November 26, 2018

Hong Leong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **Wall Street stocks ended modestly lower on Friday** after Thanksgiving, weighed down heavily by the worst performing energy sector **as crude oil were clobbered mercilessly with uncertainty over trade war, rising interest rates and slower global growth being the dominating sentiments.** WTI erased $4.21(-7.71%) in one day to close at $50.42/barrel whereas Brent shed $3.80 (-6.07%) to $58.8/barrel. In a span of one week, WTI lost $6.04 while Brent gave up a whopping $7.96, effectively wiping out all the gains made by both benchmarks since the beginning of the year. Following the slump in European bond yields, falling US stocks raised demand for US government debt – yield on 10Y treasuries fell 2bps to 3.04%.

- At the data front, **preliminary PMI readings indicates slower growth in the US and Eurozone.** The Markit Flash US Manufacturing and Services PMIs both recorded lower readings in November while similarly the flash readings for Eurozone manufacturing and services also inched sharply lower to multiple-years low. Elsewhere, **Singapore headline inflation was held steady at 0.7% YOY** for the third consecutive month in October while **Malaysia CPI increased at a slightly faster pace of 0.6%** in the same month, **reaffirming a benign inflationary outlook nonetheless**.

- **USD rebounded to beat all G10s** while the DXY climbed 0.21% to 96.91, jumping in European session before climbing further as buying interest returned following renewed weakness in equities and commodities. **Continue to expect a softer USD** as buying interest is likely to fade heading into major US releases this week. There is a risk of DXY pulling back after the relatively strong rally last Friday. Sliding below 96.83 will end the attempt to solidify a bullish trend. In any case, we suspect that DXY is forming a bearish pattern that could top out circa 97.20 – 97.30 before heading lower going forward.

- **MYR advanced 0.13% to 4.1905 against USD** after rallying in late Asian afternoon but ended mixed against the G10s on continued cautiousness in risk sentiment. **Stay neutral on MYR against USD** with scope for mild losses as regional markets remain soft. Technical viewpoint continues to suggest skepticism over USDMYR's ability to climb higher. Price-momentum divergence again emerged, on top of the formation of a bearish chart pattern, both of which suggest a retracement soon.

- **SGD** bested 9 G10s as risk aversion gained traction but **weakened 0.13% to 1.3749 against a firm USD**. **We turn slightly bearish on SGD against USD**, weighed down by extended weakness in equities. USDSGD has turned bullish after breaking above 1.3740 and is now tilted to the upside, with scope to test 1.3763 soon. Breaking above this exposes a move to 1.3779.

Overnight Economic Data

Malaysia	↑
US	↓
Eurozone	↓
Singapore	→

What's Coming Up Next

Major Data

- US Chicago Fed Nat Activity Index, Dallas Fed Manf. Activity
- Japan Nikkei Manufacturing PMI, Leading Index, Coincident Index
- Hong Kong Exports, Trade Balance
- Singapore Industrial Production

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1302	1.1320	1.1340	1.1367	1.1383	↗
USDJPY	1.2784	1.2800	1.2814	1.2828	1.2850	↗
GBPUSD	112.77	112.86	112.92	113.00	113.16	↘
AUDUSD	0.7212	0.7226	0.7235	0.7247	0.7263	↘
EURGBP	0.8825	0.8839	0.8849	0.8855	0.8875	↘
USDMYR	4.1910	4.1940	4.1960	4.1982	4.2005	→
EURMYR	4.7464	4.7512	4.7577	4.7596	4.7656	↘
JPYMYR	3.7100	3.7125	3.7157	3.7164	3.7182	→
GBPMYR	5.3690	5.3700	5.3756	5.3802	5.3852	↘
SGDMYR	3.0450	3.0486	3.0500	3.0504	3.0524	↘
AUDMYR	3.0300	3.0325	3.0350	3.0367	3.0382	↘
NZDMYR	2.8380	2.8408	2.8425	2.8460	2.8475	↘
USDSGD	1.3725	1.3740	1.3754	1.3763	1.3779	↗
EURSGD	1.5580	1.5591	1.5595	1.5607	1.5619	↗
GBPSGD	1.7580	1.7607	1.7624	1.7635	1.7650	↗
AUDSGD	0.9915	0.9932	0.9951	0.9964	0.9972	↘

* at time of writing

↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1,695.88	0.02	-5.62
Dow Jones Ind.	24,285.95	-0.73	-1.75
S&P 500	2,632.56	-0.66	-1.54
FTSE 100	6,952.86	-0.11	-9.56
Shanghai	2,579.48	-2.49	-22.00
Hang Seng	25,927.68	-0.35	-13.34
STI	3,052.49	0.37	-10.30

Name	Last Price	DoD %	YTD %
CRB Index	179.60	-2.92	-7.36
WTI oil ($/bbl)*	50.42	-7.71	-16.88
Brent oil ($/bbl)	58.80	-6.07	-11.57
Gold (S/oz)	1,223.05	-0.45	8.10
CPO (RM/tonne)	1,737.00	1.16	-27.32
Copper ($/tonne)	6,207.00	-0.77	-14.35
Rubber (sen/kg)	371.00	-0.40	-19.78

