

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks suffered another huge setback on Friday as disappointing corporate earnings added to the ongoing concerns over a slower global economic growth, to further weigh down on the already poor risk sentiments.** Amazon and Google's earnings missed estimates, dragging down the tech sector as a whole. **A better-than-expected first estimate of 3Q GDP growth at 3.5% QOQ had failed to boost sentiments as the contraction in the exports component confirmed investors' fear that trade tariffs could affect growth.** The Dow, S&P 500 and NASDAQ fell 1-2%. Bonds rallied on haven demand amidst stock markets rout - 2Y and 10Y treasuries yield dropped 4bps each to 2.81% and 3.08% respectively. Crude oil prices continued to bounce up - WTI to \$67.59/barrel and Brent at \$77.62/barrel.
- At the data front, US advance reading of third quarter GDP growth clocked in at 3.5% QOQ driven by strong personal consumption expenditure and rebound of private investment. The final reading of University of Michigan Consumer Sentiment Index was revised lower from 99.0 to 98.6 in October. **China industrial profits growth slowed for the fifth consecutive months to increase a mere 4.1% YOY.** **Japan retail sales signalled a potential weaker 3Q.** **Singapore industrial production fell 0.2% YOY in September driven by a broad-based decline across all key sectors.** **Malaysia headline CPI rose a modest 0.3% YOY in September despite reintroduction of SST.**
- **USD retreated against 6 G10s** while the DXY tumbled in US morning to close 0.33% lower at 96.35, pressured by declining US Treasury yields amid extended sell-off in equities. **Stay bearish on DXY** as we expect losses to extend amid likelihood of decline in yields. Caution that disappointment in US data will accelerate the bears. The pullback that we cautioned took place last Friday, and the resulting downward momentum could spill over to today. DXY risks a drop to 96.21 next, below which 95.95 will be challenged.
- **MYR weakened 0.18% to 4.1770 against USD** amid risk aversion in the markets and ahead of crucial US data, but managed to advance against 9 G10s. **MYR is now slightly bullish against a softer overnight USD** but caution that gains may be subdued amid extended risk-off sentiment in the markets. Technical outlook remains tilted to the upside despite a gap down at opening. USDMYR continued to threaten 4.1780 – 4.1800 in the near-term unless it breaks below 4.1700.
- **SGD slipped against 6 G10s amid extended risk-off in the markets but inched 0.08% firmer to 1.3800 against a soft USD.** **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

Malaysia	↑
US	↓
China	↓
Japan	→
Singapore	↓

What's Coming Up Next

Major Data

- US Personal Income, Personal Spending, Core PCE, Dallas Fed Manufacturing Activity
- UK Mortgage Approvals
- Vietnam Industrial Production, Exports, CPI, Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1367	1.1379	1.1398	1.1400	1.1429	↗
USDJPY	1.2783	1.2798	1.2830	1.2842	1.2867	↗
GBPUSD	111.66	111.82	111.97	112.00	112.13	↘
AUDUSD	0.7068	0.7082	0.7093	0.7106	0.7120	↗
EURGBP	0.8860	0.8871	0.8883	0.8896	0.8902	↗
USDMYR	4.1700	4.1710	4.1725	4.1735	4.1750	↘
EURMYR	4.7506	4.7527	4.7550	4.7575	4.7596	↗
JPYMYR	3.7200	3.7227	3.7259	3.7301	3.7315	↗
GBPMYR	5.3481	5.3500	5.3535	5.3558	5.3580	→
SGDMYR	3.0104	3.0214	3.0226	3.0243	3.0257	↗
AUDMYR	2.9557	2.9580	2.9598	2.9626	2.9641	↗
NZDMYR	2.7162	2.7212	2.7228	2.7246	2.7291	↗
USDSGD	1.3788	1.3798	1.3805	1.3809	1.3816	↘
EURSGD	1.5704	1.5718	1.5733	1.5758	1.5779	↗
GBPSGD	1.7683	1.7700	1.7712	1.7748	1.7765	↘
AUDSGD	0.9767	0.9782	0.9792	0.9800	0.9817	↗

