HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks extended further climb overnight fueled by the gain in financials shares as the yield on US 10Y treasuries rose to a level as high as 3.09%.** The sell-off in treasuries came ahead of next week's FOMC meeting as the Fed is expected to raise fed funds rate for the third time in 2018, signaling that investors managed to look past the intensifying US-China trade tensions. 10Y treasuries yield eventually closed at 3.06%, the highest since mid-May while the Dow and S&P 500 rose 0.61% and 0.13% respectively and the NASDAQ was little changed. WTI broke above $71 to close 1.8% higher at $71.12/barrel on large crude inventories drawdown.

- **The BOJ left its monetary policy lever unchanged yesterday and offered a largely consistent assessment of the domestic economy**. At the data front, **New Zealand 2Q GDP growth clocked in at a faster 1.0% QOQ. US housing data were mixed** – housing starts rebounded to a strong 9.2% MOM growth in July but building permits fell 5.7% MOM. Mortgage applications increased for the first time in three weeks. **UK August CPI spiked unexpected by 2.7% YOY** driven by higher prices of clothing & footwear and recreational while Eurozone construction output growth softened to 0.3% MOM. Australia leading index fell 0.1% MOM signaling a slower growth momentum ahead. **At home, Malaysia CPI growth saw a massive pullback, increasing a mere 0.2% YOY in August.**

- **USD slipped against 8 G10s**, falling most against commodity majors that were boosted by news of China not taking the currency devaluation path to fight this trade war. DXY bounced off intraday low in European morning but lost traction thereafter, closing 0.11% lower at 94.53. **Stay slightly bearish on USD** amid signs of easing trade tensions that dampens demand for refuge; caution that softer US data would add downside pressure on USD. DXY remains technically bearish, alongside rising downward momentum. Closing below 94.49 today will likely expose a move to 94.30.

- **MYR dipped 0.02% to 4.1445 against USD** and retreated against 8 G10s following subdued sentiment amid on-going US-China trade tensions. **We turn slightly bullish on MYR against USD**, buoyed by receding concerns over trade war. USDMYR is likely at the onset of a reversal lower; if current minor bearish trend extends, we suspect a potential downside break below 4.1320 in the next leg lower.

- **SGD climbed 0.13% to 1.3690 against USD** and advanced against 6 G10s, boosted by improved sentiment as China de-escalates current trade tensions. **Stay slightly bullish on SGD against USD** on continued de-escalation of trade war concerns. USDSGD is likely to continue pushing lower after losing 1.3707 overnight. Expect a potential test at 1.3667 in the next leg lower.

Overnight Economic Data	
Malaysia	↓
US	→
Eurozone	↓
UK	→
Australia	↓
New Zealand	↑

What's Coming Up Next

Major Data

- US Philadelphia Fed Business Outlook, Initial Jobless Claims, Leading Index, Existing Home Sales
- Eurozone Consumer Confidence
- UK Retail Sales Inc Auto Fuel
- Japan Convenience Store Sales
- Hong Kong CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1641	1.1650	1.1675	1.1683	1.1700	↗
USDJPY	1.3129	1.3143	1.3141	1.3165	1.3180	↘
GBPUSD	112.05	112.17	112.31	112.46	112.74	↘
AUDUSD	0.7234	0.7250	0.7263	0.7275	0.7290	↗
EURGBP	0.8870	0.8874	0.8884	0.8891	0.8909	↗
USDMYR	4.1368	4.1383	4.1405	4.1420	4.1450	↘
EURMYR	4.8250	4.8310	4.8344	4.8358	4.8384	↘
JPYMYR	3.6825	3.6844	3.6872	3.6893	3.6937	↘
GBPMYR	5.4350	5.4390	5.4412	5.4466	5.4500	↘
SGDMYR	3.0220	3.0230	3.0248	3.0260	3.0270	↘
AUDMYR	3.0000	3.0033	3.0068	3.0101	3.0147	↗
NZDMYR	2.7450	2.7500	2.7512	2.7555	2.7592	↗
USDSGD	1.3667	1.3680	1.3690	1.3700	1.3707	↘
EURSGD	1.5963	1.5975	1.5981	1.5985	1.6003	↘
GBPSGD	1.7944	1.7975	1.7988	1.8005	1.8024	↘
AUDSGD	0.9900	0.9918	0.9941	0.9964	0.9998	↗

