

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks locked in a third consecutive day of gains overnight on improved trade sentiments** despite a weaker ISM manufacturing reading. President Trump has signalled progress in US-China relation following a phone call with President Xi Jin Ping on Thursday. Yield on 10Y treasuries slipped 1bp to 3.13%. Elsewhere, European equity ended mixed. In the U.K., the FTSE 100 fell slightly on pound strength as a deal was said to have been reached to allow U.K. banks to operate in post Brexit EU. **The BOE MPC has voted unanimously to leave its Bank Rate unchanged at 0.75%, while the central bank delivered a somewhat hawkish inflation outlook**, it signalled that it could react to Brexit with either a hike or a cut. Crude oil took a beating after EIA reported build-up in US crude inventories and Bloomberg said that OPEC October crude production rose to the highest level in two years- WTI fell to \$63/barrel (-2.5%) while Brent slid to \$72.89/barrel (-3.4%).
- In the US, ISM manufacturing index fell to 57.5 in October while Markit Manufacturing PMI rose slightly to 55.7 in the same month. Initial jobless claims fell to 214k last week, construction spending growth recorded a flat reading. UK Markit Manufacturing PMI fell to 51.1 in October, Japan Nikkei Manufacturing PMI strengthened to 52.9 while China Caixin Manufacturing PMI rose slightly to 50.1. Hong Kong September retail sales growth softened to 2.4% YOY, Australia recorded a wider trade surplus of A\$3.02bn, New Zealand ANZ Consumer Confidence weakened further to 115.4.
- **USD fell against all G10s** while DXY tumbled through all trading sessions to close 0.88% lower at 96.27, pressured by paring of positions heading into crucial US data tonight and US mid-term elections on Tuesday, as well as on receding buying interest as risk appetite improved following Brexit optimism and talks of fresh China stimulus. **USD is now bearish in our view**, weighed down by risk aversion ahead of US data and mid-term elections. DXY finally confirmed our skepticism, failing to hold above 97 and tumbling through strong supports to turn technically bearish. It is now likely pointing towards 96.00 in the next leg lower, below which 95.50 will be targeted.
- **MYR strengthened 0.15% to 4.1780 against a weak USD** but fell against 9 G10s that also rallied against a retreating greenback. **Expect a neutral MYR against USD** as potential advancement from overnight losses in the greenback is likely pared by risk aversion ahead of the announcement of Malaysia Budget today. Today's gap down has altered USDMYR's technical landscape. Unless USDMYR manages to recapture above 4.1800 today, it is now inclined to the downside with room to slide to circa 4.1640 – 4.1680.
- **SGD strengthened 0.67% to 1.3764 against a weak USD** but retreated against 7 G10s. **Stay slightly bullish on SGD against USD**, supported by improved risk appetite in the markets. The bullish trend that we previously noted has been nullified. USDSGD is now tilted to the downside, with scope to test 1.3740 in the next leg lower, below which a path towards 1.3697 could be revealed.

Econ Overnight Economic Data

Malaysia	↓
US	→
UK	↓
Japan	↑
China	↑
Australia	↑
New Zealand	↓

What's Coming Up Next

Major Data

- US nonfarm payroll, factory orders, durable goods orders
- Eurozone Markit Manufacturing PMI
- UK Markit/CIPS Construction Index
- Australia Retail Sales
- Singapore Purchasing Manager Index

Major Events

- Malaysia 2019 Budget & MOF Economic Report 2018/19

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1381	1.1398	1.1405	1.1417	1.1432	↗
USDJPY	1.2957	1.2980	1.3002	1.3035	1.3061	↗
GBPUSD	112.50	112.74	112.83	112.89	112.96	↘
AUDUSD	0.7191	0.7200	0.7213	0.7226	0.7238	↗
EURGBP	0.8745	0.8761	0.8772	0.8778	0.8798	↘
USDMYR	4.1670	4.1700	4.1725	4.1735	4.1750	→
EURMYR	4.7513	4.7548	4.7581	4.7596	4.7620	↗
JPYMYR	3.6945	3.6970	3.6988	3.7008	3.7030	↘
GBPMYR	5.4150	5.4185	5.4242	5.4254	5.4300	↗
SGDMYR	3.0255	3.0292	3.0304	3.0338	3.0366	→
AUDMYR	3.0050	3.0062	3.0091	3.0103	3.0113	↗
NZDMYR	2.7719	2.7734	2.7754	2.7765	2.7790	↗
USDSGD	1.3740	1.3757	1.3764	1.3770	1.3781	↘
EURSGD	1.5674	1.5690	1.5698	1.5713	1.5723	↘
GBPSGD	1.7858	1.7882	1.7891	1.7900	1.7935	↗
AUDSGD	0.9907	0.9920	0.9927	0.9937	0.9955	↗

