

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks fell overnight as trade tariffs went into effect. Politics also weighed down on sentiments** – the NYT reported that Deputy Attorney General Rod Rosenstein suggested last year to secretly record President Trump in the White House to expose its chaos and discussed invoking the 25th Amendment to remove the president. **Crude oil rallied after OPEC hinted less urgency to boost output – Brent broke above \$80**, gaining 3.05% to close at \$81.20/barrel, the highest level since Nov-14 while WTI picked up 1.84% to \$72.08/barrel. 10Y treasuries yield rose 3 bps to 3.09% while the 2Y yield spiked to 2.82% in anticipation of FOMC meeting this week. **The euro surged following President Draghi's comment that underlying inflation in the Eurozone is expected to pick up further over the coming months.**
- There were limited data releases yesterday. In the US, Chicago National Activity Index was held steady at 0.18 in August while the Dallas Fed Manufacturing Index eased to 28.1 in September. The UK manufacturing growth softened as the CBI Trends Total fell to -1 in September. Singapore consumer inflation rose at a faster pace of 0.7% YOY in August.
- **USD extended its rebound to beat 6 G10s** but DXY ended 0.04% lower at 94.18 after strongly bouncing off intraday low to narrow early losses. **USD is now bearish in our view** as we anticipate markets turning attention away from the trade front and focusing on the upcoming FOMC policy decision, which is likely to sap interest in the greenback. 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 inched 0.04% firmer to 4.1305 against USD** and advanced against 6 G10s that were on the retreat amid renewed concerns over US-China trade relations. **MYR is neutral against USD**, with room for minor gains as we anticipate a softer greenback ahead of FOMC policy decision. Technically, minor bearish trend prevails and suggests that USDMYR is likely to hold below 4.1400 going forward. Losing 4.1300 will target a drop to 4.1260 next.
- **SGD weakened 0.12% to 1.3657 against a firm USD** but closed mixed against the G10s. **SGD is still bearish against USD** in our view on prevailing trade concerns and risk aversion ahead of FOMC policy decision. USDSGD is likely to extend its recent bounce, likely targeting 1.3664 next. Beating this would tilt USDSGD upward to test set a course towards 1.3695.

Overnight Economic Data

US	→
UK	↓
Singapore	↑

What's Coming Up Next

Major Data

- US FHFA House Price Index, S&P CoreLogic CS 20-City, Richmond Fed Manufact. Index, Conf. Board Consumer Confidence
- Japan Supermarket Sales, Leading Index CI, Coincident Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1721	1.1733	1.1757	1.1777	1.1783	↗
USDJPY	1.3079	1.3100	1.3117	1.3129	1.3144	↘
GBPUSD	112.59	112.74	112.83	112.87	113.02	↘
AUDUSD	0.7223	0.7234	0.7260	0.7267	0.7282	↘
EURGBP	0.8942	0.8950	0.8962	0.8973	0.8990	↗
USDMYR	4.1290	4.1300	4.1325	4.1360	4.1400	→
EURMYR	4.8500	4.8540	4.8582	4.8600	4.8631	→
JPYMYR	3.6526	3.6559	3.6608	3.6635	3.6694	↘
GBPMYR	5.4054	5.4115	5.4200	5.4245	5.4312	↘
SGDMYR	3.0219	3.0248	3.0262	3.0279	3.0303	↘
AUDMYR	2.9959	2.9985	2.9996	3.0023	3.0045	↘
NZDMYR	2.7415	2.7455	2.7467	2.7478	2.7500	↘
USDSGD	1.3638	1.3647	1.3656	1.3667	1.3684	↗
EURSGD	1.6020	1.6029	1.6052	1.6062	1.6070	↗
GBPSGD	1.7865	1.7879	1.7910	1.7931	1.7950	↘
AUDSGD	0.9890	0.9900	0.9913	0.9920	0.9937	↘

* 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	1,800.17	-0.58	0.19	CRB Index	194.78	0.42	0.47
Dow Jones Ind.	26,562.05	-0.68	7.46	WTI oil (\$/bbl)	72.08	1.84	20.95
S&P 500	2,919.37	-0.35	9.19	Brent oil (\$/bbl)	81.20	3.05	21.43
FTSE 100	7,458.41	-0.42	-2.98	Gold (\$/oz)	1,199.03	-0.08	8.10
Shanghai	2,797.49	2.50	-15.41	CPO (RM/tonne)	2,121.50	-0.68	-11.23
Hang Seng	27,499.39	-1.62	-8.09	Copper (\$/tonne)	6,353.00	-0.16	-12.34
STI	3,219.16	0.05	-5.40	Rubber (sen/kg)	410.50	-0.12	-11.24

