November 7, 2018

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks rallied overnight as voting in midterm election was underway** where the Democrats were expected to take control of the House of Representatives while the Republicans maintain its control of the Senate. All eleven S&P 500 sectors closed higher, with the materials and industrial sectors leading the charge, following **Chinese Vice President Wang's remarks that Beijing was ready to resolve trade conflict with the US.** Treasuries yield edged higher as a $27b 10-year note auction attracted solid demand - 10Y yield rose 3bps to 3.23%. Elsewhere, European major equities benchmarks mostly ended in the red while earlier Asian equities were mixed. Crude oil prices traded lower as the US granted sanction waivers to top Iranian oil buyers and API reported build-up in US crude inventories – WTI closed at $62.21/barrel while Brent at $72.13/barrel. The **RBA has left cash rate unchanged at 1.5% on Tuesday.**

- At the data front, US jobs openings fell from August's all-time high to 7ml in September, Eurozone September producer prices rose 4.5% YOY while its services PMI weakened to 53.7 in October. Japan recorded a 1.1% YOY wage growth in September but household spending contracted 1.6% YOY. Australia October construction PMI fell to 46.4, New Zealand unemployment rate fell unexpectedly to a 10-year low of 3.9% in the third quarter driven by 30k new jobs additions but private wage growth remained tepid at 0.5% QOQ.

- **USD fell against 7 G10s** amid risk aversion as US mid-term elections got underway but the DXY managed to inch 0.04% higher to 96.31. **Keep a bearish view on USD** at this juncture on continued risk aversion in the markets until a clearer picture of the composition of the US Congress can be formed. We caution that a split Congress would pressure USD. Technically, a bearish trend prevails in DXY and we continue to set sights on a decline going forward, with room to test 96.03, below which a drop to 95.39 will be exposed.

- **MYR last closed at 4.1770 against USD on Monday, 0.44% weaker** amid risk aversion heading into US mid-term elections and close of Malaysian market for Deepavali. MYR however managed to advance against 6 G10s. **We expect a slightly bullish MYR against USD**, likely buoyed by improved buying interest as re-opening of Malaysian market coincides with overnight rebound in equities. A bearish trend continues to prevail, further supported by USDMYR gapping lower at opening and firmer downward momentum. 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 climbed 0.12% to 1.3734 against a soft USD** but slipped against 7 G10s amid risk aversion heading into US mid-terms. **Stay slightly bullish on SGD against a soft USD**, further supported by improved performance in equities. Bearish trend continues to solidify, pushing USDSGD lower going forward. USDSGD is likely targeting a break below 1.3697, below which 1.3660 will be targeted.

Overnight Economic Data	
US	↓
Eurozone	→
Japan	↓
Australia	↓
New Zealand	→

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US Mortgage Applications
- Eurozone Retail Sales
- UK Halifax House Prices
- Japan Leading Index CI, Coincident Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1400	1.1424	1.1436	1.1449	1.1461	↗
USDJPY	1.3072	1.3090	1.3109	1.3131	1.3143	↗
GBPUSD	113.07	113.20	113.32	113.53	113.63	↗
AUDUSD	0.7213	0.7224	0.7234	0.7242	0.7259	↗
EURGBP	0.8712	0.8716	0.8722	0.8730	0.8733	↘
USDMYR	4.1650	4.1670	4.1690	4.1700	4.1710	↘
EURMYR	4.7596	4.7639	4.7660	4.7700	4.7737	↗
JPYMYR	3.6711	3.6765	3.6782	3.6800	3.6829	↘
GBPMYR	5.4602	5.4637	5.4643	5.4679	5.4722	↗
SGDMYR	3.0319	3.0341	3.0357	3.0371	3.0385	→
AUDMYR	3.0100	3.0129	3.0156	3.0185	3.0200	↗
NZDMYR	2.8053	2.8067	2.8080	2.8111	2.8142	↗
USDSGD	1.3716	1.3728	1.3733	1.3741	1.3752	↘
EURSGD	1.5670	1.5687	1.5700	1.5713	1.5722	↗
GBPSGD	1.7950	1.7989	1.7999	1.8021	1.8039	↗
AUDSGD	0.9907	0.9925	0.9934	0.9946	0.9953	↗

* at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI*	1,708.80	-0.30	-4.90
Dow Jones Ind.	25,635.01	0.68	3.70
S&P 500	2,755.45	0.63	3.06
FTSE 100	7,040.68	-0.89	-8.42
Shanghai	2,659.36	-0.23	-19.59
Hang Seng	26,120.96	0.72	-12.69
STI	3,060.62	-1.79	-10.06

Name	Last Price	DoD %	YTD %
CRB Index	191.21	-0.71	-1.37
WTI oil ($/bbl)	62.21	-1.41	2.96
Brent oil ($/bbl)	72.13	-1.42	7.87
Gold (S/oz)	1,227.19	-0.35	8.10
CPO (RM/tonne)*	1,958.00	-1.88	-18.08
Copper ($/tonne)	6,191.00	-1.46	-14.57
Rubber (sen/kg)	396.50	0.51	-14.27

