

Global Markets Research

Daily Market Highlights

Key Takeaways

- Risk appetite in Asia and Europe was buoyed by talks of a US-China trade deal, but **sentiment failed in US session. US equities mostly opened higher but ended lower** as markets turned cautious after White House economic advisor Larry Kudlow clarified that President Trump has not asked for a trade plan drafted, on top of being weighed down by positive numbers from the US labour market, which served to sustain rate hike bets. US nonfarm added more than expected jobs of 250k in October while average wage growth also picked up to 3.1% YOY (its fastest in almost a decade) on the back of a steady jobless rate.
- In the latest release in conjunction with the tabling of 2019 Budget, **MOF expects the Malaysian economy to grow at a softer pace of 4.8% in 2018 before picking up a little to 4.9% in 2019 (vs ours 4.4% and 4.8%),** underpinned by private sector activities amid consolidation in the government sector and greater external uncertainties. **Budget deficit target for 2018 is revised higher to 3.7% of GDP (vs initial target of 2.8%) mainly as a result of GST refund, and higher 1MDB-related debt service charges,** despite relentless effort on cost rationalization and shelving of projects. Budget deficit is expected to narrow again to 3.4% of GDP in 2019 and to 3.0% in 2020, reaffirming the government's commitment towards restoring fiscal health. Despite a challenging environment and against all chatters for a contractionary budget, **Malaysia managed to propose yet another expansionary budget with a 8.3% higher budget allocation for 2019. This comprehensive and well-balanced budget coupled with muted 'sacrifices' for the broader segments of the economy is expected to be positive for market sentiments in the near term.** (For more details, kindly refer to our budget commentary)
- **USD overturned early losses to beat 9 G10s** while DXY climbed 0.28% to 96.54, bouncing off strongly from 95.98 amid support from firm US data and refuge demand. Despite last Friday's rebound, **USD remains bearish in our view,** weighed down by risk aversion ahead of US data and mid-term elections. Amid waning upward momentum, DXY continues to point towards 96.00 in the next leg lower, below which 95.50 will be targeted.
- **MYR jumped 0.45% to 4.1590 against a weak USD,** further supported by improved market sentiment amid talks of US-China trade reconciliation. MYR ended lower against 7 G10s. **Expect a neutral MYR against USD,** but could receive a bullish jolt if Malaysia trade data outperforms. USDMYR gapping higher at opening has raised concerns that current downtrend may be at risk of an early end. Holding below 4.1745 sustains a downward bias that could see USDMYR testing 4.1540 in the next leg lower, otherwise, 4.1850 will be threatened.
- **SGD inched 0.05% firmer to 1.3757 against USD** and advanced against 9 G10s. **Stay slightly bullish on SGD against a soft USD,** though gains may be kept modest by easing risk appetite in the markets. Bearish trend continues to solidify, pushing USDSGD lower with scope to test 1.3697 in the next leg lower. This level protects a decline to 1.3660.

Overnight Economic Data

US	↑
EU	↓
UK	↑
Singapore	↓
Australia	↓

What's Coming Up Next

Major Data

- Malaysia Exports, Trade Balance
- US Markit Services PMI, ISM Non-Manufacturing Index
- EU Sentix Investor Confidence
- UK Markit / CIPS Services PMI
- China Caixin Services PMI
- Hong Kong and Singapore Nikkei PMIs

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1374	1.1389	1.1397	1.1407	1.1424	↗
GBPUSD	1.2957	1.2980	1.3000	1.3010	1.3035	↗
USDJPY	112.96	113.13	113.18	113.33	113.50	↗
AUDUSD	0.7160	0.7178	0.7198	0.7226	0.7241	↗
EURGBP	0.8745	0.8760	0.8767	0.8775	0.8780	↘
USDMYR	4.1600	4.1615	4.1635	4.1640	4.1650	→
EURMYR	4.7378	4.7400	4.7449	4.7492	4.7558	↗
JPYMYR	3.6756	3.6767	3.6779	3.6800	3.6843	↘
GBPMYR	5.4050	5.4093	5.4121	5.4179	5.4200	↗
SGDMYR	3.0292	3.0300	3.0318	3.0325	3.0345	→
AUDMYR	2.9918	2.9950	2.9972	2.9995	3.0023	↘
NZDMYR	2.7685	2.7703	2.7715	2.7724	2.7741	→
USDSGD	1.3700	1.3720	1.3732	1.3750	1.3762	↘
EURSGD	1.5600	1.5642	1.5650	1.5670	1.5702	↗
GBPSGD	1.7800	1.7810	1.7852	1.7879	1.7900	↗
AUDSGD	0.9864	0.9870	0.9887	0.9897	0.9925	↗

