

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks ended mixed overnight as markets seemed to look past the newly reached US-Canada deal.** The Dow however hit a fresh intraday record high and managed to close the day by 0.46% higher while the S&P 500 and NASDAQ lost 0.04% and 0.47% respectively. **Concerns over the proposed Italian budget continued to grow further, prompting investors to flee to perceived safe assets.** Yield on 10Y Italian government bond spiked 15bps yesterday while 10Y German bund rallied (yield fell by 5bps to 0.42%). 10Y US treasuries yield went down by 2bps to 3.06%. Oil prices hovered around previous day's levels - WTI closed at \$75.23/barrel while Brent at \$84.80/barrel.
- **RBA left cash rate unchanged at 1.5% as expected offering no fresh take on the economy.** Data front at the US was quiet overnight with no major release. **Eurozone factory gate inflation picked up at faster pace in July and August based on revised data.** PPI grew 4.2% YOY in August and 4.3% YOY (revised) in July. UK Markit/CIPS Construction PMI fell to 52.1 in September while the Nationwide House Price Index rose 0.3% MOM but overall housing activities remained subdued. Hong Kong retail sales bounced up 9.5% YOY in August. Singapore PMI fell to 52.4 in September. Australia September AIG Performance of Services Index picked up to 52.5.
- **USD extended its advance amid refuge demand in the FX space, climbing against 8 G10s** while the DXY ended 0.22% higher at 95.50 though gains were pared going into US morning. **Stay bullish on USD** amid support from refuge demand as markets focus on Italian risks, but caution that bears would swiftly return if US data underperforms tonight. DXY remains technically bullish but risk of failure on the upside continues to increase. Upsides could be rejected circa 95.54 – 95.73, which could trigger a drop to 95.26, or even lower.
- **MYR slipped 0.06% to 4.1405 against a firm USD** but strengthened against 8 G10s that were also softer against the greenback. **MYR is neutral against USD** with room for slight losses on renewed risk-off sentiment in the FX space. Bullish trend of USDMYR is still under threat; a close below 4.1385 will tilt USDMYR into a bearish bias, with scope to target 4.1345 next. Otherwise, USDMYR remains on track towards 4.1470.
- **SGD slipped 0.1% to 1.3731 against USD** but advanced against 7 G10s. **Maintain a slight bearish view on SGD against a firm USD.** Upside momentum has increased and with bullish trend still prevailing, expect USDSGD is likely targeting another test at 1.3752. Beating this expose a move to 1.3795.

#### Overnight Economic Data

Eurozone	↓
UK	→
Hong Kong	↑
Singapore	↓
Australia	↑

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications, ADP Employment Change, Markit PMI & ISM Services
- Eurozone Markit Services PMI, Retail Sales
- UK Markit/CIPS Services PMI
- Japan Nikkei PMI Services
- Singapore Nikkei PMI
- Australia Building Approvals

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1537	1.1546	1.1552	1.1564	1.1580	↘
USDJPY	1.2941	1.2962	1.2978	1.2989	1.3000	↘
GBPUSD	113.18	113.34	113.59	113.71	114.05	↘
AUDUSD	0.7152	0.7168	0.7186	0.7205	0.7217	↘
EURGBP	0.8890	0.8894	0.8900	0.8905	0.8911	↘
USDMYR	4.1384	4.1398	4.1415	4.1423	4.1438	→
EURMYR	4.7750	4.7786	4.7819	4.7831	4.7858	↘
JPYMYR	3.6400	3.6425	3.6452	3.6469	3.6481	↗
GBPMYR	5.3673	5.3700	5.3747	5.3780	5.3800	↘
SGDMYR	3.0128	3.0138	3.0143	3.0170	3.0209	→
AUDMYR	2.9702	2.9720	2.9738	2.9769	2.9808	→
NZDMYR	2.7200	2.7234	2.7245	2.7257	2.7273	↘
USDSGD	1.3714	1.3721	1.3738	1.3752	1.3768	↗
EURSGD	1.5840	1.5850	1.5867	1.5882	1.5895	↘
GBPSGD	1.7800	1.7821	1.7830	1.7843	1.7865	↘
AUDSGD	0.9851	0.9859	0.9867	0.9876	0.9892	↘