Source: Bloomberg
**Last price on 05 Nov*

Economic Data				
	For	**Actual**	**Last**	**Survey**
US JOLTS Job Openings	Sep	7,009	7,293	7,085
EU Markit Services PMI	Oct F	53.7	53.3	53.3
EU PPI YOY	Sep	4.5%	4.2%	4.3%
JP Household Spending YOY	Sep	-1.6%	2.8%	1.5%
JP Labor Cash Earnings YOY	Sep	1.1%	0.8% (revised)	1.1%
AU RBA Cash Rate Target	Nov-06	1.5%	1.5%	1.5%
AU AiG Construction Index	Oct	46.4	49.3	--
NZ Unemployment Rate	3Q	3.9%	4.5%	4.4%
NZ Employment Change QOQ	3Q	1.1%	0.6% (revised)	0.5%
NZ Pvt Wages Ex Overtime QOQ	3Q	0.5%	0.6%	0.5%

Source: Bloomberg

➢ Macroeconomics

- ***RBA left cash rate unchanged, delivered similar assessment of economy:*** The RBA left cash rate unchanged at 1.5% as widely expected and maintained the same economic assessment as per previous policy statement - a strengthening labour market but still-tepid wage growth (unemployment rate is expected to reach 4.75% in 2020), a low and stable inflation due to changes in administered prices (CPI to reach 2.25% in 2019) and easing housing conditions in Sydney and Melbourne.

- ***US jobs openings eased from August's high:*** The Labor Department reported that the number of job openings fell by 284k to 7.0m in September (Aug: 7.3m revised) after reaching an all-time high in the previous month.

- ***Eurozone saw slower services sector growth, higher energy prices fueled factory gate inflation:*** The final reading of the Eurozone Services Business Activity Index was revised slightly higher to 53.7 in October (Sep: 54.7) but the number still marked the slowest expansion of the services sector since the start of 2017 as activities in Germany, Ireland slowed while that of Italy contracted. Incoming new work increased solidly, job growth remained elevated, and cost pressures persisted thanks to higher prices of energy and fuel alongside increased wages while business expectations were weighed down by political concerns. Separate release by the Eurostat also shows that prices are going up in the Euro area - producer prices grew 4.5% YOY in September (Aug: +4.3%) driven mainly by the continuous surge in energy prices (+12.7% vs +12.3%), which explains the faster rise in consumer prices inflation in October (flash estimate came in at 2.2% YOY) as firms passed the higher cost to consumers to protect margins.

- ***Solid wage growth failed to spur Japan's household spending:*** Labour cash earnings grew 1.1% YOY in September (Aug: +0.8%) driven by faster growth in bonus payout as contracted earnings slowed to increase 0.8% YOY (Aug: +1.3%). Growth in contracted earnings has built up a faster momentum in recent months and has been running above 1% YOY since May, yet the stronger wage growth did not manage to spur household spending further- Gain in household spending failed to sustain momentum observed in the previous two months as total spending resumed a 1.6% YOY contraction in September (Aug: +2.8%), suggesting that the recent rise in inflation is likely to be short-lived.

- ***Australia construction sector growth saw further contraction:*** Construction activities in Australia continued to weaken as the AiG Performance of Construction Index fell to 46.4 in October (Sep: 49.30), marking its second month in the contraction territory.

- ***New Zealand's unemployment rate dipped to 10-year low; labour market strengthened in 3Q:*** Unemployment rate unexpectedly fell to 3.9% in 3Q (2Q: 4.5%), the lowest level since June 2008, driven by a higher-than-expected employment change rate of 1.1% QOQ (2Q: +0.6% revised) - the economy added 30k jobs in the third quarter (2Q: +15k), twice the additions seen in the second quarter. The labour market is seen strengthening but wage growth remained subdued as the private ordinary wages (excluding bonus) rose at a slower pace of 0.5% QOQ (2Q: +0.6%).

