

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Rebound in global equities extended for a second day, led by tech stocks and positive corporate earnings as well as US economic data that reaffirmed that growth in the US economy remains firmly on track.** The Dollar Index got a boost from the ADP job data despite the seemingly volatile intraday movement. Safer government securities from UST to UK gilts and German bunds were under pressure closing 2-4bps higher (for the 10s). **No change to BOJ's policy and rhetoric, amid softening growth outlook and easing inflation.**
- **Overnight dataflow was mixed but not surprising – neutral in the US and Japan, positive in the Eurozone and skewed to the negative side for the UK and China.** The labour market remained healthy in the US but housing and regional businesses in Chicago were softer. Inflation quickened in the Eurozone driven by higher energy and services prices while unemployment rate stabilized at a decade-low. Consumers remained pessimistic in the UK pointing to a bleak outlook ahead. There is also no qualms about slowing growth outlook in China, reaffirmed by bigger than expected pullback in both the PMI manufacturing and services readings for October.
- **USD advanced against 7 G10s** while DXY extended its gains on the back of firmer than expected US labour market data, climbing 0.12% to 97.12. **We turn slightly bullish on USD**, buoyed by recent upticks in US data that is likely to firm up expectations of upcoming labour market data. DXY continues to push higher above 97.00. It is now likely eyeing a move to 97.30 next, above which 97.80 – 98.00 will be targeted. But even so, we are still skeptical that DXY could sustain current bullish bias as upward momentum starts to ease.
- **MYR weakened 0.08% to 4.1840 against a firm USD** and fell against 6 G10s amid protracted lack of buying interest heading into crucial US data overnight. **Expect a neutral MYR against USD**, with room for slight losses on continued upsides in the greenback. Technical outlook remains tilted to the upside despite a gap down at opening. USDMYR now threatens 4.1850 – 4.1880 in the near-term unless it breaks below 4.1780.
- **SGD slipped 0.06% to 1.3857 against a firm USD** but climbed against 7 G10s as risk appetite improved in the markets. **We turn slightly bullish on SGD against USD**, supported by improved risk appetite in the markets. A bullish trend still prevails, but we reckon that downside momentum from overnight rejection by the upper Bollinger could push USDSGD lower today. Losses are likely stemmed near 1.3839.

Overnight Economic Data

US	➔
EU	➕
UK	➖
Japan	➔
China	➖

What's Coming Up Next

Major Data

- Malaysia Nikkei Manufacturing PMI
- US Initial Jobless Claims, Markit & ISM Manufacturing PMI
- UK Markit Manufacturing PMI, Nationwide house prices
- Japan Nikkei Manufacturing PMI
- China Caixin PMI Mfg
- Hong Kong Retail Sales

Major Events

- BOE policy meeting & Inflation Report

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1292	1.1302	1.1322	1.1336	1.1361	➖
GBPUSD	1.2662	1.2684	1.2826	1.2840	1.2653	➔
USDJPY	112.74	112.96	113.08	113.17	113.30	➔
AUDUSD	0.7074	0.7092	0.7098	0.7106	0.7118	➔
EURGBP	0.8805	0.8817	0.8827	0.8842	0.8868	➖
USDMYR	4.1830	4.1840	4.1850	4.1860	4.1870	➔
EURMYR	4.7350	4.7378	4.7388	4.7409	4.7450	➖
JPYMYR	3.7067	3.7088	3.7107	3.7130	3.7166	➔
GBPMYR	5.3481	5.3562	5.3653	5.3776	5.3843	➔
SGDMYR	3.0180	3.0206	3.0225	3.0235	3.0243	➔
AUDMYR	2.9662	2.9681	2.9718	2.9740	2.9787	➔
NZDMYR	2.7387	2.7420	2.7337	2.7368	2.7383	➔
USDSGD	1.3816	1.3839	1.3846	1.3852	1.3862	➖
EURSGD	1.5750	1.5670	1.5676	1.5688	1.5700	➖
GBPSGD	1.7700	1.7726	1.7747	1.7774	1.7800	➔
AUDSGD	0.9800	0.9820	0.9831	0.9837	0.9846	➔

