

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US equity failed to sustain Tuesday's momentum with all major indexes ending weaker** overnight as investors cringed over the potential impact of rising interest rates on the economy. **The Dow, S&P 500 and NASDAQ fell 0.36%, 0.03% and 0.04% respectively** as the industrial, materials, energy, consumer discretionary and tech sectors recorded modest falls. **The Fed September minutes confirmed a delivery of a fourth rate hike in December** but further reaffirmed its intention to raise rates gradually leading investors to sell treasuries -10Y yield closed 5bps higher at 3.21% after a few quiet days. Crude oil prices fell following EIA report on large build-up of US crude inventories – WTI took a beating falling below \$70/barrel for the first time in a month to close 3.0% lower at \$69.75/barrel while Brent dropped 1.7% to \$80.05/barrel.
- **US housing market data were rather dismal** - housing starts fell 5.3% MOM in September, building permits dropped 0.6% MOM while mortgage applications dipped 7.1% on a weekly basis. The final reading of Eurozone HICP inflation rate was left unrevised at 2.1% YOY while similarly core inflation were unchanged at 0.9% YOY. UK **headline CPI eased substantially to 2.4% YOY** while core CPI pulled back to 1.9% YOY. **Japan trade balance swung to a surplus of ¥139.6b in September** due to slower imports growth. **Singapore September NODX rose 8.3% YOY** supported by non-electronic exports.
- **USD rebounded to beat all G10s** while the DXY jumped in US morning before climbing higher thereafter, closing 0.55% higher at 95.57. **We turn bullish on USD**, supported by improved buying interest from hawkish FOMC minutes and potentially continued demand for refuge from extended losses in equities. DXY has beaten 95.25 and bulls prevail time being, thus it is now tilted to the upside with scope to beat 95.71 – 95.79 soon, above which it will head for another test at 96.12.
- **MYR inched 0.04% firmer to 4.1510 against USD** and advanced against 6 G10s, supported by improved risk sentiment in Asian trade. **We are slightly bearish on MYR against USD** that is supported by hawkish FOMC minutes and ebbing market sentiment. A bullish bias has been revived after USDMYR opened above 4.1540 today. Expect upside pressure to prevail, with scope to test 4.1590 – 4.1600.
- **SGD strengthened against all G10s**, supported by firmer refuge demand but **weakened 0.23% to 1.3782 against a strong USD. SGD remains slightly bullish against USD** in our view, supported by demand for refuge amid likelihood of extended declines in equities. Despite overnight rebound, downside momentum still prevails and tilts USDSGD lower. Expect a drop to circa 1.3742 – 1.3752 in the next leg lower, below which 1.3700 will be tested.

#### Overnight Economic Data

US	↓
Eurozone	→
UK	↓
Japan	↑
Singapore	↑

#### What's Coming Up Next

##### Major Data

- US Philadelphia Fed Business Outlook, Initial Jobless Claim, Leading Index
- UK Retail Sales Inc Auto Fuel MoM
- Australia Employment Change, Unemployment Rate, Participation Rate, NAB Business Confidence

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1480	1.1492	1.1502	1.1526	1.1546	↘
GBPUSD	1.3167	1.3180	1.3191	1.3201	1.3216	↗
USDJPY	112.30	112.53	112.61	112.74	112.86	↗
AUDUSD	0.7118	0.7131	0.7114	0.7117	0.7132	↗
EURGBP	0.8765	0.8773	0.8778	0.8786	0.8794	↗
USDMYR	4.1540	4.1555	4.1560	4.1590	4.1600	↗
EURMYR	4.7704	4.7761	4.7804	4.7831	4.7857	↘
JPYMYR	3.6821	3.6848	3.6922	3.6922	3.6961	↘
GBPMYR	5.4360	5.4400	5.4438	5.4500	5.4594	↘
SGDMYR	3.0122	3.0150	3.0163	3.0180	3.0200	↘
AUDMYR	2.9544	2.9576	2.9601	2.9628	2.9650	↘
NZDMYR	2.7150	2.7162	2.7190	2.7226	2.7259	↘
USDSGD	1.3752	1.3768	1.3779	1.3791	1.3800	↘
EURSGD	1.5819	1.5834	1.5846	1.5859	1.5864	↘
GBPSGD	1.8018	1.8045	1.8052	1.8080	1.8100	↘
AUDSGD	0.9791	0.9802	0.9813	0.9823	0.9832	↗

