September 27, 2018

Global Markets Research

Daily Market Highlights

Key Takeaways

- **The Federal Reserve raised fed funds rate for the third time in 2018** as expected and removed long-standing language that monetary policy remained "accommodative" in its statement. US stocks took a beating dragged down by financials stocks which erased 1.28% overnight. **The Dow, S&P 500 and NASDAQ lost 0.40%, 0.33% and 0.21% respectively**. Yield on 10Y treasuries yield closed 5bps lower to 3.05% despite the Fed's somewhat hawkish tone as Powell said that removing the word "accommodative" did not signal any change in the likely path of policy and he did not see inflation surprising to the upside. The dollar gained after a choppy session – it fell prior to the announcement and resumed its climb after investors digested the press conference. Crude oil remained firm – WTI ended lower at $71.57/barrel while Brent edged down to $81.34/barrel. Elsewhere, **the RBNZ left its official cash rate unchanged at 1.75% this morning**.

- **Data flow remained muted yesterday**. In the US, new home sales rebounded to increase 3.5% MOM in August while MBA mortgage applications rose 2.9% last week. Japan August machine tools orders growth eased to 5.1% YOY in a final reading. Singapore industrial production rose a modest 3.3% YOY. New Zealand business confidence remained weak despite the ANZ Business Confidence Index increasing to -38.3 in September as the index stayed at a negative level.

- **USD climbed against 6 G10s** while the DXY ended the day 0.06% higher at 94.19, supported by the Fed's view of a firm economy, supporting expectations of continued near-term rate hikes. **Keep a bearish daily outlook on USD** on risk aversion leading into the release of first-tier US data. Technically, DXY remains at risk of increased bearishness; breaking below 94.22 today increases an inclination towards 93.79, otherwise, expect a climb to circa 94.72.

- **MYR eased 0.08% to 4.1410 against USD** and softened against 9 G10s amid risk aversion leading up to FOMC policy announcement. **We remain neutral on MYR against USD** amid a lack of catalysts to drive firmer buying interest. Technical outlook is mixed; bearish USDMYR trend has ended, but downside momentum continues to build. With USDMYR appearing to make weaker highs, we reckon that the risk is tilted to the downside, with scope to slide to 4.1326 – 4.1352 in the next leg lower.

- **SGD inched 0.04% higher to 1.3655 against USD** and advanced against 6 G10s, supported by refuge demand. **We turn slightly bullish on SGD in anticipation of a softer USD**. Outlook has deteriorated slightly after failure to beat 1.3666, and as such has tilted USDSGD downward. There is room to test 1.3640 next, below which 1.3620 will be eyed.

Overnight Economic Data

US	→
Japan	↓
Singapore	↓
New Zealand	↓

What's Coming Up Next

Major Data
- US Advance Goods Trade Balance, Wholesale Inventories MOM, GDP Annualized QOQ, Retail Inventories MOM, Durable Goods Orders, Cap Goods Orders Nondef Ex Air, Initial Jobless Claims, Pending Home Sales MOM, Kansas City Fed Manf. Activity
- Eurozone Consumer Confidence
- Hong Kong Exports YOY, Imports YOY, Trade Balance HKD
- China Industrial Profits YOY

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1716	1.1733	1.1756	1.1777	1.1795	↗
GBPUSD	1.3129	1.3150	1.3174	1.3195	1.3215	↘
USDJPY	112.40	112.57	112.72	112.74	112.84	↘
AUDUSD	0.7212	0.7228	0.7260	0.7275	0.7282	↗
EURGBP	0.8900	0.8911	0.8922	0.8930	0.8938	↗
USDMYR	4.1350	4.1385	4.1405	4.1425	4.1440	→
EURMYR	4.8600	4.8630	4.8657	4.8703	4.8726	→
JPYMYR	3.6660	3.6676	3.6702	3.6735	3.6762	→
GBPMYR	5.4445	5.4500	5.4543	5.4594	5.4633	↘
SGDMYR	3.0303	3.0324	3.0330	3.0347	3.0387	→
AUDMYR	3.0012	3.0041	3.0061	3.0086	3.0113	↗
NZDMYR	2.7539	2.7560	2.7589	2.7607	2.7646	↗
USDSGD	1.3620	1.3640	1.3651	1.3659	1.3665	↘
EURSGD	1.6035	1.6040	1.6045	1.6055	1.6069	↘
GBPSGD	1.7975	1.7983	1.7986	1.8000	1.8025	↘
AUDSGD	0.9890	0.9906	0.9911	0.9917	0.9926	↘