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Chicago Fed Nat Activity Index	Aug	0.18	0.18 (revised)	0.20
US Dallas Fed Manf. Activity	Sep	28.1	30.9	31.0
UK CBI Trends Total Orders	Sep	-1	7.0	4
SG CPI YOY	Aug	0.7%	0.6%	0.7%
SG CPI Core YOY	Aug	1.9%	1.9%	2.1%

Source: Bloomberg

➤ Macroeconomics

- Chicago National Activity Index indicated steady US economic activities: Dallas Fed manufacturing growth eased:** The Chicago Fed National Index (CFNAI) was held steady at 0.18 in August (Jul: 0.18 revised) indicating that economic activities remained unchanged in the month, pointing to continuously steady growth. Meanwhile, in the Dallas Fed's latest Manufacturing Outlook Survey, the Index of General Business Activity fell to 28.1 in September (Aug: 30.9) suggesting that Texas factory activity continued to expand albeit at a slower pace compared to the previous month. Nearly all sub-indexes recorded a decline - Production fell to 23.3 (Aug: 29.3) while new orders also eased substantially to 14.7 (Aug: 23.9). Prices remained elevated but did appear to have softened slightly. The prices paid Index fell to 44.4 (Aug: 45.3) and this led to a lower prices received (13.6 vs 15.3). Wages and benefits are still considered high (33.0 vs 33.4) but employment fell (17.7 vs 28.9) suggesting that firms slowed down on hiring plans.
- UK manufacturing growth softened amidst weak exports demand, Brexit uncertainty:** The Confederation of British Industry (CBI) Trends Total Orders Index, a gauge of total orders fell to -1 in September (Aug: 7.0) dragged down by a substantial softening of exports order (5.0 vs 9.0). Expectations for output volume for the next three months fell minimally to 19.0 (Aug: 20.0) while expectations for average selling price weakened to 13.0 (Aug: 15.0). CBI also attributed the slowdown to the lack of progress in Brexit negotiations which was weighing on investment, prompting some companies to rolling out plans for a "no-deal" outcome.
- Singapore consumer inflation rose at faster pace:** CPI rose 0.7% YOY in August (Jul: +0.6%) after being held steady at 0.6% for two consecutive months. Food (+1.7% vs +1.5%), clothing & footwear (+2.8% vs +2.3%) and household durables & services (+0.7% vs +0.5%) saw faster increase in prices whereas that of transport (-0.2% vs -0.3%), housing utilities (-0.6% vs -1.0%) and communication (-1.5% vs +0.2%) dropped. Core inflation was held steady at 1.9% YOY (Jul: +1.9%).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
25/09	US	FHFA House Price Index MOM	Jul	0.3%	0.2%	--
		S&P CoreLogic CS 20-City YOY	Jul	6.2%	6.3%	--
		NSA	Jul	6.2%	6.3%	--
		Richmond Fed Manufact. Index	Sep	20.0	24.0	--
26/09		Conf. Board Consumer Confidence	Sep	132.1	133.4	--
		MBA Mortgage Applications	Sep-21	--	--	--
26/09		New Home Sales MoM	Aug	0.5%	-1.7%	--
25/09	Japan	Supermarket Sales YOY	Aug	--	1.5%	--
		Leading Index CI	Jul F	--	103.5	--
		Coincident Index	Jul F	--	116.3	--
26/09		Machine Tool Orders YoY	Aug F	--	5.3%	--
26/09	Singapore	Industrial Production YoY	Aug	4.7%	6.0%	--
26/09	Zealand	Trade Balance NZD	Aug	-925m	-143m	--
		Exports NZD	Aug	4.4b	5.35b	--
		Imports NZD	Aug	5.5b	5.49b	--
		ANZ Business Confidence	Sep	--	-50.3	--
25-30/09	Vietnam	Trade Balance	Sep	\$120m	-\$100m	--
		Exports YTD YOY	Sep	14.3%	14.5%	--
		Imports YTD YOY	Sep	11.9%	11.6%	--
		CPI YOY	Sep	4.00%	3.98%	--
		GDP YTD YOY	3Q	7.01%	7.08%	--
		Industrial Production YOY	Sep	--	13.4%	--
		Retail Sales YTD YOY	Sep	--	11.2%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1748	-0.01	1.1815	1.1724	-2.07
GBPUSD	1.3120	0.37	1.3167	1.3056	-2.94
USDJPY	112.80	0.19	112.84	112.29	0.08
AUDUSD	0.7252	-0.52	0.7282	0.7248	-7.11
EURGBP	0.8955	-0.30	0.8997	0.8935	0.92
USDMYR	4.1305	-0.04	4.1360	4.1285	2.15
EURMYR	4.8598	-0.10	4.8631	4.8479	0.23
JPYMYR	3.6677	0.10	3.6762	3.6677	1.95
GBPMYR	5.4199	-0.66	5.4232	5.4015	-0.77
SGDMYR	3.0285	-0.01	3.0303	3.0236	-0.08
AUDMYR	3.0054	-0.24	3.0113	2.9987	-5.16
NZDMYR	2.7563	-0.30	2.7658	2.7526	-4.64
CHFMYR	4.3081	-0.29	4.3141	4.3036	3.31
CNYMYR	0.6035	0.00	0.6043	0.6031	-2.93
HKDMYR	0.5291	0.15	0.5301	0.5288	2.18
USDSGD	1.3657	0.12	1.3675	1.3638	2.23
EURSGD	1.6044	0.11	1.6113	1.6017	0.03
GBPSGD	1.7918	0.47	1.7960	1.7821	-0.89
AUDSGD	0.9905	-0.42	0.9940	0.9893	-5.10

