

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks extended further losses overnight** with all three major benchmarks fell below their 200-day moving averages driven by continuous worries over rising yields on the long end as well as slower global growth outlook particularly those of China. The sell-off in equity prompted a flight to safety as investors dumped equity for US government bonds while the softer September CPI number at 2.3% YOY also alleviated concerns that the Fed would be raising rate at a much faster pace - 10Y treasuries yield slipped, coming off its intraday peak of 3.19% to close at 3.15%, only 1 bp lower compared to the previous day. **Crude oil prices were hammered**, paring off previous week's gains after OPEC trimmed its forecast for growth of global oil demand, while separately the EIA reported larger-than-expected build-up in US crude oil inventories. **MAS announced this morning its decision to tighten monetary policy for the second time in 2018 by raising 'slightly' the slope of its policy band.**
- **US CPI softened to increase 2.3% YOY in September as expected while core CPI was unchanged at 2.2% YOY suggesting that the US does not have an inflation problem which could lead the Fed to raise rate at a much faster pace.** Initial jobless claims rose by 7k to 214 last week as the labour market continued to tighten. **Singapore advanced estimate of 3Q GDP growth slowed less than expected**, clocking in at 2.6% YOY while growth for 2Q was revised from 3.9% to 4.1% YOY. New Zealand Performance of Manufacturing PMI fell to 51.7 in September. **At home, Malaysia industrial production growth softened to 2.2% YOY in August.**
- **USD weakened against all G10s** and the DXY ended 0.51% lower at 95.07 after tumbling in early Asian, European, and US sessions amid receding expectations on the Fed to continue its policy tightening path following losses in equities. **Stay bearish on USD** as softer than expected CPI and continued sell-off in the markets are likely to still dampen expectations on the Fed to stay on its tightening path. DXY remains in a bearish trend; it is now poised to test (and likely to lose) 94.98 level, which would push it lower to circa 94.70 – 94.80. Rebounds, if any, are capped at 95.18 – 95.20.
- **MYR weakened 0.17% to 4.1585 against USD** and fell against 8 G10s as sell-off in the markets continue to weigh down buying interest. **MYR remains neutral against USD**, with room for slight gains in the event the greenback extends its recent downsidings in European session. Hovering below 4.1555 has nullified USDMYR's bearish trend but a bullish one has yet to emerge. Meantime, we expect USDMYR to be slightly tilted to the downside in accordance to current momentum and losing of key level at opening.
- **SGD advanced against 0.51% to 1.3764 against a soft USD** but ended mixed against the G10s. **We maintain a slightly bullish view on SGD against a soft USD**, further supported upbeat Singapore GDP and policy tightening by MAS. Technically, USDSGD is still showing indications of further decline after losing 1.3793. We expect USDSGD to be heading to 1.3730 next, below which 1.3700 – 1.3712 will be threatened.

Overnight Economic Data

Malaysia	↓
US	→
Singapore	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US Import Price Index, U. of Mich. Sentiment
- Eurozone Industrial Production, Trade Balance
- China Exports
- Singapore Retail Sales
- Australia Home Loans, Investment Lending

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1563	1.1574	1.1594	1.1608	1.1623	↗
USDJPY	1.3203	1.3215	1.3236	1.3250	1.3275	↗
GBPUSD	111.82	112.00	112.19	112.27	112.46	↘
AUDUSD	0.7100	0.7120	0.7127	0.7140	0.7150	↗
EURGBP	0.8730	0.8750	0.8760	0.8770	0.8785	↗
USDMYR	4.1500	4.1519	4.1540	4.1555	4.1570	↘
EURMYR	4.8130	4.8152	4.8172	4.8206	4.8250	↗
JPYMYR	3.6950	3.7000	3.7033	3.7063	3.7090	↗
GBPMYR	5.4985	5.5000	5.5008	5.5050	5.5068	↗
SGDMYR	3.0180	3.0200	3.0219	3.0240	3.0255	↗
AUDMYR	2.9566	2.9583	2.9599	2.9604	2.9630	↗
NZDMYR	2.7085	2.7105	2.7123	2.7150	2.7162	↗
USDSGD	1.3731	1.3742	1.3757	1.3765	1.3793	↘
EURSGD	1.5926	1.5940	1.5946	1.5954	1.5966	↗
GBPSGD	1.8150	1.8180	1.8207	1.8220	1.8255	↘
AUDSGD	0.9785	0.9793	0.9802	0.9810	0.9825	↗