* 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	1,713.87	0.41	-4.62	CRB Index	192.30	0.34	-0.81
Dow Jones Ind.	25,270.83	-0.43	2.23	WTI oil (\$/bbl)	63.14	-0.86	4.50
S&P 500	2,723.06	-0.63	1.85	Brent oil (\$/bbl)	72.83	-0.08	8.64
FTSE 100	7,094.12	-0.29	-7.72	Gold (S/oz)	1,232.89	-0.04	8.10
Shanghai	2,676.48	2.70	-19.07	CPO (RM/tonne)	1,995.50	-1.19	-16.51
Hang Seng	26,486.35	4.21	-11.47	Copper (\$/tonne)	6,283.00	3.17	-13.30
STI	3,116.39	1.81	-8.42	Rubber (sen/kg)	394.50	1.02	-14.70

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Change in Nonfarm Payrolls	Oct	250k	118k (revised)	200k
US Unemployment Rate	Oct	3.7%	3.7%	3.7%
US Average Hourly Earnings YOY	Oct	3.1%	2.8%	3.1%
US Participation Rate	Oct	62.9%	62.7%	62.7%
US Factory Orders	Sept	0.7%	2.6% (revised)	0.5%
US Durable Goods Orders	Sept F	0.7%	0.8%	--
EU Markit Manufacturing PMI	Oct F	52.0	53.2 (revised)	52.1
UK Markit / CIPS Construction PMI	Oct	53.2	52.1	52.0
SG Purchasing Managers Index	Oct	51.9	52.4	52.2
AU Retail Sales MOM	Sept	0.2%	0.3%	0.3%
AU AiG Performance of Services Index	Oct	51.1	52.5	--

