

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks rallied overnight on upbeat third quarter earnings and better than expected economic data.** US industrial production beat expectations to rise 0.3% MOM in September, the number of jobs openings also surpassed estimations while homebuilders confidence ticked up. All major benchmark posted impressive gains - The Dow, S&P 500 and NASDAQ rose 2.17%, 2.15% and 2.89% respectively. Meanwhile, WTI gained 0.2% to close at \$71.92 after API reported larger than expected drawdown in US crude inventories. Latest data released by the Treasury Department shows that China trimmed its treasuries holding for the third consecutive month from \$1.171 trillion in July to \$1.165 trillion in August. 10Y treasuries yield was virtually unchanged at 3.16%.
- **Overall economic releases across the US, EU, UK and China were a mixed bag.** US industrial production moderated less than expected while NAHB housing market index staged a surprised uptick. Eurozone trade balance widened to €16.5b in August as exports rebounded while the ZEW Investor Survey dipped to a more than 6-year low of -19.4. UK regular wage growth surged 3.1%, number of jobs fell by 5k due to the drop in part time jobs while unemployment rate stayed at 4.0%. China CPI rose 2.5% YOY while PPI eased to 3.6% YOY in September. Australia leading index fell 0.6%, its 6-month annualized growth rebounded to 0.21%. **RBA minutes reaffirmed no plans for adjustment in monetary policy in the near term.**
- **USD ended lower against 6 G10s** but not before narrowing early losses, spurred by firmer sentiment in the US amid rebound in equities and better than expected US data. DXY was down 0.01% at 95.04 after bouncing off intraday lows to narrow losses. **We stay bearish on DXY** in anticipation of softer buying interest as sentiment recovers in Europe and a lack of positive catalysts to drive further gains. Unless DXY beats 95.25 by tomorrow, it will remain in a tug-of-war between the bears and bulls. Its immediate direction is likely down given deepening downside momentum and caution that losing 95.04 will expose a move to circa 94.77 – 94.87.
- **MYR inched 0.05% firmer to 4.1530 against USD** that slipped through Asian session but fell against 6 G10s. **MYR remains neutral against USD**, with room for slight gains in the event the greenback extends its recent downsides in European session. A mild bearish trend has just emerged and must continue holding below 4.1540 to sustain it. USDMYR is tilted to the downside, with scope to test 4.1450 in the next leg lower.
- **SGD strengthened 0.13% to 1.3750 against USD**, supported by firmer market sentiment and ended mixed against the G10s. **We maintain a slightly bullish view on SGD against a soft USD**, further supported by firmer risk appetite in the markets. USDSGD continues to threaten the downside. Expect a drop to circa 1.3726 in the next leg lower, below which 1.3700 will be tested.

#### Overnight Economic Data

US	↑
Eurozone	→
UK	→
China	→
Australia	↓

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications, Housing Starts, Building Permits
- Eurozone Construction Output, CPI
- UK CPI, PPI Output
- Singapore Non-oil Domestic Exports

##### Major Events

- FOMC minutes

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1550	1.1563	1.1578	1.1585	1.1603	↗
USDJPY	1.3167	1.3180	1.3191	1.3201	1.3216	↗
GBPUSD	112.04	112.26	112.38	112.50	112.64	↗
AUDUSD	0.7118	0.7131	0.7140	0.7151	0.7165	↗
EURGBP	0.8752	0.8771	0.8779	0.8785	0.8802	↗
USDMYR	4.1480	4.1500	4.1510	4.1525	4.1540	→
EURMYR	4.7986	4.8009	4.8049	4.8098	4.8138	↗
JPYMYR	3.6900	3.6916	3.6932	3.6952	3.7006	↘
GBPMYR	5.4654	5.4708	5.4734	5.4804	5.4855	→
SGDMYR	3.0180	3.0200	3.0210	3.0217	3.0247	↗
AUDMYR	2.9585	2.9618	2.9634	2.9664	2.9698	↗
NZDMYR	2.7315	2.7344	2.7358	2.7386	2.7395	↗
USDSGD	1.3726	1.3734	1.3640	1.3742	1.352	↘
EURSGD	1.5888	1.5894	1.5905	1.5907	1.5926	↘
GBPSGD	1.8083	1.8108	1.8118	1.8140	1.8161	↘
AUDSGD	0.9789	0.9800	0.9809	0.9823	0.9831	↗