* 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	1,706.92	-0.14	-5.00	CRB Index	191.64	0.35	-1.15
Dow Jones Ind.	25,380.74	1.06	2.68	WTI oil (\$/bbl)	63.69	-2.48	5.41
S&P 500	2,740.37	1.06	2.50	Brent oil (\$/bbl)	72.89	-3.42	9.00
FTSE 100	7,114.66	-0.19	-7.45	Gold (\$/oz)	1,233.43	1.54	8.10
Shanghai	2,606.24	0.13	-21.19	CPO (RM/tonne)	2,019.50	-0.59	-15.50
Hang Seng	25,416.00	1.75	-15.05	Copper (\$/tonne)	6,090.00	1.64	-15.97
STI	3,060.85	1.39	-10.65	Rubber (sen/kg)	390.00	0.13	-15.68

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MY Nikkei PMI	Oct	49.2	51.5	--
US Initial Jobless Claims	Oct-27	214k	216k (revised)	212k
US Markit Manufacturing PMI	Oct F	55.7	55.6	55.8
US Construction Spending MOM	Sep	0.0%	0.8% (revised)	0.0%
US ISM Manufacturing	Oct	57.7	59.8	59.0
UK Nationwide House PX MOM	Oct	0.0%	0.2% (revised)	0.2%
UK Markit UK PMI Manufacturing SA	Oct	51.1	53.6 (revised)	53.0
UK Bank of England Bank Rate	Nov-01	0.75%	0.75%	0.75%
JP Nikkei Japan PMI Mfg	Oct F	52.9	52.5	--
CN Caixin China PMI Mfg	Oct	50.1	50.0	50.0
HK Retail Sales Value YOY	Sep	2.4%	9.4% (revised)	6.7%
AU Trade Balance	Sep	A\$3,017 m	A\$2,342m	A\$1,700m
NZ ANZ Consumer Confidence Index	Oct	115.4	117.6	--

Source: Bloomberg

➤ Macroeconomics

- BOE held Bank Rate steady, signaled reaction to Brexit could be a hike or a cut:** The MPC voted unanimously to leave Bank Rate unchanged at 0.75% as widely expected. In its November Inflation Report, the central bank trimmed 2018 growth forecast from 1.4% to 1.3% YOY and delivered a somewhat hawkish inflation outlook, where 2018 CPI forecast was revised from 2.3% to 2.5% YOY due to "firming domestic inflationary pressure", a result of build-up in excess demand. The central bank acknowledged that consumption growth was stronger than expected recently but business investment has been weaker and is expected to be subdued in the near term due to Brexit uncertainties. BOE maintained its usual stance that any future increases in Bank Rate are likely to be at a "gradual pace and to a limited extent" but added for the first time that its response to Brexit "will not be automatic and could be in either direction" meaning that it could react to Brexit with either a cut or a hike.
- US manufacturing sector growth eased from previous months' high:** The headline ISM Manufacturing index fell to 57.7 in October (Sep: 59.8) indicating a slower expansion of the US manufacturing sector. New orders, production, employment and inventories all grew at a slower pace last month whereas price pressure seemed to be building up at a vastly accelerated rate as the Prices Paid sub-index jumped to 71.6 (Sep: 66.9). Firms reported that tariffs led to inflation and supply chain constraints. Trade outlook weakened as well given the substantial fall in the new exports orders sub-index by 3.8pts which suggests a softer external demand. The final reading of Markit Manufacturing PMI was revised downward from 55.9 to 55.7 in the same month (Sep: 55.6) but remained a tad stronger than previous month's reading. Initial jobless claims fell to 214k for the week ended 27 October (previous: 216k revised) suggesting that the US labour market continued to tighten, construction spending growth recorded a flat reading (Aug: +0.8% revised) following a upwardly revised figure.
- Trade tensions and Brexit uncertainties hit UK manufacturing sector; house prices growth softened:** The Markit/CIPS Manufacturing PMI dropped to a 27-month low of 51.1 in October (Sep: 53.6 revised) indicating a much slower expansion of the manufacturing sector. Companies attributed the decline in manufacturing orders to lower inflows of new work from overseas as well as softer domestic demand. Brexit uncertainties were said to have negatively impacted new work orders from within the EU while some firms cited rising global trade tensions and weaker global auto demand as key culprits. Meanwhile, gain in UK house prices continued to soften as the Nationwide House Price Index recorded a flat reading MOM in Oct (Sep: +0.2% revised) while on a yearly basis, prices grew 1.6% YOY (Sep: 2.0%), its first time falling below the 2.0% YOY mark in five years, an evident that the UK housing market continued to weaken amidst economic and political uncertainty.
- Strong domestic demand drove Japan manufacturing sector growth:** The final reading of the Nikkei Manufacturing PMI was revised downward from 53.1 to 52.9 in October (Sep: 52.5) but remained higher than previous month's reading. October print also marks the manufacturing sector's fourth month of consecutive growth driven by solid domestic demand. In additions, foreign demand recorded growth for the first time since May and this together with continuously strong domestic orders, led to growth in order book volume. As a result, firms expanded hiring and raised buying levels to accommodate for greater production requirements indicating higher output in the coming months.
- Hong Kong retail sales recorded slowest growth in 15-month:** Retail sales grew a mere 2.4% YOY in September (Aug: +9.4%), the slowest since June 2017 driven by softer growth in sales of food, alcohol & tobacco, fuels, consumer durable goods, jewellery, watches and clocks as well as the contraction in sales of clothing & footwear.

