September 21, 2018

HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **Wall Street stocks continued to rally overnight** with the Dow and S&P 500 closing at record highs as investors shrugged off trade tensions fear and focused on the strong US economic data instead. **Initial jobless claims fell to the lowest level since 1969 while Philly Fed Manufacturing Index jumped more than expected. Existing home sales snapped a four-month losing streak to register a flat reading** which pushed up the S&P 500 Real Estate Index by 0.76%. Crude oil meanwhile took a beating following President Trump's tweet, calling for OPEC to reduce oil prices. WTI erased 0.45% to close at $70.8/barrel. Yield on 10Y US treasuries were unchanged at 3.06%.

- As mentioned above, initial jobless claims fell to 201k last week indicating further tightening of the US labour market. Philly Fed manufacturing index rose to 22.9 in September with notable softening in price pressure. Leading Index rose 0.4% MOM to 111.2 pointing to robust growth. Existing home sales for August stayed the same as the previous month. Elsewhere, **Eurozone flash consumer confidence Index deteriorated** to -2.9 in September whereas **retail sales in the UK beat expectations** to increase 0.3% MOM in August. Japan August CPI for all items rose 1.3% YOY while core CPI (excluding fresh food) rose 0.9% YOY. Hong Kong composite CPI saw a minor pullback rising 2.3% YOY in August.

- **USD tumbled against 9 G10s** while the DXY fell most in US morning, closing 0.66% lower at 93.91 as risk sentiment in the markets improved following China's relatively restrained response to new US tariffs. **Expect USD to remain bearish** on the back of an extended calm in the markets following easing trade war concerns. Caution that soft US data will spark further weakness. We view yesterday's breakdown from 94.30 level to be the completion of a bearish chart pattern that signals DXY is targeting a drop to circa 93.21 – 93.41.

- **MYR advanced 0.15% to 4.1380 against USD** and advanced against 6 G10s, buoyed by receding concerns over US-China trade dispute. **Stay slightly bullish on MYR against USD**, buoyed by news that China would reduce its import tariffs that could potentially boost exports of emerging markets. Minor bearish trend prevails and USDMYR is likely to extend its declines going forward. We continue to expect a potential downside break below 4.1320, below which 4.1260 will be targeted.

- **SGD advanced 0.33% to 1.3645 against a soft USD** but retreated against 7 G10s that were also rallying on a soft greenback and improved risk sentiment. **Stay slightly bullish on SGD against USD** on continued de-escalation of trade war concerns. USDSGD expectedly tested and broke below 1.3669. Bearish bias prevails and suggests further losses are likely, potentially targeting 1.3600.

Overnight Economic Data	
US	↑
Eurozone	↓
UK	↑
Japan	↑
HK	↓

What's Coming Up Next

Major Data
- US Markit Manufacturing PMI, Markit Services PMI
- Eurozone Markit Manufacturing PMI, Markit Services PMI
- Japan Nikkei PMI Mfg, All Industry Activity Index, Nationwide Dept Sales

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1641	1.1650	1.1783	1.1683	1.1700	↗
USDJPY	1.3215	1.3250	1.3272	1.3298	1.3320	↗
GBPUSD	112.05	112.45	112.52	112.58	112.74	↘
AUDUSD	0.7275	0.7288	0.7291	0.7307	0.7321	↗
EURGBP	0.8870	0.8874	0.8877	0.8883	0.8892	↗
USDMYR	4.1300	4.1310	4.1322	4.1365	4.1385	↘
EURMYR	4.8650	4.8665	4.8688	4.8700	4.8726	↗
JPYMYR	3.6685	3.6700	3.6717	3.6753	3.6783	↘
GBPMYR	5.4800	5.4830	5.4850	5.4880	4.4900	↗
SGDMYR	3.0265	3.0285	3.0300	3.0315	3.0340	↗
AUDMYR	3.0100	3.0112	3.0136	3.0153	3.0180	↗
NZDMYR	2.7600	2.7612	2.7644	2.7660	2.7684	↗
USDSGD	1.3611	1.3629	1.3639	1.3652	1.3660	↘
EURSGD	1.6050	1.6065	1.6071	1.6081	1.6100	↗
GBPSGD	1.8058	1.8084	1.8103	1.8116	1.8146	↗
AUDSGD	0.9920	0.9939	0.9946	0.9953	0.9960	↗

