November 30, 2018

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks ended slightly lower overnight ahead of the much anticipated meeting between President Trump and Xi this Saturday. Stocks traded higher earlier after the release of the Fed's November meeting minutes which reaffirmed view that the central bank will raise the federal funds rate in December.** Treasuries rallied in the morning on Fed Chair Jerome Powell's Thursday dovish comment that interest rates were "just below" neutral level. The 10-year yield was seen dipping below 3.0% temporarily before bouncing up higher to end the day 3 bps lower at 3.03%. **Crude oil found support on news that Russia might align with Saudi Arabia to cut productions.** WTI edged higher to $51.45/barrel (+$1.16) while Brent went up to $59.23/barrel (+$0.47).

- **Data in the US were mixed overnight** – Personal spending surged 0.6% MOM in October supported by a strong 0.5% MOM growth in personal income. Core PCE Index, the Fed's preferred inflation gauge eased to 1.8% YOY. Initial jobless claims rose by 10k to 234k last week, while pending home sales fell 2.6% MOM. **Eurozone Economic Sentiment Indicator slid** to 109.5, **UK GfK Consumer Confidence fell** to -13.0 while mortgage approvals rose to 67.1k. Japan jobless rate went up to 2.4% while preliminary industrial productions rebounded to 4.2% YOY. New Zealand business sentiments remained dismal while consumer confidence recovered. Vietnam trade sector remained robust, industrial output and retail sales saw faster growth while inflation tapered off.

- **USD ended mixed against the G10s** while the DXY clawed back early losses to close barely changed at 96.77 as refuge demand returned amid losses in equities. **Continue to expect a bearish USD** on emergence of mild reconciliatory tone ahead of G20 meeting where US-China trade relations will be assessed. Technical viewpoint continues to suggest further downsides for DXY as part of the rejection near 97.50. Expect DXY to head towards 96.37 in the next leg lower.

- **MYR strengthened 0.40% to 4.1840 against a weak USD** but retreated against all other G10s that also rallied following a weakened greenback. **MYR is neutral in our view against a soft USD** as buying interest is likely to be dampened by rising risk aversion heading into risk event this weekend. We continue to caution lingering price-momentum divergence, formation of a bearish chart pattern and rising downward momentum to be pointing to a potential reversal lower. A close below 4.1865 today will add further credence to this view.

- **SGD strengthened 0.18% to 1.3704 against USD** and advanced against 6 G10s, supported by firmer refuge demand. **Stay slightly bullish on SGD against a weak USD**. USDSGD remains technically bearish and is now setting a course for a downside break at 1.3681. Below this, 1.3661 will be eyed.

Overnight Economic Data	
US	→
Eurozone	↓
UK	→
Japan	→
New Zealand	→
Vietnam	↑

What's Coming Up Next

Major Data

- US Chicago Purchasing Manager
- Eurozone Unemployment Rate, HICP Inflation
- Japan Housing Starts, Construction Orders
- China Non-manufacturing PMI, Manufacturing PMI

Major Events

- G20 Meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1370	1.1384	1.1392	1.1400	1.1418	↗
USDJPY	1.2750	1.2773	1.2783	1.2796	1.2826	↘
GBPUSD	113.00	113.18	113.41	113.50	113.65	↘
AUDUSD	0.7297	0.7315	0.7321	0.7328	0.7339	↗
EURGBP	0.8887	0.8898	0.8911	0.8923	0.8936	↗
USDMYR	4.1850	4.1875	4.1885	4.1900	4.1910	→
EURMYR	4.7656	4.7700	4.7718	4.7747	4.7780	↗
JPYMYR	3.6883	3.6909	3.6929	3.6946	3.6967	→
GBPMYR	5.3500	5.3525	5.3546	5.3560	5.3585	↘
SGDMYR	3.0555	3.0575	3.0581	3.0590	3.0600	→
AUDMYR	3.0637	3.0665	3.0683	3.0690	3.0729	→
NZDMYR	2.8700	2.8720	2.8757	2.8783	2.8800	→
USDSGD	1.3681	1.3690	1.3697	1.3704	1.3716	↘
EURSGD	1.5573	1.5597	1.5605	1.5622	1.5635	↗
GBPSGD	1.7480	1.7500	1.7510	1.7536	1.7556	↘
AUDSGD	1.0000	1.0017	1.0033	1.0059	1.0080	↗

