

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks slipped further overnight** as weak industrial companies' earnings (Sealed Air, Textron) raised concerns over the impact of trade tariffs on rising cost which could hurt businesses' profits. Worries over rising interest rates also remained following the release of what many perceived to be a hawkish Fed's meeting minutes. Nine major S&P sectors recorded fall with the consumer discretionary, tech and communication services and industrial sectors taking the lead. **The Dow, S&P 500 and NASDAQ fell 1.27% (-327.2pts), 1.44% (-40.4pts) and 2.06% (-157.6pts) respectively.** Meanwhile, ECB President Mario Draghi's criticism about certain (Eurozone) members countries increasing borrowing limits led to a **sell-off in Italian and Spanish bonds and a flee to safe havens** i.e. the German bund and US treasuries. **Yield on 10Y US treasuries fell 3 bps to 3.18%.** Crude oil prices extended further declines – WTI fell 1.58% to \$68.65/barrel while Brent lost 0.95% to 79.29/barrel.
- At home, **in the midterm review of the 11th Malaysia Plan, the new Pakatan government cut its 2018-2020 growth projection for the Malaysian economy from the previous target of 5.0%- 6.0% to 4.5%-5.5%.** Growth is expected to be driven by private expenditure though at a pace that is softer than initially expected, while rationalization of government spending will see initial target for public expenditure fall from 3.3% to 0.7%. **The fiscal deficit target for 2020 was raised to 3.0% of GDP** from 0.6%.
- **USD extended its rebound to beat 9 G10s,** supported by hawkish FOMC minutes and continued climb in Treasury yields. DXY reversed the early slide in European morning and ended 0.34% higher after climbing through US session. **We turn bullish on USD,** supported by buying interest from hawkish FOMC minutes and potentially continued demand for refuge from extended losses in equities. DXY remains bullish and will head for another test at 96.12. Caution that risk of rejection increases approaching this level.
- **MYR weakened 0.14% to 4.1570 against a firm USD** and was weighed down by risk-off sentiment in Asian session. However, MYR managed to beat 9 G10s. **Stay slightly bearish on MYR against USD** on the back of extended risk-off in the markets. Upside bias in USDMYR has strengthened after breaking 4.1600 in early trade. Expect further gains going forward, with scope to test 4.1655 – 4.1660.
- **SGD weakened 0.27% to 1.3819 against a strong USD** but managed to beat 6 G10s that were on the retreat amid risk-off sentiment. **We turn bearish on SGD against a firm USD,** further pressured by extended risk-off in US equities. Extended rebound by USDSGD has tilted it upwards, with scope to test 1.3829 next. Above this, USDSGD is likely headed towards 1.3840 – 1.3850.

Overnight Economic Data

US	➔
UK	➘
Japan	➔
Australia	➔

What's Coming Up Next

Major Data

- US Existing Home Sales MOM,
- Hong Kong Unemployment Rate
- China GDP YOY, Retail Sales YOY, Industrial Production YOY, Fixed Assets Ex Rural YTD YOY

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1420	1.1432	1.1457	1.1477	1.1505	➘
GBPUSD	1.3000	1.3012	1.3021	1.3034	1.3053	➘
USDJPY	112.00	112.12	112.24	112.34	112.51	➘
AUDUSD	0.7066	0.7077	0.7092	0.7098	0.7106	➘
EURGBP	0.8779	0.8788	0.8799	0.8806	0.8812	➔
USDMYR	4.1585	4.1600	4.1615	4.1640	4.1655	➔
EURMYR	4.7592	4.7641	4.7684	4.7744	4.7780	➘
JPYMYR	3.7020	3.7050	3.7079	3.7133	3.7166	➔
GBPMYR	5.4055	5.4143	5.4180	5.4209	5.4264	➘
SGDMYR	3.0085	3.0100	3.0122	3.0130	3.0154	➘
AUDMYR	2.9485	2.9502	2.9516	2.9525	2.9544	➘
NZDMYR	2.7161	2.7185	2.7203	2.7238	2.7266	➘
USDSGD	1.3800	1.3808	1.3816	1.3823	1.3829	➔
EURSGD	1.5811	1.5822	1.5828	1.5835	1.5848	➘
GBPSGD	1.7950	1.7975	1.7987	1.8023	1.8045	➘
AUDSGD	0.9760	0.9779	0.9798	0.9805	0.9829	➔