* 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	1,708.49	-1.54	-4.92	CRB Index	196.63	-0.75	1.43
Dow Jones Ind.	25,052.83	-2.13	1.35	WTI oil (\$/bbl)	70.97	-3.01	17.46
S&P 500	2,728.37	-2.06	2.05	Brent oil (\$/bbl)	80.26	-3.41	20.02
FTSE 100	7,006.93	-1.94	-8.85	Gold (\$/oz)	1,224.09	2.45	8.10
Shanghai	2,583.46	-5.22	-21.88	CPO (RM/tonne)	2,087.50	-0.07	-12.66
Hang Seng	25,266.37	-3.54	-15.55	Copper (\$/tonne)	6,242.00	0.05	-13.87
STI	3,047.39	-2.69	-10.45	Rubber (sen/kg)	404.50	-0.86	-12.54

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Industrial Production YOY	Aug	2.2%	2.6%	2.3%
US CPI YOY	Sep	2.3%	2.7%	2.4%
US CPI Ex Food and Energy YOY	Sep	2.2%	2.2%	2.3%
US Initial Jobless Claims	Oct-06	214k	207k	207k
SG GDP YOY	3QA	2.6%	4.1% (revised)	2.4%
NZ BusinessNZ Manufacturing PMI	Sep	51.7	52.0	--

Source: Bloomberg

➤ Macroeconomics

- US inflation pulled back on slower gain in energy prices; core inflation held unchanged:** CPI eased to a 2.3% YOY growth in September (Aug: +2.7%) as prices of energy rose at a slower pace of 4.8% YOY (Aug: +10.2%) while gain in food prices were held steady at 1.4% YOY (Aug: +1.4%). Excluding these two categories, core inflation continued to rise steadily by 2.2% YOY (Aug: +2.2%) as the faster gains in prices of new vehicles, alcoholic beverages, transportation services and medical care services were offset by a decline in prices of used cars & trucks as well as the slower growth in prices of shelter and tobacco & smoking products. September print confirmed that inflationary pressure was not building at a worryingly quicker pace in the US economy which may have led the Fed to hike rate faster than expected. The slower September print was mainly due to the unusually higher base index for energy in September last year which normalized in the following month. We continued to believe that inflation will rise consistently for the rest of the year as the gains in prices of food and services are unlikely to be as volatile as that of energy prices thus reaffirming our view that the Fed will raise fed funds rate for one more time in December this year.
- US labour market continued to tighten as jobless claims stayed low :** Initial jobless claims rose by 7k to 214k for the week ended 6 October (previous: 207k) bringing the four-week moving average to 209.5k (previous: 207k) while continuous claims increased to 1,660k for the week ended 29 September (previous: 1,656k revised). Both claims number remained low compared to historical standards, confirming that the US labour market continued to tighten amidst this period of robust economic growth.
- MAS tightened monetary policy; Singapore 3Q GDP growth slowed as expected, but beat estimates:** The Monetary Authority of Singapore announced in its biannually released statement that it has decided to increase the slope of its S\$NEER policy band with the width of the policy band and the level at which it is centred remained unchanged, marking its second time of policy tightening in 2018. The central bank has increased the policy band slope from the previous zero percent in April this year. The announcement was also accompanied by the simultaneous but separate release of the advanced reading of Singapore 3Q GDP growth which clocked in at a slower 2.6% YOY (2Q: +4.1% revised). The release was rather upbeat as it came above a Bloomberg consensus estimate of 2.4% YOY while growth for the second quarter was also revised from 3.9% YOY to 4.1% YOY. MAS said that the economy has evolved as expected, and likely to slow at a steady pace for the rest of 2018 and in 2019. It mentioned the waning of the manufacturing sector in terms of its contribution to GDP growth reflecting the maturing of the global electronic cycles. The central bank is projecting GDP growth to come within the upper half of the 2.5–3.5% forecast range in 2018 and moderate slightly in 2019. As for inflation, it is looking at imported inflation to increase on higher global oil and food prices but nonetheless the extent of said increases will be restrained by greater market competitions in several consumer segments. MAS core inflation is expected to gain further to around 2% in the months ahead and to a range of 1.5-2.0% for 2018 and 1.5–2.5% for 2019.
- New Zealand manufacturing activities seen slowing down:** The Business NZ Performance of Manufacturing PMI fell to 51.7 in September (Aug: 52.0) signalling a further softening of the country's manufacturing growth. Production was seen contracting (49.6 vs 52.5) following a rebound in the previous month while new orders slowed (52.4 vs 53.1). However business expanded hiring as employment went up following a decline in August (50.5 vs 49.0).