* 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	1,696.34	0.58	-5.59	CRB Index	182.31	0.60	-5.96
Dow Jones Ind.	25,338.84	-0.11	2.51	WTI oil ($/bbl)*	51.45	2.31	-14.85
S&P 500	2,737.76	-0.22	2.40	Brent oil ($/bbl)	59.23	0.80	-11.43
FTSE 100	7,038.95	0.49	-8.44	Gold (S/oz)	1,224.21	0.24	8.10
Shanghai	2,567.44	-1.32	-22.37	CPO (RM/tonne)	1,732.50	0.84	-27.51
Hang Seng	26,451.03	-0.87	-11.59	Copper ($/tonne)	6,200.00	1.28	-14.45
STI	3,109.44	0.48	-8.62	Rubber (sen/kg)	365.00	-0.14	-21.08

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Personal Income	Oct	0.5%	0.2%	0.4%
US Personal Spending	Oct	0.6%	0.2% (revised)	0.4%
US Core PCE YOY	Oct	1.8%	2.0%	1.9%
US Initial Jobless Claims	Nov-24	234k	224k	220k
US Pending Home Sales MOM	Oct	-2.6%	0.7% (revised)	0.5%
EU Economic Confidence	Nov	109.5	109.7 (revised)	109.1
UK Mortgage Approvals	Oct	67.1k	65.7k (revised)	64.6k
UK GfK Consumer Confidence	Nov	-13.0	-10	-11
JP Job-To-Applicant Ratio	Oct	1.62	1.64	1.65
JP Jobless Rate	Oct	2.4%	2.3%	2.3%
JP Industrial Production YOY	Oct P	4.2%	-2.5%	2.5%
NZ ANZ Business Confidence	Nov	-37.1	-37.1	--
NZ ANZ Consumer Confidence Index	Nov	118.6	115.4	--
NZ Building Permits MOM	Oct	1.5%	-1.3% (revised)	--
VN Trade Balance	Nov	-$400m	$100m	--
VN CPI YOY	Nov	3.46%	3.89%	3.80%
VN Imports YTD YOY	Nov	12.4%	11.8%	--
VN Exports YTD YOY	Nov	14.4%	14.2%	--
VN Industrial Production YOY	Nov	9.6%	7.7%	--
VN Retail Sales YTD YOY	Nov	11.5%	11.4%	--

Source: Bloomberg

➢ Macroeconomics

- ***Fed November minutes confirmed a December rate hike but signaled plan to communicate a pause:*** The Fed released FOMC November meeting minutes overnight. Economic assessment remained largely the same (strong consumptions in a tight labour market) but members noted that growth in business fixed investment slowed in 3Q following several quarters of rapid growth. Overall and core PCE inflation remained near 2%, price developments were generally viewed as being consistent with expectation that inflation would remain at 2% on a sustained basis. Contacts in many districts reported that tariffs have led to rising input costs. Some members pointed out uncertainty has increased, referring to the high levels of uncertainty regarding the effects of fiscal and trade policies on economic activity and inflation. The potential for an escalation in tariffs or trade tensions was also cited as a factor that could slow economic growth more than expected. Participants generally judged that the economy had been evolving about as they had anticipated, almost all participants expressed the view that another increase in the target range for the federal funds rate was likely to be warranted fairly soon. Some noted that the federal funds rate might currently be near its neutral level and that further increases in the federal funds rate could unduly slow the expansion of economic activity and put downward pressure on inflation and inflation expectations. They noted that monetary policy was not on a preset course and policy outlook would change if incoming data prompted meaningful reassessment. Participants also commented on how the Committee's communications in its post-meeting statement might need to be revised at coming meetings, particularly the language referring to the Committee's expectations for "further gradual increases" in the target range for the federal funds rate