\* 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	1,736.84	0.47	-3.34	CRB Index	199.72	-0.01	3.02
Dow Jones Ind.	25,798.42	2.17	4.37	WTI oil (\$/bbl)	71.92	0.20	19.03
S&P 500	2,809.92	2.15	5.10	Brent oil (\$/bbl)	81.41	0.78	21.74
FTSE 100	7,059.40	0.43	-8.17	Gold (\$/oz)	1,224.95	-0.17	8.10
Shanghai	2,546.33	-0.85	-23.01	CPO (RM/tonne)	2,087.00	0.14	-12.68
Hang Seng	25,462.26	0.07	-14.90	Copper (\$/tonne)	6,215.00	-1.36	-14.24
STI	3,034.31	-0.38	-10.83	Rubber (sen/kg)	407.50	1.12	-11.89

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US Industrial Production MOM	Sep	0.3%	0.4% (revised)	0.2%
US Capacity Utilization	Sep	78.1%	78.1%	78.2%
US NAHB Housing Market Index	Oct	68.0	67.0	66.0
EU Trade Balance SA	Aug	€16.6b	€12.6b (revised)	€14.7b
EU ZEW Survey Expectations	Oct	-19.4	-7.2	--
UK Jobless Claims Change	Sep	18.5k	14.2k (revised)	--
UK Average Weekly Earnings 3M/YoY	Aug	2.7%	2.6%	2.6%
UK Weekly Earnings ex. Bonus 3M/YoY	Aug	3.1%	2.9%	2.9%
UK ILO Unemployment Rate 3Mths	Aug	4.0%	4.0%	4.0%
UK Employment Change 3M/3M	Aug	-5k	3.0k	15.0k
CH PPI YOY	Sep	3.6%	4.1%	3.5%
CH CPI YOY	Sep	2.5%	2.3%	2.5%
AU Westpac Leading Index	Sep	-0.06%	0.03% (revised)	--

Source: Bloomberg

## ➤ Macroeconomics

- US industrial production dented slightly by hurricane; homebuilders confidence improved:** Industrial production beat expectations to rise 0.3% MOM in September (Aug: +0.4% revised), but growth was slower compared to last month as hurricane Florence caused minor disruption to productions - manufacturing output saw a minor pullback (+0.2% vs +0.3%) supported by motor vehicles and parts, mining output ticked up (+0.5% vs +0.4%) whereas utilities output were held flat (0.0% vs +1.1%). Capacity utilisation remained unchanged at 78.1% in September. September print was largely in line with the ISM manufacturing index and the overall manufacturing sector is expected to stay solid throughout 2018. Meanwhile the NAHB housing market index rose 1 point to 68.0 in October (Sep: 67.0) signalling an improvement in sentiments of builders of single family homes. The higher confidence level was driven by solid housing demand which is fuelled by a growing economy and low unemployment. Cost of lumbars have also levelled off for three straight months from the elevated levels earlier this summer. That said, ongoing price and interest increase have made housing affordability a challenge and remained a major concerns for homebuilders.
- Eurozone trade balance widened; investor sentiments deteriorated:** Trade balance widened to €16.5b in August (Jul: €12.6b revised) as exports rebounded to increase 2.1% MOM (Jul: -1.0%) while imports contracted by 0.1% (Jul: +1.1%). The ZEW Survey for Expectations of Economic Growth meanwhile dipped to a more than 6-year low of -19.4 in October (Sep: -7.2) reflecting concerns over ongoing uncertainty surrounding the Italian government 2019 budget approval.
- UK regular wage growth accelerated to the fastest pace in almost a decade:** Job report released yesterday shows that the average weekly earnings rose 2.7% YOY in the three months to August (Jul: +2.6%) while earnings excluding bonus surged by 3.1% YOY (Aug: +2.9%), the level last seen during January 2009 suggesting that the tightening labour market finally provided a boost to wage growth. The number of jobs however declined by 5k in the three months to August (Jul: +3.0k) driven primarily by the contraction in part time jobs and was a minor issue in our view given the data's tendency for wild swings. Unemployment rate remained unchanged at 43-year low of 4.0%. Meanwhile, the number of jobless claims rose to 18.5k in September (Aug: 14.2k). Overall job report suggests that the UK economy remained in broad strength and continued to operate with little slack.
- China inflation rose to 7-month high:** Consumer prices rose 2.5% YOY in September (Aug: +2.3%), the highest since February this year when the country celebrated the Lunar New Year, driven mainly the surge in prices of food (+3.6% vs +1.7%) as growth in prices of non-food softened (+2.2% vs +2.5%). Within food, prices of vegetable (+14.6% vs +4.3%), fruits (+10.2% vs +5.5%) accelerated while that of poultry fell due to the decline in prices of pork, a Chinese household preferred choice of meat (-2.4% vs -4.9%), albeit at a slower pace this month. The continuous climb in fuel prices (+20.8% vs +19.4%) also contributed to a higher headline inflation. Consumer inflation in China remained below the PBOC target of 3% and with the gain in producer prices eased to a 5-month low of 3.6% YOY in September (Aug: +4.1%), consumer prices might ease in the coming months as suggested by PBOC governor Yi Gang last weekend at the IMF and World Bank Meeting in Bali.
- Australia leading index rebounded... signalling slightly better growth to economy:** The Westpac Leading Index, a gauge of growth for the next six to nine months fell 0.06% to 97.86 in September (Aug: 97.92) while the 6-month annualized growth rate rebounded to a modest 0.21% (Aug: -0.02%), still below the average rate of 0.89% seen in the period of October 2017 to April this year, suggesting only a slight improvement in Australia's economic growth.