*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	1,798.72	0.24	0.11	CRB Index	193.97	-0.59	0.06
Dow Jones Ind.	26,385.28	-0.40	6.74	WTI oil ($/bbl)	71.57	-0.98	18.45
S&P 500	2,905.97	-0.33	8.69	Brent oil ($/bbl)	81.34	-0.65	21.64
FTSE 100	7,511.49	0.05	-2.29	Gold (S/oz)	1,194.44	-0.56	-8.10
Shanghai	2,806.81	0.92	-15.13	CPO (RM/tonne)	2,114.50	-0.52	-11.53
Hang Seng	27,816.87	1.15	-7.03	Copper ($/tonne)	6,282.00	-0.57	-13.32
STI	3,239.10	0.09	-4.81	Rubber (sen/kg)	408.00	-0.24	-11.78

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Fed Funds Rate	27 Sep	2.0% - 2.25%	1.75%- 2.0%	2.0% - 2.25%
US MBA Mortgage Applications	21 Sep	2.9%	1.6%	--
US New Home Sales MOM	Aug	3.5%	-1.6% (revised)	0.5%
JP Machine Tool Orders YOY	Aug F	5.1%	13.1%	Eco jn
SG Industrial Production YOY	Aug	3.3%	6.7% (revised)	4.7%
NZ ANZ Business Confidence	Sep	-38.3	-50.3	--
NZ RBNZ Official Cash Rate	27 Sep	1.75%	1.75%	1.7%%

Source: Bloomberg

➢ Macroeconomics

- ***Fed raised rate, dot plot affirmed fourth hike in December:*** The Federal Reserves raised Fed funds rate for the third time in 2018 to a target range of 2.0 to 2.25% as expected and removed a long-standing language that monetary policy remained "accommodative" in its statement. The latest dot plot now makes a December hike almost a certainty as the number of officials expecting a fourth hike went from 8 (in June) to 12. The Fed also expects three hikes in 2019 and 1 hike in 2020. Some economic projections were revised as well - the median forecast for 2018 real GDP growth was revised upwards from 2.8% to 3.1%, unemployment rate from 3.6% to 3.7% while core PCE inflation remained unchanged at 2.0%. In his post-meeting press conference, Fed Chair Jerome Powell was optimistic, referring to the US economy as having "a particularly bright moment", and overall outlook remained favorable supported by fiscal stimulus, but the benefits of a stronger economy have not reached all Americans. He also said that the effects of trade tensions are still relatively small but more protectionist policies are bad for the US economy. Yield on 10Y treasuries yield closed 5bps lower to 3.05% despite the Fed's somewhat hawkish tone as Powell said that removing the word "accommodative" did not signal any change in the likely path of policy and he did not see inflation surprising to the upside.

- ***RBNZ held rate steady, maintained similar outlook:*** The Reserve Bank of New Zealand maintained its official cash rate (OCR) at 1.75% this morning as widely expected and reiterated that rate to stay at this level until 2020 and the next move could be up or down. In its statement, the central bank said that inflation remained below the 2% midpoint of its target while projection for the economy was little changed from August Monetary Policy Statement despite stronger-than-expected 2Q GDP growth. Domestic growth is expected to be supported by ongoing spending and investment while the increasing risk of more trade barriers could undermine global growth.

- ***US new home sales posted decent rebound, mortgage applications rose:*** Data from the US were limited to the housing market overnight. New home sales rebounded to increase 3.5% MOM in August (Jul: -1.6% revised) after falling for two consecutive months. Median home prices dropped 2.4% to $320.2k (Jul: $328.1k). MBA mortgage applications rose 2.9% for the week ended 21 September (Previous: +1.6%).

- ***Japan machine tool orders growth continued to soften:*** The final reading of Japan machine tools order, which measures the orders placed with Japan manufacturers, was revised from 5.3% to 5.1% YOY in August (Jul: +13.1%). Foreign orders contracted by 4.6% YOY (Jul: +6.7%) suggesting a rather weak external demand, potentially dragging down exports number for August.

