

Global Markets Research

Daily Market Highlights

Key Takeaways

- US shares were battered overnight as rising bond yields led investors to flee the stock markets. **The sell-off in US government bonds continued with the 10Y treasuries yield seen hitting as high as 3.23% during intraday trading** but levelled off to close at 3.19%. **The CBOE VIX Index, Wall Street's volatility gauge rose as much as 36% at one point** but retreated towards the end of the trading session, closing 22.5% higher compared to the previous day. Major benchmarks suffered heavy losses - The Dow, S&P 500 and NASDAQ erased 0.75%, 0.82% and 1.81% respectively. **Crude oil pared previous day's gain** - WTI closed at \$74.33/barrel while Brent at \$84.58/barrel.
- Data from the US were largely positive** - Initial jobless claims fell by 8k to 207k last week ahead of tonight's job report. September factory orders rose 2.3% MOM while durable goods edged up 4.4% MOM. Core capital orders fell 0.9% MOM after a four consecutive monthly gains. **Japan household spending increased 2.8% YOY in August while wage growth rose a modest 0.9% YOY** due to lower bonus payout. **Hong Kong Nikkei PMI dipped further to 47.9 in September.** Australia exports rose 0.5% MOM in August while imports rose 0.4% MOM bringing the **trade surplus to widen slightly to A\$1.6b.** The AiG Performance of Construction Index fell below the 50.0 threshold to 49.3 in September, in line with a contraction of building approvals.
- USD closed mixed against the G10s**, erasing early gains from hawkish Fed-speak and rising Treasury yields, while the DXY retreated through Asian / European sessions before paring losses in US afternoon, dipping 0.01% to 95.75. **USD still holds a slight bullish bias** amid positive sentiment on the US economy, though expect buying interest to be subdued heading into US data releases tonight. A strong set of US data will keep USD elevated, otherwise, a sharp decline will materialize. DXY expectedly retreated below 96 level and sign of weakness has emerged. Holding above 95.50 keeps a bullish tone, otherwise, expect a drop below 95.34 soon and target 95.03 going forward.
- MYR ended 0.17% weaker at 4.1465 against USD** after tumbling in early trade as rising Treasury yields pressured emerging majors. MYR climbed against all G10s. **MYR is neutral against USD**, with room for slight gains as the greenback is likely to retreat ahead of US data. USDMYR remains 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 0.08% to 1.3808 against USD** and fell against 6 G10s. **SGD remains bearish against USD** amid risk aversion ahead of US data. USDSGD sustains a bullish bias while above 1.3800 and remains exposed to a climb to circa 1.3820. Further gains are doubtful unless 1.3820 is strongly broken.

Overnight Economic Data

US	→
Japan	→
Hong Kong	↓
Australia	↓

What's Coming Up Next

Major Data

- Malaysia Exports, Foreign Reserves
- US Trade Balance, Change in Nonfarm Payrolls, Unemployment Rate
- UK Halifax House Prices
- Japan Leading Index CI, Coincident Index
- Australia Retail Sale

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1480	1.1500	1.1518	1.1526	1.1546	↘
GBPUSD	1.3006	1.3012	1.3024	1.3042	1.3070	↘
USDJPY	113.56	113.71	113.98	114.06	114.20	↘
AUDUSD	0.7050	0.7062	0.7081	0.7100	0.7127	↘
EURGBP	0.8820	0.8833	0.8843	0.8847	0.8858	↘
USDMYR	4.1400	4.1420	4.1455	4.1460	4.1485	→
EURMYR	4.7663	4.7708	4.7740	4.7760	4.7780	↘
JPYMYR	3.6300	3.6316	3.6350	3.6370	3.6440	↗
GBPMYR	5.3920	5.3959	5.3984	5.4015	5.4050	↗
SGDMYR	2.9983	3.0010	3.0023	3.0052	3.0080	↘
AUDMYR	2.9300	2.9320	2.9344	2.9370	2.9400	↘
NZDMYR	2.6820	2.6850	2.6869	2.6898	2.6920	↘
USDSGD	1.3785	1.3800	1.3805	1.3809	1.3820	↗
EURSGD	1.5885	1.5894	1.5901	1.5908	1.5923	↗
GBPSGD	1.7942	1.7975	1.7981	1.7998	1.8019	↗
AUDSGD	0.9755	0.9767	0.9773	0.9787	0.9800	↘

*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	1,790.11	-0.34	-0.37	CRB Index	198.79	-1.21	2.54
Dow Jones Ind.	26,627.48	-0.75	7.72	WTI oil (\$/bbl)	74.33	-2.72	23.02
S&P 500	2,901.61	-0.82	8.53	Brent oil (\$/bbl)	84.58	-1.98	26.48
FTSE 100	7,418.34	-1.22	-3.50	Gold (S/oz)	1,199.92	0.21	8.10
Shanghai*	2,821.35	1.06	-14.69	CPO (RM/tonne)	2,086.50	0.00	-12.70
Hang Seng	26,623.87	-1.73	-11.01	Copper (\$/tonne)	6,290.00	0.37	-13.21
STI	3,231.59	-1.10	-5.03	Rubber (sen/kg)	405.00	0.75	-12.43

Source: Bloomberg

*Last closed at at 28 September.

