

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street rallied overnight as the Democrats retained the House of Representatives while the Republicans retained their control over the Senate in the midterm elections.** In fact, markets did not even flinch on news that Attorney General Jeff Sessions had been fired by President Trump. Yield on 10Y treasuries ended only 1bp higher to 3.24%, **all eyes will now turn to tonight's FOMC meeting.** Crude oil remains under pressure as EIA reported build-up in US crude inventories – WTI fell below the \$62 mark to close at \$61.67/barrel while Brent inched slightly lower to \$72.07/barrel. **The RBNZ has left official cash rate unchanged at 1.75% this morning as widely expected. At home, spotlight will be on today's BNM meeting and we expect the MPC to hold OPR steady at 3.25%.**
- **Data releases largely skewed to the downside** – US mortgage applications fell 4.0% WOW last week as interest rates continued to rise. Eurozone retail sales flat-lined in September, UK house prices gained 1.5% YOY, the slowest in 5 years. Japan core machine orders, a capex indicator fell 18.3% MOM in September. Malaysia foreign reserves fell to \$101.7b as at 31 October.
- **USD fell against 7 G10s** while the DXY recovered from intraday low but still shed 0.33% to 95.99 as US mid-term elections yielded a split Congress that is expected to impede policy-making going forward. **Keep a bearish view on USD** on continued downside pressure from a split Congress as well as risk aversion heading into FOMC policy announcement. Technically, a bearish trend prevails in DXY, it has broken below 96.03 and is now exposed to a drop to 95.39.
- **MYR advanced 0.32% to 4.1635 against USD**, supported by firmer risk appetite in the markets but fell against 8 G10s that were also rallying on improved sentiment. **We expect a slightly bullish MYR against USD**, likely buoyed by improved buying interest amid extended rebound in equities. A bearish trend prevails on top of firmer downward momentum, both tilting USDMR lower. 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 0.11% to 1.3719 against a soft USD** but ended mixed against the G10s. **Stay slightly bullish on SGD against a soft USD**, further supported by improved performance in equities. Bearish trend continues to prevail, tilting USDSGD lower. USDSGD continues to target a break below 1.3697, after which a drop to 1.3660 is highly likely.

Overnight Economic Data

Malaysia	↓
US	↓
Eurozone	↓
UK	→
Japan	↓

What's Coming Up Next

Major Data

- US Initial Jobless Claims
- UK RICS House Price Balance
- Japan Eco Watchers Survey
- China Exports

Major Events

- BNM MPC meeting
- FOMC meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1400	1.1424	1.1431	1.1440	1.1461	↗
USDJPY	1.3100	1.3107	1.3128	1.3133	1.3148	↗
GBPUSD	113.20	113.50	113.62	113.72	113.82	↗
AUDUSD	0.7259	0.7265	0.7273	0.7280	0.7300	↗
EURGBP	0.8685	0.8703	0.8708	0.8712	0.8720	↘
USDMYR	4.1620	4.1655	4.1690	4.1700	4.1720	↘
EURMYR	4.7580	4.7603	4.7657	4.7698	4.7744	→
JPYMYR	3.6661	3.6673	3.6693	3.6728	3.6737	↘
GBPMYR	5.4650	5.4700	5.4725	5.4791	5.4820	→
SGDMYR	3.0351	3.0368	3.0393	3.0400	3.0421	→
AUDMYR	3.0267	3.0287	3.0311	3.0325	3.0352	→
NZDMYR	2.8200	2.8225	2.8243	2.8272	2.8300	↗
USDSGD	1.3695	1.3705	1.3717	1.3723	1.3730	↘
EURSGD	1.5650	1.5670	1.5681	1.5702	1.5709	↗
GBPSGD	1.7989	1.8000	1.8007	1.8036	1.8046	↗
AUDSGD	0.9945	0.9958	0.9973	0.9992	1.0000	↗

* 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	1,714.88	0.36	-4.56	CRB Index	191.34	0.07	-1.30
Dow Jones Ind.	26,180.30	2.13	5.91	WTI oil (\$/bbl)	61.67	-0.87	2.07
S&P 500	2,813.89	2.12	5.25	Brent oil (\$/bbl)	72.07	-0.08	7.78
FTSE 100	7,117.28	1.09	-7.42	Gold (\$/oz)	1,226.49	-0.06	8.10
Shanghai	2,641.34	-0.68	-20.13	CPO (RM/tonne)	1,954.00	-0.20	-18.24
Hang Seng	26,147.69	0.10	-12.61	Copper (\$/tonne)	6,158.00	-0.53	-15.03
STI	3,065.36	0.15	-9.92	Rubber (sen/kg)	399.50	0.76	-13.62