- RBA meeting minutes reaffirmed next rate movement to be up, but no change in the near term:** The RBA released its October meeting minute today reiterating that the next movement in cash rate would most likely to be an increase rather than a decrease, with no strong case for a near-term adjustment in monetary policy. The central bank noted the above trend GDP growth in Australia's trading partners and expected global growth to remain solid over the following couple of years. Data from China were mixed suggesting subdued economic activity in some sectors. Strong demand (from China) and supply disruptions helped drove up the prices of iron ore and coking coal. At the domestic end, recent data had pointed to further solid growth in the third quarter albeit moderating a little from the strong rates in 1H but the central bank was uncertain over how consumption could pan out in the face of an extended period of low income growth and (or) declining housing prices. Housing market conditions continued to ease gradually, as the decline in (housing) prices have become more widespread in both Sydney and Melbourne in recent months. Public investment would remain high over the new couple of years. Employment growth would exceed population growth in coming months resulting in further gradual absorption of spare capacity in the labour market, but wage growth remained weak. Development in international trade policy remained a source of uncertainty, but elevated energy and bulk commodity prices had supported Australia's terms of trade.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
17/10	US	MBA Mortgage Applications	Oct-12	--	-1.7%	--
		Housing Starts MOM	Sep	-5.6%	9.2%	--
		Building Permits MOM	Sep	2.0%	-5.7%	-4.1%
18/10		FOMC Meeting Minutes	Sep-26	--	--	--
		Philadelphia Fed Business Outlook	Oct	20.0	22.9	--
		Initial Jobless Claims	Oct-13	--	--	--
		Leading Index	Sep	0.5%	0.4%	--
17/10	Eurozone	Construction Output MOM	Aug	--	0.3%	--
		CPI Core YOY	Sep F	0.9%	0.9%	--
		CPI YOY	Sep F	2.1%	2.0%	2.0%
17/10	UK	CPI YOY	Sep	2.6%	2.7%	--
		Core CPI YOY	Sep	2.0%	2.1%	--
		PPI Output NSA YOY	Sep	2.9%	2.9%	--
18/10		Retail Sales Inc Auto Fuel MoM	Sep	-0.4%	0.3%	--
18/10		Trade Balance	Sep	¥45.1b	¥438.4b	
		Exports YoY	Sep	2.1%	6.6%	--
		Imports YoY	Sep	13.7%	15.4%	15.3%
		Non-oil Domestic Exports YOY	Sep	11.1%	5.0%	--
17/10	Singapore	Non-oil Domestic Exports YOY	Sep	11.1%	5.0%	--
18/10	Australia	Employment Change	Sep	15.0k	44.0k	--
		Unemployment Rate	Sep	5.3%	5.3%	--
		Participation Rate	Sep	65.7%	65.7%	--
		NAB Business Confidence	3Q	--	7	--