* 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	1,800.71	0.43	0.22	CRB Index	191.77	0.63	-1.08
Dow Jones Ind.	26,405.76	0.61	6.82	WTI oil ($/bbl)	71.12	1.82	17.71
S&P 500	2,907.95	0.13	8.76	Brent oil ($/bbl)	79.40	0.47	18.74
FTSE 100	7,331.12	0.42	-4.64	Gold (S/oz)	1,204.04	0.47	8.10
Shanghai	2,730.85	1.14	-17.43	CPO (RM/tonne)	2,174.50	-1.54	-9.02
Hang Seng	27,407.37	1.19	-8.40	Copper ($/tonne)	6,121.00	0.58	-15.54
STI	3,176.57	1.19	-6.65	Rubber (sen/kg)	412.00	-0.12	-10.92

Source: Bloomberg

Economic Data				
	For	Actual	Last	**Survey**
MA CPI YOY	Aug	0.2%	0.9%	0.4%
US MBA Mortgage Applications	Sep-14	1.6%	-1.8%	--
US Housing Starts MOM	Aug	9.2%	-0.3% (revised)	5.7%
US Building Permits MOM	Aug	-5.7%	0.9% (revised)	0.5%
EU Construction Output MOM	Jul	0.3%	0.7% (revised)	--
UK CPI YOY	Aug	2.7%	2.5%	2.4%
UK CPI Core YOY	Aug	2.1%	1.9%	1.8%
UK PPI Output NSA YOY	Aug	2.9%	3.1%	2.9%
JP BOJ Policy Balance Rate	Sep-19	-0.1%	-0.1%	-0.1%
AU Westpac Leading Index MOM	Aug	-0.1%	+0.01%	--
NZ GDP SA QOQ	2Q	1.0%	0.5%	0.8%

Source: Bloomberg

➢ Macroeconomics

- ***BOJ held monetary policy lever unchanged, economic assessment remained largely consistent:*** The BOJ held monetary policy lever unchanged yesterday following a minor tweak in the last meeting in July. The central bank acknowledged that overseas economies have continued to grow firmly on the whole and hence (Japanese) exports have been on an increasing end. At the domestic front, it mentioned that corporate profits and business sentiment are improving, industrial production on rising trend and labour market conditions continued to tighten. Growth in CPI (all items less fresh foods) is in the range of 0.5-1.0% YOY. Outlook remained largely the same with the BOJ expecting a moderate expansion of the economy. Risks include US macroeconomic policies, its protectionist moves as well as the developments in emerging and commodity-exporting economies, negotiations on Brexit and geopolitical risks. Overall, the central bank maintained its accommodative stance and in contrast with the Fed and ECB, its ultra-loosening monetary policy is here to stay for quite some time still as inflation stays subdued (July CPI had been at 0.9% YOY) while household spending remained weak.

- ***US housing market data appeared mixed:*** Housing starts bounced up more than expected to increase 9.2% MOM in August (Jul: -0.3% revised) as we have expected earlier following a contraction in July, confirming views that builders finally started some of the delayed works as prices of lumber eased recently. This is also in line with the higher number of new jobs added in the residential construction sector according to the latest NFP report. However, the decline in building permits by 5.7% MOM in August (Jul: +0.9% revised) suggests that the strong rebound in housing starts may not last long as builders continued to face the issue of high input cost which is further exacerbated by rising trade tensions. Mortgage applications meanwhile show some optimistic signs, increasing 1.6% for the week ended 14 September (previous: -1.8%) after falling for three consecutive weeks. The lack of supply continues to plague the housing market which in turn has led to rising house prices, and this together with higher interest rates would further drive potential buyers away. Data on existing home sales are due tonight and sales are expected to rebound only slightly following a contraction in July.

- ***UK inflation spiked unexpectedly:*** CPI rose 2.7% YOY in August (Jul: +2.5%) surpassing a consensus estimate of 2.4% YOY driven by the faster growth in prices of food, alcohol and tobacco rose (+2.9% vs +2.6%), clothing and footwear (+0.3% vs -0.4%) and recreational (+2.2% vs +2.1%). Prices of energy meanwhile softened to 6.5% YOY (Jul: +8.9%). Excluding food, alcohol and tobacco, core inflation also quickened to 2.1% YOY (Jul: +1.9%) driven by the faster growth in overall services inflation (+2.5% vs +2.3%) especially in the subcategories of recreational, travel and transports. Producer prices meanwhile matched expectation as it softened to a 2.9% YOY growth in the same month (Jul: +3.1%). Despite the surprising surge in consumer inflation, we do not foresee the BOE to alter its monetary policy plan as the gain in prices was driven considerably by prices of recreational. Inflation is still expected to slow down ahead as the effect of sterling past weakness wears off. We thus believe the BOE will keep its Bank Rate unchanged for the rest of 2018.