- Malaysia saw continued moderate gain in IPI:** Industrial production continued to expand but at a slower pace of 2.2% YOY in August as expected (Jul: +2.6% YOY) as a result of slower increase in manufacturing and electricity production while mining output saw smaller decline for the 2nd straight month. Manufacturing and electricity IPI grew 4.3% and 4.0% YOY respectively while mining production fell 4.6% YOY, as both LNG and crude oil extended their declines. Within the manufacturing sector, slower growth was led mainly by the export-oriented sectors, reflecting holdback amid uncertainties over ongoing trade tension while domestic-oriented production was a little mixed. From a global perspective, PMI manufacturing index exhibited continued softening bias, and eased for a 5th straight month in September, to its lowest since Nov-16. This reinforced our view that global demand is by and large moderating although individual countries still showed mixed performance – lower in the US, EU, China, Taiwan, Indonesia; higher in the UK, Australia, Singapore, South Korea, Malaysia; and flat in Japan. We remain less sanguine over growth prospects in 2H of the year in anticipation of a less favourable external environment in the wake of protracted trade spats between the US and China with the kicking-in of higher tariffs since early July and subsequently in August and September. However, overall growth will remain supported by domestic consumption as tax holidays back home could keep consumer spending supported in 3Q, somewhat cushioning the impact from lower investment. We continue to expect the Malaysian economy to expand at a slower pace of 4.4% in 2018 (2017: +5.9%), below BNM's revised growth forecast of 5.0% for the year.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
12/10	US	Import Price Index MOM	Sep	0.2%	-0.6%	--
		U. of Mich. Sentiment	Oct P	100.5	100.1	--
15/10		Retail Sales Advance MoM	Sep	0.7%	0.1%	--
		Empire Manufacturing	Oct	20.5	19.0	--
12/10	Eurozone	Industrial Production SA MOM	Aug	0.5%	-0.8%	--
		Trade Balance SA	Sep	--	12.8b	--
15/10	UK	Rightmove House Prices MoM	Oct	--	0.7%	--
15/10	Japan	Industrial Production YoY	Aug F	--	0.6%	--
12/10	China	Trade Balance	Sep	-¥52.8b	-¥444.6b	-¥438.4b
		Imports YoY	Sep	13.8%	15.4%	15.3%
		Exports YoY	Sep	2.4%	6.6%	--
12/10	Singapore	Retail Sales YOY	Aug	-1.3%	-2.6%	--
12/10	Australia	Home Loans MOM	Aug	-1.0%	0.4%	--
		Investment Lending	Aug	--	-1.3%	--
		Owner-Occupier Loan Value MOM	Aug	--	1.3%	--

