

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equities continued to be battered overnight on mounting concern over slower global economic growth**, with the Dow and S&P 500 suffered enormous losses to erase their 2018 gains while the NASDAQ entered into the correction territory. **The CBOE VIX Index, Wall Street's volatility gauge rose more than 20%, reflecting poor market sentiments.** Chipmaker Texas Instrument's warning over slowing global semiconductor demand dragged down the tech sector. Crude oil pared daily gains following EIA's report on large build-up in crude inventories. Volatility in equity again stocked haven demand leading the bond market to rally - yield on 10Y treasuries fell 6bps to 3.10%. Earlier, the **Bank of Canada raised its overnight rate target to 1.75% and signalled more hikes ahead. The ECB Governing Council meets today and focus will be on President Draghi's post-meeting press conference for cues on ending QE programme.**
- In the US, the Fed released its seventh **Beige Book** of the year **with widespread concerns over trade tariffs** observed as nearly all districts made reference to tariffs in their individual reports. The **US flash Markit manufacturing PMI rose to 55.9 in October while the services PMI also inched up to 54.7.** September new home sales fell 5.5% MOM, but August FHFA House Price Index rose 0.3% MOM, and mortgage applications rebounded to increase 4.9% last week. Elsewhere, the **flash Markit Eurozone manufacturing PMI slipped to a 26-month low** of 52.1 while the flash Nikkei Manufacturing PMI for Japan rose to 53.1 in October. New Zealand surprised with a higher deficit of NZD1.56b in September.
- **USD advanced against 8 G10s** while DXY rallied through European session to close 0.49% higher at 96.43, supported by extended risk-off in the markets and renewed risk aversion in European markets amid continued Italian woes. **We stay bearish on DXY** in anticipation of a technical pullback after overnight rally, and room for further losses if European majors rally on a potentially hawkish sounding ECB press conference. DXY's rally remains fragile as we note the emergence of price-momentum divergence, which is a bearish set up. Even as DXY remains elevated, we caution on rising risk of rejection approaching 96.53 – 96.66.
- **MYR slipped 0.06% to 4.1665 against USD** as buying interest remains capped by retreating risk appetite in the markets. MYR managed to beat 8 G10s. **Expect a neutral MYR against USD**, with scope for mild losses as risk appetite continues to retreat amid extended sell-off in the markets. USDMYR remains tilted to the upside and is now eyeing a move towards 4.1710 – 4.1720. Shedding 4.1575 will allay the bulls, a move that looks highly unlikely at this juncture.
- **SGD weakened 0.17% to 1.3813 against USD** amid pressure from risk-off sentiment in the markets but managed to climb against 8 G10s. **Stay slightly bullish on SGD in line with our view of a softer USD.** Technical outlook has deteriorated and USDSGD remains tilted towards the downside and on a path towards 1.3750 – 1.3760.

Overnight Economic Data

US	➔
Eurozone	⬇
Japan	⬆
New Zealand	⬆

What's Coming Up Next

Major Data

- US Wholesale Inventories, Retail Inventories, Durable Goods Orders, Initial Jobless Claims, Pending Home Sales, Kansas City Fed Manufacturing Activity
- Hong Kong Exports

Major Events

- ECB Main Refinancing Rate

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1367	1.1397	1.1406	1.1433	1.1455	↗
USDJPY	1.2850	1.2862	1.2889	1.2897	1.2909	↘
GBPUSD	111.45	111.83	111.92	112.00	112.08	↘
AUDUSD	0.7044	0.7054	0.7070	0.7097	0.7108	↘
EURGBP	0.8820	0.8840	0.8848	0.8857	0.8860	↗
USDMYR	4.1660	4.1670	4.1685	4.1690	4.1700	➔
EURMYR	4.7482	4.7543	4.7551	4.7592	4.7646	↘
JPYMYR	3.7172	3.7211	3.7239	3.7257	3.7283	↗
GBPMYR	5.3659	5.3702	5.3754	5.3821	5.3886	↘
SGDMYR	3.0168	3.0180	3.0192	3.0215	3.0247	➔
AUDMYR	2.9458	2.9475	2.9483	2.9502	2.9520	↘
NZDMYR	2.7144	2.7172	2.7191	2.7212	2.7227	↘
USDSGD	1.3785	1.3794	1.3808	1.3820	1.3827	↘
EURSGD	1.5710	1.5725	1.5752	1.5768	1.5791	↘
GBPSGD	1.7750	1.7781	1.7802	1.7821	1.7857	↘
AUDSGD	0.9750	0.9762	0.9765	0.9770	0.9791	↘