* 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	1,803.70	0.17	0.38	CRB Index	192.71	0.49	-0.60
Dow Jones Ind.	26,656.98	0.95	7.84	WTI oil ($/bbl)	70.80	-0.45	17.18
S&P 500	2,930.75	0.78	9.62	Brent oil ($/bbl)	78.70	-0.88	17.60
FTSE 100	7,367.32	0.49	-4.17	Gold (S/oz)	1,207.18	0.26	8.10
Shanghai	2,729.24	-0.06	-17.48	CPO (RM/tonne)	2,136.00	-1.77	-10.63
Hang Seng	27,477.67	0.26	-8.16	Copper ($/tonne)	6,082.00	-0.64	-16.08
STI	3,180.43	0.12	-6.54	Rubber (sen/kg)	412.50	0.12	-10.81

Source: Bloomberg

Economic Data	For	Actual	Last	Survey
US Philadelphia Fed Business Outlook	Sep	22.9	11.9	18.0
US Initial Jobless Claims	Sep-15	201k	204k	210k
US Leading Index MOM	Aug	0.4%	0.7% (revised)	0.5%
US Existing Home Sales MOM	Aug	0.0%	-0.7%	0.5%
EU Consumer Confidence	Sep A	-2.9	-1.9	-2.0
UK Retail Sales Inc Auto Fuel MOM	Aug	0.3%	0.9% (revised)	-0.2%
JP Convenience Store Sales YOY	Aug	1.0%	0.1%	--
JP Natl CPI YOY	Aug	1.3%	0.9%	1.1%
JP Natl CPI Ex Fresh Food YOY	Aug	0.9%	0.8%	0.9%
HK CPI Composite YOY	Aug	2..3%	2.4%	2.4%

Source: Bloomberg

➢ Macroeconomics

- ***US jobless claims indicates further labour market tightening; Philly Fed Index beat expectations:*** Initial jobless claims fell to 201k for the week ended 8 September (previous: 204k), the lowest level since November 1969 and this brings the four-week moving average to 205.8k. Continuous claims which measures the number of American receiving benefits after an initial week of aids also fell to 1,645k for the week ended 7 September (previous: 1,700k) suggesting that the labour market in the US extended its further tightening. The Philly Fed also released the result of its monthly manufacturing survey yesterday and the index for current general activity rose more than expected to 22.9 in September (Aug: 11.9). Sub-indexes saw a broad-based increase generally with new orders jumped to 21.4 (Aug: 9.9) following a softer reading in the month while shipments rose to 19.6 (Aug: 16.6). Inflationary pressure however seemed to have eased as the prices paid index fell from the elevated levels in the previous months to 39.6 (Aug: 55.0) suggesting slower gain in firms' input cost in the month. This led to firms to charge lower prices as well - the prices received index fell to 19.6 (Aug: 33.2). Other release overnight was Conference Board Leading Index which edged up by 0.4% MOM in August (Jul: +0.7% revised) to 111.2 pointing to a continuously robust US economic growth.

- ***US existing home sales flat-lined after four months of contraction:*** Existing home sales remained unchanged, registering a 0% growth in August (Jul: -0.7%). This matches broadly with earlier expectations that home sales remained weak in the US. August print also reinforces view that the housing market has failed to keep up the robust economic growth in the US - Housing starts gained traction in August based on yesterday's number but unlikely to maintain the momentum as the number of permits granted faltered in the same month.

