

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Wall Streets ended on a mixed note overnight post-FOMC meeting where the Fed has left fed funds rate unchanged as widely expected. Fed's statement offered no surprise** with changes limited to the central bank's acknowledgement that unemployment rate has "declined" and business fixed investment has "moderated from its rapid pace", thus **confirming that a December rate hike is most certainly happening**. The Dow rose 0.04% while the S&P 500 and NASDAQ fell 0.25% and 0.53% respectively. Weighed down by oversupply concerns - WTI entered bear market territory falling by more than 20% from its four-year high last month to \$60.67/barrel (-1.62% DOD) while Brent closed at \$70.65/barrel (-1.97% DOD). Yield on 10Y treasuries was virtually unchanged at 3.24%. **At home, BNM held OPR steady at 3.25% yesterday.**
- At the data front, US initial jobless claims fell by 1k to 214k last week. UK RICS house price balance index dropped dramatically to a 6-year low of -10 in October. **China October trade report surprised to the upside amidst an ongoing trade war - exports in dollar term gained an impressive 15.6% YOY** even after a few months of front loading while imports growth bounced back higher to 21.4% YOY. This brings the country's trade surplus to widen to \$34.01b.
- **USD rebounded to beat all G10s** while the DXY surged 0.76% to 96.72, rallying on a continually hawkish FOMC tone and return of refuge demand amid softer equities. **USD is now slightly bullish in our view**, buoyed by continued commitment from the Fed to tighten monetary policy and return of refuge demand. DXY is tilted to the upside, with room to challenge 96.76 – 96.86, but we suspect that it is unable to hold above 96.66 for long.
- **MYR dipped 0.01% to 4.1640 against USD** after returning gains in Asian afternoon, but managed to beat 9 G10s. **MYR is now slightly bearish against a strong USD**, further weighed down by renewed risk aversion in the markets heading into the week's closure. USDMYR's bearish has been nullified and is now tilted to the upside, with room to challenge 4.1765 – 4.1780 next. Above this, USDMYR is prone to a return to 4.1820 – 4.1850.
- **SGD weakened 0.28% to 1.3757 against a strong USD** but managed to advance against 7 G10s. **We turn slightly bearish on SGD against USD** amid signs of retreating risk appetite. The 1.3697 level indeed protected USDSGD from extended declines, strongly bouncing it higher to overturn the recent bearish trend. USDSGD is now tilted to the upside, with scope to test 1.3779 – 1.3785 next.

#### Overnight Economic Data

US	↓
UK	↓
China	↑

#### What's Coming Up Next

##### Major Data

- Malaysia Industrial Production
- US PPI, U. of Mich. Sentiment, Wholesale Inventories
- UK Visible Trade Balance, Industrial Production, 3Q GDP
- China PPI, CPI
- Australia Home Loans

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1336	1.1357	1.1365	1.1383	1.1400	↘
GBPUSD	1.3026	1.3056	1.3066	1.3074	1.3100	↗
USDJPY	113.50	113.80	114.00	114.10	114.20	↗
AUDUSD	0.7224	0.7247	0.7256	0.7271	0.7288	→
EURGBP	0.8690	0.8695	0.8699	0.8703	0.8712	↘
USDMYR	4.1700	4.1720	4.1740	4.1765	4.1780	↗
EURMYR	4.7378	4.7409	4.7443	4.7476	4.7531	→
JPYMYR	3.6580	3.6600	3.6618	3.6630	3.6661	→
GBPMYR	5.4441	5.4500	5.4536	5.4629	5.4672	→
SGDMYR	3.0306	3.0319	3.0353	3.0368	3.0390	→
AUDMYR	3.0220	3.0257	3.0299	3.0330	3.0350	↘
NZDMYR	2.8180	2.8208	2.8224	2.8258	2.8280	→
USDSGD	1.3740	1.3747	1.3755	1.3763	1.3779	↗
EURSGD	1.5600	1.5620	1.5632	1.5642	1.5661	↘
GBPSGD	1.7945	1.7950	1.7970	1.7989	1.8000	↗
AUDSGD	0.9960	0.9970	0.9982	0.9992	1.0003	↘

\* 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	1,721.42	0.38	-4.20	CRB Index	189.71	-0.85	-2.14
Dow Jones Ind.	26,191.22	0.04	5.95	WTI oil (\$/bbl)	60.67	-1.62	0.41
S&P 500	2,806.83	-0.25	4.98	Brent oil (\$/bbl)	70.65	-1.97	5.65
FTSE 100	7,140.68	0.33	-7.12	Gold (\$/oz)	1,224.00	-0.20	8.10
Shanghai	2,635.63	-0.22	-20.31	CPO (RM/tonne)	1,948.00	-0.31	-18.49
Hang Seng	26,227.72	0.31	-12.34	Copper (\$/tonne)	6,153.00	-0.08	-15.10
STI	3,093.24	0.91	-9.10	Rubber (sen/kg)	393.50	-0.63	-14.92