Economic Data

	For	Actual	Last	Survey
US Initial Jobless Claims	Sep-29	207k	215k (revised)	215k
US Factory Orders	Aug	2.3%	-0.5% (revised)	2.1%
US Durable Goods Orders	Aug F	4.4%	-1.2%	4.5%
US Cap Goods Orders Nondef Ex Air	Aug F	-0.9%	1.5%	--
JP Household Spending YOY	Aug	2.8%	0.1%	0.1%
JP Labor Cash Earnings YOY	Aug	0.9%	1.6% (revised)	1.3%
HK Nikkei PMI	Sep	47.9	48.5	--
AU Trade Balance	Aug	A\$1,604m	A\$1,548m (revised)	A\$1,450m
AiG Perf of Construction Index	Sep	49.3	51.8	--

Source: Bloomberg

➤ Macroeconomics

- US jobless claims fell ahead of September job report; factory orders posted solid gains:** Initial jobless claims fell by 8k to 207k for the week ended 29 September (prior: 215k revised) while continuous claims also dropped to 1,650k for the week ended 22 Sep (prior: 1,663k revised), reinforcing view that the labour market continued to tighten further amidst a robust economy. The fall in jobless claims together with the upbeat September ADP private payrolls of 230k point to an upbeat nonfarm payrolls which are set to be released tonight. Meanwhile, a separate release shows that the US factory orders rose more than expected by 2.3% MOM in August (Jul: -0.5% revised). The final reading of durable goods orders (a sub-category of factory orders) was revised lower from 4.5% to 4.4% YOY (Jul: -1.2%), but remained a considerably higher growth compared to the previous month, driven by higher aircrafts orders. Growth of core capital orders (Non-defense capital goods orders excluding aircrafts), a barometer of capex meanwhile was revised lower from -0.5% to -0.9% MOM (Aug: +1.5%) as businesses scaled down capex after four months of consecutive gains.
- Japan household spending rebounded; Japan regular pay growth accelerated:** Data released this morning show that household spending rose a whopping 2.8% YOY in August (Jul: +0.1%) after staying weak since the beginning of the year. The higher growth suggests that Japanese households are back into spending mode but in our view would not sustain for long as the rebound was seen as natural after five straight months of consecutive decline since February. A separate release meanwhile shows that labour cash earnings rose a modest 0.9% YOY in August (Jul: +1.6% revised) as the contraction of bonus payout (-7.4% vs +2.8%) outweighed the higher growth in contracted earnings (+1.3% vs +1.1%). Within contracted earnings, regular pay rose substantially by 1.4% YOY (Jul: +1.0%) suggesting that companies raised employees' base pay while overtime earnings, a barometer of corporate activities eased to a 1.0% YOY growth (Jul:+1.6%).
- Hong Kong private sector deteriorated in September on weakening Chinese demand:** The Nikkei Hong Kong PMI dipped further to 47.9 in September (Aug: 48.5) signaling a further deterioration in the health of the private sector. New orders continued its six-month declining streak as orders from China fell sharply. Subdued demand conditions led firms to cut back on output as business activities shrank the most for just over two years. Lower sales also mean that firms had to scale back on purchasing activity. Overall input costs fell for the first time in two years as prices paid for inputs dropped considerably leading firms to reduce selling prices to bolster sales. Businesses were pessimistic due to uncertainty over future economic conditions and rising global trade tensions.
- Australia trade surplus widened slightly in August; construction sector growth faltered:** Australia exports rose 0.5% MOM in August (Jul: -0.9%) while imports rose 0.4% MOM (Jul: +0.7%) bringing the trade surplus to A\$1.6b (Jul: A\$1.55b). Meanwhile, the AiG Performance of Construction Index fell below the 50.0 threshold to 49.3 in September (Aug: 51.8) as the fall in new orders (47.1 vs 56.8) offset the rise in activity (52.0 vs 49.5). The decline in PMI was in line with the 9.4% MOM fall in the latest building approvals number suggesting slower activities ahead in the Australian construction sector.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
05/10	Malaysia	Trade Balance MYR	Aug	9.00b	8.3b	--
		Exports YOY	Aug	9.4%	9.4%	--
		Foreign Reserves	Sep-28	--	\$103.9b	--
05/10	US	Trade Balance	Aug	-\$53.6b	-\$50.1b	--
		Change in Nonfarm Payrolls	Sep	185k	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%	--
08/10	Eurozone	Sentix Investor Confidence	Oct	11.8	12.0	--
05/10	UK	Halifax House Prices MOM	Sep	0.2%	0.1%	--
05/10	Japan	Leading Index CI	Aug P	104.2	103.9	--
		Coincident Index	Aug P	117.4	116.1	--
08/10	China	Caixin China PMI Services	Sep	51.4	51.5	--
05/10	Australia	Retail Sales MOM	Aug	0.2%	0.0%	--

