

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended mixed overnight following the slip in global equity as PBoC move to cut RRR heightened investors' concern over slowing growth in China.** The bond market was closed in the US for Columbus Day, temporarily soothing concerns over rising bond yields, and this helped lift financials shares and provided a boost to the Dow. NASDAQ meanwhile was dragged down by the sell-off in Google (Alphabet) shares after the WSJ reported that it has failed to disclose a huge security lapse in its social site "Google+." **Earlier, the sell-off in Italian bonds continued as worry over Italian budget extended into the week** – 10Y yield spiked by nearly 15bps to close at the highest since Feb-2014. There were little movements in crude oil prices - WTI fell to \$74.29/barrel while Brent dropped to \$83.91/barrel.
- Muted data flow overnight – **China Caixin Services PMI rose to 53.1 in September** from 51.5 in August to record the highest level in three months and was in line with the official NBS PMI. **The European Sentix Investor Confidence Index fell to 11.4 in October** as German investors optimism level on Eurozone outlook eased further this month, reflecting their concerns over Italian government budget.
- **USD climbed against 7 G10s** as risk-off sentiment from last Friday extended into the FX space, supporting refuge demand. DXY advanced on improved buying interest amid risk aversion in EUR and GBP, closing 0.14% higher at 95.76. **We stay slightly bearish USD** in anticipation of waning buying interest as markets stabilizes and on the lack of positive catalysts to drive further gains. DXY now risks the start of a bearish trend amid potential close below 95.76 today. We opine that DXY is tilted to the downside unless it can recapture above 96, thus we set sights on a drop to 95.51 next, below which 95.33 will be targeted.
- **MYR weakened 0.13% to 4.1545 against USD** on the back of risk-off sentiment in the markets but managed to inch higher against 5 G10s. **MYR is neutral against USD**, with room for slight losses following a firmer overnight USD as well as lingering risk-off in the markets. USDMYR bullish trend has solidified after breaking above 4.1555. It is now likely eyeing a move to 4.1600, but we caution that risk of reversal has increased amid a more pronounced price-momentum divergence.
- **SGD slipped 0.08% to 1.3839 against USD** but managed to advance against 6 G10s. **SGD is slightly bearish against USD** amid likelihood of extended risk aversion in the markets. USDSGD still sustains a bullish bias while above 1.3800 and is now inclined to gains towards 1.3863. We caution that this could be a rejection level that triggers a reversal lower for USDSGD.

Overnight Economic Data

Eurozone	↓
China	↑

What's Coming Up Next

Major Data

- US NFIB Small Business Optimism
- Japan Eco Watchers Survey
- Australia NAB Business Conditions, NAB Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1480	1.1505	1.1490	1.1535	1.1546	↗
USDJPY	1.3050	1.3072	1.3087	1.3093	1.3116	↗
GBPUSD	112.74	112.92	113.08	113.24	113.40	↘
AUDUSD	0.7041	0.7066	0.7079	0.7090	0.7114	↗
EURGBP	0.8760	0.8770	0.8778	0.8783	0.8790	↘
USDMYR	4.1540	4.1555	4.1575	4.1590	4.1600	→
EURMYR	4.7700	4.7733	4.7784	4.7831	4.7876	↗
JPYMYR	3.6738	3.6762	3.6809	3.6850	3.6912	↗
GBPMYR	5.4370	5.4394	5.4428	5.4465	5.4503	↗
SGDMYR	2.9993	3.0000	3.0041	3.0026	3.0040	→
AUDMYR	2.9374	2.9400	2.9441	2.9458	2.9506	↗
NZDMYR	2.6750	2.6783	2.6820	2.6850	2.6872	→
USDSGD	1.3820	1.3834	1.3841	1.3850	1.3863	↗
EURSGD	1.5887	1.5900	1.5904	1.5923	1.5937	↗
GBPSGD	1.8067	1.8106	1.8118	1.8139	1.8168	↗
AUDSGD	0.9763	0.9783	0.9800	0.9806	0.9815	↗