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
MY BNM Overnight Policy Rate	08 Nov	3.25%	3.25%	3.25%
US FOMC Decision	08 Nov	2.00% - 2.25%	2.00% - 2.25%	2.00% - 2.25%
US Initial Jobless Claims	03 Nov	214k	215k (revised)	213k
UK RICS House Price Balance	Oct	-10	-2	-2
CH Trade Balance	Oct	\$34.01b	\$31.28b (revised)	\$35.15b
CH Imports YOY	Oct	21.4%	14.5% (revised)	14.5%
CH Exports YOY	Oct	15.6%	14.4% (revised)	11.7%

Source: Bloomberg

## ➤ Macroeconomics

- Fed kept fed funds rate unchanged; statement offered no surprise and affirmed a December hike:** The Fed left the federal funds rate target range unchanged at 2.0-2.25% as widely expected. There was no accompanying press conference for Thursday's FOMC meeting, while the released statement offered no surprise with changes limited to the central bank's acknowledgement that unemployment rate has "declined" and business fixed investment has "moderated from its rapid pace". This further affirmed the almost universal view that a December rate hike is most certainly happening.
- US jobless claims remained steadily low:** Initial jobless claims fell by 1k to 214k for the week ended 3<sup>rd</sup> November (previous: 215k revised) bringing the 4-week moving average to 213.75k (previous: 214k). Continuous claims which measures the number of Americans filing for claim following an initial week of aid meanwhile fell by 8k to 1.623m for the week ended 27 October (previous: 1.631m). Both numbers reaffirmed that the US job market continues to tighten.
- Survey shows UK housing market weakening:** Echoing the slower growth in house prices as reported by Halifax, the October housing market survey from the Royal Institution of Chartered Surveyors (RICS) shows that the UK housing market continued to weaken. The survey's house price balance index fell dramatically to -10 in October (Sep: -2), the weakest level in six years driven by deteriorating price expectations, new buyer inquiries, new instructions and agreed sales.
- China October trade report defied expectations:** China exports continued to defy expectations amidst ongoing trade war with US, clocking in an impressive gain of 15.6% YOY in October (Sep: +14.5%) when many had earlier expected the faster growth in shipments to wane following months of front-loading by exporters (to the US). Exports to the US slowed to increase 13.2% YOY (Sep: +14.0%) suggesting that the faster overall growth was driven by shipments to other countries. Imports also rose more than expected by 21.4% YOY (Sep: +14.5% revised), a comforting sign that domestic demand remained solid in a country where the government's deleveraging campaign was said to be dampening demand. Recent fiscal measures could have helped spur consumptions but the timeline remained limited for us to make any assessment. Trade surplus widened further to \$34.01b compared to the revised \$31.28b in the previous month. That said, our view stay unchanged that exports are bound for a sharp fall particularly in the beginning of 2019 as Chinese firms rush to ship goods to the US by the end of 2018, since there remains no concrete development in US-China trade negotiations where deadlines of any potential talks have yet to be announced.
- BNM left OPR unchanged; statement suggests no plans for any policy shift:** BNM maintained the Overnight Policy Rate (OPR) at 3.25% as expected, and we noticed vast similarity between the latest statement and the September policy rhetoric, including assessment on growth outlook, suggesting there are no plans for any near term adjustment in the OPR. Acknowledging that there are no new development that has significantly altered the macro and financial landscape since the last meeting with BNM reiterating a steady growth path for the Malaysian economy, we maintain our view for OPR to stay unchanged going into next year, barring increased downside growth risks.