* 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	1,683.06	-0.21	-6.33	CRB Index	195.51	0.37	0.85
Dow Jones Ind.	24,688.31	-1.19	-0.13	WTI oil (\$/bbl)	67.59	0.39	11.87
S&P 500	2,658.69	-1.73	-0.56	Brent oil (\$/bbl)	77.62	0.95	16.27
FTSE 100	6,939.56	-0.92	-9.73	Gold (S/oz)	1,233.53	0.11	8.10
Shanghai	2,598.85	-0.19	-21.42	CPO (RM/tonne)	2,038.50	-1.16	-14.71
Hang Seng	24,717.63	-1.11	-17.39	Copper (\$/tonne)	6,160.00	-1.06	-15.00
STI	2,972.02	-1.35	-12.66	Rubber (sen/kg)	395.50	-0.25	-14.49

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MY CPI YOY	Sep	0.3%	0.2%	0.6%
US GDP Annualized QOQ	3Q A	3.5%	4.2%	3.3%
US U. of Michigan Consumer Sentiment	Oct F	98.6	100.1	99.0
CH Industrial Profits YOY	Sep	4.1%	9.2%	--
JP Retail Sales MOM	Sept	-0.2%	0.9%	-0.2%
JP Dept Store, Supermarket Sales	Sept	0.4%	-0.1%	0.1%
SG Industrial Production YOY	Sep	-0.2%	3.7% (revised)	3.5%

Source: Bloomberg

➤ Macroeconomics

- US reported better-than-expected third quarter GDP growth:** The advance estimate of the seasonally adjusted annualized real GDP growth for 3Q clocked in at 3.5% QOQ (2Q: +4.2%), above a Bloomberg survey of 3.3% QOQ, while on an annual basis, GDP grew at a faster rate of 3.0% YOY in 3Q (2Q: +2.9%). Personal consumption expenditure again was the key driver of growth (4.0% QOQ vs +3.8% QOQ), while private domestic investment staged a sharp rebound following a decline in the previous quarter (+12.0% QOQ vs -0.5% QOQ) but was mainly driven by growth in investment of intellectual property products. Exports contracted (-3.5% QOQ vs +9.3% QOQ) mainly due to fall in goods shipments while imports saw an impressive gain (+9.1% QOQ vs -0.6% QOQ) reflecting strong domestic demands and firms' advance purchases of goods to avoid tariffs. This in turn led net exports to contribute to a 1.78% decline in overall GDP growth. Government spending and investment also recorded a faster increase (+3.3% QOQ vs +2.5% QOQ). The overall GDP report illustrates that the US economy remained in a solid health underpinned by a strong tax cut-induced domestic consumption. Trump's corporate tax cut failed to boost Corporate America's investment in an impressive manner, given the contraction of structures investment and the lacklustre growth in equipment investment, reflecting the weakening trend of core capital orders. Signs of weaker trade outlook also began to emerge, and the trend is likely to continue in the fourth quarter as the economy is bound to import more than export (advance goods trade deficit has widened). That said, the still-solid growth is likely to persist at least until the first half of 2019, further reaffirming our view that that the Fed will hike fed funds rate for the fourth time this coming December. Other data release in the US on Friday was the final reading of University of Michigan Consumer Sentiment Index, which was revised lower from 99.0 to 98.6 in October (Sep: 100.1). According to the report, the resilience in consumer confidence was "primarily due to the prevailing belief that the economy would produce robust job growth during the year ahead", despite an overall "dismal" wage growth.
- China industrial profits growth extended further slowdown:** Profits of China's industrial enterprises grew a mere 4.1% YOY in September (Aug: +9.2%) to CNY545.5b, marking its fifth month of consecutive slowdown. The continuously softer profits growth echoed the lower growth in industrial output and investments, further confirming a broad-based slowdown of the Chinese economy where 3Q GDP growth had earlier come in at 6.5% YOY, the lowest in nearly a decade.
- Mixed showings in Japan retail sector:** Japan retail sales reversed to a 0.2% MOM contraction in September as expected (Aug: +0.9% MOM) as typhoon and earthquake hit major cities like Osaka and Hokkaido, dampening sales at Japanese retailers and hinted at slower consumer spending in 3Q. However, collective sales at departmental stores and supermarket rose more than expected by 0.4% MOM (Aug: -0.1%), as increases in supermarkets overshadowed declines in departmental stores.
- Singapore industrial production contracted on broad-based decline across major sectors suggesting downward revision to 3Q GDP growth:** Industrial production fell 0.2% YOY in September (Aug: +3.7% revised) as output of all key categories posted declines – electronics (-5.5% vs -5.9%), biomedical manufacturing (-9.7% vs +1.6%) and chemicals (-7.1% vs +5.9%) - which in our view would drag down manufacturing output growth for the third quarter hence leading to a downward revision to 3Q GDP growth. The advance GDP growth had come in at 2.6% YOY. The fall in electronics output was driven by the fall in semiconductor, computer peripherals and data storage and was in line with the weakening electronics PMI, further assuring us that global demand is slowing. In addition, the usually volatile pharmaceuticals (within biomedical) fell 11.1% YOY (+5.7%) which also added downward pressure on overall IPI.