* 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	1,690.04	-0.45	-5.94	CRB Index	194.47	-0.26	0.31
Dow Jones Ind.	24,583.42	-2.41	-0.55	WTI oil (\$/bbl)	66.82	0.59	10.51
S&P 500	2,656.10	-3.09	-0.65	Brent oil (\$/bbl)	76.17	-0.35	13.91
FTSE 100	6,962.98	0.11	-9.43	Gold (\$/oz)	1,233.79	0.28	8.10
Shanghai	2,603.30	0.33	-21.28	CPO (RM/tonne)	2,080.50	-0.05	-12.95
Hang Seng	25,249.78	-0.38	-15.61	Copper (\$/tonne)	6,179.00	-0.27	-14.74
STI	3,032.08	0.02	-10.90	Rubber (sen/kg)	401.50	-0.25	-13.19

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Oct-19	4.9%	-7.1%	--
US FHFA House Price Index MOM	Aug	0.3%	0.4% (revised)	0.3%
US New Home Sales MOM	Sep	-5.5%	-3.0% (revised)	-0.6%
US Markit Manufacturing PMI	Oct P	55.9	55.6	55.3
US Markit Services PMI	Oct P	54.7	53.5	54.0
EU Markit Manufacturing PMI	Oct P	52.1	53.2	53.0
EU Markit Services PMI	Oct P	53.3	54.7	54.5
JP Nikkei Manufacturing PMI	Oct P	53.1	52.5	--
JP Coincident Index	Aug F	116.7	116.1	--
JP Leading Index CI	Aug F	104.5	103.9	--
NZ Trade Balance NZD	Sep	-1,560m	-1,470m (revised)	-1,365m
NZ Exports NZD	Sep	4.33b	3.97b (revised)	4.20b
NZ Imports NZD	Sep	5.89b	5.44b (revised)	5.60b

