

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended on mixed note on Friday** after starting the day higher - Procter and Gamble's strong third quarter earnings boosted consumer staples sector, tech sector pared gains to end almost unchanged, while the energy sector was weighed down by weak crude oil prices. The Dow posted a modest gain of 0.26% while the S&P 500 and NASDAQ fell 0.04% and 0.48% respectively. 10Y treasuries yield rose 1bp to 3.19%. Elsewhere, **Moody's downgraded Italy's sovereign rating to one notch above junk status citing concerns over government budget proposal**, but maintained its stable outlook. Italian 10Y government bonds rallied as a European Commission official said he wanted to reduce tensions with Italy over budget plan - 10Y BTP yield plunged 20bps last Friday. WTI rose 0.68% to \$69.12/barrel while Brent was up by 0.62% to \$79.78/barrel.
- **Data flow largely skewed to the downside.** US existing home sales fell for the sixth consecutive month by 3.4% MOM underscoring weakness in the housing market. **China 3Q GDP growth clocked in below estimates at 6.5% YOY.** September industrial production growth slowed further to 5.8% YOY while retail sales rose 9.2% YOY. YTD fixed asset investment increased 5.4% YOY. Hong Kong unemployment rate remained unchanged at 2.8%.
- **USD fell against 7 G10s** while DXY was down 0.19% to 95.71, weighed down by renewed buying interest in European majors as sentiment improved. **Stay bullish on USD** as we suspect recent market sell-off remains unabated and likely to still drive refuge demand. Technically, DXY remains in a bullish trend unless it slips below 95.80 by tomorrow. Until then, outlook still points to a climb above 95.95 by mid-week, which would then target 96.15.
- **MYR was largely unchanged at 4.1575 against USD** after paring losses from early trade as the greenback retreated. MYR closed mixed against the G10s. Despite a softer overnight USD, **we maintain a neutral MYR view** with scope for mild losses as risk appetite remains soft and likely to dampen buying interest. Upside bias in USDMYR sustains. Expect further gains going forward, with scope to test 4.1655 – 4.1660.
- **SGD advanced 0.3% to 1.3778 against a soft USD** but fell against 6 G10s. **Stay bearish on SGD against a firm USD** as we opine that risk-off in the markets remains unabated. USDSGD is still technically bullish unless it trends below 1.3783 by tomorrow. Until then, there is potential for a climb to 1.3809 – 1.3822 going forward.

Overnight Economic Data

US	↓
HK	→
China	→

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US Chicago Fed Nat Activity Index
- Japan All Industry Activity Index, Convenience Store Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1450	1.1479	1.1504	1.1527	1.1546	↘
USDJPY	1.3022	1.3041	1.3057	1.3077	1.3099	↘
GBPUSD	112.22	112.34	112.41	112.46	112.64	↘
AUDUSD	0.7066	0.7074	0.7090	0.7102	0.7127	↘
EURGBP	0.8794	0.8800	0.8810	0.8824	0.8833	↗
USDMYR	4.1555	4.1570	4.1585	4.1595	4.1605	→
EURMYR	4.7780	4.7800	4.7836	4.7859	4.7892	↗
JPYMYR	3.6950	3.6971	3.7006	3.7020	3.7063	→
GBPMYR	5.4209	5.4264	5.4300	5.4312	5.4333	↗
SGDMYR	3.0150	3.0160	3.0174	3.0180	3.0192	↗
AUDMYR	2.9407	2.9458	2.9488	2.9502	2.9525	↘
NZDMYR	2.7344	2.7368	2.7383	2.7410	2.7437	↗
USDSGD	1.3763	1.3773	1.3783	1.3797	1.3809	↗
EURSGD	1.5824	1.5847	1.5854	1.5865	1.5882	↘
GBPSGD	1.7950	1.7965	1.7998	1.8028	1.8045	↘
AUDSGD	0.9727	0.9749	0.9774	0.9797	0.9823	↘

* 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	1,732.14	-0.34	-3.60	CRB Index	197.18	0.28	1.71
Dow Jones Ind.	25,444.34	0.26	2.93	WTI oil (\$/bbl)	69.12	0.68	14.40
S&P 500	2,767.78	-0.04	3.52	Brent oil (\$/bbl)	79.78	0.62	19.19
FTSE 100	7,049.80	0.32	-8.30	Gold (\$/oz)	1,226.49	0.06	8.10
Shanghai	2,550.47	2.58	-22.88	CPO (RM/tonne)	2,084.00	-0.69	-12.80
Hang Seng	25,561.40	0.42	-14.57	Copper (\$/tonne)	6,220.00	1.02	-14.17
STI	3,062.51	-0.23	-10.00	Rubber (sen/kg)	405.00	-0.49	-12.43

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Existing Home Sales MOM	Sep	-3.4%	-0.2% (revised)	-0.9%
HK Unemployment Rate SA	Sep	2.8%	2.8%	2.8%
CH GDP YOY	3Q	6.5%	6.7%	6.6%
CH Retail Sales YOY	Sep	9.2%	9.0%	9.0%
CH Industrial Production YOY	Sep	5.8%	6.1%	6.0%
CH Fixed Assets Ex Rural YTD YOY	Sep	5.4%	5.3%	5.3%

