

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US government bonds saw a major sell-off across the curve overnight on upbeat economic data** with the 10Y treasuries yield surging by 12bps to 3.18%, the highest since July 2011. The 5Y yield rose 9bps to 3.05% while the 30Y yield also spiked by 12bps higher to 3.34%, its highest since September 2014. **Stocks went up only modestly** - financials sector got a boost from surging yields while energy sector was lifted by a rally in oil prices. **Brent broke above \$86/barrel while WTI closed above \$76/barrel** despite higher than expected build-up in US crude inventories, primarily in anticipation of **US sanction on Iran**. **Fed Chair Powell also sounded remarkably hawkish, saying interest rates may be raised beyond neutral level in the longer term.**
- **Overnight services readings mainly skewed to the downside with the exception of US ISM services and Eurozone PMI services.** US ISM Non-Manufacturing Index soared to 61.6 in September, a record high since the inception of the composite index in 2008. The Markit Services PMI fell to 53.5 but remained a solid reading. ADP payrolls came in better than expected at 230k in September while the MBA mortgage applications were flat last week. Elsewhere, Eurozone September Services PMI rose to 54.7 whereas retail sales contracted 0.2% MOM in August. Services PMI for the UK and Japan both recorded a lower reading of 53.9 and 50.2. Singapore PMI fell below the 50.0 threshold signaling a deterioration of its private sector. Australia building approval slumped 9.4% MOM in August.
- **USD strengthened against all G10s** while the DXY gained 0.27% to 95.76, overturning losses in early Asian trade on stronger than expected US data and a hawkish-toned speech by Fed Chair Powell, who remarked that interest rate may be raised beyond the neutral level, though that is still a long way to go. **Stay bullish on USD**, supported by the Fed's hawkish tone and US data upsides. DXY gapped up in early trade but we opine that such a move is generally unsustainable, thus we suspect a downward move from current level of 96.04 may be in the works. In any case, DXY is likely to close on a firmer level than yesterday's.
- **MYR inched 0.02% firmer to 4.1395 against USD** as risk appetite improved in Asian but slipped against 5 G10s. **Expect a slightly bearish MYR against a strong USD.** A new bullish trend in USDMYR has emerged, suggesting further upsides going forward. USDMYR is now inclined toward a test at 4.1500 – 4.1505, above which 4.1555 will be eyed. Losses need to break below 4.1445 – 4.1450 to discourage the bulls.
- **SGD weakened 0.48% to 1.3797 against a strong USD** but managed to beat 8 G10s. **SGD is bearish against a strong USD.** Upside momentum has increased after breaking above 1.3800 and with bullish trend still prevailing, expect USDSGD to be targeting further gains towards 1.3840 – 1.3850 next.

Overnight Economic Data

US	➔
EU	➔
UK	➔
Japan	➔
Singapore	➔
Australia	➔

What's Coming Up Next

Major Data

- US Initial Jobless Claims, Factory Orders, Durable Goods Orders
- HK Nikkei PMI
- Australia Trade Balance

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1450	1.1466	1.1476	1.1494	1.1505	➔
USDJPY	1.2901	1.2925	1.2935	1.2955	1.2985	➔
GBPUSD	114.00	114.20	114.40	114.55	114.67	➔
AUDUSD	0.7050	0.7071	0.7094	0.7112	0.7133	➔
EURGBP	0.8860	0.8866	0.8873	0.8875	0.8884	➔
USDMYR	4.1445	4.1455	4.1470	4.1485	4.1505	➔
EURMYR	4.7800	4.7836	4.7586	4.7678	4.7663	➔
JPYMYR	3.6200	3.6230	3.6261	3.6308	3.6346	➔
GBPMYR	5.3579	5.3612	5.3644	5.3687	5.3742	➔
SGDMYR	2.9976	3.0000	3.0030	3.0044	3.0071	➔
AUDMYR	2.9385	2.9400	2.9421	2.9463	2.9502	➔
NZDMYR	2.6872	2.6900	2.6930	2.6957	2.6980	➔
USDSGD	1.3800	1.3809	1.3816	1.3820	1.3840	➔
EURSGD	1.5834	1.5850	1.5853	1.5861	1.5888	➔
GBPSGD	1.7809	1.7847	1.7866	1.7888	1.7902	➔
AUDSGD	0.9765	0.9785	0.9798	0.9816	0.9851	➔

