Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equity ended the first day of Q4 on higher note as the US and Canada finally reached a deal to revise the North American Free Trade Agreement (NAFTA)** following days of uncertainties surrounding the negotiations. The trade sensitive industrials sector went up by 0.9%, reflecting improvement in sentiments. Oil prices rallied as well, the WTI broke above $75/barrel while Brent closed at $84.98/barrel although this was partly attributed to concerns over tightening supply over impending US sanctions on Iran.

- **On the data front, manufacturing indices were mixed. Growth in US manufacturing sector was seen losing some momentum** but overall the sector remained expansionary – the ISM Manufacturing PMI fell to 59.8 in September whereas the Markit PMI rose to 55.6. Construction spending eased to a 0.1% MOM growth in August suggesting weak housing activities. Elsewhere, **Eurozone Markit Manufacturing PMI fell to 53.2 in September** and its unemployment rate dropped further to 8.1% in August. **UK Manufacturing PMI unexpectedly rose to 53.8** in September while its August mortgage approvals also edged up to 66.4, the highest since January. Japan Nikkei Manufacturing PMI remained unchanged at 52.5 in September, Australia AiG PMI rose to 59.0 (6-month high) and last but not least Malaysia Nikkei Manufacturing PMI surged to 51.5 (10-month high).

- **USD climbed against 6 G10s** while the DXY overturned losses from late Asian trade to close 0.17% higher at 95.29, boosted by agreement of a trade pact between US, Canada and Mexico, which negated softer data from the US. Positive sentiment from new US trade agreement with its neighbours is likely to **keep USD supported** but we note that there is potential for risk aversion to creep in as markets turn attention to upcoming US data. DXY remains technically bullish but risk of failure on the upside is increasing as it approaches 95.35 – 95.40. Breaking above this exposes a move to 95.65, otherwise expect a drop to 95.06.

- **MYR closed barely changed at 4.1380 against USD** after erasing most early losses approaching the close of Asian trade. MYR ended lower against 6 G10s. **MYR is neutral against USD** with room for slight gains amid improvement in market sentiment. Bullish trend of USDMYR is under threat; a close short of 4.1410 will tilt USDMYR into a bearish bias, with scope to target 4.1380 next. Otherwise, USDMYR remains on track towards 4.1470.

- **SGD** fell against 9 G10s and **weakened 0.34% to 1.3717 against USD. Maintain a slight bearish view on SGD against a firm USD**, with scope for extended losses if Singapore data underperforms. USDSGD has solidified its bullish bias after breaking above 1.3711. Expect further push higher, with scope to test 1.3742 – 1.3753 in the next leg higher.

Overnight Economic Data	
Malaysia	↑
US	→
Eurozone	→
UK	↑
Japan	→
Australia	↑

What's Coming Up Next

Major Data
- Eurozone PPI
- UK Markit/CIPS Construction PMI
- Hong Kong Retail Sales
- Singapore PMI
- Australia AiG Perf of Services Index

Major Events
- RBA Cash Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1546	1.1564	1.1576	1.1591	1.1614	↘
USDJPY	1.3012	1.3028	1.3040	1.3056	1.3074	↘
GBPUSD	113.71	113.90	113.99	114.06	114.20	↗
AUDUSD	0.7207	0.7224	0.7230	0.7241	0.7260	↗
EURGBP	0.8872	0.8876	0.8877	0.8884	0.8890	↘
USDMYR	4.1380	4.1400	4.1415	4.1440	4.1470	→
EURMYR	4.7900	4.7919	4.7938	4.7989	4.8000	↘
JPYMYR	3.6270	3.6308	3.6337	3.6349	3.6370	↘
GBPMYR	5.3920	5.3959	5.4001	5.4030	5.4075	↘
SGDMYR	3.0138	3.0158	3.0180	3.0209	3.0222	↘
AUDMYR	2.9900	2.9918	2.9945	2.9955	2.9992	→
NZDMYR	2.7340	2.7358	2.7369	2.7380	2.7395	↘
USDSGD	1.3700	1.3711	1.3722	1.3730	1.3642	↗
EURSGD	1.5850	1.5862	1.5884	1.5896	1.5907	↘
GBPSGD	1.7842	1.7865	1.7892	1.7922	1.7950	↘
AUDSGD	0.9893	0.9907	0.9919	0.9927	0.9940	↗