Source: Bloomberg

➤ Macroeconomics

- US existing home sales recorded further decline:** Existing home sales fell by 3.4% MOM in September (Aug: -0.2% revised) to 5.15m units (Aug: 5.33m revised), marking its sixth months of consecutive decline as sales in all areas experienced contraction except for the Midwest where number of units sold was held steady. Existing home sales makes up about 90% of total US home sales, its 6-month losing streak underscores the weakening of the housing market where building activities continued to slow (falling housing starts, building permits). The upside was that homebuilder's confidence seemed to be supported still driven by a recent fall in lumber prices and what builders perceived to be a still-solid consumer demand.
- China GDP growth dragged down by slower manufacturing expansion:** GDP growth slowed for the third consecutive quarter this year clocking in at 6.5% YOY (2Q: +6.7%), below consensus estimate of 6.6% YOY while on a quarterly basis, growth also softened to 1.6% QOQ (2Q:+1.7%) dragged mainly by the slowdown in the secondary industry i.e. the manufacturing sector. The primary industry, which comprises agriculture, forestry, and fishing, grew at a faster rate of 3.4% year-to-date YOY (2Q: +3.2%) while growth in the secondary industry (manufacturing, construction & supply of electricity, water & gas) eased to 5.8% YTD YOY% (2Q: +6.1%) reflecting slower growth in the manufacturing sector as correctly indicated by the softer PMI readings. Tertiary industry meanwhile went up by 7.7% YTD YOY% (2Q: +7.6%) indicating a still-solid services sector. September data further reaffirmed the broad-based slowdown in the Chinese economy dragged mainly by the unsurprisingly softer manufacturing growth as external demand weakened while growth in the services sector stabilized.
- China retail sales hold up by still-solid consumer spending:** Retail sales growth bounced back to 9.2% YOY in September (Aug: +9.0%) in yuan terms as sales in both urban and rural areas recorded faster gains compared to the previous month. Sales in consumer goods registered a stronger increase of 9.2% YOY (Aug: +8.9%) after four consecutive months of weaker sales; the improved growth was driven by better sales of food (+13.6% vs +10.1%), beverages (+10.4% vs +8.1%), tobacco/alcohol (+9.8% vs +7.0%), clothing (+9.0% vs 7.0%), household electronics (+5.7% vs +4.8%), medicine (+8.9% vs +7.4%), furniture (+9.9% vs +9.5%), communication appliances (+16.9% vs +6.4%) and construction materials (+8.4% vs +7.9%). Demand for automobiles continued to weaken as sales contracted for the fifth consecutive month by 7.1% YOY (Aug: -3.2%). Sales in restaurant/catering softened to grow 9.4% YOY (Aug: +9.7%). The rebound in retail sales however reaffirms our earlier view of a still-solid consumer spending as China transitions from an export-led model to a consumption based economy.
- China industrial output softened further:** Industrial production growth pulled back to 5.8% YOY in September (Aug: +6.1%), the slowest since October 2015 as the faster gains in output of glass (+3.9% vs +1.9%), crude steel (+7.5% vs +2.7%), steel product (+9.8% vs +6.4%), coal (+5.2% vs +4.2%), computer (+2.5% vs -1.5%) were offset by the contraction in coking coal (-0.1% vs -1.1%), crude oil (-2.4% vs +0.2%), mobile phones (-10.6% vs +0.6%), and motor vehicles (-10.6% vs -4.4%). Within motor vehicle, output of cars declined by a whopping 8.6% YOY compared to a mere 0.3% YOY gain in the previous month. Electricity output eased to 4.6% YOY (Aug: +7.3%) while natural gas production also softened for the third consecutive month to 8.5% YOY (Aug: +9.7%). The gradual pullback of industrial output since April is a sign that trade tariffs began to bite into domestic productions and we are expecting productions growth to taper further in the months ahead mainly because of the rather impressive gain in September exports where firms front loaded goods shipments (to the US) to avoid further tariffs.

- **China fixed investment remained weak:** YTD fixed asset investment excluding rural households (investment), which measures the total workload on construction and purchase for fixed assets, ticked up to a 5.4% YOY growth (Aug: +5.3%) mainly because of the slight increase in state-owned investment (+1.2% vs +1.1%) as growth in private investment was held steady at 8.7% YOY. Investment in agriculture slowed to increase 9.8% YTD YOY (Aug: +12.1%), mining increased 6.2% (Aug: +5.9%) while manufacturing ticked up 8.7% (Aug: +7.5%).
- **Hong Kong unemployment rate held unchanged:** Unemployment rate remained unchanged at 2.8% in September (Aug: 2.8%).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
22/10	Malaysia	Foreign Reserves	Oct-15	--	\$103.0b	--
22/10	US	Chicago Fed Nat Activity Index	Sep	0.22	0.18	--
23/10		Richmond Fed Manufact. Index	Oct	24.0	29.0	--
23/10	Eurozone	Consumer Confidence	Oct A	-3.2	-2.9	--
23/10	UK	CBI Trends Total Orders	Oct	2.0	-1.0	--
22/10	Japan	All Industry Activity Index MOM	Aug	0.4%	0.0%	--
		Convenience Store Sales YOY	Sep	--	1.0%	--
23/10		Supermarket Sales YOY	Sep	--	0.1%	--
		Machine Tool Orders YOY	Sep F	--	2.8%	--
		Nationwide Dept Sales YOY	Sep	--	-0.2%	--
23/10	Hong Kong	CPI Composite YOY	Sep	--	2.3%	--
23/10	Singapore	CPI YOY	Sep	0.8%	0.7%	--