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
07/11	**Malaysia**	**Foreign Reserves**	**Oct-31**	**--**	**$102.8b**	**--**
08/11		BNM Overnight Policy Rate	Nov-08	3.25%	3.25%	--
07/11	**US**	**MBA Mortgage Applications**	**Nov-02**	**--**	**-2.5%**	**--**
08/11		Initial Jobless Claims	Nov-03	--	214k	--
07/11	**Eurozone**	**Retail Sales MOM**	**Sep**	**0.1%**	**-0.2%**	**--**
07/11	**UK**	**Halifax House Prices MOM**	**Oct**	**0.8%**	**-1.4%**	**--**
08/11		RICS House Price Balance	Oct	-2%	-2%	
07/11	**Japan**	**Leading Index CI**	**Sep P**	**103.9**	**104.5**	**--**
		Coincident Index	**Sep P**	**114.6**	**116.7**	**--**
08/11		Core Machine Orders MoM	Sep	-9.0%	6.8%	--
		Eco Watchers Survey Current SA	Oct	48.7	48.6	--
		Eco Watchers Survey Outlook SA	Oct	50.3	51.3	--
08/11	China	Trade Balance	Oct	$35.10b	$31.69b	$31.70b
		Imports YOY	Oct	14.7%	14.3%	--
		Exports YOY	Oct	11.7%	14.5%	--
08/11	New Zealand	RBNZ Official Cash Rate	Nov-08	1.75%	1.75%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1427	0.18	1.1438	1.1392	-4.70
GBPUSD	1.3099	0.44	1.3107	1.3021	-2.96
USDJPY	113.43	0.21	113.50	113.10	0.59
AUDUSD	0.7247	0.50	0.7247	0.7205	-7.26
EURGBP	0.8723	-0.27	0.8755	0.8712	-1.76
USDMYR	4.1770	0.44	4.1775	4.1585	3.22
EURMYR	4.7541	-0.07	4.7591	4.7438	-1.94
JPYMYR	3.6896	0.02	3.6916	3.6756	2.63
GBPMYR	5.4243	0.00	5.4392	5.4085	-0.72
SGDMYR	3.0351	0.11	3.0368	3.0276	0.20
AUDMYR	3.0066	-0.21	3.0099	2.9935	-4.91
NZDMYR	2.7794	0.14	2.7821	2.7642	-3.49
CHFMYR	4.1574	-0.12	4.1628	4.1476	0.20
CNYMYR	0.6030	-0.14	0.6039	0.6027	-3.02
HKDMYR	0.5331	0.30	0.5332	0.5316	2.93
USDSGD	1.3734	-0.12	1.3759	1.3730	2.75
EURSGD	1.5694	0.05	1.5704	1.5663	-2.15
GBPSGD	1.7989	0.32	1.8004	1.7904	-0.39
AUDSGD	0.9953	0.38	0.9953	0.9907	-4.78

Source: Bloomberg

** MYR pairs last closed on 5 Nov 2018*

MYR

- **MYR last closed at 4.1770 against USD on Monday, 0.44% weaker** amid risk aversion heading into US mid-term elections and close of Malaysian market for Deepavali. MYR however managed to advance against 6 G10s.
- **We expect a slightly bullish MYR against USD**, likely buoyed by improved buying interest as re-opening of Malaysian market coincides with overnight rebound in equities. A bearish trend continues to prevail, further supported by USDMYR gapping lower at opening and firmer downward momentum. 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 fell against 7 G10s** amid risk aversion as US mid-term elections got underway but the DXY managed to inch 0.04% higher to 96.31.
- **Keep a bearish view on USD** at this juncture on continued risk aversion in the markets until a clearer picture of the composition of the US Congress can be formed. We caution that a split Congress would pressure USD. Technically, a bearish trend prevails in DXY and we continue to set sights on a decline going forward, with room to test 96.03, below which a drop to 95.39 will be exposed.

EUR

- **EUR advanced 0.18% to 1.1427 against USD** and climbed against 5 G10s on the back of firmer Eurozone data.
- **Maintain a bullish view on EUR in line with our view of a softer USD**; direction will be determined by performance of the greenback. EURUSD remains titled to the upside, supported by emergence of upward momentum. The range of 1.1424 – 1.1456 stays on the crosshair, and beating this improves the chance of a rally to 1.1529 in the coming weeks.

GBP

- **GBP jumped 0.44% to 1.3099 against USD** and strengthened against 7 G10s on continued optimism of an imminent Brexit deal between the UK and EU.
- **Continue to expect a bullish GBP against USD**, buoyed by sustained 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. Technical landscape has improved further after closing above 1.3080. GBPUSD is expected to test 1.3143 in the next leg higher.

JPY

- **JPY weakened 0.21% to 113.43 against USD** and tumbled against all G10s amid extended rebound in equities.
- **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 jumped 0.50% to 0.7247 against USD** and advanced against 8 G10s, supported by rebound in equities.
- **We continue to expect a slightly bullish AUD on the back of a softer USD**, further supported by improved performance in equities. AUDUSD expectedly broke 0.7226 and is now targeting a move to 0.7275 next. Holding above 0.7213 is crucial to sustain current upward momentum, otherwise a brief drop to 0.7174 is likely.

SGD

- **SGD climbed 0.12% to 1.3734 against a soft USD** but slipped against 7 G10s amid risk aversion heading into US mid-terms.
- **Stay slightly bullish on SGD against a soft USD**, further supported by improved performance in equities. Bearish trend continues to solidify, pushing USDSGD lower going forward. USDSGD is likely targeting a break below 1.3697, below which 1.3660 will be targeted.

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@hlbb.hongleong.com.my