\* 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	1,798.15	0.32	0.07	CRB Index	199.97	1.10	3.15
Dow Jones Ind.	26,773.94	0.46	8.31	WTI oil (\$/bbl)	75.23	-0.09	24.51
S&P 500	2,923.43	0.04	9.34	Brent oil (\$/bbl)	84.80	-0.21	26.81
FTSE 100	7,474.55	0.28	-2.77	Gold (\$/oz)	1,203.32	1.21	8.10
Shanghai	2,821.35	1.06	14.69	CPO (RM/tonne)	2,089.00	0.43	-12.59
Hang Seng	27,126.38	2.38	-9.33	Copper (\$/tonne)	6,280.00	0.50	-13.34
STI	3,242.65	0.39	-4.71	Rubber (sen/kg)	403.50	1.77	-12.76

Source: Bloomberg

Note: SHComp last closed on 28 Sept 2018

**Economic Data**

	For	Actual	Last	Survey
EU PPI YOY	Aug	4.2%	4.3% (revised)	3.8%
UK Markit/CIPS Construction PMI	Sep	52.1	52.9	52.9
UK Nationwide House Price MOM SA	Sep	0.3%	-0.5%	--
HK Retail Sales Value YOY	Aug	9.5%	7.8%	8.0%
SG Purchasing Managers Index	Sep	52.4	52.6	52.4
AU RBA Cash Rate Target	Oct-02	1.5%	1.5%	1.5%
AU AiG Perf of Services Index	Sep	52.5	52.2	--

Source: Bloomberg

**Macroeconomics**

- RBA left cash rate unchanged, offering same economic assessment:**  
 The RBA announced its decision to leave cash rate unchanged at 1.5% yesterday as expected and its overall assessment of the economy was largely the same compared to that of the previous statement. The central bank mentioned that the latest 2Q GDP growth (+3.4% YOY) confirmed that the Australian Economy “grew strongly” over the past year and its growth forecast remained the same to average “a bit over 3%” in 2018 and 2019 with continuing uncertainty being the outlook for consumption. Growth in household incomes remained low and debt levels are high. Assessment of the labour market remained the same with the further gradual decline in the unemployment rate to around 5.0% “over the next couple of years” being expected (Unemployment rate currently stood at 5.3%, a six-year low). Inflation remained around 2% and is projected to be higher in 2019 and 2020. It also reiterated that the one-off declines in some administered prices in September quarter likely to result in lower headline inflation. We continue to expect the RBA to keep cash rate unchanged for the rest of 2018 as wage growth remained rather low and is yet to pick up despite a strengthening labour market with the slowdown of China posting some downside risk to the economy.
- Eurozone factory gate inflation picked up at faster pace in Jul and Aug:** Producer prices rose 4.2% YOY in August (Jul: +4.3%) while July figure was revised from 4.0% to 4.3% suggesting that factory gate inflation picked up substantially over the past two months. In August, prices of energy rose 12.0% YOY (Jul: +11.9%) while gain in prices of intermediate goods were held steady at 3.2% YOY. Cost of durable consumer goods rose 1.3% YOY (Jul: +1.2%) while that of non-durable goods was unchanged. On a monthly basis, PPI grew 0.2% MOM (Jul: +0.7% revised) as prices of energy increased a mere 0.9% MOM compared to the 2.4% MOM surge in July. Producers passed the higher cost to consumers- CPI rose 2.1% YOY in July and eased slightly to and 2.0% YOY in August which are above the ECB’s current inflation target of close to but below 2%. Prices continued to pick up steadily in September as the flash CPI estimate came in at 2.1% YOY.
- UK construction PMI suggests more workloads ahead but confidence weakened; house prices posted modest gains:** The Markit/CIPS Construction PMI fell to 52.1 in September (Aug: 52.9) signalling the weakest upturn in output for six month. Civil engineering declined at a slightly quicker rate whereas house building and commercial construction increased at a solid pace. Near term outlook however seemed to be mixed as new order books strengthened to the highest since Dec-16 signalling more construction workloads ahead while rising demand and a tight labour market led to robust employment. Business confidence however was among the lowest seen since the 2013 as political uncertainties dragged on decision making. Meanwhile, a separate release by Nationwide shows that UK house prices rose in September as the Nationwide House Price Index edged up 0.3% MOM in September (Aug: -0.5%). On a yearly basis, the gain in prices was held steady at 2.0% YOY (Aug: +2.0%). The average price now stood at £214.9k compared to £214.7k in the previous month. Looking ahead, we continue to expect housing activities in the UK to remain subdued plagued by uncertainties surrounding Brexit as household take a ‘wait and see’ approach posting downside risk to demand.