Source: Bloomberg

➤ Macroeconomics

- MOF expects modest growth in the Malaysian economy; revising 2018 budget deficit target higher of 3.7% of GDP:** The Malaysian economy is expected to grow at a softer pace of 4.8% in 2018 before picking up a little to 4.9% in 2019 (vs ours 4.4% and 4.8%), underpinned by private sector activities amid consolidation in the government sector and greater external uncertainties. Budget deficit target for 2018 is revised higher to 3.7% of GDP (vs initial target of 2.8%) mainly as a result of GST refund, and higher 1MDB-related debt service charges, despite relentless effort on cost rationalization and shelving of projects. Budget deficit is expected to narrow again to 3.4% of GDP in 2019, reaffirming the government's commitment towards restoring fiscal health. Despite a challenging environment and against all chatters for a contractionary budget, Malaysia managed to propose yet another expansionary budget with a 8.3% higher budget allocation for 2019. This comprehensive and well-balanced budget coupled with muted "sacrifices" for the broader segments of the economy is expected to be positive for market sentiments in the near term.
- Firmer US labour market data sustained rate hike bets:** US data continue to churn out positive figures that kept rate hike bets sustained. Nonfarm payrolls report revealed that 250k jobs were added in Oct, jumping from 118k in Sept (downwardly revised from 134k though). On top of this, unemployment rate steadied at 3.7% in Oct even though participation rate increased to 62.9% in the same month (Sept: 62.7%), which suggests that the increased labour force was absorbed into the job market. Amid a tighter labour market, income continues to grow at a healthy pace, with average hourly earnings rising 3.1% YOY in Oct, up from 2.8% in Sept. This has been the stronger wage growth since Apr 2009, and growth has been on an uptrend since Oct 2017, adding to the notion that consumption in the US will likely remain firm going forward. The downside was that factory orders in Sept grew at a softer pace of 0.7% MOM in Sept, down from a strong 2.6% in Aug though it did beat estimates of a 0.5% rise. Similarly, growth in durable goods orders slipped to 0.7% MOM in Sept from 0.8% in Aug.
- Manufacturing slows in Eurozone, construction picks up in the UK:** Signs continue to point to a slower Eurozone, with the latest manufacturing PMI compounding on the most recent downticks in data. Markit's gauge on manufacturing sector slipped to 52.0 in Oct from 53.2 in Sept. The lowest reading in 26 months was attributed to contraction in export orders, while the index that measures sector sentiment fell to its lowest since Dec 2012, likely a reflection of cautiousness amid on-going US-led trade disputes. In the UK, construction sector grew at a quicker pace in Oct, surprisingly so amid Brexit uncertainties plaguing sentiment. The Markit / CIPS construction PMI climbed to 53.2 in Oct from 52.1 in Sept, led by start of new construction works, increased overseas work and more businesses. The index was driven by quicker growth in the civil engineering sector, while housing and commercial construction also grew at quicker paces.
- Softer spending and services in Australia:** Retail sales grew 0.2% MOM in Sept, dipping from 0.3% in Aug and was driven mostly by firmer spending on food, without which sales would have been flat. Sales declined in clothing, footwear and personal accessories, while mostly unchanged in household goods and departmental stores. Performance in the services sector was softer as well; the AiG index fell to 51.1 in Oct from 52.5 in Sept, indicating that growth was at its slowest since Feb 2017 amid contraction in sales, new orders and selling prices, all of which will likely drag down firmer employment growth and added downward pressure on wages going forward.
- Slower manufacturing sector in Singapore:** The Purchasing Managers' Index of Singapore fell to 51.9 in Oct, lowest since Aug 2017, from 52.4, indicating slower growth in the manufacturing sector. Major sub-indices such as new orders, new export orders, production and employment recorded lower readings, all of which suggests that conditions are likely to remain subdued going forward.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
05/11	Malaysia	Exports YOY	Sept	6.6%	-0.3%	--
		Imports YOY	Sept	7.7%	11.2%	--
		Trade Balance MYR	Sept	7.5b	1.6b	--
05/11	US	Markit US Services PMI	Oct F	54.6	54.7	--
		ISM Non-Manufacturing Index	Oct	59.1	61.6	--
06/11		JOLTS Job Openings	Sept	7125	7136	--
05/11	Eurozone	Sentix Investor Confidence	Nov	9.8	11.4	--
06/11		Markit Eurozone Services PMI	Oct F	53.3	53.3	--
		PPI YOY	Sept	4.3%	4.2%	--
05/11	UK	Markit / CIPS UK Services PMI	Oct	53.3	53.9	--
06/11	Japan	Household Spending YOY	Sept	1.5%	2.8%	--
		Nikkei Japan PMI Services	Oct	--	50.2	--
05/11	Hong Kong	Nikkei Hong Kong PMI	Oct	--	47.9	--
05/11	China	Caixin China PMI Services	Oct	52.8	53.1	--
05/11	Singapore	Nikkei Singapore PMI	Oct	--	49.6	--
06/11	Australia	RBA Cash Rate Target	6 Nov	1.5%	1.5%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1388	-0.18	1.1456	1.1372	-5.05
GBPUSD	1.2970	-0.32	1.3041	1.2952	-3.71
USDJPY	113.20	-0.43	113.32	112.56	0.40
AUDUSD	0.7193	-0.18	0.7259	0.7182	-7.81
EURGBP	0.8780	-1.06	0.8801	0.8767	-1.36
USDMYR	4.1590	-0.45	4.1755	4.1585	2.78
EURMYR	4.7573	0.06	4.7789	4.7545	-1.88
JPYMYR	3.6888	-0.41	3.7056	3.6837	2.61
GBPMYR	5.4244	-0.49	5.4441	5.4159	-0.72
SGDMYR	3.0319	0.11	3.0421	3.0292	0.10
AUDMYR	3.0129	0.75	3.0243	3.0020	-4.71
NZDMYR	2.7754	0.44	2.7886	2.7724	-3.63
CHFMYR	4.1625	-0.14	4.1753	4.1588	0.82
CNYMYR	0.6038	0.83	0.6059	0.6020	-2.89
HKDMYR	0.5315	-0.34	0.5331	0.5311	2.63
USDSGD	1.3757	-0.05	1.3774	1.3703	2.79
EURSGD	1.5659	-0.28	1.5714	1.5632	-2.47
GBPSGD	1.7831	-0.43	1.7918	1.7800	-1.12
AUDSGD	0.9890	-0.28	0.9966	0.9879	-5.32