*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	1,738.01	-0.15	-3.27	CRB Index	196.63	-1.14	1.43
Dow Jones Ind.	25,379.45	-1.27	2.67	WTI oil (\$/bbl)	68.65	-1.58	13.62
S&P 500	2,768.78	-1.44	3.56	Brent oil (\$/bbl)	79.29	-0.95	18.57
FTSE 100	7,026.99	-0.39	-8.60	Gold (S/oz)	1,225.81	0.29	8.10
Shanghai	2,486.42	-2.94	-24.82	CPO (RM/tonne)	2,095.50	-0.19	-12.32
Hang Seng	25,454.55	-0.03	-14.92	Copper (\$/tonne)	6,157.00	-1.00	-15.04
STI	3,069.67	-0.05	-9.79	Rubber (sen/kg)	407.00	0.49	-12.00

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Philadelphia Fed Business Outlook	Oct	22.2	22.9	20.0
US Initial Jobless Claims	Oct-13	210k	215k (revised)	212k
US Leading Index	Sep	0.5%	0.4%	0.5%
UK Retail Sales Inc Auto Fuel MOM	Sep	-0.8%	0.4% (revised)	-0.4%
JP Natl CPI YOY	Sep	1.2%	1.3%	1.3%
JP Natl CPI Ex Fresh Food YOY	Sep	1.0%	0.9%	1.0%
AU Employment Change	Sep	5.6k	44.6k (revised)	15.0k
AU Unemployment Rate	Sep	5.0%	5.3%	5.3%
AU Participation Rate	Sep	65.4%	65.7%	65.7%

Source: Bloomberg

➤ Macroeconomics

- Malaysia government trimmed 2018-2020 growth target in 11MP midterm review:** In the midterm review of the 11th Malaysia Plan, the new Pakatan government cut its 2018-2020 growth projection for the Malaysian economy from the previous target of 5.0%- 6.0% to 4.5%-5.5%. GNI per capita projection was also revised downwards to RM 47,720 (US\$ 11,700) in 2020, from the initial projection of RM 54,100 (US\$ 15,690) and Malaysia is expected to only breach the minimum income threshold of a high-income nation of US\$ 15,000 by 2024. Growth is expected to be continuously driven by private expenditure (revised from 7.2% to 6.6% p.a.) as public expenditure is set to soften (target revised from 3.3% to 0.7%). Exports growth at 3.4% while imports to grow 3.7% with trade surplus target of RM118.3b in 2020. Services sector will continue to power growth and is projected to grow 6.2% p.a. while manufacturing sector growth at an average of 4.8% p.a. Construction sector growth to moderate to 5.4% p.a. amidst softer residential and non-residential subsectors, agriculture sector to expand by 1.5% while the mining sector to grow 0.7%. The government also raised fiscal deficit for 2020 from an initial target of 0.6% to 3.0% of GDP. Development expenditure to be rationalized from RM260b to RM220b. Total development expenditure has amounted to RM86.9b (RM42.0b in 2016 & RM44.9b in 2017) in the first two years of the plan, which means that the remaining allocation stood at RM133.1b for 2018-2020. Inflation is expected to average between 2%-3% p.a. despite moderate rise in global oil and commodity prices.
- US Philly Fed Manufacturing Index recorded small slide; initial jobless claims fell further:** The October Philadelphia Fed Manufacturing Survey reported that the headline General Business Activity Index fell slightly to 22.2 in October (Sep: 22.9) indicating a continuously solid growth in the region's manufacturing sector. Shipments jumped (24.5 vs 19.6) while new orders saw some tapering (19.3 vs 21.4) suggesting a softening in demand. Rising cost pressure lost momentum as the prices paid index eased further (38.2 vs 39.6) from this year's peak in July (62.9). Meanwhile US labour market continued to strengthen as initial jobless claims dropped to 210k for the week ended 13 October (previous: 215k revised) bringing the four-week moving average to 211.8k (previous: 209.8k). Other release overnight was the Conference Board Leading Index which rose 0.5% MOM to 111.8 (Aug: 111.2) suggesting a solid third quarter growth.
- UK retail sales plunged more than expected following a strong summer:** Retail sales fell 0.8% MOM in September (Aug: +0.4% revised), higher than consensus estimate of -0.4% MOM driven in particular by the 1.5% MOM (Aug: -0.7%) drop in sales at food stores, the largest since October 2015. Sales of textile, clothing & footwear increased 1.2% MOM (Aug: -1.7%) while that of household goods stores slowed to 2.2% MOM (Aug: +4.7%). Online sales fell 1.3% MOM (Aug: +0.3%) after recording two consecutive months of gains. On a yearly basis, retail sales grew 3.0% YOY (Aug: +3.4%). Despite weaker growth in September, the retail sector has experienced a strong summer quarter and we expect retail sales to hold up in the near term as the rise in wage growth could spur further consumer spending.