\*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	1,740.59	0.22	-3.13	CRB Index	198.90	-0.41	2.60
Dow Jones Ind.	25,706.68	-0.36	3.99	WTI oil (\$/bbl)	69.75	-3.02	15.44
S&P 500	2,809.21	-0.03	5.07	Brent oil (\$/bbl)	80.05	-1.67	19.71
FTSE 100	7,054.60	-0.07	-8.24	Gold (\$/oz)	1,222.29	-0.22	8.10
Shanghai	2,561.61	0.60	-22.54	CPO (RM/tonne)	2,099.50	0.41	-12.15
Hang Seng	25,462.26	0.07	-14.90	Copper (\$/tonne)	6,219.00	0.06	-14.19
STI	3,071.10	1.21	-9.75	Rubber (sen/kg)	403.00	-1.47	-12.86

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US MBA Mortgage Applications	Oct-12	-7.1%	-1.7%	--
US Housing Starts MOM	Sep	-5.3%	7.1% (revised)	-5.6%
US Building Permits MOM	Sep	-0.6%	-4.1% (revised)	2.0%
EU Construction Output MOM	Aug	-0.5%	0.1% (revised)	--
EU CPI Core YOY	Sep F	0.9%	0.9%	0.9%
EU CPI YOY	Sep F	2.1%	2.0%	2.1%
UK CPI YOY	Sep	2.4%	2.7%	2.6%
UK Core CPI YOY	Sep	1.9%	2.1%	2.0%
UK PPI Output NSA YOY	Sep	3.1%	2.9%	2.9%
JP Trade Balance	Sep	¥139.6b	-¥444.6b	-¥45.1b
JP Exports YOY	Sep	-1.2%	6.6%	2.1%
JP Imports YOY	Sep	7.0%	15.4%	13.7%
SG Non-oil Domestic Exports YOY	Sep	8.3%	5.0%	11.1%

Source: Bloomberg

**➤ Macroeconomics**

- Fed minutes confirmed December hike, reaffirmed further gradual tightening:** The Fed released the September FOMC meeting where it has last raised Fed funds rates by 25bps. The minutes confirmed the delivery of a December rate hike and further reaffirmed the Fed's intention to gradually raise rate as members viewed the further gradual increases in the target range (of the fed fund rate) to be consistent with the sustained expansion of economic activity, strong labour market conditions and inflation near the Committee symmetric 2% target over the medium term. Some members expected that policy would need to become modestly restrictive for a time and what caught attentions was that some members judged that it would be necessary to temporarily raise the federal funds rate above their assessments of its longer-run level in order to reduce the risk of a sustained overshooting of the 2% inflation target. Generally, risks to the outlook appeared roughly balanced with some members commenting that trade policy developments remained a source of uncertainty for domestic growth and inflation outlook. The divergence between the US and foreign economies in terms of growth and monetary policies presented a downside risk because of the potential further strengthening of the US dollar. Financial stresses in a few emerging markets could post additional risks if they were to spread more broadly through the global economy and financial markets. Last but not least, members agreed to remove the sentence indicating that the "stance of monetary policy remains accommodative" in the post meeting statement as such characterization had provided useful forward guidance in the early stages of the policy normalization process and was no longer providing meaningful information in light of uncertainty about the level of neutral policy rate.
- US housing starts, building permits and fell signalling weakening homebuilding activities, mortgage applications dipped as interest rates crept up:** As we have suspected earlier growth in housing starts failed to maintain its momentum gained last month, declining 5.3% MOM in September (Aug: +7.1% revised) as starts for both single family and multi-families units saw a respective contraction of 0.9% MOM and 12.9% MOM. Building permits extended its second month of consecutive decline by 0.6% MOM (Aug: -4.1% revised) driven mainly by the decline in permits granted for the building of 5 units or more. The housing market continued to emanate mixed signals as the still-high demand for housing is set to be dampened by the ongoing lack of inventories as well as higher interest rates as the Fed raised rates gradually. Sign of weakening demand has emerged as the MBA mortgage applications dipped by a whopping 7.1% for the week ended 12 October (previous: -1.7%), the largest drop since September last year as applications for purchases and refinancing both extended a decline of 5.9% and 9.0% respectively. The average interest rate for a 30-year fixed rate loan rose to more than 7-year high of 5.10% (previous: 5.05%), compared to 4.14% a year ago.
- Eurozone final inflation readings left unrevised:** The final reading of HICP inflation rate was unrevised at 2.1% YOY in September (Aug: +2.0%) driven by the higher prices of food, alcohol & tobacco (+2.6% vs +2.4%) and energy (+9.5% vs 9.2%). Excluding prices of these two categories, core inflation was held steady at 0.9% YOY (Aug: +0.9%) as prices of non-energy industrial goods and services were held steady at 0.3% YOY and 1.3% YOY respectively suggesting a less-than-robust pickup in underlying inflation. Nonetheless, we do not foresee any changes to the ECB's current plan to end its Asset Purchase Program (APP) in December as the economy remained in broad strength with the labour market expected to tighten further in the coming months. A separate release meanwhile shows that construction output fell 0.5% MOM in August (Jul: -0.1% revised).