<b>Economic Calendar</b>						
<b>Date</b>	<b>Country</b>	<b>Events</b>	<b>Reporting Period</b>	<b>Survey</b>	<b>Prior</b>	<b>Revised</b>
09/11	Malaysia	Industrial Production YOY	Sep	2.3%	2.2%	--
09/11	US	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%	--
09/11	UK	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%	--
12/11	Japan	PPI YOY	Oct	2.8%	3.0%	--
		Machine Tool Orders YOY	Oct P	--	2.9%	--
09/11	China	PPI YOY	Oct	3.3%	3.6%	--
		CPI YOY	Oct	2.5%	2.5%	--
10-15/11		Money Supply M2 YOY	Oct	8.4%	8.3%	--
		New Yuan Loans CNY	Oct	900.0b	1,380.0b	--
12/11	Singapore	Retail Sales YOY	Sep	--	-0.4%	--
09/11	Australia	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	1.1363	-0.55	1.1447	1.1352	-3.33
GBPUSD	1.3062	-0.49	1.315	1.3045	-3.31
USDJPY	114.07	0.48	114.08	113.48	1.20
AUDUSD	0.7256	-0.27	0.7302	0.7247	-6.99
EURGBP	0.8700	-0.07	0.8738	0.8691	-2.05
USDMYR	4.1640	0.01	4.1710	4.1540	2.90
EURMYR	4.7563	-0.59	4.7690	4.7436	-1.90
JPYMYR	3.6580	-0.76	3.6718	3.6556	1.75
GBPMYR	5.4629	-0.38	5.4761	5.4455	-0.02
SGDMYR	3.0350	-0.30	3.0413	3.0297	0.20
AUDMYR	3.0310	-0.12	3.0379	3.0257	-4.14
NZDMYR	2.8216	-0.06	2.8310	2.8186	-2.02
CHFMYR	4.1510	-0.62	4.1620	4.1437	0.05
CNYMYR	0.6000	-0.44	0.6023	0.5995	-3.51
HKDMYR	0.5314	-0.24	0.5326	0.5304	2.61
USDSGD	1.3757	0.28	1.3758	1.3696	2.96
EURSGD	1.5633	-0.27	1.5693	1.5617	-2.60
GBPSGD	1.7968	-0.22	1.8023	1.7935	-0.56
AUDSGD	0.9982	0.00	1.0010	0.9967	-4.32

Source: Bloomberg

### MYR

- **MYR dipped 0.01% to 4.1640 against USD** after returning gains in Asian afternoon, but managed to beat 9 G10s.
- **MYR is now slightly bearish against a strong USD**, further weighed down by renewed risk aversion in the markets heading into the week's closure. USDMYR's bearish has been nullified and is now tilted to the upside, with room to challenge 4.1765 – 4.1780 next. Above this, USDMYR is prone to a return to 4.1820 – 4.1850.

### USD

- **USD rebounded to beat all G10s** while the DXY surged 0.76% to 96.72, rallying on a continually hawkish FOMC tone and return of refuge demand amid softer equities.
- **USD is now slightly bullish in our view**, buoyed by continued commitment from the Fed to tighten monetary policy and return of refuge demand. DXY is tilted to the upside, with room to challenge 96.76 – 96.86, but we suspect that it is unable to hold above 96.66 for long.

### EUR

- **EUR weakened 0.55% to 1.1363 against a strong USD** and fell against all G10s, pressured by several factors from within the region that weighed down sentiment, such as contention over Italian budget deficit, room for change in ECB's forward guidance if the region's outlook worsen, and comment from German leadership candidate that EUR may be too strong for other countries within the bloc.
- **We turn slightly bearish on EUR against USD** amid re-emergence of policy and fiscal contentions within Eurozone. Bullish trend has ended after sliding below 1.1388 yesterday and EURUSD is now tilted to the downside, potentially testing 1.1336 next. Nonetheless, we suspect that EURUSD is unlikely to stay below 1.1367 level for long, and a bounce may take place off 1.1305 – 1.1310 range.

### GBP

- **GBP fell 0.49% to 1.3062 against a strong USD** and retreated against 6 G10s as Brexit optimism faded amid comment from European Commission President Juncker that Brexit deal is "difficult to achieve but necessary".
- **Expect a slightly bullish GBP against USD**, supported by residual Brexit optimism; expect bulls to accelerate if UK data outperforms. Bullish trend survived the overnight tumble and continues to suggest a close above 1.3126 by Tuesday. But caution that failure to beat 1.3099 tonight will nullify current bullish trend.

### JPY

- **JPY weakened 0.48% to 114.07 against a strong USD** and fell against 6 G10s.
- **JPY remains slightly bearish against a strong USD** but losses may be minimal amid return of refuge demand in the markets. USDJPY remains on an upward trajectory, with room to test 114.54, which is the level that rejected the previous uptrend and triggered a strong retracement.

### AUD

- **AUD managed to hold firm to beat 7 G10s** amid firmer data from China, but **fell 0.27% to 0.7256 against a strong USD**.
- **AUD is neutral against USD** in our view, with room for mild losses amid signs of retreating risk appetite in the markets. Technical outlook remains positive at this juncture; as long as AUDUSD closes above 0.7211 today and holds above 0.7247 by Monday, upside bias prevails and supports a close above 0.7276 soon.

### SGD

- **SGD weakened 0.28% to 1.3757 against a strong USD** but managed to advance against 7 G10s.
- **We turn slightly bearish on SGD against USD** amid signs of retreating risk appetite. The 1.3697 level indeed protected USDSGD from extended declines, strongly bouncing it higher to overturn the recent bearish trend. USDSGD is now tilted to the upside, with scope to test 1.3779 – 1.3785 next.

**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](mailto: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.