* 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	1,796.30	-0.10	-0.03	CRB Index	201.23	0.63	3.80
Dow Jones Ind.	26,828.39	0.20	8.53	WTI oil (\$/bbl)	76.41	1.57	26.46
S&P 500	2,925.51	0.07	9.42	Brent oil (\$/bbl)	86.29	1.76	29.04
FTSE 100	7,510.28	0.48	-2.31	Gold (\$/oz)	1,197.35	-0.50	8.10
Shanghai*	2,821.35	1.06	14.69	CPO (RM/tonne)	2,086.50	-0.29	-12.70
Hang Seng	27,091.26	-0.13	-9.45	Copper (\$/tonne)	6,267.00	-0.21	-13.52
STI	3,267.40	0.76	-3.98	Rubber (sen/kg)	402.00	0.50	-13.08

Source: Bloomberg

*Last closed at at 28 September.

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Sep-28	0.0%	2.9%	--
US ADP Employment Change	Sep	230k	168k (revised)	184k
US Markit Services PMI	Sep F	53.5	54.8	53.0
US ISM Non-Manufacturing Index	Sep	61.6	58.5	58.0
EU Markit Services PMI	Sep F	54.7	54.4	54.7
EU Retail Sales MOM	Aug	-0.2%	-0.6%	0.2%
UK Markit/CIPS Services PMI	Sep	53.9	54.3	54.0
JP Nikkei PMI Services	Sep	50.2	51.5	--
SG Nikkei PMI	Sep	49.6	51.1	--
AU Building Approvals MOM	Aug	-9.4%	-4.6% (revised)	1.0%

Source: Bloomberg

Macroeconomics

- US ISM Non-Manufacturing Index jumped to record high; ADP payrolls beat expectations:** The ISM Non-Manufacturing Index jumped to 61.6 in September (Aug: 58.5), a record high since the inception of the composite index in 2008, suggesting a continuous boom of the US services sector. All sub-indexes recorded higher readings compared to the previous month - production gained enormously (65.2 vs 60.7) whereas new orders picked up as well (61.6 vs 60.4) and this is likely to keep firms busy for a period yet to come. Outlook for trade was positive given the rise in both new exports orders (61.0 vs 60.5) and imports (55.0 vs 52.0). The pace of job creations accelerated as the employment sub-index edged up substantially (62.4 vs 56.7). Inflationary pressure seemed to be building up at a slightly faster rate as the prices paid index picked up further (64.2 vs 62.8). On the contrary, the separate Markit Services PMI fell to 53.5 in September (Aug: 54.8), an eight-month low, but remained a solid reading. The strong ISM reading reflects the continuously robust US economy where the current rate of expansion is likely to maintain at least through the end of 2018. Labour market continued to tighten further according to the latest ADP job report which put September new private payrolls at 230k (Aug: 168k revised). Analysts had been expecting a more modest addition of 184k according to an earlier Bloomberg survey. The official job report is due this Friday and we expect the positive narrative to remain the same for the labour market. Other release in the US was MBA mortgage applications which were held unchanged for the week (+0.0%) ended 28 September (previous: +2.9%). The average interest rate for a fixed-rate 30Y mortgage loan is now at 4.96%.
- Eurozone services sector experienced continuous upturns in growth with notable strength in employment; retail sales extended decline:** The Final reading of the Eurozone Services PMI was unrevised at 54.7 in September (Aug: 54.4) suggesting a further expansion of the services sector in the Euro Area. The faster growth was driven by the increasing level of incoming new work as well as higher employment growth which strengthened to the strongest in nearly 11 years. Net gains in employment across all countries were running above their long run averages suggesting that the labour market will continue to tighten further (unemployment rate has gone down to 8.1% in August). Average operating expense rose further due to higher prices of fuel and in some cases increased wage pressure. Business confidence improved but remained historically subdued. A separate release meanwhile shows that retail sales in the Eurozone contracted further by 0.2% MOM in August (Jul: -0.6%) as sales in food, drinks & tobacco (-0.3% vs -0.6%) and that of automotive fuel (-0.6% vs -1.5%) continued to decrease. On a yearly basis, retail sales rose at a faster pace of 1.8% YOY (Jul: +1.0%) suggesting that demand at the retail end remained decent.
- UK services sector maintained solid growth, input cost seen spiking:** The IHS Markit/CIPS UK Services PMI fell to 53.9 in September (Aug: 54.3) attributed to a solid increase in new work and competitive pricing strategies. Employment increased moderately with job creation growth at its strongest since February. Meanwhile higher wage bills and rising fuel prices led to sharp increase in overall cost burdens. Overall demand stayed resilient but a number of firms reported that political uncertainty had weighed on business confidence. There was a slight upturn in confidence regarding business outlook although the degree of optimism remained rather subdued.

