose to 29.0 (Aug: 23.0) as firms' perceptions over current economic conditions as well as their expectations over business activities for next 12 months improved modestly.

- China manufacturing activities seen slowing down amidst trade war escalation:** The official Manufacturing PMI released on Sunday fell to 50.8 in September (Aug: 51.3), the weakest reading since February driven by the slower output (53.0 vs 53.3) and new orders (52.0 vs 52.2) and declining new exports orders (48.0 vs 49.4). The private Caixin General Manufacturing PMI which focused on small and medium enterprises also fell to the neutral level of 50.0 in September (Aug: 50.6) indicating a stagnant operating condition – production continued to rise albeit at the weakest pace for nearly a year while similarly export sales decline at a faster rate leading total new businesses to stagnate broadly. Both readings show that business sentiments weakened as expectations were weighed down further by the escalation of the US-China trade war. In contrast, the official Non-Manufacturing PMI rose to a three-month high of 54.9 in September (Aug: 54.2) due to the faster growth in new orders (51.0 vs 50.6). Exports order contracted but at a slower pace (49.8 vs 49.0) whereas business sentiments remained solid.
- Japan housing activities rebounded, domestic demand drove construction orders:** Housing starts rose 1.6% YOY in August (Jul: -0.7%) after two months of contraction driven by a rebound in starts for houses for rent (1.4% vs -1.4%). Starts for owner occupied residents eased slightly to increase 0.2% YOY (Jul: +0.3%). Construction orders at Japan's 50 largest contractors bounced up by 0.5% YOY in the same month (Jul: -9.30%) after three months of consecutive decline, boosted by higher domestic orders (0.6% vs -17.5%).
- Vietnam economy slowed down in September:** YTD GDP growth fell to 6.98% in the third quarter (2Q: +7.08%) as agricultural, industrial, construction and services sector experienced slower expansion. Industrial production also posted a slower growth of 9.1% YOY in September (Aug: +13.4%). Retail sales rose minimally by 11.3% YOY (Aug: +11.2%) while consumer prices were held steady as inflation remained unchanged at 3.98% YOY (Aug: +3.98%). Trade data meanwhile show that exports grew 15.4% YOY in September (Aug: 14.5%) while imports gained 11.8% YOY (Aug: 11.6%) which brings the trade deficit to widen to \$700m (Aug: -\$100m).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
01/10	Malaysia	Nikkei Malaysia PMI	Sep	--	51.2	--
01/10	US	Markit Manufacturing PMI	Sep F	55.6	54.7	--
		Construction Spending MoM	Aug	0.4%	0.1%	--
		ISM Manufacturing	Sep	60.0	61.3	--
01/10	Eurozone	Markit Manufacturing PMI	Sep F	53.3	54.6	--
		Unemployment Rate	Aug	8.1%	8.2%	--
02/10	Eurozone	PPI YoY	Aug	3.8%	4.0%	--
01/10	UK	Mortgage Approvals	Aug	64.5	64.8k	--
		Markit PMI Manufacturing SA	Sep	52.5	52.8	--
02/10		Markit/CIPS Construction PMI	Sep	53.1	52.9	--
01/10	Japan	Tankan Large Mfg Index	3Q	22.0	21.0	--
		Nikkei PMI Mfg	Sep F	--	52.5	--
02/10	Hong Kong	Retail Sales Value YoY	Aug	8.3%	7.8%	--
01/10	Australia	AiG Perf of Mfg Index	Sep	--	56.7	--
02/10		RBA Cash Rate Target	Oct-02	1.5%	1.5%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1604	-0.32	1.1651	1.1570	-3.31
GBPUSD	1.3031	-0.37	1.309	1.3001	-3.50
USDJPY	113.70	0.28	113.71	113.32	0.95
AUDUSD	0.7224	0.22	0.7241	0.7202	-7.50
EURGBP	0.8904	0.33	0.8915	0.8873	0.23
USDMYR	4.1380	-0.02	4.1450	4.1360	2.26
EURMYR	4.7987	-0.95	4.8257	4.7970	-0.93
JPYMYR	3.6449	-0.74	3.6565	3.6425	1.18
GBPMYR	5.4075	-0.47	5.4208	5.3959	-1.24
SGDMYR	3.0254	-0.25	3.0310	3.0244	-0.09
AUDMYR	2.9866	-0.25	2.9899	2.9824	-5.47
NZDMYR	2.7342	-0.54	2.7431	2.7319	-4.86
CHFMYR	4.2335	-0.34	4.2431	4.2179	1.65
CNYMYR	0.6010	-0.18	0.6029	0.6018	-3.34
HKDMYR	0.5288	-0.17	0.5303	0.5285	2.07
USDSGD	1.3670	-0.07	1.3688	1.3660	2.34
EURSGD	1.5864	-0.38	1.5932	1.5829	-1.12
GBPSGD	1.7809	-0.46	1.7899	1.7782	-1.34
AUDSGD	0.9878	0.18	0.9896	0.9851	-5.41

