September 18, 2018

Global Markets Research
Daily Market Highlights

Key Takeaways

- **Stock markets in the US ended in the red overnight on escalation of trade tension**. The VIX Index, Wall Street's volatility gauge rose 13.3%. Finally after the closing bell, **President Trump announced that the US will impose 10% of tariffs on $200b worth of Chinese goods effective 24 Sept.** The Dow, S&P 500 and NASDAQ fell 0.35%, 0.56% and 1.43% respectively. WTI edged lower to $68.91/barrel on worry over weakening demand (due to trade war) but losses were limited as the impending US sanction on Iran might lead to a tightening of supply. Yield on 10Y treasuries yield lost 1bp to 2.99%.

- **At the data front, the New York Fed Empire Manufacturing index fell** to 19.0 in September indicating a slower expansion of the manufacturing sector in the state of New York. The final reading of the **Eurozone August HICP inflation rate was unrevised at 2.0% YOY**, similarly the core inflation rate remained the same at 1.0%. UK house prices saw minor recovery as the **Rightmove House Price Index rebounded to increase 0.7% MOM. Singapore non-oil domestic exports eased to a much slower 5.0% YOY growth** reflecting slower external demand.

- **USD weakened against 9 G10s** while the DXY tumbled through European trading to close 0.45% lower at 94.49 as it gave back the spike a day before. **Expect a mildly bullish USD**, supported by fresh concerns that US-China trade disputes could escalate. However, we caution that markets may start to weigh in on potential slowdown of the US economy caused by current trade developments, limiting USD upsides. Technically, DXY is already undergoing a minor bearish trend. Unless DXY closes above 94.80 today, we will set sights on a drop below 94.49 before the week is out.

- **MYR gained 0.14% to 4.1385 against a soft USD** last Friday but slipped against 6 G10s that were firmer on a soft greenback. **MYR is neutral against USD** in our view but is inclined to minor losses as risk-off sentiment takes hold in the markets. Technically, USDMYR continues to exhibit a lack of upside momentum despite being elevated. Unless USDMYR re-takes above 4.1500, further loss of upside momentum is likely to soon tilt it lower.

- **SGD climbed 0.16% to 1.3720 against a soft USD** but retreated against 7 G10s. **Expect a bearish SGD against USD** on trade concerns. A minor bullish trend has just emerged, tilting USDSGD upwards. As long as this trend holds, USDSGD is likely to test 1.3763 next, above which 1.3785 will be targeted.

Overnight Economic Data

US	↓
Eurozone	↓
UK	↑
Singapore	↓

What's Coming Up Next

Major Data
- US NAHB Housing Market Index
- Hong Kong Unemployment Rate
- Japan Trade Balance, Exports

Major Events
- RBA Sept. Meeting Minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1631	1.1650	1.1674	1.1690	1.1700	↘
USDJPY	1.3129	1.3143	1.3147	1.3165	1.3172	↗
GBPUSD	111.64	111.71	111.78	111.92	112.05	↘
AUDUSD	0.7140	0.7157	0.7161	0.7167	0.7180	↘
EURGBP	0.8865	0.8874	0.8881	0.8890	0.8893	↘
USDMYR	4.1408	4.1430	4.1452	4.1475	4.1500	→
EURMYR	4.8350	4.8370	4.8393	4.8421	4.8450	↘
JPYMYR	3.7053	3.7061	3.7084	3.7125	3.7160	↗
GBPMYR	5.4420	5.4450	5.4482	5.4500	5.4545	↗
SGDMYR	3.0132	3.0147	3.0157	3.0166	3.0174	↘
AUDMYR	2.9650	2.9670	2.9688	2.9720	2.9731	↘
NZDMYR	2.7154	2.7197	2.7234	2.7257	2.7278	↘
USDSGD	1.3713	1.3740	1.3747	1.3763	1.3785	↗
EURSGD	1.6024	1.6040	1.6046	1.6061	1.6080	↗
GBPSGD	1.8030	1.8050	1.8067	1.8080	1.8100	↗
AUDSGD	0.9825	0.9836	0.9849	0.9862	0.9872	↗

* 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*	1,803.76	0.62	0.39	CRB Index	189.64	-0.44	-2.18
Dow Jones Ind.	26,062.12	-0.35	5.43	WTI oil ($/bbl)	68.91	-0.12	14.05
S&P 500	2,888.80	-0.56	8.05	Brent oil ($/bbl)	78.05	-0.05	21.59
FTSE 100	7,302.10	-0.03	-5.02	Gold (S/oz)	1,201.46	0.55	-8.10
Shanghai	2,651.79	-1.11	-19.82	CPO (RM/tonne)*	2,210.00	0.02	-7.53
Hang Seng	26,932.85	-1.30	-9.98	Copper ($/tonne)	5,945.00	-0.47	-17.97
STI	3,141.40	-0.63	-7.69	Rubber (sen/kg)	416.00	0.60	-10.05