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MY CPI YOY	Oct	0.6%	0.3%	0.6%
US Markit Manufacturing PMI	Nov P	55.4	55.7	55.7
US Markit Services PMI	Nov P	54.4	54.8	55.0
EU Markit Manufacturing PMI	Nov P	51.5	52.0	52.0
EU Markit Services PMI	Nov P	53.1	53.7	53.6
SG CPI YOY	Oct	0.7%	0.7%	0.8%

Source: Bloomberg

➢ Macroeconomics

- ***Weaker PMI readings indicated slower momentum for US manufacturing and services sector:*** The flash Markit US Manufacturing PMI fell to 55.4 in November (Oct: 55.7) while the Services PMI also inched lower to 54.4 (Oct: 54.8) indicating a slower rate of expansion of both the manufacturing and services sectors. Survey result shows that growth in the manufacturing industry continued to be driven by robust new orders and employment, fall in headline PMI was mainly due to the weaker production growth and inventory accumulation. Average cost burden continued to rise attributed to the strong demand for raw materials and higher metals prices linked to tariffs. In contrast, the services sector saw slower growth in new orders and hence exercised more cautions in employment. Cost pressures meanwhile moderated as the latest rise in operating expenses was the slowest in three months.

- ***Eurozone PMIs signaled weakest growth in four years:*** The flash Markit Eurozone Manufacturing PMI dropped to a 30-month low of 51.5 in November (Oct: 52.0) while the Services PMI fell to a 25-month low of 53.1 (Oct: 53.7) suggesting that business activity in the Euro Area grew at the weakest rate in four years. The weaker growth in the manufacturing sector was attributed to marginal increase in production, decline in new orders for the second month, slower increase in employment growth and input prices. Manufacturers generally put the blame on subdued global demand, rising political and economic uncertainty, trade wars and sluggish car sales. The services sector meanwhile experienced easing output growth, weaker rise in new orders, solid but reduced rate of employment and higher input price inflation. The sector is reportedly more resilient than manufacturing, buoyed by strong labour markets in some countries, which are linked to higher consumer spending.

- ***Singapore inflation held steady:*** Headline CPI rose at a steady pace of 0.7% YOY in October for the third consecutive month, driven by faster gain in prices of household durables & services (+0.9% vs +0.8%) and education (+3.2% vs +2.9%). Prices of food, clothing & footwear and healthcare rose at a softer pace, prices of transports declined further whereas cost of housing continued to fall albeit at a much slower rate. Core inflation meanwhile increased at a slightly faster rate of 1.9% YOY (Sep: +1.8%).

- ***Malaysia October CPI reaffirmed benign price outlook:*** Consumer Price Index (CPI) increased at a slightly faster pace of 0.6% YOY in October, picking up only marginally from the 0.3% YOY increase in September, confirming that inflationary pressure from reintroduction of SST has been very well-contained. The higher CPI reading in October was largely driven by quicker gains in the prices of food and transport, while other categories saw muted gains. Tracking the movement in headline CPI, core CPI also ticked higher for the 2nd straight month to 0.4% YOY in October (Sept: +0.3% YOY), but remained a far cry from the days where core CPI was above 2.0%. We are maintaining our view that CPI will return to a downward trajectory in the next few months before bouncing up in 2Q of 2019. A more pronounced pick-up is expected in the middle of next year when the low base effect following the zerorization of GST in June last year provides a bigger lift to CPI readings. Even then, overall inflationary outlook will likely remain very benign at below 2.0% in 2019, picking up only marginally from the estimated 0.8% this year. The proposed reintroduction of Automatic Pricing Mechanism for retail petrol, movement in global crude oil and commodity prices, as well as the MYR exchange rate, will be other factors influencing inflation going into next year.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
26/11	**US**	**Chicago Fed Nat Activity Index**	**Oct**	**0.18**	**0.17**	**--**
		Dallas Fed Manf. Activity	**Nov**	**24.5**	**29.4**	**--**
27/11		FHFA House Price Index MOM	Sep	0.4%	0.3%	--
		S&P CoreLogic CS 20-City YOY NSA	Sep	5.3%	5.5%	--
		Conf. Board Consumer Confidence	Nov	135.8	137.9	--
26/11	**Japan**	**Nikkei Japan PMI Mfg**	**Nov P**		**52.9**	
		Leading Index CI	**Sep F**	**--**	**103.9**	**--**
		Coincident Index	**Sep F**	**--**	**114.6**	**--**
26/11	**Hong Kong**	**Exports YOY**	**Oct**	**9.5%**	**4.5%**	**--**
		Trade Balance HKD	**Oct**	**-47.7b**	**-47.7b**	**--**
27/11	China	Industrial Profits YOY	Oct	--	4.1%	--
26/11	**Singapore**	**Industrial Production YOY**	**Oct**	**2.6%**	**-0.2%**	**--**
27/11	New Zealand	Trade Balance NZD	Oct	-850m	-1,560m	--
		Exports NZD	Oct	4.88b	4.33b	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1337	-0.58	1.1421	1.1328	-5.56
GBPUSD	1.2814	-0.49	1.2883	1.2799	-5.15
USDJPY	112.96	0.01	113.01	112.66	0.23
AUDUSD	0.7233	-0.29	0.7258	0.7219	-7.34
EURGBP	0.8848	-0.08	0.8878	0.8839	-0.40
USDMYR	4.1905	-0.13	4.1980	4.1905	3.69
EURMYR	4.7665	-0.39	4.7926	4.7665	-1.88
JPYMYR	3.7184	0.06	3.7192	3.7111	3.34
GBPMYR	5.3870	0.42	5.4058	5.3852	-1.57
SGDMYR	3.0524	-0.08	3.0575	3.0524	0.74
AUDMYR	3.0361	-0.07	3.0447	3.0360	-3.97
NZDMYR	2.8531	0.12	2.8621	2.8526	-1.30
CHFMYR	4.2136	-0.18	4.2237	4.2102	1.40
CNYMYR	0.6043	-0.09	0.6054	0.6042	-2.81
HKDMYR	0.5362	0.07	0.5365	0.5355	3.51
USDSGD	1.3749	0.13	1.3758	1.3723	2.93
EURSGD	1.5589	-0.44	1.5677	1.5580	-2.87
GBPSGD	1.7618	-0.37	1.7690	1.7598	-2.48
AUDSGD	0.9946	-0.15	0.9964	0.9927	-4.69

