

Global Markets Research

Daily Market Highlights

Key Takeaways

➤ US equity ended mixed on Friday amidst profit taking - the Dow and S&P 500 hit fresh record highs before erasing gains towards the end of the day. Yield on 10Y US treasuries were little changed at 3.06%. WTI closed minimally lower at \$70.78/barrel. **China has cancelled trade talks with the US and reportedly would not sit down for any negotiations until after the midterm election in the US.** In fact, a Chinese spokesman said during a Friday briefing that “nothing the US had done had given an impression of sincerity and goodwill”, reaffirming that Beijing would not negotiate under threats. The new rounds of tariffs (for both countries) are set to take effect today. **Key highlight of this week is Wednesday FOMC meeting where the Fed is expected to raise fed funds rate for the third time in 2018.**

➤ At the data front, **PMI readings came in mixed.** The flash US Markit Manufacturing PMI rose to a four-month high of 55.6) in September indicating a robust growth while the services sector saw a pullback in expansion as the Services PMI fell to 52.9, an 18-month low. In the Eurozone, the flash Markit Manufacturing PMI fell to a 24-month low of 53.3, indicating a much slower expansion in the sector whereas the Services PMI picked up to a three-month high of 54.7. Meanwhile, the flash Japan Markit Manufacturing PMI rose to a three-month high of 52.5. Department store sales posted 0.2% YOY decline in August and All Industry Index was flat. Malaysia foreign reserves fell to \$103.9b as at 14 September.

➤ **USD** rebounded last Friday to **beat 8 G10s** while the DXY climbed through European-US sessions as refuge demand firmed up again amid slump in GBP. **We are now slightly bullish on USD** on renewed fears of further escalation to the on-going US-China trade dispute. However, caution that demand could soon sag on risk aversion heading into FOMC policy decision. Technical outlook suggests DXY remains in a bearish trend. There is scope to break below 93.91 in the coming days, while rebound is likely capped below 94.64, otherwise current bearish trend will be nullified.

➤ **MYR strengthened 0.18% to 4.1305 against USD** last Friday following continued improvement in market sentiment, but slipped against 7 G10s. **MYR is neutral against USD**, with room for minor losses amid renewed fears over escalation of US-China trade dispute. Technically, minor bearish trend prevails and suggests that USDMYR is likely to hold below 4.1400 going forward, though potential for a decline to 4.1260 has diminished. Losing 4.1300 will put this target back on track.

➤ **SGD inched 0.04% firmer to 1.3640 against USD** and advanced against all G10s. **SGD is now bearish against USD** in our view as trade concerns escalate again. USDSGD's strong bounce off 1.3612 last Friday hints that bulls have not given up entirely. Some bounces may prevail going forward, and beating 1.3664 would tilt USDSGD upward to test set a course towards 1.3695.

Overnight Economic Data

Malaysia	↓
US	→
Eurozone	→
Japan	↑

What's Coming Up Next

Major Data

- US Chicago Fed Nat Activity Index, Dallas Fed Manf. Activity
- UK CBI Trends Total Orders
- Singapore CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1715	1.1733	1.1750	1.1760	1.1774	↘
GBPUSD	1.3025	1.3054	1.3082	1.3100	1.3139	↘
USDJPY	112.22	112.43	112.59	112.74	112.80	↘
AUDUSD	0.7248	0.7263	0.7279	0.7293	0.7312	↘
EURGBP	0.8949	0.8973	0.8978	0.8995	0.9007	↗
USDMYR	4.1300	4.1310	4.1340	4.1365	4.1400	→
EURMYR	4.8480	4.8533	4.8568	4.8600	4.8647	↘
JPYMYR	3.6680	3.6692	3.6726	3.6753	3.6786	↗
GBPMYR	5.4050	5.4090	5.4113	5.4150	5.4211	↘
SGDMYR	3.0250	3.0265	3.0289	3.0303	3.0315	→
AUDMYR	3.0050	3.0067	3.0096	3.0125	3.0153	→
NZDMYR	2.7600	2.7620	2.7645	2.7660	2.7680	→
USDSGD	1.3629	1.3640	1.3652	1.3664	1.3682	↗
EURSGD	1.6005	1.6021	1.6040	1.6052	1.6060	↘
GBPSGD	1.7800	1.7823	1.7865	1.7875	1.7900	↘
AUDSGD	0.9900	0.9918	0.9937	0.9940	0.9950	↘

*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	1,810.64	0.38	0.77	CRB Index	193.98	0.66	0.06
Dow Jones Ind.	26,743.50	0.32	8.19	WTI oil (\$/bbl)	70.78	-0.03	18.80
S&P 500	2,929.67	-0.04	9.58	Brent oil (\$/bbl)	78.80	0.13	19.23
FTSE 100	7,490.23	1.67	-2.57	Gold (\$/oz)	1,200.04	-0.59	\$.10
Shanghai	2,797.49	2.50	15.41	CPO (RM/tonne)	2,121.50	-0.68	-11.23
Hang Seng	27,953.58	1.73	-6.57	Copper (\$/tonne)	6,363.00	4.62	-12.20
STI	3,217.68	1.17	-5.44	Rubber (sen/kg)	411.00	-0.36	-11.14