* 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	1,775.75	-0.06	1.17	CRB Index	199.76	0.36	3.04
Dow Jones Ind.	26,486.78	0.15	7.15	WTI oil (\$/bbl)	74.29	-0.07	22.96
S&P 500	2,884.43	-0.04	7.89	Brent oil (\$/bbl)	83.91	-0.30	25.48
FTSE 100	7,233.33	-1.16	5.91	Gold (\$/oz)	1,188.08	-1.29	8.10
Shanghai	2,716.51	-3.72	17.86	CPO (RM/tonne)	2,098.50	-0.07	12.20
Hang Seng	26,202.57	-1.39	12.42	Copper (\$/tonne)	6,178.00	0.08	14.75
STI	3,181.45	-0.88	6.51	Rubber (sen/kg)	402.50	0.25	12.97

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
EU Sentix Investor Confidence	Oct	11.4	12.0	11.6
CN Caixin PMI Services	Sep	53.1	51.5	51.4

Source: Bloomberg

Macroeconomics

- **China services sector continued to hold up as manufacturing slowed:**

The Caixin China General Services Business Activity Index rose to 53.1 in September (Aug: 51.5), its highest in three months and was in line with the official Services PMI published by the National Bureau of Statistic as both suggest a continuous growth in China's services sector. New orders registered a stronger rise attributed to new product offerings and increased client bases, staffing level fell slightly while average input cost increased further driven by high prices for fuel, raw materials and greater staffing costs. That said, firms did not pass the higher cost to consumers in an attempt to stay competitive as the surveys indicated broadly no change to output charges which could potentially lead to more margin compressions. September PMI data suggest that both services and manufacturing sectors continued to expand in China however divergence in terms of rate of growth began to emerge. Both private and official PMIs signaled a slowdown in manufacturing activities with confidence level substantially battered over the ongoing US-China trade war.

- **German investor's optimism for Eurozone eased further:** The Sentix Investor Confidence, a survey of German investors regarding outlook of the Eurozone fell to 11.4 in October (Sep: 12.0). The current situation index fell to 33.0 (Sep: 35.0) while the expectations index rose to -8.3 (Sep: -8.8). The overall reading suggests that German investors were uneasy over the ongoing uncertainty surrounding the Italian government 2019 budget proposal where the coalition government has earlier put forward a bolder plan targeting a 2.4% deficit (against GDP) leading to the unnerving of the financial markets. The deficit target has since then been trimmed to 2.1%, still higher than the 1.6% in 2018 and almost a triple of the previous government's 2019 target of 0.6% while any agreement is yet to be reached with the European Commission.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
09/10	US	NFIB Small Business Optimism	Sep	108.3	108.8	--
10/10		MBA Mortgage Applications	Oct-05	--	0.0%	--
		PPI Final Demand YOY	Sep	2.7%	2.8%	--
		Wholesale Inventories MOM	Aug F	0.8%	0.6%	--
10/10	UK	Visible Trade Balance GBP/Mn	Aug	-£10,850	-£9,973	--
		Industrial Production MOM	Aug	0.1%	0.1%	--
		Manufacturing Production MOM	Aug	0.1%	-0.2%	--
		Construction Output SA MOM	Aug	-0.5%	0.5%	--
		GDP (MOM)	Aug	0.1%	0.3%	--
09/10	Japan	Eco Watchers Survey Current SA	Sep	47.0	48.7	--
		Eco Watchers Survey Outlook SA	Sep	50.8	51.4	--
10/10		Core Machine Orders YOY	Aug	1.8%	13.9%	--
		Machine Tool Orders YOY	Sep F	--	5.1%	--
09/10	Australia	NAB Business Conditions	Sep	--	15.0	--
		NAB Business Confidence	Sep	--	4.0	--
10/10		Westpac Consumer Conf Index	Oct	--	100.5	--
		Westpac Consumer Conf SA MOM	Oct	--	-3.0%	--