Source: Bloomberg

## Forex

Name	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1574	-0.04	1.1621	1.1566	-3.58
GBPUSD	1.3181	0.22	1.3236	1.3141	2.43
USDJPY	112.25	0.43	112.34	111.73	-0.31
AUDUSD	0.7141	0.15	0.7151	0.7112	-8.59
EURGBP	0.8779	-0.28	0.8813	0.8753	-1.15
USDMYR	4.1530	-0.05	4.1565	4.1500	2.63
EURMYR	4.8061	-0.17	4.8168	4.8009	-0.87
JPYMYR	3.7041	-0.50	3.7166	3.7016	3.03
GBPMYR	5.4816	0.41	5.4862	5.4556	0.33
SGDMYR	3.0171	-0.02	3.0217	3.0118	-0.39
AUDMYR	2.9576	-0.28	2.9666	2.9544	-6.46
NZDMYR	2.7306	0.56	2.7344	2.7242	-5.18
CHFMYR	4.2058	0.09	4.2113	4.1926	1.37
CNYMYR	0.6003	0.02	0.6004	0.5993	-3.45
HKDMYR	0.5299	-0.08	0.5303	0.5295	2.32
USDSGD	1.3750	-0.13	1.3781	1.3730	2.87
EURSGD	1.5915	-0.17	1.5967	1.5900	-0.90
GBPSGD	1.8124	0.09	1.8200	1.8083	0.25
AUDSGD	0.9818	0.01	0.9832	0.9797	-6.04

Source: Bloomberg

### MYR

- **MYR inched 0.05% firmer to 4.1530 against USD** that slipped through Asian session but fell against 6 G10s.
- **MYR remains neutral against USD**, with room for slight gains in the event the greenback extends its recent downsides in European session. A mild bearish trend has just emerged and must continue holding below 4.1540 to sustain it. USDMYR is tilted to the downside, with scope to test 4.1450 in the next leg lower.

### USD

- **USD ended lower against 6 G10s** but not before narrowing early losses, spurred by firmer sentiment in the US amid rebound in equities and better than expected US data. DXY was down 0.01% at 95.04 after bouncing off intraday lows to narrow losses.
- **We stay bearish on DXY** in anticipation of softer buying interest as sentiment recovers in Europe and a lack of positive catalysts to drive further gains. Unless DXY beats 95.25 by tomorrow, it will remain in a tug-of-war between the bears and bulls. Its immediate direction is likely down given deepening downside momentum and caution that losing 95.04 will expose a move to circa 94.77 – 94.87.

### EUR

- **EUR dipped 0.04% to 1.1574 against USD**, overturning early gains amid easing Italian woes, and ended lower against 6 G10s.
- **Continue to expect a bullish EUR against USD**, supported by continued easing concerns over Italian fiscal health. A surprise pick-up in Eurozone CPI will rally EUR. EURUSD trend remains unclear if it stays within 1.1560 – 1.1593, but current momentum is biased to the upside. As such, we set sights on a test at 1.1585 – 1.1590 next, above which 1.1603 will be challenged. Caution that losing 1.1560 will set a course for 1.1526.

### GBP

- **GBP climbed 0.22% to 1.3181 against USD** and bested 6 G10s on the back of better than expected UK labour market data.
- **GBP is slightly bullish against USD**, tilted to the upside by recent upticks in UK data, but overall performance will be reliant on Brexit headlines going forward. GBPUSD is also trapped between the bulls and bears, needing to hold above 1.3153 by tomorrow to sustain a mild upward direction. In any case, even as GBPUSD takes aim higher, risks of rejection will increase approaching 1.3216, 1.3230 and 1.3258.

### JPY

- **JPY weakened 0.43% to 112.25 against USD** and fell against all G10s as market sentiment improved amid better than expected US corporate earnings.
- **We turn slightly bearish on JPY against USD** as risk appetite recovers, dampening demand for refuge. It appears that USDJPY is attempting to extend its recent bounce off 117.70. Expect a test at 112.74 – 112.86 in the next leg higher, but we are currently doubtful on the sustainability of this bounce.

### AUD

- **AUD rose 0.15% to 0.7141 against USD** and advanced against 5 G10s, supported by firmer market sentiment.
- **AUD remains slightly bullish against USD**, supported by firmer risk appetite in the markets. AUDUSD bullish trend sustains and is taking aim at 0.7165 – 0.7178, though the path to this range will be gradual. Losses, if any, are likely repelled by 0.7118.

### SGD

- **SGD strengthened 0.13% to 1.3750 against USD**, supported by firmer market sentiment and ended mixed against the G10s.
- **We maintain a slightly bullish view on SGD against a soft USD**, further supported by firmer risk appetite in the markets. USDSGD continues to threaten the downside. Expect a drop to circa 1.3726 in the next leg lower, below which 1.3700 will be tested.

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