- **Hong Kong retail sales remained healthy:** Retail sales bounced up by 9.5% YOY in value term in August (Jul: +7.8%) as sales of food, alcohol and tobacco (+6.3% vs +2.8%). Clothing & footwear (+7.0% vs +2.9%), department stores (+11.7% vs +8.4%) as well as jewellery, watches & clocks grew at a faster pace. Sales in fuels (+10.2% vs +15.2%), supermarkets (+0.3% vs +0.7%) and consumer durable goods (+0.3% vs +5.9%) posted slower growth.
- **Singapore manufacturing sector growth remained solid:** The Singapore Institute of Purchasing and Materials Management PMI fell slightly to 52.4 in September (Aug: 52.6) due to softer new orders (54.2 vs 54.4). Within new orders, new exports orders grew at a slower pace (52.9 vs 53.2). The Electronic Sector PMI eased to 51.4 (Aug: 52.) as new orders (inclusive of new exports order) softened as well. The overall PMI suggests slightly weaker demand for Singaporean products in September, but the sector remained in a generally healthy state based on the survey.
- **Australia saw faster pick-up in services sector growth:** The AiG Performance of Services Index rose to 52.5 in September (Aug: 52.2) driven by higher new orders (53.4 vs 52.0). Sales fell slightly but should be picking up in the coming month. Input cost eased considerably leading firms to charge lower prices as well. Employment contracted but wages picked up at a faster pace.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
03/10	US	MBA Mortgage Applications	Sep-28	--	2.9%	--
		ADP Employment Change	Sep	184k	163k	--
		Markit US Services PMI	Sep F	53.0	52.9	--
		ISM Non-Manufacturing Index	Sep	58.0	58.5	--
04/10		Initial Jobless Claims	Sep-29	215k	214k	--
		Factory Orders	Aug	2.1%	-0.8%	--
		Durable Goods Orders	Aug F	4.5%	-1.2%	--
		Cap Goods Orders Nondef Ex Air	Aug F	--	1.5%	--
03/10	Eurozone	Markit Eurozone Services PMI	Sep F	54.7	54.4	--
		Retail Sales MOM	Aug	0.2%	-0.2%	--
03/10	UK	Markit/CIPS UK Services PMI	Sep	54.0	54.3	--
03/10	Japan	Nikkei Japan PMI Services	Sep	--	51.5	--
04/10		Nikkei Hong Kong PMI	Sep	--	48.5	--
03/10	Singapore	Nikkei Singapore PMI	Sep	--	51.1	--
03/10	Australia	Building Approvals MOM	Aug	1.0%	-5.2%	--
04/10		Trade Balance	Aug	A\$1450m	A\$1551m	--