Source: Bloomberg

Forex

MYR

- **MYR managed to inch 0.02% firmer to 4.1380 against USD** after edging firmer in Asian afternoon, while beating 9 G10s.
- **MYR is neutral against USD**, with room for slight losses amid lingering global concerns in the markets that weigh down sentiment. Bullish trend still prevails and USDMYR is likely headed for a break above 4.1410, otherwise the bullish trend will be nullified and a new direction will be established.

USD

- **USD advanced against 6 G10** while early gains in DXY were narrowed after US data came out softer than expected, but nonetheless ended 0.25% higher at 95.13, supported by refuge demand on linger concerns regarding US-China trade and Italian fiscal discipline.
- **USD is likely bullish** given lingering concerns in the markets, but we caution that weakness that was seen after last Friday's softer than expected US data could return if tonight's data disappoint. DXY remains technically bullish but risk of failure on the upside is increasing as it approaches 95.20 – 95.34. Breaking this exposes a move to 95.70, otherwise expect a drop back to 94.75.

EUR

- **EUR weakened 0.32% to 1.1604 against USD** but not before narrowing early losses while sliding lower against 5 G10s.
- **Expect a bearish EUR against USD**, weighed down by extended concerns over Italy's fiscal health; caution that an improvement in European sentiment would rally EUR. EURUSD remains in a bearish trend and likely to break below 1.1594 soon, below which it would challenge 1.1570, then 1.1546. Need to beat 1.1693 to nullify current bearish trend.

GBP

- **GBP** was weighed down by softer than expected UK data as it **fell 0.37% to 1.3031 against USD** and retreated against 7 G10s.
- **Stay bearish on GBP against USD** on lack of positive development in UK-EU Brexit talks, and caution that further weakness in UK data will cause further weakness. Downward momentum continues to build, pressuring GBPUSD further. The pair is likely aiming for a break below 1.3012, which will then target 1.2964.

JPY

- **JPY** ended firmer against 5 G10s as risk-off sentiment continues to prevail but **weakened 0.28% to 113.70 against a firmer USD**.
- **Stay slightly bearish on JPY against a well-supported USD**. USDJPY is still technically bullish; expect a break at 113.90 next, after which 114.20 – 114.50 will be eyed.

AUD

- **AUD** rallied to beat 8 G10s and **climbed 0.22% to 0.7224 against USD**, supported by firmer commodities.
- **AUD is slightly bearish against a firm USD**, and further weighed down by lingering global concerns, but note that mild gains may materialize if commodities extend their upsides. Technical outlook remains tilted to the downside, with scope for a drop below 0.7205 soon. Bearish trend will be nullified with a close above 0.7250, otherwise, expect extended losses going forward.

SGD

- **SGD inched 0.07% firmer to 1.3670 against USD** and advanced against 7 G10s.
- **Maintain a slight bearish view on SGD against USD**, weighed down by risk-off sentiment in the markets. USDSGD remains in a bullish trend until there is a break below 1.3660. As such, we opine that USDSGD is eyeing a move to 1.3686.

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