- UK CPI eased more than expected, slowly returning to BOE's target:**  
 CPI eased considerably to its pre-July level of 2.4% YOY growth in September (Aug: +2.7%), below consensus estimate of 2.6% YOY, The slower growth was driven by the softer gain in prices of food, alcohol & tobacco (+2.3% vs +2.9%), industrial goods (+2.6% vs +2.7%), transport (+4.2% vs +6.4%) and housing (+0.3% vs +0.6%). Prices of energy meanwhile recorded a gain of 9.3% YOY (Aug: +8.9%). Core CPI which exclude food, alcohol & tobacco and energy also pull backed to July level at 1.9% YOY (Aug: +2.1%). Producer prices for output however quickened to 3.1% YOY in the same month (Aug: +2.9%) driven by higher raw material prices (+10.3% vs +9.4%). September print reaffirmed BOE's view that inflation is slowly returning to its target of 2.0% as the effect of sterling depreciation since the Brexit referendum on imported inflation waned. The central bank has earlier projected CPI to be at 2.5% YOY at the end of 3Q. Looking ahead, the BOE is expected to keep bank rate unchanged for the remaining of this year despite an upbeat economic growth this summer as uncertainties over Brexit negotiations remained.
- Japan trade balance swing to a surplus:** Japan recorded a trade surplus of ¥139.6b in September (Aug: -¥444.6b) despite a fall in exports by 1.2% YOY (Aug: +6.6%) as imports growth slowed substantially to 7.0% YOY (Aug: +15.4%).
- Singapore NODX rose, supported by non-electronic exports:**  
 Singapore Non-oil domestic exports (NODX) rose 8.3% YOY in September (Aug: +5.0%) driven by growth in non-electronic NODX (+11.9% vs +7.8%) as electronics NODX saw a contraction (-0.9% vs -1.5%). Pharmaceuticals, non- monetary gold and food preparations contributed the most to the rise in non-electronic exports. Electronics exports meanwhile have been on a declining trend since December last year, in line with the softening of electronics output as well as electronic PMI suggesting weakening demand for Singaporean electronic products. NODX to more than half of its trading partners recorded contractions – exports to China continued to decline by 17.8% YOY (Aug: -17.8%) whereas that to the US rose 41.5% YOY (Aug: +29.3%).

#### Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
18/10	US	Philadelphia Fed Business Outlook	Oct	20.0	22.9	--
		Initial Jobless Claims	Oct-13	212k	214k	--
		Leading Index	Sep	0.5%	0.4%	--
19/10		Existing Home Sales MoM	Sep	-0.9%	0.0%	--
18/10	UK	Retail Sales Inc Auto Fuel MoM	Sep	-0.4%	0.3%	--
19/10	Japan	Natl CPI YoY	Sep	1.3%	1.3%	--
		Natl CPI Ex Fresh Food YoY	Sep	1.0%	0.9%	--
19/10	Hong Kong	Unemployment Rate SA	Sep	2.8%	2.8%	--
19/10	China	GDP YoY	3Q	6.6%	6.7%	--
		Retail Sales YoY	Sep	9.0%	9.0%	--
		Industrial Production YoY	Sep	6.0%	6.1%	--
		Fixed Assets Ex Rural YTD YoY	Sep	5.3%	5.3%	--
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	1.1501	-0.63	1.1581	1.1496	-4.18
GBPUSD	1.3115	-0.50	1.3193	1.3099	-3.04
USDJPY	112.65	0.36	112.68	112.02	-0.08
AUDUSD	0.7109	-0.45	0.7160	0.7106	-8.90
EURGBP	0.8770	-0.11	0.8809	0.8765	-1.14
USDMYR	4.1510	-0.04	4.1605	4.1490	2.71
EURMYR	4.8014	-0.10	4.8120	4.7955	-1.40
JPYMYR	3.6995	-0.12	3.7020	3.6922	2.66
GBPMYR	5.4563	-0.46	5.4820	5.4500	-0.34
SGDMYR	3.0213	0.14	3.0247	3.0193	-0.43
AUDMYR	2.9682	0.36	2.9725	2.9604	-6.50
NZDMYR	2.7341	0.13	2.7410	2.7326	-5.51
CHFMYR	4.1882	-0.42	4.1960	4.1869	0.68
CNYMYR	0.5994	-0.16	0.6006	0.5993	-3.60
HKDMYR	0.5295	-0.08	0.5303	0.5294	2.36
USDSGD	1.3782	0.23	1.3783	1.3728	3.14
EURSGD	1.5851	-0.40	1.5919	1.5835	-1.25
GBPSGD	1.8075	-0.27	1.8134	1.8028	-0.11
AUDSGD	0.9798	-0.20	0.9834	0.9785	-6.12