Source: Bloomberg

## Forex

Name	Last Price	DoD%	High	Low	YTD%
EURUSD	1.1548	-0.26	1.158	1.1505	-3.79
GBPUSD	1.2979	-0.48	1.3053	1.2941	-3.95
USDJPY	113.65	-0.25	114.02	113.53	0.77
AUDUSD	0.7188	-0.50	0.7238	0.7162	-7.99
EURGBP	0.8897	0.22	0.8914	0.8867	0.20
USDMYR	4.1405	0.06	4.1435	4.1385	2.32
EURMYR	4.7680	-0.81	4.7971	4.7663	-1.36
JPYMYR	3.6452	0.28	3.6452	3.6311	1.44
GBPMYR	5.3715	-0.68	5.4055	5.3699	-1.64
SGDMYR	3.0094	-0.42	3.0195	3.0090	-0.45
AUDMYR	2.9685	-0.65	2.9971	2.9671	-5.90
NZDMYR	2.7253	-0.46	2.7386	2.7236	-5.27
CHFMYR	4.2132	0.15	4.2136	4.2028	1.42
CNYMYR	0.6010	0.00	0.6020	0.6008	-3.34
HKDMYR	0.5285	-0.11	0.5292	0.5282	2.05
USDSGD	1.3731	0.10	1.3768	1.3714	2.78
EURSGD	1.5855	-0.17	1.5896	1.5834	-1.19
GBPSGD	1.7821	-0.39	1.7916	1.7803	-1.39
AUDSGD	0.9869	-0.41	0.9937	0.9859	-5.50

Source: Bloomberg

\* CNYMYR last closed on 28 Sept 2018

### MYR

- **MYR slipped 0.06% to 4.1405 against a firm USD** but strengthened against 8 G10s that were also softer against the greenback.
- **MYR is neutral against USD** with room for slight losses on renewed risk-off sentiment in the FX space. Bullish trend of USDMYR is still under threat; a close below 4.1385 will tilt USDMYR into a bearish bias, with scope to target 4.1345 next. Otherwise, USDMYR remains on track towards 4.1470.

### USD

- **USD** extended its advance amid refuge demand in the FX space, **climbing against 8 G10s** while the DXY ended 0.22% higher at 95.50 though gains were pared going into US morning.
- **Stay bullish on USD** amid support from refuge demand as markets focus on Italian risks, but caution that bears would swiftly return if US data underperforms tonight. DXY remains technically bullish but risk of failure on the upside continues to increase. Upsides could be rejected circa 95.54 – 95.73, which could trigger a drop to 95.26, or even lower.

### EUR

- **EUR** advanced against 6 G10s but **fell 0.26% to 1.1548 against USD** on rising negative sentiment emanating out of Italy amid news of the government hinting that the nation's debt issues could be solved with its "own currency".
- **Expect EUR to remain bearish against USD** on lingering Italian woes, but gains could materialize on underperforming US data or strong upside surprise in Eurozone data. EURUSD declines bounced off 1.1505 yesterday, suggesting that downsides from could be limited. In any case, EURUSD is still technically bearish and losses are likely to prevail. Losing 1.1537 exposes a move to 1.1505 again.

### GBP

- **GBP** remains weighed down by lack of real progress in Brexit negotiations and soft UK data as it slipped against 7 G10s and **fell 0.48% to 1.2979 against USD**.
- **Stay bearish on GBP against USD** on soft Brexit sentiment and expect losses to accelerate if UK data underperforms again. GBPUSD is now deeper into a bearish trend after losing 1.3000 overnight. It is poised to test 1.2941 again soon, below which a drop to 1.2901 is expected.

### JPY

- **JPY** rallied to beat all G10s and **strengthened 0.25% to 113.65 against USD** as refuge demand within the FX space increased.
- **We turn bullish on JPY against USD**, supported by rising refuge demand. USDJPY upsides were rejected yesterday even before reaching our expected range of 114.20 – 114.50. Downside momentum from this rejection could extend to circa 112.95 – 113.18.

### AUD

- **AUD tumbled 0.5% to 0.7188 against USD** and retreated against 8 G10s, pressured by risk-off in the markets and expectations that the RBA will continue to hold policy rate for some time to come.
- **AUD remains slightly bearish against USD** as risk aversion increases. Technical outlook remains bearish for AUDUSD. It is likely heading for a test at 0.7152, below which bears will accelerate and target 0.7098 – 0.7100. Rebound, if any, will be capped by 0.7205.

### SGD

- **SGD slipped 0.1% to 1.3731 against USD** but advanced against 7 G10s.
- **Maintain a slight bearish view on SGD against a firm USD**. Upside momentum has increased and with bullish trend still prevailing, expect USDSGD is likely targeting another test at 1.3752. Beating this expose a move to 1.3795.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

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