- SST implementation has little impact on Malaysia CPI:** Despite the reintroduction of sales and services tax (SST) in September, Consumer Price Index (CPI) continued to see moderate gains as expected, increasing 0.3% YOY in September (Aug: +0.2% YOY) and hovering near its slowest since Feb-2015, as further deceleration in transport prices offset faster gains in other major categories. Transport prices softened for a 2nd straight month, rising a mere 0.3% YOY in September (Aug: +2.1% YOY), as petrol pump prices continued to increase at a slower pace YOY. Meanwhile, food prices picked up only marginally to increase 0.5% YOY (Aug: +0.4%) while prices of housing & utilities registered slightly higher gain of 2.1% YOY during the month (Aug: +2.0%). This confirmed our beliefs that the impact from the implementation of SST effective 1-September on consumer prices is very limited. Core CPI bounced back to positive territory but the 0.3% YOY gain reaffirmed absence of inflationary pressure in the system. We maintain our view that inflationary pressure will remain very benign even going into next year in the absence of both demand-pull and cost-push factors, amid well-contained price impact from the implementation of SST. No change to our full year CPI forecast at 0.8% for 2018 and reiterate that the current below-long-term average inflation is transitory and will revert to 2.0% level once the effects from policy adjustment dissipate.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
29/10	US	Personal Income	Sep	0.4%	0.3%	--
		Personal Spending	Sep	0.4%	0.3%	--
		PCE Core YOY	Sep	2.0%	2.0%	--
		Dallas Fed Manf. Activity	Oct	28.1	28.1	--
30/10		S&P CoreLogic CS 20-City YOY NSA	Aug	5.85%	5.92%	--
		Conf. Board Consumer Confidence	Oct	136.0	138.4	--
30/10	Eurozone	Economic Confidence	Oct	110.0	110.9	--
		GDP SA QOQ	3Q A	0.3%	0.4%	--
		Consumer Confidence	Oct F	-2.7	-2.9	--
29/10	UK	Mortgage Approvals	Sep	64.7k	66.4k	--
30/10	Japan	Job-To-Applicant Ratio	Sep	1.63	1.63	--
		Jobless Rate	Sep	2.4%	2.4%	--
29/10	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%	--
30/10	Australia	Building Approvals MOM	Sep	3.8%	-9.4%	--