- ***Eurozone construction output growth softened:*** Construction output growth in the Eurozone eased to 0.3% MOM in July (Jun: +0.7% revised) while on a yearly basis, output grew 2.6% YOY (Jun: +3.0%).

- ***Australia leading index signals slower growth momentum:*** The Westpac Leading Index fell 0.1% MOM in August (Jul: +0.01%) while the six month annualized growth rate which indicates the likely pace of economic activity three to nine months into the future fell 0.02% (Jul: +0.5%) suggesting a slower growth momentum as the economy heads through 3Q18 and into 2019.

- ***New Zealand 2Q GDP growth beat expectations***: Data released by Statistics New Zealand this morning show that New Zealand GDP rose to a two-year high of 1.0% QOQ in the second quarter of 2018 (1Q: +0.5%), beating an earlier expectation of 0.8% QOQ. The faster growth was once again led by the robust expansion in the service sector which makes up about 66% of the economy. At the expenditure level, household spending rose 1.0% QOQ (1Q: 0.0%) after a flat quarter while investment saw a contraction of 0.1% QOQ (1Q: +0.4%). Exports of goods and services edged up by 2.4% QOQ (1Q: 0.0%) whereas imports increased 1.5% QOQ (1Q: +1.1%). On a yearly basis, growth clocked in at 2.8% YOY (1Q: +2.6% revised). Despite a faster than expected growth, the RBNZ is unlikely to shift its dovish monetary policy tone as business and consumer confidence remained weak.

- ***Malaysia CPI recorded softer gain on moderation in food and transport prices:*** Consumer Price Index saw another massive pullback, barely grew in August as expected. CPI gain tapered off to a mere 0.2% YOY in August (Jul: +0.9%), its slowest since Feb-2015 as a result of softer price gains in major categories led by transports. Transport prices rose at a much slower pace of 2.1% YOY in August, only a third of the 6.6% YOY gain seen last month while food prices moderated to increase 0.4% YOY (Jul: +0.7%). Meanwhile, prices of housing and utilities registered steady increase of 2.0% YOY (Jul: +2.0%). Core CPI sustained a 0.2% YOY decline (Jul: -0.2%) on the back of extended declines in communication (-4.0% vs -3.9% YOY), clothing & footwear (-2.9% vs -3.0%), and miscellaneous goods & services (-3.0% vs -3.0%). This served to reinforce absence of price pressure in the system. We expect CPI gains to remain very muted near August level in the next two months before turning negative in Nov-Dec. Impact from the implementation of SST on CPI is expected to be very marginal as the number of items in the CPI basket which are subjected to SST were more than halved compared to those during the GST regime. We maintain our full year CPI forecast at 0.8% for 2018 and reiterate that the current below-long-term average inflation is transitory and will revert to 2.0% level once the effects from policy adjustment dissipate.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
20/09	**US**	**Philadelphia Fed Business Outlook**	**Sep**	**18.0**	**11.9**	**--**
		Initial Jobless Claims	**Sep-15**	**210k**	**204k**	**--**
		Leading Index	**Aug**	**0.5%**	**0.6%**	**--**
		Existing Home Sales MOM	**Aug**	**0.4%**	**-0.7%**	**--**
21/09		Markit US Manufacturing PMI	Sep P	55.0	54.7	--
		Markit US Services PMI	Sep P	55.0	54.8	--
20/09	**Eurozone**	**Consumer Confidence**	**Sep A**	**-2.0**	**-1.9**	**--**
21/09		Markit Eurozone Manufacturing PMI	Sep P	54.5	54.6	--
		Markit Eurozone Services PMI	Sep P	54.4	54.4	--
		Consumer Confidence	Sep F	--	--	
20/09	**UK**	**Retail Sales Inc Auto Fuel MOM**	**Aug**	**-0.2%**	**0.7%**	**--**
20/09	**Japan**	**Convenience Store Sales YOY**	**Aug**	**--**	**0.1%**	**--**
21/09		Natl CPI YOY	Aug	1.1%	0.9%	--
		Natl CPI Ex Fresh Food YOY	Aug	0.9%	0.8%	--
		Nikkei Japan PMI Mfg	Sep P	--	52.5	--
		All Industry Activity Index MOM	Jul	0.1%	-0.8%	--
		Nationwide Dept Sales YOY	Aug	--	-6.1%	--
20/09	**Hong Kong**	**CPI Composite YOY**	**Aug**	**2.4%**	**2.4%**	**--**