- ***Singapore industrial production experienced further slowdown:*** Industrial production rose a modest 3.3% YOY in August (Jul: +6.7%) as output of three key areas saw slower rate of growth. Electronics productions increased 3.6% YOY (Jul: +5.1%), biomedical manufacturing eased substantially to 4.2% YOY (Jul: +10.4%) while chemical rose 5.7% YOY (Jul: +7.6%). Within biomedical manufacturing, output growth for pharmaceuticals softened to 8.7% YOY (Jul: +14.1%) whereas that of medical tech fell further to -8.2% YOY (Jul: -0.1%).

- ***New Zealand business confidence remained weak:*** The ANZ Business Confidence Index increased to -38.3 in September (Aug: -50.3) but remained in the negative territory suggesting that the optimistic level among businesses remained weak.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
27/09	**US**	**Advance Goods Trade Balance**	**Aug**	**-$70.6b**	**-$72.2b**	**-$72.0b**
		Wholesale Inventories MOM	**Aug P**	**0.3%**	**0.6%**	**--**
		GDP Annualized QOQ	**2Q T**	**4.2%**	**4.2%**	**--**
		Retail Inventories MOM	**Aug**	**--**	**0.4%**	**0.5%**
		Durable Goods Orders	**Aug P**	**2.0%**	**-1.7%**	**--**
		Cap Goods Orders Nondef Ex Air	**Aug P**	**0.4%**	**1.6%**	**--**
		Initial Jobless Claims	**Sep-22**	**210k**	**201k**	**--**
		Pending Home Sales MOM	**Aug**	**-0.5%**	**-0.7%**	**--**
		Kansas City Fed Manf. Activity	**Sep**	**17.0**	**14.0**	**--**
28/09		PCE Core YOY	Aug	2.0%	2.0%	--
		Personal Income	Aug	0.4%	0.3%	--
		Personal Spending	Aug	0.3%	0.4%	--
		PCE Deflator YOY	Aug	2.2%	2.3%	--
		Chicago Purchasing Manager	Sep	62.0	63.6	--
		U. of Mich. Sentiment	Sep F	100.5	100.8	--
27/09	**Eurozone**	**Consumer Confidence**	**Sep F**	**-2.9**	**-1.9**	**--**
28/09		CPI Core YOY	Sep A	1.1%	1.0%	
		CPI Estimate YOY	Sep	2.1%	2.0%	
28/09		GfK Consumer Confidence	Sep	-8.0	-7.0	--
		Lloyds Business Barometer	Sep	--	23.0	--
		GDP QOQ	2Q F	0.4%	0.2%	--
		GDP YOY	2Q F	1.3%	1.2%	--
		Nationwide House PX MOM	Sep	--	-0.5%	--
28/09	Japan	Job-To-Applicant Ratio	Aug	1.63	1.63	--
		Jobless Rate	Aug	2.5%	2.5%	--
		Retail Trade YOY	Aug	2.0%	1.5%	--
		Industrial Production YOY	Aug P	1.5%	2.2%	--
		Dept. Store, Supermarket Sales	Aug	0.3%	-1.6%	--
		Construction Orders YOY	Aug	--	-9.3%	--
		Housing Starts YOY	Aug	0.4%	-0.7%	--
27/09	**Hong Kong**	**Exports YOY**	**Aug**	**8.3%**	**10.00%**	**--**
		Imports YOY	**Aug**	**10.0%**	**14.00%**	**--**
		Trade Balance HKD	**Aug**	**-45.0b**	**-47.1b**	**--**
27/09	**China**	**Industrial Profits YOY**	**Aug**	**--**	**16.2%**	**--**
26/09	Singapore	Industrial Production YOY	Aug	4.7%	6.0%	--
28/09		Building Permits MOM	Aug	--	-10.3%	--
		ANZ Consumer Confidence Index	Sep	--	117.6	--
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	1.1739	-0.24	1.1798	1.1726	-2.10
GBPUSD	1.3167	-0.13	1.3218	1.3138	-2.51
USDJPY	112.73	-0.21	113.14	112.64	0.04
AUDUSD	0.7258	0.11	0.7315	0.7241	-7.06
EURGBP	0.8916	-0.11	0.8946	0.8901	0.45
USDMYR	4.1410	0.08	4.1423	4.1370	2.35
EURMYR	4.8719	0.08	4.8768	4.8651	0.40
JPYMYR	3.6685	0.07	3.6725	3.6605	2.18
GBPMYR	5.4543	0.29	5.4594	5.4465	-0.14
SGDMYR	3.0338	0.17	3.0347	3.0278	0.13
AUDMYR	3.0062	0.31	3.0160	2.9979	-4.92
NZDMYR	2.7569	0.29	2.7667	2.7481	-4.17
CHFMYR	4.2896	0.19	4.2958	4.2846	3.44
CNYMYR	0.6024	0.14	0.6030	0.6020	-3.12
HKDMYR	0.5301	0.04	0.5303	0.5293	2.38
USDSGD	1.3655	-0.04	1.3664	1.3621	2.21
EURSGD	1.6030	-0.27	1.6092	1.6014	-0.01
GBPSGD	1.7980	-0.16	1.8022	1.7941	-0.46
AUDSGD	0.9910	0.06	0.9963	0.9888	-5.08