- **Japan services sector activities fell to two-year low:** The Nikkei Japan Services PMI fell to 50.2 in September (Aug: 51.5), the lowest level in two years, suggesting that the services sector continued to expand albeit at a markedly slower pace. Workloads increased with demand pressure remained robust while some firms however negatively impacted by a recent earthquake. Despite slower output growth, firms continued to increase employments as business sentiments were solid driven by planned new store openings, sales promotions and forecasts of economic growth.
- **Singapore private sector conditions deteriorated:** The Nikkei Singapore PMI fell below the 50.0 threshold to 49.6 in September (Aug: 51.1) signaling a contraction in the growth of the private sector. The survey indicated a notable softening of demand conditions as new business inflows fell for the first time in nearly two and a half years attributed to the decline in exports receipts thus leading firms to reduce output. There was a marginal rise in employment and but the decline in staff cost was recorded. Input purchase prices rose but only minimally and this led the survey to bring signs of deflationary pressure in cost. That said, firms remained positive about output in the year ahead with optimism linked to higher sales forecasts, promotional activity, new product launches and marketing strategies.
- **Australia building approval slumped further, signaling slower housing activities:** The number of dwellings approved fell 9.4% MOM in August (Jul: -4.6% revised) reflecting drop in apartment approvals. The decline in approvals suggests that construction activities are bound to be subdued in the near term, which is in line with the slower growth in home loan approvals as well as falling house prices.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
05/10		Trade Balance MYR	Aug	9.05b	8.3b	--
		Exports YOY	Aug	9.3%	9.4%	--
		Foreign Reserves	Sep-28	--	\$103.9b	--
04/10	US	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%	--
05/10		Trade Balance	Aug	-\$53.5b	-\$50.1b	--
		Change in Nonfarm Payrolls	Sep	184k	201k	--
		Unemployment Rate	Sep	3.8%	3.9%	--
		Average Hourly Earnings YOY	Sep	2.8%	2.9%	--
		Labor Force Participation Rate	Sep	62.7%	62.7%	--
05/10	UK	Halifax House Prices MOM	Sep	0.2%	0.1%	--
05/10	Japan	Household Spending YOY	Aug	0.1%	0.1%	--
		Labor Cash Earnings YOY	Aug	1.3%	1.5%	1.6%
		Leading Index CI	Aug P	104.2	103.9	--
		Coincident Index	Aug P	117.4	116.1	--
04/10	Hong Kong	Nikkei Hong Kong PMI	Sep	--	48.5	--
04/10	Australia	Trade Balance	Aug	A\$1,450m	A\$1,551m	--
05/10		AiG Perf of Construction Index	Sep	--	51.8	--
		Retail Sales MOM	Aug	0.2%	0.0%	--