Source: Bloomberg
**Last price for 14 Sep.*

Economic Data				
	For	Actual	Last	Survey
US Empire Manufacturing	Sep	19.0	25.6	23.0
EU CPI Core YOY	Aug F	1.0%	1.1%	1.0%
EU CPI YOY	Aug F	2.0%	2.1%	2.0%
UK Rightmove House Prices MOM	Sep	0.7%	-2.3%	--
SG Non-oil Domestic Exports YOY	Aug	5.0%	11.0% (revised)	3.9%

Source: Bloomberg

➢ Macroeconomics

- ***US New York state manufacturing sector continued to expand***: According to the latest New York Fed Empire State Manufacturing Survey, the general business conditions index fell to 19.0 in September (Aug: 25.6) indicating an expansion in the manufacturing sector albeit at a much slower pace compared to the previous month. New orders eased slightly to 16.5 (Aug: 17.1) while shipments fell to 14.3 (25.7). Prices paid inched higher to 46.3 (Aug: 45.2) suggesting higher cost of input and continuous build-up of inflationary pressure at factory level. This however did not lead firms to charge higher prices as the prices received index fell to 16.3 (Aug: 20.0). Employment strengthened as the index for number of employees went up to 13.3 (Aug: 13.1) while their working capacity improved considerably as well given that the average employee workweek index rose to 11.5 (Aug: 8.9). Firms remained moderately optimistic regarding outlook for next six months as the index for future business conditions fell to 30.3 (Aug: 34.8).

- ***Eurozone August final inflation remained unchanged:*** The final reading of the HICP inflation rate for August was left unrevised at 2.0% YOY (Jul: +2.1%). The increase in prices of energy softened to 9.2% YOY (July: +9.5%) while gain in prices of food, alcohol and tobacco softened to 2.4% (Jul: +2.5%). Excluding energy and food, alcohol & tobacco, the reading for underlying inflation remained the same as well at 1.0% YOY (Jul: +1.1%) as services inflation eased to 1.3% YOY (Jul: +1.4%). Inflation has shot up above the ECB's target of below 2% in recent months mainly on faster energy inflation as prices of Brent crude in euro term are relatively higher compared to a year ago. We continue to believe that the gain in energy prices will normalize given that oil prices are expected to hover around the current levels. This means that the base effect will wear off eventually and leads inflation to fall back nearing the ECB's target. The ECB has displayed a significant amount of confidence regarding its inflation outlook in its latest monetary policy statement, citing that "uncertainty around inflation is receding" and continues to project an annual inflation of 1.7% YOY for 2018.

- ***UK house prices recovered in September:*** UK house prices experienced a minor recovery according to the property website Rightmove. On a monthly basis, the house price index rebounded to increase 0.7% MOM in September (Aug: -2.3%) while on a yearly basis, prices rose 1.2% YOY (Aug: +1.1%) The average national asking price increased to £304.1k from £302.0k.

- ***Singapore August non-oil domestic exports saw a slower pick up:*** The growth in NODX eased to 5.0% YOY in August (Jul: +11.0% revised) as the growth in non-electronic exports (+7.8% vs +18.6%) offset the decline in electronic exports (-1.5% vs -5.8%). Growth in non-electronic products was driven by the gains in shipments of pharmaceuticals, food preparations and measuring instrument. NODX to the majority of the top 10 markets rose in the month, except for China, South Korea, Hong Kong and Japan. On a yearly basis, shipments to the US (+29.3% vs +33.7%) and the European Union (+14.1% vs +20.1%) continued to hold up albeit at a slower pace whereas shipments to China continued to decline (-17.8% vs -3.9%).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
19/09	Malaysia	CPI YOY	Aug	0.5%	0.9%	--
18/09	**US**	**NAHB Housing Market Index**	**Sep**	**66.0**	**67.0**	**--**
19/09		MBA Mortgage Applications	Sep-14	--	-1.8%	--
		Housing Starts MOM	Aug	5.7%	0.9%	--
		Building Permits MOM	Aug	0.5%	1.5%	0.9%
19/09	Eurozone	Construction Output Mo\OM	Jul	--	0.2%	--
19/09	UK	CPI YOY	Aug	2.4%	2.5%	--
		CPI Core YOY	Aug	1.8%	1.9%	--
		PPI Output NSA YOY	Aug	2.9%	3.1%	--
19/09	Japan	Trade Balance	Aug	-¥483.2b	-¥231.2b	-¥231.9b
		Exports YOY	Aug	5.2%	3.9%	--
		BOJ Policy Balance Rate	Sep-19	--	-0.1%	--
18/09	**Hong Kong**	**Unemployment Rate SA**	**Aug**	**2.8%**	**2.8%**	**--**
18/09	**Australia**	**RBA Sept. Meeting Minutes**				
19/09		Westpac Leading Index MOM	Aug	--	0.01%	--