- ***US strong personal spending supported by solid income growth, underlying inflation softened:*** Personal consumption expenditure (PCE) or personal spending surged a whopping 0.6% MOM in October (Sep: +0.2% revised), marking its biggest increase in seven months as US consumers spent on prescription drugs as well as electricity and gas. This was supported by a strong growth in personal income which ticked up more than expected by 0.5% MOM (Sep: +0.2%) reflecting increase in wages and salaries, proprietors' income and government's social benefits to individuals. The price index for PCE rose 2.0% YOY in August (Sep: +2.0% revised) as the faster gain in prices of energy was offset by the slower increase in prices of food. Excluding these two categories, the core PCE price index, the Fed's preferred measure of inflation eased to 1.8% YOY (Sep: +1.9%). This is very much in line with the slowdown in core CPI in October as services inflation generally eased. Despite core PCE clocking in below Fed's 2% target since August, no change to views that the Fed will hike federal funds rate for the fourth time in December taking into account the strong labour market. Despite an unexpected rise in initial jobless claims by 10k to 234k last week (previous: 224k), the number remained historically low indicating that the labour market remained tight and in broad strength. Apart from that, the National Association of Realtors released October pending home sales which declined by 2.6% MOM (Sep: +0.7% revised) to a four-year low. The indicator tracks contract signings to purchase previously-owned home in the US thus supporting our earlier view that existing home sales might not sustain the momentum seen in October and likely resume decline in coming months.

- ***Eurozone economic confidence extended further declined but remained stable:*** The Economic Sentiment Indicator (ESI) slid further by 0.2pts to 109.5 in November (Oct: 109.7) but remained broadly stable according to the European Commission. Consumer confidence decreased significantly, while business confidence was steady. Industry confidence increased slightly as managers became more optimistic over production expectations whereas services confidence was unchanged.

- ***Consumer sentiments deteriorated in UK, mortgage approvals increased:*** The GfK Consumer Confidence Index dipped further by 3pts to -13.0 in November (Oct: -10.0), a level last seen in December 2017 as the sub-index on consumers' view of economic situation for the next 12 months further deteriorated. This led the sub-index of Climate for Major Purchases to drop into the negative territory for the first time in four month, as consumers judged that now is not a good time to spend on big ticket items potentially due to uncertainty on how Brexit is going to affect the UK economy. Elsewhere, the Bank of England reported that mortgage approvals rose to 67.1k in October (Sep: 65.7k) with total value approved amounted to £21.79b (Sep: £21.82b).

- ***Japan jobless rate increase a spillover effect from disasters month, industrial production rebounded:*** Jobless rate missed expectations, inching up to 2.4% in October (Sep: 2.3%) driven by the decline in employment in the construction and manufacturing sector as the sectors were disrupted by disasters in September and October. The labour force was seen expanding as the labour force participation rate went up to 62.0% (Sep: 61.9%), a positive sign for the tight Japanese labour market. The job-to-applicant ratio fell to 1.62 (Sep: 1.64) meaning that there are now 1.62 jobs for every job-seeking Japanese. Preliminary reading of industrial production rebounded to increase 4.2% YOY in October (Sep: -2.5%) following a decline in the previous month.

- ***New Zealand businesses remained pessimistic while consumer sentiments recovered:*** The ANZ Business Confidence Index stayed unchanged at -37.1 in November (Oct: -37.1), marking its 13th consecutive month in the negative territory. In contrast, the Consumer Confidence Index managed to rebound by 2.8% MOM to 118.6 in the same month (Oct: 115.4) suggesting that consumer confidence recovered after five month of weakening. Weak sentiments among businesses and consumers are among key reasons holding the RBNZ back from hiking its official cash rate (OCR) despite a better-than-expected 3Q GDP growth and strengthening labour market and we believe that a longer time frame is still needed to assess confidence levels in New Zealand despite this month's recovery in consumer sentiments. A separate release meanwhile shows that building permits more than offset September's decline to increase 1.5% MOM in October (Sep: -1.3% revised).