* 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	1,792.46	-0.04	-0.24	CRB Index	197.79	1.35	2.02
Dow Jones Ind.	26,651.21	0.73	7.82	WTI oil ($/bbl)	75.30	2.80	24.63
S&P 500	2,924.59	0.36	9.39	Brent oil ($/bbl)	84.98	2.73	27.08
FTSE 100	7,495.67	-0.19	-2.50	Gold (S/oz)	1,188.99	-0.16	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)	6,249.00	-0.14	-13.77
STI	3,255.46	-0.05	-4.33	Rubber (sen/kg)	396.50	-0.75	-14.27

Source: Bloomberg
Note: SHComp and HSI last closed on 28 Sept 2018

Economic Data

	For	Actual	Last	Survey
MY Nikkei Malaysia PMI	Sep	51.5	51.2	--
US Markit Manufacturing PMI	Sep F	55.6	54.7	55.6
US Construction Spending MOM	Aug	0.1%	0.2% (revised)	0.4%
US ISM Manufacturing	Sep	59.8	61.3	60.0
US ISM Prices Paid	Sep	66.9	72.1	71.4
EU Markit Manufacturing PMI	Sep F	53.2	54.6	53.3
EU Unemployment Rate	Aug	8.1%	8.2%	8.1%
UK Mortgage Approvals	Aug	66.4k	65.2k (revised)	64.5
UK Markit PMI Manufacturing SA	Sep	53.8	53.0 (revised)	52.5
JP Tankan Large Mfg Index	3Q	19.0	21.0	22.0
JP Nikkei Japan PMI Mfg	Sep F	52.5	52.5	--
AU AiG Perf of Mfg Index	Sep	59.0	56.7	--

Source: Bloomberg

➢ Macroeconomics

- ***US manufacturing sector growth softened but remained robust; weak construction spending suggests slower housing activities:*** The ISM Manufacturing Index fell to 59.8 in September (Aug: 61.3) suggesting that growth in the manufacturing industry lost some momentum in the month albeit remained solid. New orders were seen slowing down (61.8 vs 65.1) while productions grew at a faster pace (63.9 vs 63.3). Outlook for trade was optimistic given higher new export orders (56.0 vs 55.2) and imports (54.5 vs 53.9). Firms continued to increase their recruitment of staff as the employment index went up further (58.8 vs 58.5), an indicator of higher job creations in the month. Price pressure levelled off substantially as the prices paid index, an effective predictor of CPI fell below 70.0 to the lowest this year (66.9 vs 72.1) suggesting easing cost of inputs. Yet some respondents continued to report that the impact of tariffs was feeding through prices of raw materials as firms rushed up to make purchases of affected products to minimize financial impacts which in turn drove up cost. Meanwhile, the final reading of the Markit Manufacturing PMI was unrevised at 55.6 in September (Aug: 54.7) suggesting that the sector expanded at a faster pace. The general health of the manufacturing sector remained broadly strong in our view as domestic demand stayed solid but we believe that tariffs could lead to a rather restrictive growth in the medium term as it could create a drag on exports opportunities. Other data release for the US was construction spending which posted a minimal increase of 0.1% MOM (Jul: +0.2% revised) driven by a contraction in residential spending (-0.7% vs +0.3%). The number, if read together with the decline of building permits suggests that housing activities will remain weak in the coming months as the surge in housing starts in August was only temporary.

- ***Eurozone manufacturing growth slowest in two years; labour market continued to tighten:*** The final Eurozone Manufacturing PMI was revised lower from 53.3 to 53.2 in September (Aug: 54.6), marking its slowest growth since Sep-16 as output growth softened. This is linked to a weakening trade cycle as new orders were little changed and rising only slightly in the month. Slower exports thus spilled over to a slowdown in overall order books. Expansion of output was also the weakest since May-16 but employment remained positive as the growth in employment stayed solid. At the price front, input cost remained elevated due to higher price of steel and oil-related goods and supply-side shortages. Business sentiments weakened to a 35-month low in September ad firms worried over global trade protectionism and geopolitical issues. A separate release shows that labour market in the Eurozone continued to tighten as the unemployment rate fell to 8.1% in August (Jul: 8.2%).

