HongLeong Bank

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 titled 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 (S/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 3rd 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.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
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

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1363	-0.55	1.1447	1.1352	-5.33
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

➤Forex

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 titled 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.

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