- ***Eurozone consumer confidence deteriorated to lowest level since May-17:*** The flash Consumer Confidence Index released by the European Commission fell to -2.9 in September (Aug: -1.9) marking its fourth consecutive month in the negative territory. The dismal reading suggests that consumers are becomingly increasingly pessimistic in the Euro Area amidst uncertainty over Italian budget, Brexit negotiations as well as escalating US-China trade tensions.

- ***UK retail sales beat expectations:*** Retail sales growth beat consensus estimate to increase 0.3% MOM in August (Jul: +0.9% revised) while growth for the previous month was revised higher from 0.7% to 0.9% MOM. Market consensus had been projected retail sales to contract following a solid month and especially in a summer plagued by heat waves. The faster growth was driven by the considerable gains of sales in household goods stores (+4.5% vs -2.4%) whereas textile, clothing & footwear contracted (-1.9% vs +1.8%). Online sales meanwhile experiences a slower growth of 0.3% MOM (Jul: +5.0%) following a surge in a month earlier suggesting that heatwave did not deter customers from splurging in the dog days of summer.

- ***Hong Kong inflation eased slightly:*** Composite CPI saw a minor pullback, rising 2.3% YOY in August (Jul: +2.4%) after staying at 2.4% YOY for two consecutive months, driven by the slower gain in food prices (+3.5% vs +3.6%), utilities (+3.4% vs +4.2%), clothing & footwear (+1.9% vs +2.4%) and transport (+1.4% vs +2.2%). Housing cost (+2.3% vs +2.2%) seemed to be recovering as it has been on rising trend since April this year while prices of alcohol and tobacco surged 2.3% YOY (Jul: +0.6%).

- ***Japan August inflation ticked higher but still far from central bank's target:*** Data released this morning show that Japan consumer price index for all items clocked in higher at 1.3% YOY in August (Jul: +0.9%) driven by the jump in prices of food (+2.1% vs +1.4%), utilities (+3.4% vs +3.1%), transport & communications (+2.0% vs +1.5%) and entertainment (+1.6% vs +0.6%). Within the food category, prices of fresh food rose a whopping 8.7% YOY (Jul: +4.3%). Excluding fresh food, the closely watched core inflation which excludes fresh food also rose at a faster pace of 0.9% YOY (Jul: +0.8%). While CPI gathered a bit of momentum in recent month, August print reaffirms view that inflation remained subdued in the economy as it remained quite a distance away from the BOJ's 2% target. The BOJ had left its monetary policy lever unchanged in its latest meeting this week. Meanwhile in a separate release yesterday, convenience store sales posted faster growth: Convenience store sales rose 1.0% YOY on same store basis in August (Jul: +0.1%).

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
21/09	**US**	**Markit US Manufacturing PMI**	**Sep P**	**55.0**	**54.7**	**--**
		Markit US Services PMI	**Sep P**	**55.0**	**54.8**	**--**
24/09		Chicago Fed Nat Activity Index	Aug	--	0.13	--
		Dallas Fed Manf. Activity	Sep	31.0	30.9	--
21/09	**Eurozone**	**Markit Eurozone Manufacturing PMI**	**Sep P**	**54.5**	**54.6**	**--**
		Markit Eurozone Services PMI	**Sep P**	**54.4**	**54.4**	**--**
24/09	UK	CBI Trends Total Orders	Sep	--	7.0	--
21/09	**Japan**	**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%**	**--**
24/09	Singapore	CPI YOY	Aug	0.7%	0.6%	--
		CPI Core YOY	Aug	2.0%	1.9%	--