Source: Bloomberg

Forex

Name	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1514	0.31	1.1543	1.1464	-4.07
GBPUSD	1.3021	0.63	1.3041	1.2922	-3.63
USDJPY	113.91	-0.54	114.55	113.63	1.04
AUDUSD	0.7076	-0.38	0.7112	0.7066	-9.37
EURGBP	0.8843	-0.31	0.8876	0.8835	-0.42
USDMYR	4.1465	0.17	4.1495	4.1390	2.47
EURMYR	4.7668	-0.46	4.7708	4.7507	-1.68
JPYMYR	3.6274	-0.22	3.6316	3.6163	0.90
GBPMYR	5.3747	-0.24	5.3821	5.3555	-1.63
SGDMYR	3.0026	-0.29	3.0056	2.9974	-0.87
AUDMYR	2.9336	-0.02	2.9458	2.9306	-7.22
NZDMYR	2.6904	-0.04	2.6969	2.6875	-6.58
CHFMYR	4.1806	-0.45	4.1890	4.1729	0.76
CNYMYR	0.6010	0.00	0.6020	0.6008	-3.34
HKDMYR	0.5293	0.21	0.5296	0.5281	2.20
USDSGD	1.3808	0.08	1.3829	1.3781	3.37
EURSGD	1.5900	0.40	1.5907	1.5825	-0.91
GBPSGD	1.7981	0.72	1.7996	1.7850	-0.49
AUDSGD	0.9771	-0.30	0.9817	0.9763	-6.39

Source: Bloomberg

* CNYMYR last closed on 28 Sept 2018

MYR

- **MYR ended 0.17% weaker at 4.1465 against USD** after tumbling in early trade as rising Treasury yields pressured emerging majors. MYR climbed against all G10s.
- **MYR is neutral against USD**, with room for slight gains as the greenback is likely to retreat ahead of US data. USDMYR remains 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 closed mixed against the G10s**, erasing early gains from hawkish Fed-speak and rising Treasury yields, while the DXY retreated through Asian / European sessions before paring losses in US afternoon, dipping 0.01% to 95.75.
- **USD still holds a slight bullish bias** amid positive sentiment on the US economy, though expect buying interest to be subdued heading into US data releases tonight. A strong set of US data will keep USD elevated, otherwise, a sharp decline will materialize. DXY expectedly retreated below 96 level and sign of weakness has emerged. Holding above 95.50 keeps a bullish tone, otherwise, expect a drop below 95.34 soon and target 95.03 going forward.

EUR

- **EUR climbed 0.31% to 1.1514 against a softer USD** and advanced against 6 G10s, likely a bounce from recent weakness.
- Amid rising Treasury yields and unabated Italian concerns, **EUR is likely to stay slightly bearish against USD** but caution on a strong rally if US data underperforms. EURUSD remains in a bearish trend and likely to hold below 1.1548 in the coming couple of days. But after recapturing above 1.1500, we caution that the potential has emerged for further recovery from recent losses in the midst of current bearish trend.

GBP

- **GBP strengthened 0.63% to 1.3021 against USD** and beat all G10s, driven by new reports that the UK and EU are coming to terms with matters pertaining to post-Brexit Northern Ireland-Ireland border.
- **Stay bearish on GBP against USD** as Brexit headlines, which could go either way, continue to dominate sentiment. Expect GBP gains if US data underperforms. Overnight break of 1.3000 has lessened GBPUSD's inclination towards the downside. But until current bearish trend is nullified (by a close above 1.3042 today, or above 1.2979 on Monday), we still set sights on a drop to 1.2901 soon.

JPY

- **JPY advanced against 8 G10s and strengthened 0.54% to 113.91 against USD** amid sell-off in equities that supported refuge demand.
- **We now expect a bullish JPY against USD**, supported by signs of retreat in equities and risk aversion in the markets heading into first-tier US data. Overnight rejection at upper Bollinger has weakened USDJPY's upside strength. While gains cannot be ruled out, we reckon that it is now more inclined to the downside.

AUD

- **AUD** was weighed down alongside Asian / commodity majors on the back of rising Treasury yields, sliding against 7 G10s and **falling 0.38% to 0.7076 against USD**.
- **Maintain a bearish view on AUD against USD** on the back of rising Treasury yields and risk aversion ahead of US data. Technical outlook remains bearish for AUDUSD and sustains an inclination towards a drop to 0.7050 – 0.7062. But we note that price-momentum divergence has emerged, hinting at a potential rebound.

SGD

- **SGD weakened 0.08% to 1.3808 against USD** and fell against 6 G10s.
- **SGD remains bearish against USD** amid risk aversion ahead of US data. USDSGD sustains a bullish bias while above 1.3800 and remains exposed to a climb to circa 1.3820. Further gains are doubtful unless 1.3820 is strongly broken.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.