Source: Bloomberg

➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1673	0.05	1.1715	1.1650	-2.77
GBPUSD	1.3144	-0.03	1.3215	1.3099	-2.75
USDJPY	112.28	-0.07	112.45	112.16	-0.34
AUDUSD	0.7263	0.61	0.7275	0.7209	-7.00
EURGBP	0.8881	0.07	0.8919	0.8862	0.03
USDMYR	4.1445	0.02	4.1455	4.1405	2.41
EURMYR	4.8481	0.20	4.8533	4.8314	-0.22
JPYMYR	3.6878	-0.37	3.6916	3.6844	2.65
GBPMYR	5.4690	0.42	5.4745	5.4466	-0.33
SGDMYR	3.0268	0.03	3.0279	3.0219	-0.08
AUDMYR	3.0026	0.53	3.0062	2.9904	-4.81
NZDMYR	2.7381	0.18	2.7395	2.7248	-4.34
CHFMYR	4.2934	-0.50	4.3003	4.2922	3.23
CNYMYR	0.6048	0.20	0.6051	0.6036	-2.73
HKDMYR	0.5283	-0.04	0.5284	0.5279	1.99
USDSGD	1.3690	-0.13	1.3719	1.3682	2.49
EURSGD	1.5980	-0.08	1.6032	1.5978	-0.42
GBPSGD	1.7994	-0.17	1.8084	1.7959	-0.45
AUDSGD	0.9944	0.49	0.996	0.9879	-4.77

Source: Bloomberg

MYR

- **MYR dipped 0.02% to 4.1445 against USD** and retreated against 8 G10s following subdued sentiment amid on-going US-China trade tensions.
- **We turn slightly bullish on MYR against USD**, buoyed by receding concerns over trade war. USDMYR is likely at the onset of a reversal lower; if current minor bearish trend extends, we suspect a potential downside break below 4.1320 in the next leg lower.

USD

- **USD slipped against 8 G10s**, falling most against commodity majors that were boosted by news of China not taking the currency devaluation path to fight this trade war. DXY bounced off intraday low in European morning but lost traction thereafter, closing 0.11% lower at 94.53.
- **Stay slightly bearish on USD** amid signs of easing trade tensions that dampens demand for refuge; caution that softer US data would add downside pressure on USD. DXY remains technically bearish, alongside rising downward momentum. Closing below 94.49 today will likely expose a move to 94.30.

EUR

- **EUR ended just 0.05% higher at 1.1673 against USD** after returning gains above 1.1700 and closed lower against 6 G10s.
- **EUR is still slightly bullish on the back of a soft USD**. Technical outlook of EURUSD remains bullish but must beat 1.1683 to increase its chances of extending further gains to test 1.1726. We would view the upside break at 1.1726 as the completion of a bullish chart pattern that points at potentially targets 1.1851 next.

GBP

- **GBP** that initially rallied on stronger CPI data was felled by dented Brexit optimism amid reports that UK PM May was likely to reject an improved offer by the EU to resolve the issue regarding post-Brexit border with Ireland. **GBP dipped 0.03% to 1.3144 against USD** and fell against 8 G10s.
- **We turn slightly bearish on GBP against USD** as Brexit sentiment wanes, but caution that strong UK data tonight could accelerate GBP bulls. Technically, we continue to note the erosion of upward momentum and rejection from highs yesterday as signs that GBPUSD is likely at the cusp of a turn lower.

JPY

- **JPY gained 0.07% to 112.28 against a soft USD** but weakened against 5 G10s that were mostly commodity majors reacting to signs of easing trade tensions.
- **JPY is slightly bullish in expectation of a softer USD**, though gains may be subdued as refuge demand retreats. We reiterate that USDJPY bullish trend is near its end. Gains may still materialize in the next couple of days but expect limited upsides. We caution the risk of reversal below 112.05 soon.

AUD

- **AUD** rallied to beat all G10s and **jumped 0.61% to 0.7263 against USD**, supported by China's announcement of not taking the currency devaluation path, which was taken as a sign of de-escalation in trade tensions.
- **Stay slightly bullish on AUD in anticipation of a soft USD**, further supported by continued recede in trade war concerns. AUDUSD bullish bias has improved after breaking above 0.7234 overnight. AUDUSD expectedly tested 0.7275 and we expect a break here soon, which will then expose a move to 0.7297 – 0.7300.

SGD

- **SGD climbed 0.13% to 1.3690 against USD** and advanced against 6 G10s, boosted by improved sentiment as China de-escalates current trade tensions.
- **Stay slightly bullish on SGD against USD** on continued de-escalation of trade war concerns. USDSGD is likely to continue pushing lower after losing 1.3707 overnight. Expect a potential test at 1.3667 in the next leg lower.

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