Source: Bloomberg

Forex

	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1403	0.25	1.1421	1.1336	-5.06
GBPUSD	1.2828	0.09	1.2842	1.2777	-5.05
USDJPY	111.91	-0.45	112.44	111.38	-0.66
AUDUSD	0.7090	0.14	0.7104	0.7021	-9.17
EURGBP	0.8886	0.14	0.8896	0.8862	0.03
USDMYR	4.1770	0.18	4.1770	4.1660	3.11
EURMYR	4.7429	-0.30	4.7527	4.7378	-1.90
JPYMYR	3.7275	0.31	3.7287	3.7109	3.66
GBPMYR	5.3539	-0.57	5.3558	5.3398	-2.02
SGDMYR	3.0206	-0.39	3.0230	3.0111	-0.20
AUDMYR	2.9369	-0.46	2.9554	2.9324	-6.39
NZDMYR	2.7023	-0.68	2.7246	2.6985	-5.48
CHFMYR	4.1740	-0.17	4.1819	4.1679	0.79
CNYMYR	0.6011	0.12	0.6019	0.5986	-3.33
HKDMYR	0.5325	0.06	0.5327	0.5314	2.76
USDSGD	1.3800	-0.08	1.3848	1.3796	3.32
EURSGD	1.5737	0.17	1.5758	1.5690	-1.98
GBPSGD	1.7702	0.00	1.7748	1.7683	-2.00
AUDSGD	0.9787	0.08	0.9800	0.9714	-6.23

Source: Bloomberg

MYR

- **MYR weakened 0.18% to 4.1770 against USD** amid risk aversion in the markets and ahead of crucial US data, but managed to advance against 9 G10s.
- **MYR is now slightly bullish against a softer overnight USD** but caution that gains may be subdued amid extended risk-off sentiment in the markets. Technical outlook remains tilted to the upside despite a gap down at opening. USDMYR continued to threaten 4.1780 – 4.1800 in the near-term unless it breaks below 4.1700.

USD

- **USD retreated against 6 G10s** while the DXY tumbled in US morning to close 0.33% lower at 96.35, pressured by declining US Treasury yields amid extended sell-off in equities.
- **Stay bearish on DXY** as we expect losses to extend amid likelihood of decline in yields. Caution that disappointment in US data will accelerate the bears. The pullback that we cautioned took place last Friday, and the resulting downward momentum could spill over to today. DXY risks a drop to 96.21 next, below which 95.95 will be challenged.

EUR

- **EUR climbed 0.25% to 1.1403 against a soft USD** and rebounded to beat 8 G10s.
- **Expect a bullish EUR in line with our expectation of a bearish USD.** Expect more room for gains if US data disappoints. We continue to note that EURUSD is trending through a bullish chart pattern but may take some time to complete. EURUSD's immediate direction is upward in our view, triggered by last Friday's bounce, and could test 1.1429. Above this, 1.1458 will be threatened.

GBP

- **GBP slipped against 5 G10s**, staying subdued on Brexit uncertainties but **inched 0.09% higher to 1.2828 against a soft USD.**
- **We turn slightly bullish on GBP on the back of a soft USD**, but losses could quickly prevail if Brexit headlines turn negative. A soft bounce off circa 1.2780 last Friday could fuel further upsides today, but given that downward momentum prevails, we reckon that gains would be modest and contained below 1.2850 – 1.2860 range.

JPY

- **JPY strengthened 0.45% to 111.91 against USD** and rallied to beat all G10s, supported by continued strength in refuge demand amid sell-off in the markets.
- **We stay bullish on JPY against USD** in anticipation of extended sell-off in the markets that supports refuge demand. USDJPY is poised to break below 111.80, and test 111.66 next. Below this, 111.47 will be under threat.

AUD

- **AUD climbed 0.14% to 0.7090 against a soft USD** and was firmer against 5 G10s that extended their declines on risk-off sentiment in the markets.
- **We turn slightly bullish on AUD in anticipation of a soft USD**, though gains may be minor as risk-off sentiment still prevails in the markets. Bearish trend has been overturned, while upward momentum has improved, thus allowing AUDUSD more room for upsides. AUDUSD is likely headed for 0.7130, but caution that losing 0.7083 will invigorate the bears.

SGD

- **SGD slipped against 6 G10s** amid extended risk-off in the markets but **inched 0.08% firmer to 1.3800 against a soft USD.**
- **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.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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