Source: Bloomberg

Forex

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1493	-0.28	1.1535	1.1460	-4.26
GBPUSD	1.3089	-0.23	1.3134	1.3028	-3.14
USDJPY	113.05	-0.43	113.94	112.82	0.33
AUDUSD	0.7069	0.37	0.7081	0.7041	-9.48
EURGBP	0.8780	-0.01	0.8807	0.8773	-1.13
USDMYR	4.1545	0.13	4.1560	4.1475	2.68
EURMYR	4.7751	-0.07	4.7829	4.7667	-1.51
JPYMYR	3.6749	0.70	3.6690	3.6414	2.23
GBPMYR	5.4381	0.38	5.4475	5.4196	-0.46
SGDMYR	3.0019	-0.08	3.0032	2.9957	-0.88
AUDMYR	2.9366	0.04	2.9335	2.9236	-7.11
NZDMYR	2.6798	-0.07	2.6791	2.6656	-6.94
CHFMYR	4.1865	0.35	4.1920	4.1818	0.91
CNYMYR	0.6000	-0.17	0.6022	0.6000	-3.50
HKDMYR	0.5307	0.26	0.5309	0.5293	2.49
			0.0000	0.0000	
USDSGD	1.3839	0.08	1.3866	1.3820	3.59
EURSGD	1.5905	-0.20	1.5952	1.5876	-0.90
GBPSGD	1.8115	-0.13	1.8165	1.8045	0.23
AUDSGD	0.9783	0.47	0.9801	0.9742	-6.30

Source: Bloomberg

MYR

- **MYR weakened 0.13% to 4.1545 against USD** on the back of risk-off sentiment in the markets but managed to inch higher against 5 G10s.
- **MYR is neutral against USD**, with room for slight losses following a firmer overnight USD as well as lingering risk-off in the markets. USDMYR bullish trend has solidified after breaking above 4.1555. It is now likely eyeing a move to 4.1600, but we caution that risk of reversal has increased amid a more pronounced price-momentum divergence.

USD

- **USD climbed against 7 G10s** as risk-off sentiment from last Friday extended into the FX space, supporting refuge demand. DXY advanced on improved buying interest amid risk aversion in EUR and GBP, closing 0.14% higher at 95.76.
- **We stay slightly bearish USD** in anticipation of waning buying interest as markets stabilizes and on the lack of positive catalysts to drive further gains. DXY now risks the start of a bearish trend amid potential close below 95.76 today. We opine that DXY is tilted to the downside unless it can recapture above 96, thus we set sights on a drop to 95.51 next, below which 95.33 will be targeted.

EUR

- **EUR fell 0.28% to 1.1493 against USD** and weakened against 8 G10s, pressured by renewed jitters amid potential stand-off between Italy and EU on fiscal matters.
- **EUR is slightly bullish in line with our view of a soft USD**, but caution on extended concerns in Italy that would tilt EUR into further losses. Downside momentum is easing; failure to close below 1.1478 today will deter the bear and allow some room for EURUSD to bounce higher, possibly testing 1.1534.

GBP

- **GBP fell 0.23% to 1.3089 against USD** and weakened against 7 G10s as buying interest retreated ahead of the week that is seen as crucial to Brexit talks amid expectations of post-Brexit proposals from the EU and the UK.
- **Maintain a slight bullish view on GBP against a soft USD** but caution that negative Brexit headlines would swiftly push GBP into losses. A bullish trend prevails and suggest that GBPUSD is inclined to the upside, with room to beat 1.3120 in the coming days.

JPY

- **JPY strengthened 0.43% to 113.05 against USD** and advanced against all G10s, supported by refuge demand amid sell-off in Asian markets.
- **Stay bullish on JPY against a soft USD**. USDJPY remains inclined to the downside in our view. We expect USDJPY to be targeting a drop to 112.74 next, below which 112.10 will be eyed.

AUD

- **AUD performed unexpectedly well amid risk aversion in the markets** as it climbed against all G10s and **advanced 0.37% to 0.7069 against USD**, likely boosted by expectations of improved growth in China from RRR reduction.
- **We turn slightly bullish on AUD in line with our view of a soft USD** but gains may be mild given lingering risk-off sentiment in the markets. The price-momentum divergence that we previously noted is likely unravelling, as witnessed in yesterday's gains. But still, AUDUSD needs to hold above 0.7076 by tomorrow to shed its current bearish outlook, which would then point it towards 0.7115 – 0.7130.

SGD

- **SGD slipped 0.08% to 1.3839 against USD** but managed to advance against 6 G10s.
- **SGD is slightly bearish against USD** amid likelihood of extended risk aversion in the markets. USDSGD still sustains a bullish bias while above 1.3800 and is now inclined to gains towards 1.3863. We caution that this could be a rejection level that triggers a reversal lower for USDSGD.

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.