- ***UK manufacturing sector strengthened unexpectedly:*** The IHS Markits/CIPS PMI beat expectations inching upwards to 53.8 in September (Aug: 53.0 revised) signalling a broad-based improvement in business conditions. Production rate rose to a four-month high while there was also a solid increase in new orders, reflecting improved inflows from the domestic and exports markets. Employment rose as jobs growth at SMEs offset cuts at large-scale producers. Both input cost and output price inflationary pressure strengthened attributed to weaker exchanged rate, supply shortages and global inflationary pressure. Business optimism rose as firms expected productions to increase over the next 12 months with some noted that Brexit and exchange rate movements were making forecasts less certain. A separate release meanwhile shows that there is a pick-up in the UK mortgage market as number of mortgage approvals edged upwards to 66.4k in August (Jul: 65.2k revised), the highest since January this year.

- ***Japan manufacturing sector health remained steady:*** The final reading of the Nikkei Japan Manufacturing PMI was revised downward from 52.9 to 52.5 in September (Aug: 52.5) which is the same as previous month's reading. This signalled a relatively robust rate of improvement in the health of the sector which was driven by the continuous expansion of new orders. New exports business however experienced further decline as foreign demand weakened. That said, employment increased in the month as firms anticipated order book volumes to expand further. Input cost went up due to higher raw material prices particularly in oil and metals, yen weakness and higher labour and shipping expenses and this led to increased output prices. Meanwhile the quarterly Tankan survey indicates that sentiments among Japanese large manufacturers appeared to be less upbeat as the reading over business conditions fell to 19.0 in 3Q (2Q: 21.0) while the outlook index also inched lower to 19.0 (2Q: 21.0).

- ***Australia manufacturing sector PMI rose to six-month high:*** The AiG Performance of Manufacturing Index moved up to 59.0 in September (Aug: 56.7), the highest since March as nearly all sub-indexes saw faster expansions. New orders surged to 62.6 (Aug: 59.6) while exports rose to 58.9 (Aug: 58.4). Hiring activities recovered to a level last seen in June as the employment index jumped to 58.1 (Aug: 53.3). Input prices spiked to 78.3 (Aug: 77.4) but the elevated cost did not lead firms to charge higher prices as the average selling prices softened to 56.2 (Aug: 58.1).

- ***Malaysia manufacturing conditions experienced further improvement:*** The Nikkei Malaysia Manufacturing PMI rose to a ten-month high of 51.5 in September (Aug: 51.2) driven by a faster rate of job creation and solid output and new business. Input cost increased as firms mainly linked greater cost pressures to the introduction of Sales and Services Tax (SST) on 1 September. Firms' expectations on output remained positive but the strength of sentiment weakened reflecting concerns over SST leading to slower orders.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
03/10	US	MBA Mortgage Applications	Sep-28	--	2.9%	--
		ADP Employment Change	Sep	185k	163k	--
		Markit US Services PMI	Sep F	53.0	52.9	--
		ISM Non-Manufacturing Index	Sep	58.0	58.5	--
02/10	**Eurozone**	**PPI YOY**	**Aug**	**3.8%**	**4.0%**	**--**
03/10		Markit Eurozone Services PMI	Sep F	54.7	54.4	--
		Retail Sales MOM	Aug	0.2%	-0.2%	--
02/10	**UK**	**Markit/CIPS UK Construction PMI**	**Sep**	**52.9**	**52.9**	**--**
03/10		Markit/CIPS UK Services PMI	Sep	54.0	54.3	--
03/10	Japan	Nikkei Japan PMI Services	Sep	--	51.5	--
02/10	**Hong Kong**	**Retail Sales Value YOY**	**Aug**	**8.0%**	**7.8%**	**--**
02/10	**Singapore**	**Purchasing Managers Index**	**Sep**	**52.4**	**52.6**	**--**
03/10		Nikkei Singapore PMI	Sep	--	51.1	--
02/10	**Australia**	**RBA Cash Rate Target**	**Oct-02**	**1.5%**	**1.5%**	**--**
03/10		AiG Perf of Services Index	Sep	--	52.2	--
		Building Approvals MOM	Aug	1.0%	-5.2%	--
03/10	New Zealand	QV House Prices YOY	Sep	--	4.8%	--