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Foreign Reserves	14 Sep	\$103.9	\$104.4b	--
US Markit Manufacturing PMI	Sep P	55.6	54.7	55.0
US Markit Services PMI	Sep P	52.9	54.8	55.0
EU Markit Manufacturing PMI	Sep P	53.3	54.6	54.5
EU Markit Services PMI	Sep P	54.7	54.4	54.4
JP Nikkei PMI Mfg	Sep P	52.9	52.5	--
JP All Industry Activity Index MOM	Jul	0.0%	-0.9% (revised)	0.1%
JP Nationwide Dept Sales YOY	Aug	-0.2%	-6.1%	--

Source: Bloomberg

➤ Macroeconomics

- US flash Markit PMIs pointed to faster manufacturing growth; services slowed down:** The flash Manufacturing PMI rose to a four-month high of 55.6 (Aug: 54.7) indicating a robust improvement across the manufacturing sector in the US, driven by the stronger rates of output and new orders. Trade tariffs led to the higher prices for metals and this encouraged firms to make advance/forward purchases as input buying increased at the fastest rate in four years. Business sentiments however moderated to its lowest since Mar-17 while staffing numbers expanded at the weakest pace for 13 months. Meanwhile the services sector saw a pullback in growth as the flash Services PMI fell to 52.9 (Aug: 54.8), an 18-month low due to a moderation in output growth. However, underlying demand remained resilient, underpinned by a renewed rise in backlogs of work and stronger new business growth. Job creation was also the fastest since May-15 but the intense cost pressures seemed to weigh down on positive sentiments.
- Eurozone flash Markit PMIs suggested slowdown in manufacturing but faster growth in services:** Economic activity in the Eurozone grew in September according to the preliminary PMI readings. Manufacturing PMI fell to a 24-month low of 53.3 (Aug: 54.6) indicating a much slower expansion in the sector as production increased at the slowest rate since May-16 while new orders grew only marginally, weighed down by a stagnation of new exports orders. Job creation was at 19-month low while the growth of input cost was the weakest in five months. The services PMI meanwhile picked up to a three-month high of 54.7 (Aug: 54.4) marking its second consecutive month of incline as output and new orders expanded at faster paces, with strong rise in employment observed. Cost of input accelerated to the highest pace since Apr-11.
- Japan flash Markit Manufacturing PMI indicated substantial drop in confidence:** The flash reading of Nikkei Manufacturing PMI rose to a three-month high of 52.9 in September (Aug: 52.5). Output increased at a slower rate, whereas new orders posted faster growth. The first rise in export sales since May was also a notable development for Japanese manufacturing sector as recent demand was driven primarily by the domestic market. Input prices accelerated indicating the surge in cost of raw materials. Business sentiments dipped further to a 22-month low as firms were uncertain about the impact of trade tensions on the Japanese economy.
- Japan department store sales saw minor decline; All Industry Index left unchanged:** Department store sales fell 0.2% YOY in August (Jul: -6.1%) as the faster sales in accessories (+2.5% vs -6.3%), sundries & cosmetics (+3.7% vs +0.8%) were offset by the fall in sales of clothing (-2.6% vs -11.1%), household goods (-1.1% vs -10.4%) and food (-1.4% vs -4.2%). All industry Index was left unchanged in July (Jun: -0.9% revised). The tertiary industry grew 0.1% MOM (Jun: -0.6%) whereas the manufacturing sector contracted 0.2% MOM (Jun: -1.8%). Construction meanwhile fell 0.6% MOM (Jun: -2.4%).
- Malaysia foreign reserves posted decline:** Foreign reserves fell to \$103.9b as at 14 September (previous: \$104.4b), sufficient to finance 8.1 months of retained imports and is 0.9 times short term external debt.

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
24/09	US	Chicago Fed Nat Activity Index	Aug	0.20	0.13	--
		Dallas Fed Manf. Activity	Sep	31.0	30.9	--
25/09		FHFA House Price Index MOM	Jul	0.3%	0.2%	--
		S&P CoreLogic CS 20-City YOY NSA	Jul	6.2%	6.3%	--
		Richmond Fed Manufact. Index	Sep	21.0	24.0	--
		Conf. Board Consumer Confidence	Sep	132.0	133.4	--
24/09	UK	CBI Trends Total Orders	Sep	--	7.0	--
25/09	Japan	Supermarket Sales YOY	Aug	--	1.5%	--
		Leading Index CI	Jul F	--	103.5	--
		Coincident Index	Jul F	--	116.3	--
24/09	Singapore	CPI YOY	Aug	0.7%	0.6%	
		CPI Core YOY	Aug	2.1%	1.9%	
25-30/09	Vietnam	Trade Balance	Sep	--	-\$100m	--
		Exports YTD YOY	Sep	--	14.5%	--
		Imports YTD YOY	Sep	--	11.6%	--
		CPI YOY	Sep	--	3.98%	--
		GDP YTD YOY	3Q	--	7.1%	--
		Industrial Production YOY	Sep	--	13.4%	--
		Retail Sales YTD YOY	Sep	--	11.2%	--