- Japan September inflation remained subdued:** Data released this morning show that Japan consumer price index for all items ticked lower to 1.2% YOY in September (Aug: +1.3%) as the faster gains in prices of utilities (+3.7% vs +3.4%), transportation/communication (+2.1% vs +2.0%) as well as the rebound in clothing/footwear (+0.1% vs -0.1%) were offset by a softer gain in food prices (+1.8% vs +2.1%). Within the food category, prices of fresh food eased from last month's elevated level to 5.6% YOY (Aug: +8.7%). Excluding fresh food, the closely watched core inflation climbed for the second month to 1.0% YOY (Aug: +0.9%). Excluding fresh food and energy, CPI growth was held steady at 0.4% YOY (Aug: +0.4%). September print reaffirmed view that inflation remained subdued in Japan as the rise in headline CPI above 1.0% for the past two months was mainly supported by higher energy prices and we reckon that the BOJ still has a long way to go before achieving its inflation target of 2.0%.
- Australia unemployment rate fell to 6-year low:** Unemployment rate fell to 5.0% in September (Aug: 5.3%), the level last seen in April 2012. The fall in unemployment rate could be attributed to the shrinking of total active labour force (13.30 mil vs 13.33 mil) accompanied by a simultaneous albeit smaller increase in total civilians which led to a drop of participation rate to 65.4% (Aug: 65.7%). There are 20.3k (Aug: +35.2k) new full time jobs being created whereas part time jobs fell by 14.7 (Aug: +9.5k) thus bringing the net job gain to a modest 5.6k (Aug: 44.6k revised). The ABS job report shows that the labour market continued to strengthen as the economy has been adding more full-time jobs for the past 12 months but that has thus far failed to push up wage growth to a favourable level which could spur higher inflation, effectively holding the RBA back from hiking the cash rate.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
19/10	US	Existing Home Sales MOM	Sep	-0.9%	0.0%	--
22/10		Chicago Fed Nat Activity Index	Sep	0.25	0.18	--
22/10	Japan	All Industry Activity Index MOM	Aug	0.4%	0.0%	--
22-24/10		Convenience Store Sales YOY	Sep	--	1.0%	--
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%	--