Source: Bloomberg

➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1578	-0.22	1.1628	1.1564	-3.59
GBPUSD	1.3042	0.08	1.3116	1.3012	-3.49
USDJPY	113.93	0.20	114.06	113.59	1.14
AUDUSD	0.7224	0.00	0.7232	0.7207	-7.48
EURGBP	0.8878	-0.29	0.8920	0.8858	-0.07
USDMYR	4.1380	-0.01	4.1438	4.1375	2.34
EURMYR	4.8067	0.17	4.8250	4.7950	-1.14
JPYMYR	3.6349	-0.27	3.6542	3.6308	1.08
GBPMYR	5.4085	0.02	5.4209	5.3920	-1.16
SGDMYR	3.0222	-0.11	3.0402	3.0209	-0.37
AUDMYR	2.9880	0.05	3.0031	2.9855	-5.38
NZDMYR	2.7379	0.14	2.7535	2.7367	-5.06
CHFMYR	4.2071	-0.62	4.2365	4.2059	1.42
CNYMYR	0.6010	0.00	0.6020	0.6008	-3.34
HKDMYR	0.5291	0.06	0.5311	0.5285	2.14
USDSGD	1.3717	0.34	1.3721	1.3666	2.72
EURSGD	1.5882	0.11	1.5924	1.5861	-1.05
GBPSGD	1.7891	0.46	1.7963	1.7800	-0.98
AUDSGD	0.9910	0.32	0.9913	0.9859	-5.05

Source: Bloomberg

** CNYMYR last closed on 28 Sept 2018*

MYR

- **MYR closed barely changed at 4.1380 against USD** after erasing most early losses approaching the close of Asian trade. MYR ended lower against 6 G10s.
- **MYR is neutral against USD** with room for slight gains amid improvement in market sentiment. Bullish trend of USDMYR is under threat; a close short of 4.1410 will tilt USDMYR into a bearish bias, with scope to target 4.1380 next. Otherwise, USDMYR remains on track towards 4.1470.

USD

- **USD climbed against 6 G10s** while the DXY overturned losses from late Asian trade to close 0.17% higher at 95.29, boosted by agreement of a trade pact between US, Canada and Mexico, which negated softer data from the US.
- Positive sentiment from new US trade agreement with its neighbours is likely to **keep USD supported** but we note that there is potential for risk aversion to creep in as markets turn attention to upcoming US data. DXY remains technically bullish but risk of failure on the upside is increasing as it approaches 95.35 – 95.40. Breaking above this exposes a move to 95.65, otherwise expect a drop to 95.06.

EUR

- **EUR fell 0.22% to 1.1578 against USD** and retreated against 7 G10s as markets remained cautious with regards to Italy's proposed widening of its budget deficit.
- Unless there are signs of improved sentiment concerning Italian fiscal health, **expect EUR to remain subdued against USD**. EURUSD remains in a bearish trend and is now poised for a test at 1.1546. Breaking below this exposes a move to 1.1524 next.

GBP

- **GBP inched 0.08% to 1.3042 against USD** and advanced against 8 G10s, lifted by firmer UK data and amid a rally from reports of a potential compromise in UK-EU Brexit negotiations.
- **Stay bearish on GBP against USD**; despite reports of a compromise in UK-EU Brexit talks, we opine that upsides are unlikely to last until a firm consensus has been reached. Despite overnight gains, downward momentum continues to build, pressuring GBPUSD further. Unless GBPUSD manages to close above 1.3079, it is likely aiming for a break below 1.3012, which will then target 1.2964.

JPY

- **JPY weakened 0.20% to 113.93 against USD** and slipped against 5 G10s as risk appetite improved in the markets.
- **Expect a bearish JPY against a well-supported USD**, more so as risk appetite continues to improve. USDJPY is still technically bullish and is now likely eyeing a move to 114.20 – 114.50. But caution that risk of rejection increases as USDJPY approaches this range.

AUD

- **AUD closed unchanged against USD at 0.7224** and strengthened against 6 G10s, supported by improved risk appetite in the markets.
- **We continue to stay slightly bearish on AUD against USD** on technical reasons. Technical outlook remains tilted to the downside for AUDUSD, with scope for a drop below 0.7205 soon. Bearish trend will be nullified with a close above 0.7258 today.

SGD

- **SGD** fell against 9 G10s and **weakened 0.34% to 1.3717 against USD**.
- **Maintain a slight bearish view on SGD against a firm USD**, with scope for extended losses if Singapore data underperforms. USDSGD has solidified its bullish bias after breaking above 1.3711. Expect further push higher, with scope to test 1.3742 – 1.3753 in the next leg higher.

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