Source: Bloomberg

Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1749	-0.24	1.1803	1.1733	-2.12
GBPUSD	1.3072	-1.45	1.3277	1.3056	-3.20
USDJPY	112.59	0.09	112.87	112.43	-0.13
AUDUSD	0.7290	-0.03	0.7304	0.7263	-6.77
EURGBP	0.8982	1.18	0.8995	0.8872	1.16
USDMYR	4.1305	-0.18	4.1355	4.1265	2.19
EURMYR	4.8647	0.46	4.8726	4.8601	0.21
JPYMYR	3.6641	-0.61	3.6753	3.6584	2.19
GBPMYR	5.4561	-0.05	5.4910	5.4534	1.01
SGDMYR	3.0287	0.18	3.0324	3.0251	0.01
AUDMYR	3.0125	0.23	3.0153	3.0062	-4.79
NZDMYR	2.7647	0.40	2.7664	2.7580	-3.02
CHFMYR	4.3205	0.88	4.3208	4.3042	3.96
CNYMYR	0.6035	0.00	0.6043	0.6030	-2.93
HKDMYR	0.5283	0.15	0.5298	0.5268	2.22
USDSGD	1.3640	-0.04	1.3659	1.3612	2.17
EURSGD	1.6027	-0.26	1.6081	1.6018	-0.07
GBPUSD	1.7835	-1.49	1.8116	1.7823	-3.21
AUDSGD	0.9947	-0.03	0.9954	0.9917	-4.83

Source: Bloomberg

MYR

- **MYR strengthened 0.18% to 4.1305 against USD** last Friday following continued improvement in market sentiment, but slipped against 7 G10s.
- **MYR is neutral against USD**, with room for minor losses amid renewed fears over escalation of US-China trade dispute. Technically, minor bearish trend prevails and suggests that USDMYR is likely to hold below 4.1400 going forward, though potential for a decline to 4.1260 has diminished. Losing 4.1300 will put this target back on track.

USD

- **USD rebounded last Friday to beat 8 G10s** while the DXY climbed through European-US sessions as refuge demand for again firmed up amid slump in GBP.
- **We are now slightly bullish on USD** on renewed fears of further escalation to the on-going US-China trade dispute. However, caution that demand could soon sag on risk aversion heading into FOMC policy decision. Technical outlook suggests DXY remains in a bearish trend. There is scope to break below 93.91 in the coming days, while rebound is likely capped below 94.64, otherwise current bearish trend will be nullified.

EUR

- **EUR fell 0.24% to 1.1749 against a firm USD** and retreated against 6 G10s amid softer market sentiment in Europe, weighed down by renewed concern over impasse in EU-UK Brexit negotiations.
- **Expect a slightly bullish EUR against USD**, weighed down by risk aversion in the markets amid flare-up in trade war concerns. Until EURUSD closes below 1.1700, it remains in a bullish trend that suggest an upward break at 1.1777 soon. We maintain our view that a bullish chart pattern has been completed, which puts 1.1851 on the crosshair.

GBP

- **GBP plunged 1.45% to 1.3072 against USD** and tumbled against all G10s as Brexit sentiment soured amid impasse in Brexit negotiations.
- **GBP is now bearish against USD** as Brexit sentiment softens but could see a strong rally if Brexit headlines improve. Losing 1.3215 immediately after gaining it is a sign of weakness. GBPUSD is now tilted to the downside, with scope to break below 1.3054 next, which puts 1.3000 on target next.

JPY

- **JPY demand was revived amid declines in European majors but slipped 0.09% to 112.59 against a firmer USD.**
- **We maintain a slight bullish view on JPY against USD**, supported by renewed demand for refuge as US-China trade relations worsen. We opine that USDJPY bullish trend has ended; gains going forward will likely be thin, and USDJPY will likely be increasingly prone to risk of rejections approaching 112.80 – 113.00.

AUD

- **AUD advanced against 7 G10s but dipped 0.03% to 0.7290 against a firmer USD.**
- **AUD is now bearish against USD**, pressured by renewed fears over further escalation of US-China trade disputes. AUDUSD remains technically bullish despite a gap down today. AUDUSD is still inclined to hold above 0.7234 though the potential move to 0.7331 that we noted last Friday is now less likely.

SGD

- **SGD inched 0.04% firmer to 1.3640 against USD** and advanced against all G10s.
- **SGD is now bearish against USD** in our view as trade concerns escalate again. USDSGD's strong bounce off 1.3612 last Friday hints that bulls have not given up entirely. Some bounces may prevail going forward, and beating 1.3664 would tilt USDSGD upward to test set a course towards 1.3695.

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