Source: Bloomberg

➤ Macroeconomics

- US Fed Beige Book showed widespread concerns over trade tariffs; flash Markit PMIs signalled solid manufacturing and services sector:** The Fed released its seventh (or penultimate) Beige Book of the year, key highlights include that majority of the Fed Districts reported “modest to moderate” growth in overall economic activity, employment expanded “modest and moderately”, wage growth accelerated somewhat but remained moderate while prices continued to rise as manufacturers said prices of finished goods were raised “out of necessity” as tariffs had led to rising raw material costs. Concerns over trade were widespread with nearly all districts made reference to tariffs in their individual reports. On a separate note, the flash Markit manufacturing PMI rose to 55.9 in October (Sep: 55.6) while the services PMI also inched up to 54.7 (Sep: 53.5), signalling a still-solid manufacturing and services sectors in the US.
- US new home sales dipped highlighting underlying weakness in housing market:** New home sales which makes up about 10% of the US housing market fell at a steeper rate of 5.5% MOM in September (Aug: -3.0% revised), adding to the list of already weak housing data (falling housing starts, building permits, existing home sales) and reaffirming views that the US housing market is set for a softer quarter ahead. Rising house prices and interest rates are the main culprits while persistent lack of supply dampened demand. A separate release overnight shows that the FHFA House Price Index rose 0.3% MOM in August (Jul: +0.4% revised). Mortgage applications rebounded to increase 4.9% for the week ended 19 October (previous: -7.1%) after two weeks of consecutive decline driven by a recovery in the refinancing segment. The average rate for a 30-year fixed rate mortgage loan climbed further to 5.11% (previous: 5.10%), the highest since Feb-11, compared to 4.18% a year ago.
- Eurozone manufacturing and services sector growth slowed, optimism weakened:** The flash Markit Eurozone manufacturing PMI slipped to a 26-month low of 52.1 in October (Sep: 53.2) due to a fall in new orders and new exports orders. The services PMI fell to a 24-month low of 53.3 (Sep: 54.7) driven by slower new orders growth. Employment continued to increase but the rate of jobs growth was the second-lowest for just over a year, price pressure stayed closed to a seven-year high and business confidence weakened for both sectors.
- Japan manufacturers observed strongest business conditions improvement in 6 months:** The flash Nikkei Manufacturing PMI for Japan rose to 53.1 in October (Sep: 52.5) driven by faster increase in output, new orders, employment, both input and output prices as well as stocks of purchases. Export sales rose for the first time since May. Firms’ future expectations remained positive but became weaker in the latest survey. A separate release meanwhile shows that Japan’s coincident index rose to 116.7 in August (Jul: 116.1) while leading index also inched up to 104.5 (Jul: 103.9) suggesting a rebound Japan’s monthly growth.
- New Zealand trade deficit widened:** New Zealand recorded a higher trade deficit of NZD1.56b in September (Aug: -NZD1.47b revised) with both imports and exports recording impressive annual gains. Imports rose 18.8% YOY (Aug: +11.9%) to NZD5.89b (Aug: 5.44b revised) while exports edged up by 14.1% YOY (Aug: +7.7%) to NZD4.33b (Aug: 3.97b revised).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
26/10	Malaysia	CPI YOY	Sep	0.6%	0.2%	--
25/10	US	Advance Goods Trade Balance	Sep	-\$75.1b	-\$75.8b	-\$75.5b
		Wholesale Inventories MOM	Sep P	0.5%	1.0%	--
		Retail Inventories MOM	Sep	--	0.7%	--
		Durable Goods Orders	Sep P	-1.5%	4.4%	--
		Cap Goods Orders Nondef Ex Air	Sep P	0.5%	-0.9%	--
		Initial Jobless Claims	Oct-20	215k	210k	--
		Pending Home Sales MOM	Sep	0.0%	-1.8%	--
		Kansas City Fed Manf. Activity	Oct	14.0	13.0	--
26/10		GDP Annualized QoQ	3Q A	3.3%	4.2%	--
		U. of Mich. Sentiment	Oct F	99.0	99.0	--
25/10	Eurozone	ECB Main Refinancing Rate	Oct-25	0.00%	0.00%	--
25/10	Hong Kong	Exports YOY	Sep	8.6%	13.1%	--
		Imports YOY	Sep	10.5%	16.4%	--
		Trade Balance HKD	Sep	-\$58.0b	-\$52.1b	--
26/10	Singapore	Industrial Production YoY	Sep	3.5%	3.3%	--
25-31/10	Vietnam	Industrial Production YOY	Oct	--	9.1%	--
		Exports YTD YOY	Oct	14.9%	15.4%	--
		Imports YTD YOY	Oct	12.0%	11.8%	--
		Trade Balance	Oct	\$600m	\$700m	--
		CPI YOY	Oct	3.95%	3.98%	--
		Retail Sales YTD YOY	Oct	--	11.3%	--