Source: Bloomberg

Forex

	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1514	0.53	1.1535	1.1433	-4.15
GBPUSD	1.3076	0.45	1.3104	1.3012	-3.32
USDJPY	112.55	0.30	112.65	112.14	-0.27
AUDUSD	0.7119	0.28	0.7150	0.7089	-9.02
EURGBP	0.8812	0.16	0.8833	0.8776	-0.83
USDMYR	4.1575	0.01	4.1635	4.1560	2.72
EURMYR	4.7641	0.57	4.7710	4.7543	-1.34
JPYMYR	3.6983	0.13	3.7088	3.6945	2.37
GBPMYR	5.4202	0.55	5.4253	5.4101	-0.60
SGDMYR	3.0146	0.10	3.0204	3.0090	-0.38
AUDMYR	2.9571	0.39	2.9609	2.9479	-6.58
NZDMYR	2.7352	0.16	2.7368	2.7177	-4.87
CHFMYR	4.1743	0.23	4.1782	4.1678	0.56
CNYMYR	0.6000	0.12	0.6603	0.5993	-3.50
HKDMYR	0.5304	0.02	0.5310	0.5301	2.36
USDSGD	1.3778	0.30	1.3820	1.3764	3.11
EURSGD	1.5864	0.25	1.5879	1.5768	-1.24
GBPSGD	1.8018	0.18	1.8039	1.7935	-0.41
AUDSGD	0.9806	0.04	0.9843	0.9793	-6.24

Source: Bloomberg

MYR

- **MYR was largely unchanged at 4.1575 against USD** after paring losses from early trade as the greenback retreated. MYR closed mixed against the G10s.
- Despite a softer overnight USD, **we maintain a neutral MYR view** with scope for mild losses as risk appetite remains soft and likely to dampen buying interest. Upside bias in USDMYR sustains. Expect further gains going forward, with scope to test 4.1655 – 4.1660.

USD

- **USD fell against 7 G10s** while DXY was down 0.19% to 95.71, weighed down by renewed buying interest in European majors as sentiment improved.
- **Stay bullish on USD** as we suspect recent market sell-off remains unabated and likely to still drive refuge demand. Technically, DXY remains in a bullish trend unless it slips below 95.80 by tomorrow. Until then, outlook still points to a climb above 95.95 by mid-week, which would then target 96.15.

EUR

- **EUR rallied to advance 0.53% to 1.1514 against USD** and climbed against 6 G10s as markets turned attention to potential Brexit deal away from Italian fiscal concerns.
- **Continue to view a slightly bearish EUR against USD** on lingering Italian woes as well as likelihood of increased risk aversion ahead of ECB meeting mid-week. Nonetheless, bearish trend continues to prevail in EURUSD, suggesting a potential decline below 1.1450 by mid-week. This may be nullified by holding above 1.1500 by tomorrow, which would then improve the chance of a test at 1.1546.

GBP

- **GBP strengthened 0.45% to 1.3076 against USD**, lifted by Brexit optimism amid comments from EU negotiator that a post-Brexit deal is near, but slipped against 5 G10s as European majors advanced.
- Despite recent positive Brexit headline, we reckon that GBP is not yet out of the woods and remains under pressure from uncertainties until a post-Brexit deal is confirmed. As such, **we stay bearish on GBP against USD**. GBPUSD remains on track to test 1.3012, below which drops to 1.2944 – 1.2980 will prevail. Rebounds are likely capped by 1.3099.

JPY

- **JPY fell to the bottom of the G10 list and weakened 0.3% to 112.55 against USD** as risk appetite improved on the markets.
- **We are slightly bullish on JPY against USD**, supported by refuge demand amid likelihood of renewed sell-off in equities. Technical outlook for USDJPY is mixed but we reckon that rejection near 112.74 remains in effect and could continue to push the pair lower to circa 112.22.

AUD

- **AUD climbed 0.28% to 0.7119 against a soft USD** amid improved risk appetite in the markets but fell against 6 G10s that also rallied on a soft greenback.
- **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 0.7127 to invigorate the bulls.

SGD

- **SGD advanced 0.3% to 1.3778 against a soft USD** but fell against 6 G10s.
- **Stay bearish on SGD against a firm USD** as we opine that risk-off in the markets remains unabated. USDSGD is still technically bullish unless it trends below 1.3783 by tomorrow. Until then, there is potential for a climb to 1.3809 – 1.3822 going forward.

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