Source: Bloomberg

➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1777	0.89	1.1785	1.1669	-1.89
GBPUSD	1.3265	0.92	1.3298	1.3135	-1.80
USDJPY	112.49	0.19	112.58	112.04	-0.17
AUDUSD	0.7292	0.40	0.7293	0.7254	-6.67
EURGBP	0.8877	-0.05	0.8890	0.8848	-0.06
USDMYR	4.1380	-0.15	4.1430	4.1310	2.11
EURMYR	4.8426	-0.11	4.8447	4.8259	0.38
JPYMYR	3.6866	-0.03	3.6908	3.6823	2.17
GBPMYR	5.4589	-0.18	5.4633	5.4312	0.36
SGDMYR	3.0233	-0.12	3.0270	3.0180	-0.04
AUDMYR	3.0056	0.10	3.0106	2.9985	-4.76
NZDMYR	2.7536	0.57	2.7573	2.7455	-4.09
CHFMYR	4.2830	-0.24	4.2849	4.2722	3.87
CNYMYR	0.6035	-0.21	0.6043	0.6030	-2.94
HKDMYR	0.5275	-0.15	0.5283	0.5266	1.72
USDSGD	1.3645	-0.33	1.3696	1.3641	2.14
EURSGD	1.6069	0.56	1.6081	1.5979	0.14
GBPSGD	1.8104	0.61	1.8146	1.7983	0.19
AUDSGD	0.9950	0.06	0.9955	0.9929	-4.75

Source: Bloomberg

MYR

- **MYR advanced 0.15% to 4.1380 against USD** and advanced against 6 G10s, buoyed by receding concerns over US-China trade dispute.
- **Stay slightly bullish on MYR against USD**, buoyed by news that China would reduce its import tariffs that could potentially boost exports of emerging markets. Minor bearish trend prevails and USDMYR is likely to extend its declines going forward. We continue to expect a potential downside break below 4.1320, below which 4.1260 will be targeted.

USD

- **USD tumbled against 9 G10s** while the DXY fell most in US morning, closing 0.66% lower at 93.91 as risk sentiment in the markets improved following China's relatively restrained response to new US tariffs.
- **Expect USD to remain bearish** on the back of an extended calm in the markets following easing trade war concerns. Caution that soft US data will spark further weakness. We view yesterday's breakdown from 94.30 level to be the completion of a bearish chart pattern that signals DXY targeting a drop to circa 93.21 – 93.41.

EUR

- **EUR surged 0.89% to 1.1777 against a soft USD** and advanced against 5 G10s on improved market sentiment, unimpeded by Eurozone data downtick.
- **EUR is bullish against a soft USD**, with scope for bulls to accelerate if Eurozone data outperforms. EURUSD rally yesterday was a stamp of bullish bias to current technical landscape. We reiterate that we view the break at 1.1726 as the completion of a bullish chart pattern, which puts 1.1851 on the crosshair.

GBP

- **GBP** rebounded to beat 6 G10s and **soared 0.92% 1.3265 against a soft USD**, boosted by better than expected UK retail sales data.
- **We are now bullish on GBP in view of a soft USD**, with room for further gains if Brexit sentiment improves. A strong break above 1.3215 yesterday has altered the technical outlook. GBPUSD is now tilted to the upside, with potential to break above 1.3300 and set a course towards 1.3363 in the next leg higher.

JPY

- **JPY** slumped against all G10s and **weakened 0.19% to 112.49 against USD**, battered by retreat in refuge demand as US-China trade dispute dialed down.
- **We maintain a slight bullish view on JPY in view of a soft 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 strengthened 0.4% to 0.7292 against USD** but retreated against 6 G10s, returning recent strong gains as European majors rallied.
- **AUD is bullish against USD**, supported by news that China would reduce its import tariffs, which could boost exports of commodity and emerging markets. AUDUSD remains technically bullish. A break above 0.7300 could potentially expose a move to 0.7331 next, but we caution that this level poses a rejection risk that could push AUDUSD lower for a short time. Beating 0.7331 targets 0.7359.

SGD

- **SGD advanced 0.33% to 1.3645 against a soft USD** but retreated against 7 G10s that were also rallying on a soft greenback and improved risk sentiment.
- **Stay slightly bullish on SGD against USD** on continued de-escalation of trade war concerns. USDSGD expectedly tested and broke below 1.3669. Bearish bias prevails and suggests further losses are likely, potentially targeting 1.3600.

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