Source: Bloomberg

➢Forex

MYR

- **MYR eased 0.08% to 4.1410 against USD** and softened against 9 G10s amid risk aversion leading up to FOMC policy announcement.
- **We remain neutral on MYR against USD** amid a lack of catalysts to drive firmer buying interest. Technical outlook is mixed; bearish USDMYR trend has ended, but downside momentum continues to build. With USDMYR appearing to make weaker highs, we reckon that the risk is tilted to the downside, with scope to slide to 4.1326 – 4.1352 in the next leg lower.

USD

- **USD climbed against 6 G10s** while the DXY slipped initially after FOMC policy announcement before rising thereafter to end the day 0.06% higher at 94.19, supported by the Fed's view of a firm economy, supporting expectations of continued near-term rate hikes.
- **Keep a bearish daily outlook on USD** on risk aversion leading into the release of first-tier US data; caution that disappointment in US data especially after the Fed's positive view on current economy conditions would pressure USD. Technically, DXY remains at risk of increased bearishness; breaking below 94.22 today increases an inclination towards 93.79, otherwise, expect a climb to circa 94.72.

EUR

- **EUR fell 0.24% to 1.1739 against USD** and retreated against 8 G10s buying interest were curbed after of FOMC policy decision and ebbed further as interest in the greenback increased.
- **Stay bullish on EUR in line with our view of a bearish USD**. A minor bullish trend prevails, which suggests EURUSD remains inclined towards the upside unless it breaks below 1.1716. But after yet another rejection at the upper Bollinger, the likelihood of a climb to 1.1851 has diminished.

GBP

- **GBP slipped 0.13% to 1.3167 against USD** and fell against 6 G10s as it remains weighed down by soft Brexit sentiment.
- **GBP is still slightly bearish against USD** amid a lack of improvement in UK-EU Brexit negotiations; a positive turn to Brexit headlines would rally GBP. Technically, GBPUSD remains tilted to the downside. Beating 1.3215 re-establishes a bullish trend that would target 1.3275, otherwise a drop back to 1.3054 remains likely.

JPY

- **JPY strengthened 0.21% to 112.73 against USD** and advanced against 7 G10s amid demand for refuge leading up to FOMC policy decision.
- **We maintain a slight bullish view on JPY in anticipation of a retreating USD**. USDJPY's decline overnight is viewed as the onset of a reversal lower. There is room for a drop to 112.28 – 112.40 in the next leg lower.

AUD

- **AUD climbed 0.11% to 0.7258 against USD** and advanced against 6 G10s, jumping after FOMC policy announcement as risk aversion eases.
- **Expect a slightly bullish AUD against a softer USD**, further supported by slightly improved market sentiment after FOMC risk event. Unless AUDUSD manages to break above 0.7292 by tomorrow, it remains in a bearish trend and likely to slide lower going forward. Gains, if any, are likely capped below 0.7282 – 0.7292.

SGD

- **SGD inched 0.04% higher to 1.3655 against USD** and advanced against 6 G10s, supported by refuge demand.
- **We turn slightly bullish on SGD in anticipation of a softer USD**. Outlook has deteriorated slightly after failure to beat 1.3666, and as such has tilted USDSGD downward. There is room to test 1.3640 next, below which 1.3620 will be eyed.

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