- **Trade war bites into China manufacturing growth:** The Caixin Manufacturing PMI, a private survey of China's small and medium manufacturing firms rose slightly to 50.1 in October (Sep: 50.0) suggesting that Chinese manufacturers continued to come under pressure amidst US-China trade war. The reading was in line with the official NBS reading (focused on large enterprises) which dropped to 50.2, the lowest since the blip observed in February when the country celebrated Chinese New Year.
- **Australia trade surplus widened:** Australia recorded a higher trade surplus of A\$3.02b in September (Aug: A\$2.34b) due to a month-on-month contraction in imports (-1.1% vs +0.1%) despite a slower exports growth (+0.8% vs +1.3%).
- **New Zealand consumer confidence weakened to 3-year low:** The ANZ Consumer Confidence Index fell by 1.9% MOM to 115.4 in October (Sep: 117.6), the lowest since October 2015, bringing the index to below its historical average. Gauges of current conditions rose but that of future conditions fell as consumers were pessimistic over the broader economy as well as their own future financial positions. The dismal consumer sentiments are amongst the chief reasons preventing the RBNZ from moving its Official Cash Rate this year.
- **Malaysia manufacturing PMI fell back to negative territory:** The Nikkei manufacturing PMI fell below the 50.0 threshold to 49.2 in October (Sep: 51.5) indicating a deterioration of Malaysia's manufacturing operating condition following two months of consecutive growth. The weaker print in October was largely driven by a substantial reduction in total new sales and a cut-back in productions. Demand weakened noticeably with weakness arising from domestic market and the re-introduction of Sales and Services Tax (SST) in September. That said, firms expect output to expand in the coming 12 months due to planned expansion into new markets and stronger sales forecasts but the downside was that the SST might lead to slower orders ahead.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
05/11	Malaysia	Exports YOY	Sep	--	-0.3%	--
		Imports YOY	Sep	--	11.2%	--
		Trade Balance MYR	Sep	--	1.61b	--
02/11	US	Change in Nonfarm Payrolls	Oct	200k	134k	--
		Unemployment Rate	Oct	3.7%	3.7%	--
		Average Hourly Earnings YOY	Oct	3.1%	2.8%	--
		Labor Force Participation Rate	Oct	62.7%	62.7%	--
		Factory Orders	Sep	0.5%	2.3%	--
		Durable Goods Orders	Sep F	--	4.6%	--
		Cap Goods Orders Nondef Ex Air	Sep F	--	-0.2%	--
05/11		Markit US Services PMI	Oct F	54.7	53.5	--
		ISM Non-Manufacturing Index	Oct	59.4	61.6	--
02/11	Eurozone	Markit Eurozone Manufacturing PMI	Oct F	52.1	54.7	--
05/11		Sentix Investor Confidence	Nov	8.8	11.4	--
02/11	UK	Markits/CIPS UK Construction PMI	Oct	52.0	52.1	--
05/11		Markit/CIPS UK Services PMI	Oct	53.4	53.9	--
05/11	Hong Kong	Nikkei Hong Kong PMI	Oct	--	47.9	--
05/11	China	Caixin China PMI Services	Oct	--	53.1	--
02/11	Singapore	Purchasing Managers Index	Oct	52.4	52.4	--
05/11		Nikkei Singapore PMI	Oct	--	49.6	--
02/11	Australia	Retail Sales MoM	Sep	0.3%	0.3%	--
05/11		AiG Perf of Services Index	Oct	--	52.5	--