Source: Bloomberg

### MYR

- **MYR inched 0.04% firmer to 4.1510 against USD** and advanced against 6 G10s, supported by improved risk sentiment in Asian trade.
- **We are slightly bearish on MYR against USD** that is supported by hawkish FOMC minutes and ebbing market sentiment. A bullish bias has been revived after USDMYR opened above 4.1540 today. Expect upside pressure to prevail, with scope to test 4.1590 – 4.1600.

### USD

- **USD rebounded to beat all G10s** while the DXY jumped in US morning before climbing higher thereafter, closing 0.55% higher at 95.57, supported by refuge demand from weakness in equities and by a hawkish tone of the FOMC minutes.
- **We turn bullish on USD**, supported by improved buying interest from hawkish FOMC minutes and potentially continued demand for refuge from extended losses in equities. DXY has beaten 95.25 and bulls prevail time being, thus it is now tilted to the upside with scope to beat 95.71 – 95.79 soon, above which it will head for another test at 96.12. Caution that risk of rejection increases approaching this level.

### EUR

- **EUR tumbled 0.635 to 1.1501 against a strong USD** and fell against 6 G10s, weighed down by decline in risk appetite within European markets.
- **EUR is now bearish in our view on the back of a rebounding USD**, and likely further pressured by weak risk sentiment in European markets. A bearish has emerged after tumbling through strong supports overnight. EURUSD is now aiming for a break below 1.1500, which would then set a course for 1.1460 – 1.1480.

### GBP

- **GBP advanced against 5 G10s** on refuge demand within European markets but was weighed down by softer UK CPI to **close 0.5% lower at 1.3115 against USD**.
- **Expect a bearish GBP against USD**, weighed down by recent soft UK data. Caution that disappointing UK retail sales will add further pressure on GBP. GBPUSD is now in a bearish trend, with scope to test 1.3012 – 1.3033 in the next leg lower. Rebounds are likely capped by 1.3129 – 1.3143.

### JPY

- **JPY advanced against 9 G10s** on renewed demand for refuge but **weakened 0.36% to 112.65 against a strong USD**.
- **Stay slightly bearish on JPY as USD regains demand**, backed by hawkish FOMC minutes and refuge demand. We continue to expect a test at 112.74 – 112.86 in the next leg higher, but still express doubt on the sustainability of this bounce as it approaches the strong resistance region circa 112.86 – 113.00.

### AUD

- **AUD fell 0.45% to 0.7109 against a strong USD** but managed to beat 7 G10s that were on the retreat as risk sentiment declined.
- **We turn slightly bearish on AUD in line with our view of a firm USD**, further weighed down by renewed risk aversion in the markets. AUDUSD is now in technically bearish after losing 0.7118 overnight. Expect AUDUSD to take aim at 0.7082 next, below which a return to 0.7044 is likely. Breaking above 0.7130 by tomorrow will invigorate the bulls.

### SGD

- **SGD strengthened against all G10s**, supported by firmer refuge demand but **weakened 0.23% to 1.3782 against a strong USD**.
- **SGD remains slightly bullish against USD** in our view, supported by demand for refuge amid likelihood of extended declines in equities. Despite overnight rebound, downside momentum still prevails and tilts USDSGD lower. Expect a drop to circa 1.3742 – 1.3752 in the next leg lower, below which 1.3700 will be tested.

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