* 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	1,709.27	1.38	-4.87	CRB Index	190.97	-0.41	-1.50
Dow Jones Ind.	25,115.76	0.97	1.60	WTI oil (\$/bbl)	65.31	-1.31	8.09
S&P 500	2,711.74	1.09	1.48	Brent oil (\$/bbl)	75.47	-0.58	16.88
FTSE 100	7,128.10	1.31	-7.28	Gold (S/oz)	1,214.76	-0.66	8.10
Shanghai	2,602.78	1.35	-21.30	CPO (RM/tonne)	2,019.50	-0.59	-15.50
Hang Seng	24,979.69	1.60	-16.51	Copper (\$/tonne)	6,032.00	-2.08	-16.77
STI	3,018.80	1.76	-11.29	Rubber (sen/kg)	386.50	-0.51	-16.43

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Oct-26	-2.5%	4.9%	--
US ADP Employment Change	Oct	227k	218k (revised)	187k
US Chicago Purchasing Manager	Oct	58.4	60.4	60.0
EU Unemployment Rate	Sep	8.1%	8.1%	8.1%
EU CPI estimate YOY	Oct	2.2%	2.1%	2.2%
UK GfK Consumer Confidence	Oct	-10.0	-9.0	-10.0
JP Housing Starts YoY	Sep	-1.5%	1.6%	-0.8%
JP Construction Orders YoY	Sep	1.0%	0.5%	--
JP BOJ Policy Balance Rate	Oct-31	-0.1%	-0.1%	--
CH Services PMI	Oct	53.9	54.9	54.6
CN Manufacturing PMI	Oct	50.2	50.8	50.6
AU AiG manufacturing	Oct	58.3	59.0	--
NZ QV house prices YOY	Oct	5.4%	4.6%	--