Source: Bloomberg

Forex

	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1408	0.85	1.1424	1.1309	-5.02
GBPUSD	1.3012	1.93	1.3035	1.2763	-3.80
USDJPY	112.72	-0.19	113.00	112.61	0.04
AUDUSD	0.7206	1.88	0.7212	0.7072	-7.73
EURGBP	0.8772	-1.01	0.8866	0.8757	-1.23
USDMYR	4.1780	-0.15	4.1860	4.1775	3.08
EURMYR	4.7545	0.22	4.7608	4.7327	-1.90
JPYMYR	3.7039	0.14	3.7125	3.7030	2.92
GBPMYR	5.3980	1.22	5.4013	5.3401	-0.77
SGDMYR	3.0287	0.26	3.0292	3.0184	0.03
AUDMYR	2.9905	0.84	2.9918	2.9622	-4.95
NZDMYR	2.7633	0.97	2.7649	2.7283	-3.70
CHFMYR	4.1685	0.01	4.1685	4.1488	0.31
CNYMYR	0.6019	0.31	0.6019	0.6003	-3.21
HKDMYR	0.5333	0.02	0.5339	0.5332	2.80
USDSGD	1.3764	-0.67	1.3862	1.3757	3.05
EURSGD	1.5703	0.19	1.5730	1.5670	-2.19
GBPSGD	1.7908	1.24	1.7933	1.7684	-0.98
AUDSGD	0.9918	1.19	0.9925	0.9800	-5.00

Source: Bloomberg

MYR

- **MYR strengthened 0.15% to 4.1780 against a weak USD** but fell against 9 G10s that also rallied against a retreating greenback.
- **Expect a neutral MYR against USD** as potential advancement from overnight losses in the greenback is likely pared by risk aversion ahead of the announcement of Malaysia Budget today. Today's gap down has altered USDMYR's technical landscape. Unless USDMYR manages to recapture above 4.1800 today, it is now inclined to the downside with room to slide to circa 4.1640 – 4.1680.

USD

- **USD fell against all G10s** while DXY tumbled through all trading sessions to close 0.88% lower at 96.27, pressured by paring of positions heading into crucial US data tonight and US mid-term elections on Tuesday, as well as on receding buying interest as risk appetite improved following Brexit optimism and talks of fresh China stimulus.
- **USD is now bearish in our view**, weighed down by risk aversion ahead of US data and mid-term elections. DXY finally confirmed our skepticism, failing to hold above 97 and tumbling through strong supports to turn technically bearish. It is now likely pointing towards 96.00 in the next leg lower, below which 95.50 will be targeted.

EUR

- **EUR jumped 0.85% to 1.1408 against a weak USD** but still ended lower against 6 G10s that also rallied to the greenback's weakness.
- **Expect a bullish EUR to the extent of losses in USD**; direction will be determined by performance of the greenback. The bullish chart pattern that we thought to have been nullified is now back in play, hinting at a strong reversal for EURUSD once 1.1461 is broken. Meantime, EURUSD is poised to test 1.1432 in the next leg higher, but caution that a minor pullback cannot be ruled out after yesterday's rally.

GBP

- **GBP surged 1.93% to 1.3012 band** rallied to beat 8 G10s, buoyed by Brexit optimism and a rather hawkish-sounding BOE policy statement.
- **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. We caution on risk of a technical pullback after yesterday's rally, but as long as GBPUUSD holds above 1.2890, overall direction going forward remains up and likely to test 1.3081 soon.

JPY

- **JPY fell 0.19% to 112.72 against USD** and slumped against all G10s as risk appetite improved.
- **Stay slightly bearish on JPY against USD** in view of recovering risk sentiment that would dampen demand for refuge. Unless USDJPY breaks below 112.38 today or fail to beat 113.13 by Monday, it remains technically bullish and poised to test 113.30.

AUD

- **AUD soared 1.88% to 0.7206 against USD** and advanced against 7 G10s, supported by firmer Australian trade data and improved market risk sentiment.
- **AUD remains slightly bullish in our view against USD**, supported by improved risk appetite in the markets. AUDUSD bested our expectations by surging through 0.7130. Still, caution on potential for technical pullback after recent rally though holding above 0.7148 will sustain current bullish bias. Expect a break at 0.7226 and a test at 0.7238.

SGD

- **SGD strengthened 0.67% to 1.3764 against a weak USD** but retreated against 7 G10s.
- **Stay slightly bullish on SGD against USD**, supported by improved risk appetite in the markets. The bullish trend that we previously noted has been nullified. USDSGD is now tilted to the downside, with scope to test 1.3740 in the next leg lower, below which a path towards 1.3697 could be revealed.

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