Source: Bloomberg

Forex

Name	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1453	-0.42	1.1527	1.1449	-4.57
GBPUSD	1.3018	-0.74	1.3131	1.3016	-3.64
USDJPY	112.21	-0.39	112.73	111.95	-0.43
AUDUSD	0.7099	-0.14	0.7151	0.7097	-9.10
EURGBP	0.8798	0.32	0.8806	0.8770	-0.93
USDMYR	4.1570	0.14	4.1585	4.1540	2.73
EURMYR	4.7916	-0.20	4.7917	4.7730	-1.17
JPYMYR	3.6934	-0.16	3.6971	3.6867	2.73
GBPMYR	5.4502	-0.11	5.4537	5.4353	-0.25
SGDMYR	3.0175	-0.13	3.0182	3.0119	-0.38
AUDMYR	2.9686	0.01	2.9688	2.9511	-6.11
NZDMYR	2.7309	-0.12	2.7311	2.7156	-5.17
CHFMYR	4.1841	-0.10	4.1882	4.1725	0.84
CNYMYR	0.5993	-0.02	0.5995	0.5986	-3.62
HKDMYR	0.5303	0.15	0.5304	0.5295	2.39
USDSGD	1.3819	0.27	1.3821	1.3773	3.41
EURSGD	1.5825	-0.16	1.5878	1.5819	-1.40
GBPSGD	1.7986	-0.49	1.8087	1.7981	-0.46
AUDSGD	0.9810	0.12	0.9850	0.9791	-6.08

Source: Bloomberg

MYR

- **MYR weakened 0.14% to 4.1570 against a firm USD** and was weighed down by risk-off sentiment in Asian session. However, MYR managed to beat 9 G10s.
- **Stay slightly bearish on MYR against USD** on the back of extended risk-off in the markets. Upside bias in USDMYR has strengthened after breaking 4.1600 in early trade. Expect further gains going forward, with scope to test 4.1655 – 4.1660.

USD

- **USD extended its rebound to beat 9 G10s**, supported by hawkish FOMC minutes and continued climb in Treasury yields. DXY reversed the early slide in European morning and ended 0.34% higher after climbing through US session.
- **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 remains bullish and will head for another test at 96.12. Caution that risk of rejection increases approaching this level.

EUR

- **EUR weakened 0.42% to 1.1453 against a firm USD** and fell against 5 G10s as concerns over Italian fiscal position re-emerged.
- **Stay bearish on EUR against a firm USD**, further pressured by renewed market weakness emanating from concerns over Italian fiscal health. Bearish trend continues to prevail in EURUSD. Expect further declines that could test 1.1420 next, below which 1.1367 – 1.1386 could be challenged.

GBP

- **GBP tumbled 0.74% to 1.3018 against USD** and weakened against 7 G10s, pressured by another day of underperforming UK data, on top of Brexit uncertainties.
- **Expect a bearish GBP against a firm USD**, on top of continued jitters from Brexit uncertainties. GBPUSD remains on track to test 1.3012, below which drops to 1.2944 – 1.2980 will prevail. Rebounds are likely capped by 1.3129 – 1.3143.

JPY

- **JPY rallied to beat all G10s and strengthened 0.39% to 112.21 against USD**, supported by increased refuge demand amid extended declines in global equities.
- **We turn bullish on JPY against USD**, supported by increased refuge demand amid likelihood of extended sell-off in equities. USDJPY was strongly rejected at 112.74 and downside bias now prevails. Expect a test at 112.00, below which 111.80 – 111.89 will be challenged.

AUD

- **AUD slipped 0.14% to 0.7099 against USD**, reversing early gains from positive reaction to Australia labour market data. AUD ended higher against 6 G10s.
- **AUD remains slightly bearish against USD** in our view, weighed down by risk aversion in the markets. AUDUSD remains technically bearish and is likely to take aim at 0.7082 next, below which a return to 0.7044 is likely. Rebounds must now beat 0.7120 to invigorate the bulls.

SGD

- **SGD weakened 0.27% to 1.3819 against a strong USD** but managed to beat 6 G10s that were on the retreat amid risk-off sentiment.
- **We turn bearish on SGD against a firm USD**, further pressured by extended risk-off in US equities. Extended rebound by USDSGD has tilted it upwards, with scope to test 1.3829 next. Above this, USDSGD is likely headed towards 1.3840 – 1.3850.

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