Source: Bloomberg

Macroeconomics

- Labour market stays healthy in the US but housing and manufacturing were softer:** ADP showed the private sector added the most jobs in eight months, by more than expected 227k vs consensus estimate 187k in October, while the employment cost index picked up to increase at a faster rate of 0.8% in 3Q (2Q: +0.6%), confirming that the labour market remains on a steady traction even though September number was downwardly revised by 12k to 218k and despite disruption from Hurricane Florence and Michael. However, separate releases showed the US housing and manufacturing sector remained weak. MBA mortgage applications fell again by 2.5% WOW in the week ended 26-October as recent rate hikes dampened demand for both new purchases and refinancing. Tracking other regional showings, Chicago PMI pulled back for a 3rd consecutive month to 58.4 in October, its worst reading in six months reaffirming softer business activities.
- EU saw steady jobless rate and slightly higher inflation:** The labour market in the Euro area remains stable as evident in the latest data on unemployment rate, which held steady near a decade-low at 8.1% in September. Meanwhile, a separate release showed inflation and core CPI ticked slightly higher to 2.2% and 1.1% YOY respectively in October as expected (Sept: +2.1% and +0.9%), as softer gains in food, alcohol and tobacco was offset by quicker gains in energy and services prices.
- UK consumer confidence continued to deteriorate:** GfK's gauge on consumer confidence slipped to -10 in Oct from -9 in Sept, matching the low in July and February as Brexit uncertainties continue to weigh on sentiment. Amongst the lower readings include 'climate for major purchases' (Oct: 4 vs Sept: 6), suggesting that consumption is likely to soften, and dimmer view on personal finances and economic situation in the next 12 months.
- BOJ keeps policy rate steady, housing starts correct, construction orders firmer:** BOJ expectedly left its policy balance rate unchanged at -0.1%, backed by softening economic outlook amid US-China trade war, slowdown in China, and easing inflation back home. Data from Japan was mixed; housing starts declined 1.5% YOY in Sept after rising 1.6% in Aug, but likely a correction from a mild uptrend that began in Jan this year as well as the peak of 1.6% in Aug (highest since Jun 2017). Construction orders gained 1.0% YOY in Sept, edging higher from 0.5% in Aug and points to firmer outlook in construction demand from manufacturing and services sectors.
- Softening economic outlook continues to take shape in China:** Economic slowdown remains the theme for China as indicated by lower than expected readings on both manufacturing and services PMIs. The manufacturing PMI slipped to 50.2 in Oct from 50.8, a sign that factory activity is barely growing. The services PMI fell to 53.9 in Oct from 54.9, the lowest pace of growth since Aug 2017. Expect outlook to remain soft with US-China trade dispute still unresolved.
- Slower expansion in Australia manufacturing activities:** AiG manufacturing index pulled back from a 6-month high of 59.0 in September, to 58.3 in October, dragged by softer gains in new orders, employment, wages, input prices, and exports. This offered added sign the Australian economy is softening, and coupled with the softer than expected inflation, signaled any RBA hike will be some time away.
- House prices quickened in New Zealand:** QV house prices accelerated for the first time in six months, by 5.4% YOY in October (Sept: +4.6%) as house prices were seen increasing at a faster pace across all major cities during the busier spring time.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
1/11	Malaysia	Nikkei Malaysia PMI	Oct	--	51.5	--
1/11	US	Initial Jobless Claims	Oct-27	212k	215k	--
		Markit US Manufacturing PMI	Oct F	55.8	55.9	--
		Construction Spending MoM	Sep	0.0%	0.1%	--
		ISM Manufacturing	Oct	59.0	59.8	--
02/11		Change in Nonfarm Payrolls	Oct	200k	134k	
		Unemployment Rate	Oct	3.7%	3.7%	
		Average Hourly Earnings YoY	Oct	3.1%	2.8%	--
		Factory Orders	Sep	0.5%	2.3%	--
		Durable Goods Orders	Sep F	--	0.8%	--
		Trade balance	Sep	-\$53.6b	-\$53.2b	--
1/11	Eurozone	Markit Eurozone Manufacturing PMI	Oct F	52.1	52.1	--
1/11	UK	Markit UK PMI Manufacturing SA	Oct	53.0	53.8	--
		Nationwide house prices YOY	Oct	1.9%	2.0%	--
		Bank of England Bank Rate	Nov-01	0.75%	0.75%	--
2/11		Markit/CIPS UK Construction PMI	Oct	52.0	52.1	--
1/11	Japan	Nikkei Japan PMI Mfg	Oct F	--	53.1	--
1/11	China	Caixin China PMI Mfg	Oct	50.0	50.0	--
1/11	Hong Kong	Retail Sales Value YoY	Sep	6.7%	9.5%	--
1/11	Australia	Trade Balance	Sep	A\$1,700m	A\$1,604m	--
2/11		Retail Sales MoM	Sep	0.3%	0.3%	--
2/11	New Zealand	ANZ Consumer Confidence Index	Oct	--	117.6	--

Source: Bloomberg

Forex

FX Table

Name	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1312	-0.29	1.136	1.1302	-5.74
GBPUSD	1.2766	0.47	1.2831	1.2699	-5.51
USDJPY	112.94	-0.17	113.39	112.81	0.14
AUDUSD	0.7073	-0.45	0.7107	0.7068	-9.30
EURGBP	0.8862	-0.75	0.8933	0.8843	-0.21
USDMYR	4.1840	0.08	4.1850	4.1820	3.40
EURMYR	4.7441	-0.16	4.7531	4.7409	-2.15
JPYMYR	3.6986	-0.17	3.7014	3.6912	2.88
GBPMYR	5.3328	-0.20	5.3359	5.3118	-2.40
SGDMYR	3.0209	-0.01	3.0222	3.0168	-0.27
AUDMYR	2.9657	0.05	2.9715	2.9595	-6.20
NZDMYR	2.7368	0.01	2.7481	2.7340	-4.97
CHFMYR	4.1681	-0.01	4.1699	4.1597	0.46
CNYMYR	0.6000	-0.11	0.6010	0.5999	-3.50
HKDMYR	0.5332	0.06	0.5335	0.5330	2.95
USDSGD	1.3857	0.06	1.3872	1.3845	3.71
EURSGD	1.5674	-0.24	1.5731	1.5670	-2.32
GBPSGD	1.7689	-0.53	1.7774	1.7585	-2.11
AUDSGD	0.9801	-0.41	0.9844	0.9797	-6.01