Source: Bloomberg

Forex

Name	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1593	0.63	1.1599	1.1520	-3.45
GBPUSD	1.3230	0.26	1.3247	1.3182	-2.08
USDJPY	112.16	-0.10	112.53	111.83	-0.51
AUDUSD	0.7124	0.98	0.7129	0.7046	-8.78
EURGBP	0.8763	0.35	0.8773	0.8729	-1.36
USDMYR	4.1585	0.17	4.1605	4.1500	2.77
EURMYR	4.8068	0.78	4.8131	4.7873	-0.86
JPYMYR	3.7052	1.01	3.7133	3.6997	3.06
GBPMYR	5.4867	0.57	5.5068	5.4804	0.42
SGDMYR	3.0106	0.26	3.0111	3.0012	-0.61
AUDMYR	2.9474	0.11	2.9495	2.9324	-6.78
NZDMYR	2.6957	0.54	2.6967	2.6817	-6.39
CHFMYR	4.2055	0.57	4.2193	4.2000	1.36
CNYMYR	0.6003	0.05	0.6006	0.5998	-3.45
HKDMYR	0.5308	0.17	0.5309	0.5297	2.49
USDSGD	1.3764	-0.51	1.3839	1.3764	3.02
EURSGD	1.5958	0.13	1.5997	1.5925	-0.61
GBPSGD	1.8212	-0.24	1.8308	1.8180	0.77
AUDSGD	0.9805	0.45	0.9823	0.9749	-6.10

Source: Bloomberg

MYR

- **MYR weakened 0.17% to 4.1585 against USD** and fell against 8 G10s as sell-off in the markets continue to weigh down buying interest.
- **MYR remains neutral against USD**, with room for slight gains in the event the greenback extends its recent downsides in European session. Hovering below 4.1555 has nullified USDMYR's bearish trend but a bullish one has yet to emerge. Meantime, we expect USDMYR to be slightly tilted to the downside in accordance to current momentum and losing of key level at opening.

USD

- **USD weakened against all G10s** and the DXY ended 0.51% lower at 95.07 after tumbling in early Asian, European, and US sessions amid receding expectations on the Fed to continue its policy tightening path following losses in equities.
- **Stay bearish on USD** as softer than expected CPI and continued sell-off in the markets are likely to still dampen expectations on the Fed to stay on its tightening path. DXY remains in a bearish trend; it is now poised to test (and likely to lose) 94.98 level, which would push it lower to circa 94.70 – 94.80. Rebounds, if any, are capped at 95.18 – 95.20.

EUR

- **EUR jumped 0.63% to 1.1593 against USD** and rose against 6 G10s as markets attention was diverted from lingering Italian concerns to sell-off in global markets.
- **Continue to expect a bullish EUR against a weak USD**, but losses will quickly prevail if Italian concerns escalate. A bullish trend prevails; EURUSD is now headed for 1.1623, above which bulls will accelerate and pose a challenge to 1.1660 – 1.1685 range. But caution that losing 1.1574 will deter the bulls and trigger potential losses to circa 1.1546.

GBP

- **GBP climbed 0.26% to 1.3230 against a soft USD** but fell against 6 G10s as Brexit sentiment ebbed amid lack of new catalysts / headlines.
- **Maintain a bullish view on GBP against a soft USD** but caution that any emergence of negative Brexit headlines would swiftly push GBP into losses. GBPUSD now needs to break above 1.3236 to find the strength needed to push higher to 1.3267. Still, we continue to raise caution that current uptrend could be ended by a rejection near 1.3277 – 1.3298.

JPY

- **JPY inched 0.1% firmer to 112.16 against a soft USD** but unexpectedly retreated against 8 G10s despite extended sell-off in equities.
- **JPY is expected to remain bullish against USD** amid likelihood of continually weak market sentiment. USDJPY remains in a bearish trend. We now expect USDJPY to break below 112.10, after which a drop to 111.47 – 111.55 will be exposed.

AUD

- **AUD surged 0.98% to 0.7124 against a soft USD** and advanced against 7 G10s, supported by relatively firmer commodities.
- **AUD remains slightly bullish on the back of a soft USD**, though gains may be modest given prevailing risk-off sentiment in the markets. AUDUSD bullish trend has strengthened after breaking above 0.7100. We still set sights on a test at 0.7131, above which 0.7160 – 0.7178 will be eyed. Losing 0.7100 will again entice the bears that are still lurking.

SGD

- **SGD advanced against 0.51% to 1.3764 against a soft USD** but ended mixed against the G10s.
- **We maintain a slightly bullish view on SGD against a soft USD**, further supported upbeat Singapore GDP and policy tightening by MAS. Technically, USDSGD is still showing indications of further decline after losing 1.3793. We expect USDSGD to be headed to 1.3730 next, below which 1.3700 – 1.3712 will be threatened.

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