Source: Bloomberg

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1478	-0.61	1.1594	1.1465	-4.39
GBPUSD	1.2940	-0.30	1.3023	1.2925	-4.22
USDJPY	114.53	0.77	114.54	113.52	1.62
AUDUSD	0.7103	-1.18	0.7197	0.7102	-9.08
EURGBP	0.8870	-0.31	0.8918	0.8860	-0.14
USDMYR	4.1395	-0.02	4.1415	4.1380	2.30
EURMYR	4.7887	-0.43	4.7986	4.7759	-1.23
JPYMYR	3.6355	-0.27	3.6472	3.6346	1.12
GBPMYR	5.3875	-0.30	5.3875	5.3702	-1.40
SGDMYR	3.0114	-0.07	3.0160	3.0104	-0.58
AUDMYR	2.9637	-0.16	2.9787	2.9620	-6.27
NZDMYR	2.7187	-0.24	2.7290	2.7177	-5.59
CHFMYR	4.1997	-0.32	4.2091	4.1962	1.22
CNYMYR	0.6010	0.00	0.6020	0.6008	-3.34
HKDMYR	0.5282	-0.06	0.5286	0.5279	1.99
USDSGD	1.3797	0.48	1.3800	1.3723	3.35
EURSGD	1.5836	-0.12	1.5923	1.5819	-1.26
GBPSGD	1.7853	-0.18	1.7925	1.7808	-1.12
AUDSGD	0.9800	-0.70	0.9878	0.9798	-6.11

Source: Bloomberg

* CNYMYR last closed on 28 Sept 2018

Forex

MYR

- **MYR inched 0.02% firmer to 4.1395 against USD** as risk appetite improved in Asian but slipped against 5 G10s.
- **Expect a slightly bearish MYR against a strong USD.** A new bullish trend in USDMYR has emerged, suggesting further upsides going forward. USDMYR is now inclined toward a test at 4.1500 – 4.1505, above which 4.1555 will be eyed. Losses need to break below 4.1445 – 4.1450 to discourage the bulls.

USD

- **USD strengthened against all G10s** while the DXY gained 0.27% to 95.76, overturning losses in early Asian trade on stronger than expected US data and a hawkish-toned speech by Fed Chair Powell, who remarked that interest rate may be raised beyond the neutral level, though that is still a long way to go.
- **Stay bullish on USD**, supported by the Fed's hawkish tone and US data upsides. DXY gapped up in early trade but we opine that such a move is generally unsustainable, thus we suspect a downward move from current level of 96.04 may be in the works. In any case, DXY is likely to close on a firmer level than yesterday's.

EUR

- **EUR rallied in Asian morning** on news that Italy is likely to keep its fiscal deficit within EU's requirement of 2% but return all gains thereafter before **closing 0.61% lower at 1.1478 against a strong USD.** EUR managed to advance against 6 G10s.
- **Expect EUR to remain bearish against a strong USD** and soft sentiment in European markets, but caution on a strong rally if Italian fiscal concerns ease. EURUSD is now exposed to further losses after losing 1.1500. A test at 1.1445 could be next, below which 1.1400 – 1.1409 will be under threat.

GBP

- **GBP** was supported by weakness in European majors, beating 9 G10s but **fell 0.3% to 1.2940 against a strong USD.**
- **Stay bearish on GBP against a strong USD;** Brexit headlines will be strong influences on direction. GBPUSD remains in a bearish trend and we set sights on a drop to 1.2901 soon. Failure to hold above 1.2897 exposes a drop to 1.2837.

JPY

- **JPY** fell against 7 G10s and **weakened 0.77% to 114.53 against a strong USD** as risk appetite remained firm in the markets, damping refuge demand.
- **We turn slightly bearish on JPY against a strong USD.** Upside bias has improved after USDJPY rallied overnight and broke the upper Bollinger. Expect upside strength to sustain and could test 114.70 soon.

AUD

- **AUD plunged 1.18% to 0.7103 against a strong USD** and retreated against 8 G10s on the back of softer domestic data that raised doubts that RBA's next policy rate move can be up.
- **Expect a bearish AUD against a strong USD.** Technical outlook remains bearish for AUDUSD and inclination towards a drop to 0.7050 – 0.7071 has increased after losing 0.7100 overnight.

SGD

- **SGD weakened 0.48% to 1.3797 against a strong USD** but managed to beat 8 G10s.
- **SGD is bearish against a strong USD.** Upside momentum has increased after breaking above 1.3800 and with bullish trend still prevailing, expect USDSGD to be targeting further gains towards 1.3840 – 1.3850 next.

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