Source: Bloomberg

MYR

- **MYR jumped 0.45% to 4.1590 against a weak USD**, further supported by improved market sentiment amid talks of US-China trade reconciliation. MYR ended lower against 7 G10s.
- **Expect a neutral MYR against USD**, but could receive a bullish jolt if Malaysia trade data outperforms. USDMYR gapping higher at opening has raised concerns that current downtrend may be at risk of an early end. Holding below 4.1745 sustains a downward bias that could see USDMYR testing 4.1540 in the next leg lower, otherwise, 4.1850 will be threatened.

USD

- **USD overturned early losses to beat 9 G10s** while DXY climbed 0.28% to 96.54, bouncing off strongly from 95.98 amid support from firm US data and refuge demand.
- Despite last Friday's rebound, **USD remains bearish in our view**, weighed down by risk aversion ahead of US data and mid-term elections. Amid waning upward momentum, DXY continues to point towards 96.00 in the next leg lower, below which 95.50 will be targeted.

EUR

- **EUR slipped 0.18% to 1.1388 against USD**, pulling back from the strong rally a day before as Eurozone data and risk appetite both softened. EUR managed to pip higher against 6 G10s.
- **Expect a bullish EUR in line with our view of a softer USD**; direction will be determined by performance of the greenback. We view Friday's decline as a technical pullback after recent rally. EURUSD remains tilted to the upside, supported by retreating downward momentum. Beating 1.1400 will add upward strength to EURUSD, putting 1.1424 – 1.1456 on the crosshair.

GBP

- **GBP fell 0.32% to 1.2970 against a firm USD** and retreated against 8 G10s as buying interest ebbed with markets awaiting more tangible results on talks.
- **Continue to expect a bullish GBP against USD**, buoyed by report that the UK has secured a customs deal with the EU. We continue to caution that GBP remains highly sensitive to Brexit factors and re-emergence of negative headlines will swiftly push GBP lower. Technical landscape has improved after gapping above 1.2980 at opening and emergence of upward momentum. Expect bullish bias to prevail while above 1.2980, with scope to test 1.3035 – 1.3050 next.

JPY

- **JPY tumbled against all G10s and weakened 0.43% to 113.20 against a firm USD** amid softer demand for refuge through Asian-European sessions.
- **Stay slightly bearish on JPY against USD** in view of recovering risk sentiment that would dampen demand for refuge. USDJPY expectedly test 113.30 last Friday and remains on an upward trajectory, with room to 113.52 – 113.63 in the next leg higher.

AUD

- **AUD dipped 0.18% to 0.7193 against USD** and ended mixed against the G10s as market sentiment retreated through US trading.
- **Expect a slightly bullish AUD on the back of a softer USD**, but gains are likely modest given signs of renewed risk aversion in the markets on top of relatively softer Australian data. AUDUSD expectedly broke 0.7226 and tested 0.7238 last Friday but was beaten down thereafter. Amid an improving upward momentum, we expect AUDUSD to attempt another break at 0.7226, with room to climb to 0.7275 next.

SGD

- **SGD inched 0.05% firmer to 1.3757 against USD** and advanced against 9 G10s.
- **Stay slightly bullish on SGD against a soft USD**, though gains may be kept modest by easing risk appetite in the markets. Bearish trend continues to solidify, pushing USDSGD lower with scope to test 1.3697 in the next leg lower. This level protects a decline to 1.3660.

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