Source: Bloomberg

➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1683	0.50	1.1698	1.1618	-2.75
GBPUSD	1.3157	0.68	1.3165	1.3058	-2.70
USDJPY	111.85	-0.19	112.12	111.76	-0.83
AUDUSD	0.7182	0.41	0.7196	0.7142	-8.41
EURGBP	0.8878	-0.19	0.8904	0.8876	-0.02
USDMYR	4.1385	-0.14	4.1430	4.1365	2.44
EURMYR	4.8421	0.55	4.8519	4.8376	-0.18
JPYMYR	3.7002	-0.51	3.705	3.6939	3.19
GBPMYR	5.4347	0.48	5.4394	5.4245	-0.25
SGDMYR	3.0238	0.05	3.0285	3.0201	-0.46
AUDMYR	2.9819	0.07	2.9869	2.9731	-6.24
NZDMYR	2.7273	0.34	2.7306	2.7206	-5.45
CHFMYR	4.2925	0.44	4.3005	4.2835	3.79
CNYMYR	0.6059	-0.13	0.6057	0.6045	-2.88
HKDMYR	0.5273	-0.19	0.5281	0.5272	2.03
USDSGD	1.3720	-0.16	1.3756	1.3706	2.91
EURSGD	1.6030	0.34	1.6039	1.5957	0.01
GBPSGD	1.8050	0.52	1.8058	1.7942	0.02
AUDSGD	0.9853	0.22	0.9867	0.9819	-5.82

Source: Bloomberg

MYR

- **MYR gained 0.14% to 4.1385 against a soft USD** last Friday but slipped against 6 G10s that were firmer on a soft greenback.
- **MYR is neutral against USD** in our view but is inclined to minor losses as risk-off sentiment takes hold in the markets. Technically, USDMYR continues to exhibit a lack of upside momentum despite being elevated. Unless USDMYR re-takes above 4.1500, further loss of upside momentum is likely to soon tilt it lower.

USD

- **USD weakened against 9 G10s** while the DXY tumbled through European trading to close 0.45% lower at 94.49 as it gave back the spike a day before.
- **Expect a mildly bullish USD**, supported by fresh concerns that US-China trade disputes could escalate. However, we caution that markets may start to weigh in on potential slowdown of the US economy caused by current trade developments, limiting USD upsides. Technically, DXY is already undergoing a minor bearish trend. Unless DXY closes above 94.80 today, we will set sights on a drop below 94.49 before the week is out.

EUR

- **EUR climbed 0.50% to 1.1683 against a soft USD** and strengthened against 5 G10s as risk appetite improved in European markets.
- **EUR is likely to turn slightly bearish against USD** as risk aversion arises in line with negative developments in US-China trade relations. Technically, EURUSD is still in a minor bullish trend until it breaks below 1.1626. As such, we opine that EURUSD is inclined to further gains going forward, with room to break 1.1700.

GBP

- **GBP** continues to be buoyed by firm Brexit sentiment, beating 7 G10s and **jumping 0.68% to 1.3157 against USD** amid expectations that the UK is closer to a post-Brexit agreement with the EU.
- **We expect a slightly bullish GBP against USD** amid continued support from positive Brexit sentiment as well as likelihood of renewed refuge demand within European markets. Upward momentum appears firm and likely to support GBPUSD gains for a couple of more days. But we caution that a move below 1.3129 will likely be the onset of an extended move to 1.3060 – 1.3070 in the next leg lower.

JPY

- **JPY** retreated against 7 G10s amid firmer risk appetite in the markets but **managed to advance 0.19% to 111.85 against a soft USD**.
- **JPY is bullish against USD** on the back of rising refuge demand in the markets. Contrastingly, technical viewpoint hints at potential break above 112.06 in the coming days unless USDJPY can close below 111.26 today.

AUD

- **AUD jumped 0.41% to 0.7182 against USD**, backed by improved sentiment in the markets but remained a laggard against 6 G10s.
- **We are bearish on AUD against USD** amid signs of detrimental development in US-China trade relations. A new bearish trend has just emerged, suggesting that AUDUSD is now inclined to the downsides. A drop to 0.7140 is likely next, below which AUDUSD would revisit 0.7100.

SGD

- **SGD climbed 0.16% to 1.3720 against a soft USD** but retreated against 7 G10s.
- **Expect a bearish SGD against USD** on trade concerns. A minor bullish trend has just emerged, tilting USDSGD upwards. As long as this trend holds, USDSGD is likely to test 1.3763 next, above which 1.3785 will be targeted.

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