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Foreign Reserves	31 Oct	\$101.7b	\$102.8b	--
US MBA Mortgage Applications	02 Nov	-4.0%	-2.5%	--
EU Retail Sales MOM	Sep	0.0%	0.3% (revised)	0.1%
UK Halifax House Prices MOM	Oct	0.7%	-1.4%	0.8%
JP Core Machine Orders MOM	Sep	-18.3%	6.8%	-9.0%
JP Leading Index CI	Sep P	103.9	104.5	103.9
JP Coincident Index	Sep P	114.6	116.7	114.6
NZ RBNZ Official Cash Rate	08 Nov	1.75%	1.75%	1.75%

Source: Bloomberg

➤ Macroeconomics

- RBNZ held OCR steady, possibility of a rate cut seems unlikely:** The RBNZ has left official cash rate unchanged at 1.75% this morning as widely expected. While the central bank continues to “expect to keep OCR at this level through 2019 and 2020”, it has tweaked the language in its statement that its next OCR move “could be up or down”. Instead, RBNZ said the timing and direction of any future OCR move remains data dependent, suggesting RBNZ is not committal to any policy shift in the near term. Governor Adrian Orr said in a press conference that he welcomed the declining unemployment rate but the challenge was to lift inflationary pressure further as core consumer inflation remains below the central bank’s 2% target midpoint.
- Rising interest rates dampened US mortgages demand:** Mortgage applications fell for the second consecutive week by 4.0 % WOW for the week ended 02 November (previous: -2.5%) as rising interest rates continued to affect affordability. Applications to purchase a house dropped 5.0% WOW (previous: -1.5%) while applications to refinance a house fell 2.5% WOW (previous: -3.8%). The average rate for a 30-year fixed rate loan rose to 5.15% (previous: 5.11%), the highest level since Apr-2010, compared to 4.18% a year ago. Rates generally rose last week on the back of strong job market data with wage growth accelerated to 3.1% YOY.
- Eurozone retail sales flat-lined in September:** Total volume of retail sales remained unchanged in September (Aug: +0.3% MOM revised) as the faster sales in food, drinks & tobacco as well as automotive fuel was offset by the decline in non-food products.
- UK house prices gained at slowest pace in 5 years as housing market struggles:** The Halifax House Price Index rebounded to increase 0.7% MOM in the three months to October (Sep: -1.3% revised) while on a yearly basis, prices rose a mere 1.5% YOY (Sep: +2.5%), its slowest in five years as the UK housing market continues to soften on weakening demand due to affordability issue and Brexit uncertainty. The standard average price now stood at £227.87k per unit.
- Japan capex fell, leading and coincident index signaled slower September:** Core machine orders, a leading indicator of capex fell 18.3% MOM in September (Aug: +6.8%) after clocking in two months of solid increase. The preliminary reading of Coincident Index fell to 114.6 in September (Aug: 116.7) while the leading index fell to 103.9 (Aug: 104.5) suggesting that Japan economic growth slowed overall in September.
- Malaysia foreign reserves extended decline:** Malaysia foreign reserves fell to \$101.7b as at 31 October (previous: \$102.8b), sufficient to finance 7.5 months of retained imports and is 0.9 times short term external debt.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
08/11	Malaysia	BNM Overnight Policy Rate	Nov-08	3.25%	3.25%	--
09/11		Industrial Production YOY	Sep	2.3%	2.2%	--
08/11	US	Initial Jobless Claims	Nov-03	213k	214k	--
09/11		FOMC Rate Decision	Nov-08	2.00% - 2.25%	2.00% - 2.25%	--
		PPI Final Demand YOY	Oct	2.5%	2.6%	--
		U. of Mich. Sentiment	Nov P	98.0	98.6	--
		Wholesale Inventories MOM	Sep F	0.3%	0.3%	--
08/11	UK	RICS House Price Balance	Oct	-2%	-2%	--
09/11		Visible Trade Balance GBP/Mn	Sep	-£11,395	-£11,195	--
		Industrial Production MoM	Sep	-0.1%	0.2%	--
		GDP (MOM)	Sep	0.1%	0.0%	--
		GDP QOQ	3Q P	0.6%	0.4%	--
08/11	Japan	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	\$35.15b	\$31.69b	\$31.70b
		Imports YOY	Oct	14.5%	14.3%	--
		Exports YOY	Oct	11.7%	14.5%	--
09/11		PPI YOY	Oct	3.3%	3.6%	--
		CPI YOY	Oct	2.5%	2.5%	--
09/11		RBA Statement on Monetary Policy				
		Home Loans MOM	Sep	-1.0%	-2.1%	--
		Investment Lending	Sep	--	-1.1%	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1426	-0.01	1.15	1.1395	-0.78
GBPUSD	1.3126	0.21	1.3175	1.3074	-2.84
USDJPY	113.52	0.08	113.82	112.95	0.77
AUDUSD	0.7276	0.40	0.7300	0.7213	-6.86
EURGBP	0.8706	-0.20	0.8747	0.8703	-1.96
USDMYR	4.1635	-0.32	4.1735	4.1635	2.89
EURMYR	4.7845	0.64	4.7878	4.7519	-1.32
JPYMYR	3.6861	-0.09	3.6906	3.6660	2.53
GBPMYR	5.4840	1.10	5.4879	5.4499	0.37
SGDMYR	3.0442	0.30	3.0443	3.0291	0.50
AUDMYR	3.0347	0.93	3.0352	3.0069	-4.02
NZDMYR	2.8232	1.58	2.8258	2.7983	-1.97
CHFMYR	4.1769	0.47	4.1769	4.1500	0.67
CNYMYR	0.6026	-0.06	0.6028	0.6009	-3.08
HKDMYR	0.5327	-0.08	0.5329	0.5318	2.86
USDSGD	1.3719	-0.11	1.3763	1.3685	2.68
EURSGD	1.5676	-0.11	1.5739	1.5673	-2.31
GBPSGD	1.8008	0.11	1.8036	1.7968	-0.34
AUDSGD	0.9982	0.29	0.9992	0.9921	-4.43