Source: Bloomberg

* CNYMYR last closed on 21 Sept 2018

Forex

MYR

- **MYR inched 0.04% firmer to 4.1305 against USD** and advanced against 6 G10s that were on the retreat amid renewed concerns over US-China trade relations.
- **MYR is neutral against USD**, with room for minor gains as we anticipate a softer greenback ahead of FOMC policy decision. Technically, minor bearish trend prevails and suggests that USDMYR is likely to hold below 4.1400 going forward. Losing 4.1300 will target a drop to 4.1260 next.

USD

- **USD extended its rebound to beat 6 G10s** but DXY ended 0.04% lower at 94.18 after strongly bouncing off intraday low to narrow early losses.
- **USD is now bearish in our view** as we anticipate markets turning attention away from the trade front and focusing on the upcoming FOMC policy decision, which is likely to sap interest in the greenback. 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 was barely changed at 1.1748 against USD** after returning early gains that were spurred by ECB President Draghi's view that underlying inflation is rising. EUR managed to advance against 5 G10s.
- **We turn bullish on EUR in line with our view of a bearish USD.** 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 advanced against all G10s and climbed 0.37% to 1.3120 against USD**, likely as part of a technical rebound from the strong plunge a day before.
- **Stay bearish on GBP against USD** amid a lack of improvement in UK-EU Brexit negotiations; expect headlines to dominate GBP's direction. Technically, GBPUSD remains tilted to the downside, with scope to break below 1.3054 next, which puts 1.3000 on target next.

JPY

- **JPY demand was dampened by renewed interest in Nordic majors**, sliding against 5 G10s and **slipping 0.19% to 112.80 against a firmer USD.**
- **We maintain a slight bullish view on JPY against a soft USD**, on top of refuge demand going into FOMC policy decision. We maintain 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 tumbled 0.52% to 0.7252 against USD** and fell against 7 G10s following receding risk appetite in the markets with China pulling out of US trade talks.
- **AUD remains bearish against USD** in our view, pressured by lingering concerns over US-China trade relations and risk aversion heading into FOMC policy decision. Technically, the minor bullish trend has ended and AUDUSD is now less inclined towards the upsides. That said, holding above 0.7223 will be crucial for AUDUSD to keep the bears at bay, otherwise expect a return to 0.7149 going forward.

SGD

- **SGD weakened 0.12% to 1.3657 against a firm USD** but closed mixed against the G10s.
- **SGD is still bearish against USD** in our view on prevailing trade concerns and risk aversion ahead of FOMC policy decision. USDSGD is likely to extend its recent bounce, likely targeting 1.3664 next. Beating this would tilt USDSGD upward to test set a course towards 1.3695.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.