Source: Bloomberg

MYR

- **MYR weakened 0.08% to 4.1840 against a firm USD** and fell against 6 G10s amid protracted lack of buying interest heading into crucial US data overnight.
- **Expect a neutral MYR against USD**, with room for slight losses on continued upsides in the greenback. Technical outlook remains tilted to the upside despite a gap down at opening. USDMYR now threatens 4.1850 – 4.1880 in the near-term unless it breaks below 4.1780.

USD

- **USD advanced against 7 G10s** while DXY extended its gains on the back of firmer than expected US labour market data, climbing 0.12% to 97.12.
- **We turn slightly bullish on USD**, buoyed by recent upticks in US data that is likely to firm up expectations of upcoming labour market data. DXY continues to push higher above 97.00. It is now likely eyeing a move to 97.30 next, above which 97.80 – 98.00 will be targeted. But even so, we are still skeptical that DXY could sustain current bullish bias as upward momentum starts to ease.

EUR

- **EUR fell 0.29% to 1.1312 against a firm USD** and slipped against 5 G10s on continued downward pressure from recent soft Eurozone economic data.
- **We now expect a slightly bearish EUR against USD**, weighed down by recent downticks in Eurozone economic data (save for overnight jobless rate and CPI). Downward momentum has increased and nullified the formation of a bullish chart pattern that we previously noted. EURUSD is tilted to the downside and likely to test 1.1290 in the next leg lower.

GBP

- **GBP rallied 0.47% to 1.2766 against USD** and rose against all G10s after UK Brexit Secretary Raab expressed optimism of a Brexit deal with the EU in the near-term.
- **Expect a bullish GBP against USD**, buoyed by improved Brexit sentiment. We continue to caution that GBP remains highly sensitive to Brexit factors and re-emergence of negative headlines will swiftly push GBP lower. Fundamental factor has overturned recent bearish technical outlook. GBPUSD is now pointing towards a test at 1.2840 – 1.2853, above which 1.2893 will be challenged.

JPY

- **JPY climbed 0.17% to 112.94 against USD** and rallied to beat 8 G10s amid risk aversion in the FX space.
- **Stay slightly bearish on JPY against USD** in view of recovering risk sentiment that would dampen demand for refuge. USDJPY remains technically bullish as upward momentum prevails, but must now retake 113.00 to sustain a bullish bias. Otherwise, USDJPY is prone to a return to 112.38.

AUD

- **AUD succumbed to softer Australian inflation data** that continued to put off expectations of a near-term RBA rate hike as it tumbled against 8 G10s and **fell 0.45% to 0.7073 against USD**.
- **AUD remains slightly bullish in our view against USD**, supported by improved risk appetite in the markets. Bullish bias continues to firm up despite overnight losses. We expect AUDUSD to test 0.7118 in the next leg higher, followed by 0.7131 next.

SGD

- **SGD slipped 0.06% to 1.3857 against a firm USD** but climbed against 7 G10s as risk appetite improved in the markets.
- **We turn slightly bullish on SGD against USD**, supported by improved risk appetite in the markets. A bullish trend still prevails, but we reckon that downside momentum from overnight rejection by the upper Bollinger could push USDSGD lower today. Losses are likely stemmed near 1.3839.

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