Source: Bloomberg

MYR

- **MYR advanced 0.32% to 4.1635 against USD**, supported by firmer risk appetite in the markets but fell against 8 G10s that were also rallying on improved sentiment.
- **We expect a slightly bullish MYR against USD**, likely buoyed by improved buying interest amid extended rebound in equities. A bearish trend prevails on top of firmer downward momentum, both tilting USDMR lower. 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** while the DXY recovered from intraday low but still shed 0.33% to 95.99 as US mid-term elections yielded a split Congress that is expected to impede policy-making going forward.
- **Keep a bearish view on USD** on continued downside pressure from a split Congress as well as risk aversion heading into FOMC policy announcement. Technically, a bearish trend prevails in DXY, it has broken below 96.03 and is now exposed to a drop to 95.39.

EUR

- **EUR weakened against 7 G10s and failed to capitalize on a soft USD, dipping 0.01% to 1.1425** after losing upward traction as Eurozone data disappointed.
- **Expect a firm EUR in line with our view of a softer USD**; direction will be determined by performance of the greenback. Bullish trend continues to solidify, tilting EURUSD to the upside. EURUSD now targets 1.1456 – 1.1461, above which a rally to 1.1529 is likely in the coming weeks.

GBP

- **GBP** remains buoyed by firmer Brexit sentiment, **climbing 0.21% to 1.3126 against a soft USD** and rising against 7 G10s.
- **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. GBPUSD is expected to test 1.3143 soon, above which a path to 1.3180 – 1.3200 will be exposed.

JPY

- **JPY weakened 0.08% to 113.52 against USD** and retreated against all G10s amid extended rebound in equities.
- **JPY remains slightly bearish against USD** on continued recovery in risk sentiment that would dampen demand for refuge. USDJPY remains on an upward trajectory, and is now setting sights on a test at 113.82 - 114.00.

AUD

- **AUD climbed 0.40% to 0.7276 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 climbed to 0.7275. Amid rising upward momentum, expect further gains going forward, with room to challenge 0.7300 – 0.7315.

SGD

- **SGD climbed 0.11% to 1.3719 against a soft USD** but ended mixed against the G10s.
- **Stay slightly bullish on SGD against a soft USD**, further supported by improved performance in equities. Bearish trend continues to prevail, tilting USDSGD lower. USDSGD continues to target a break below 1.3697, after which a drop to 1.3660 is highly likely.

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

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.