Source: Bloomberg

➢Forex

MYR

- **MYR advanced 0.13% to 4.1905 against USD** after rallying in late Asian afternoon but ended mixed against the G10s on continued cautiousness in risk sentiment.
- **Stay neutral on MYR against USD** with scope for mild losses as regional markets remain soft. Technical viewpoint continues to suggest skepticism over USDMYR's ability to climb higher. Price-momentum divergence again emerged, on top of the formation of a bearish chart pattern, both of which suggest a retracement soon.

USD

- **USD rebounded to beat all G10s** while the DXY climbed 0.21% to 96.91, jumping in European session before climbing further as buying interest returned following renewed weakness in equities and commodities.
- **Continue to expect a softer USD** as buying interest is likely to fade heading into major US releases this week. There is a risk of DXY pulling back after the relatively strong rally last Friday. Sliding below 96.83 will end the attempt to solidify a bullish trend. In any case, we suspect that DXY is forming a bearish pattern that could top out circa 97.20 – 97.30 before heading lower going forward.

EUR

- **EUR weakened 0.58% to 1.1337 against USD** and retreated against 7 G10s, pressured by softer than expected Eurozone PMIs.
- **EUR is slightly bullish in our view against USD**, supported in part by improving sentiment in Europe after the EU agreed to the UK's Brexit terms. Even though a bearish bias currently prevails, we reckon that losses will likely be limited and could bottom out near 1.1300 before heading higher. Doing so suggests the formation of a bullish pattern that may be headed for a break circa 1.1418.

GBP

- **GBP fell 0.49% to 1.2814 against USD** and slipped against 5 G10s, weighed down by risk aversion as the UK headed into EU Summit with Brexit deal on the table.
- **Expect a bullish GBP against USD**, supported by improved Brexit sentiment. However, we continue to caution that GBP is still highly sensitive to negative headlines that could quickly overturn recent gains. Amid receding downward momentum, we reckon that there is room for GBPUSD to climb higher, possibly testing 1.2876 – 1.2898 going forward.

JPY

- **JPY** strengthened against 9 G10s as refuge demand continues to firm up but **slipped 0.01% to 112.96 against USD**.
- **Continue to expect a bullish JPY in anticipation of a soft USD**, further supported by likelihood of extended sell-off in the markets. A bearish trend lingers, suggesting a lower USDJPY and potential downside break below 112.55 going forward.

AUD

- **AUD retreated 0.29% to 0.7233 against USD** amid continued risk-off in the markets but managed to hold firm to beat 7 G10s.
- **We keep a slight bearish view on AUD against USD** as we anticipate extended weakness in equities and commodities. Gains, if any, will likely be modest and premising on a weak USD. Bearish trend continues to prevail in AUDUSD and suggests a drop below 0.7212 soon. A break below this exposes a move to 0.7179.

SGD

- **SGD** bested 9 G10s as risk aversion gained traction but **weakened 0.13% to 1.3749 against a firm USD**.
- **We turn slightly bearish on SGD against USD**, weighed down by extended weakness in equities. USDSGD has turned bullish after breaking above 1.3740 and is now tilted to the upside, with scope to test 1.3763 soon. Breaking above this exposes a move to 1.3779.

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