Source: Bloomberg

Forex

	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1392	-0.69	1.1477	1.1379	-5.06
GBPUSD	1.2881	-0.79	1.2991	1.2867	-4.67
USDJPY	112.26	-0.76	112.74	112.09	-0.51
AUDUSD	0.7060	-0.37	0.7106	0.7059	-9.55
EURGBP	0.8844	0.70	0.8849	0.8816	-0.38
USDMYR	4.1665	0.06	4.1670	4.1575	2.97
EURMYR	4.7569	-0.52	4.7782	4.7506	-1.89
JPYMYR	3.7029	-0.78	3.7068	3.6928	3.00
GBPMYR	5.3868	-0.52	5.4093	5.3843	-1.41
SGDMYR	3.0194	-0.63	3.0240	3.0175	-0.32
AUDMYR	2.9497	0.07	2.9587	2.9483	-6.71
NZDMYR	2.7257	-0.76	2.7341	2.7246	-5.35
CHFMYR	4.1765	-0.77	4.1880	4.1747	0.66
CNYMYR	0.6000	-0.02	0.6005	0.5993	-3.50
HKDMYR	0.5311	0.00	0.5315	0.5303	2.55
USDSGD	1.3813	0.77	1.3816	1.3772	3.40
EURSGD	1.5734	-0.52	1.5819	1.5714	-1.92
GBPSGD	1.7790	-0.61	1.7909	1.7767	-1.54
AUDSGD	0.9754	-0.75	0.9797	0.9747	-6.55

Source: Bloomberg

MYR

- **MYR slipped 0.06% to 4.1665 against USD** as buying interest remains capped by retreating risk appetite in the markets. MYR managed to beat 8 G10s.
- **Expect a neutral MYR against USD**, with scope for mild losses as risk appetite continues to retreat amid extended sell-off in the markets. USDMYR remains tilted to the upside and is now eyeing a move towards 4.1710 – 4.1720. Shedding 4.1575 will allay the bulls, a move that looks highly unlikely at this juncture.

USD

- **USD advanced against 8 G10s** while DXY rallied through European session to close 0.49% higher at 96.43, supported by extended risk-off in the markets and renewed risk aversion in European markets amid continued Italian woes.
- **We stay bearish on DXY** in anticipation of a technical pullback after overnight rally, and room for further losses if European majors rally on a potentially hawkish sounding ECB press conference. DXY's rally remains fragile as we note the emergence of price-momentum divergence, which is a bearish set up. Even as DXY remains elevated, we caution on rising risk of rejection approaching 96.53 – 96.66.

EUR

- **EUR tumbled 0.69% to 1.1392 against a strong USD** and fell against 5 G10s on continued jitters in Italy as its government remains insistent on a wider budget deficit despite recent rejection by the EU.
- **EUR remains slightly bullish against USD** as we expect a technical rebound after recent slump. Expect more room for gains if ECB turns hawkish in its tone. We note that EURUSD is trending through a bullish chart pattern but may take some time to complete. Until then, EURUSD is likely to hold below 1.1471 in the coming days, but does not rule out room for further rebound.

GBP

- **GBP slumped 0.79% to 1.2881 against USD** and weakened against 8 G10s on persisting concerns over a challenge to UK PM May's leadership amid on-going Brexit talks.
- **Continue to expect a slightly bearish GBP against USD**, weighed down by persisting Brexit uncertainties. GBPUSD remains caught in a bearish trend and is exposed to a drop to 1.2863 next, followed by 1.2827 if bears gather strength.

JPY

- **JPY strengthened 0.16% to 112.26 against USD** and advanced against 8 G10s, supported by refuge demand amid continued declines in equities.
- **JPY remains bullish against USD** in anticipation of extended sell-off in the markets that supports refuge demand. USDJPY losing 112.00 signals likelihood of extended losses going forward. We set sights on a drop to 111.45 next.

AUD

- **AUD fell 0.37% to 0.7060 against USD** amid extended downside pressure from continued decline in market sentiment, but managed to beat 5 G10s.
- **AUD remains slightly bearish in our view**, weighed down by risk aversion in the markets, but could register mild gains if greenback weakness emerges. Bearish trend still prevails in AUDUSD and we eye a return to 0.7044 – 0.7056, or at least staying subdued below 0.7086 in the next couple of days. Interestingly, AUDUSD is also forming a bullish chart set up (like in EURUSD), which cautions on a potential rebound going forward.

SGD

- **SGD weakened 0.17% to 1.3813 against USD** amid pressure from risk-off sentiment in the markets but managed to climb against 8 G10s.
- **Stay slightly bullish on SGD in line with our view of a softer USD**. Technical outlook has deteriorated and USDSGD remains tilted towards the downside and on a path towards 1.3750 – 1.3760.

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