- ***Solid growth in Vietnam's industrial output, exports and retail sales, inflation tapered off:*** Industrial production increased 9.6% YOY in November (Oct: +7.7%) driven mainly by the faster growth in manufacturing and electricity output as mining & quarrying saw a minor rebound. Its trade position turned into a deficit of $400m in November (Oct: $100m surplus) as YTD imports rose 12.4% YOY (Oct: +11.8%) while exports increased 14.4% YOY (Oct: +14.2%). Foreign led exports continued to power up total shipments overseas, rising 3.5% MOM (Oct: +0.4%) whereas domestic exports also rose 4.7% MOM (Oct: +4.4%). Inflation in Vietnam tapered off as we have earlier expected to 3.5 % YOY in November (Oct: +3.9%) attributed to slower rise in prices of food, housing & construction materials, transport and healthcare. YTD retail sales posted the fastest growth since Jan-16 at 11.5% YOY (Oct: +11.4%) driven by higher sales in restaurants/hotels, trade and services.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
03/12	Malaysia	Nikkei Malaysia PMI	Nov	--	49.2	--
30/11	**US**	**Chicago Purchasing Manager**	**Nov**	**58.5**	**58.4**	**--**
03/12		Markit US Manufacturing PMI	Nov F	--	55.7	--
		Construction Spending MOM	Oct	0.4%	0.0%	--
		ISM Manufacturing	Nov	58.0	57.7	--
		ISM Prices Paid	Nov	70.0	71.6	--
30/11	**Eurozone**	**Unemployment Rate**	**Oct**	**8.0%**	**8.1%**	**--**
		CPI Core YOY	**Nov A**	**1.1%**	**--**	**--**
		CPI Estimate YOY	**Nov**	**2.0%**	**2.2%**	**--**
03/12		Markit Eurozone Manufacturing PMI	Nov F	51.5	52.0	--
30/11	**UK**	**Lloyds Business Barometer**	**Nov**	**--**	**19.0**	**--**
03/12		Markit UK PMI Manufacturing SA	Nov	52.0	51.1	--
30/11	**Japan**	**Housing Starts YOY**	**Oct**	**-0.1%**	**-1.5%**	**--**
		Construction Orders YOY	**Oct**	**--**	**1.0%**	**--**
03/12		Nikkei Japan PMI Mfg	Nov F	--	52.9	--
30/11	**Hong Kong**	**Retail Sales Value YOY**	**Oct**	**3.6%**	**2.4%**	**--**
30/11	**China**	**Non-manufacturing PMI**	**Nov**	**53.8**	**53.9**	**--**
		Manufacturing PMI	**Nov**	**50.2**	**50.2**	**--**
03/12		Caixin China PMI Mfg	Nov	50.1	50.1	--
03/12	Singapore	Purchasing Managers Index	Nov	--	51.9	--
03/12	Australia	AiG Perf of Mfg Index	Nov	--	58.3	--
		Building Approvals MOM	Oct	-1.0%	3.3%	--
03/12	Vietnam	Nikkei Vietnam PMI Mfg	Nov	--	53.9	--

Source: Bloomberg

➢Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1393	0.24	1.1402	1.1349	-5.14
GBPUSD	1.2791	-0.27	1.285	1.2756	-5.42
USDJPY	113.48	-0.18	113.68	113.19	0.68
AUDUSD	0.7319	0.18	0.7344	0.7295	-6.30
EURGBP	0.8909	0.52	0.8920	0.8860	0.34
USDMYR	4.1840	-0.40	4.1950	4.1830	3.40
EURMYR	4.7575	0.39	4.7754	4.7550	-1.87
JPYMYR	3.6951	0.21	3.6997	3.6908	2.78
GBPMYR	5.3579	0.05	5.3874	5.3525	-1.94
SGDMYR	3.0550	0.29	3.0601	3.0522	0.86
AUDMYR	3.0665	0.99	3.0716	3.0589	-3.01
NZDMYR	2.8777	0.81	2.8848	2.8674	-0.07
CHFMYR	4.2150	0.35	4.2291	4.2135	1.59
CNYMYR	0.6030	-0.12	0.6041	0.6028	-3.02
HKDMYR	0.5354	-0.15	0.5368	0.5349	3.38
USDSGD	1.3704	-0.18	1.3737	1.3693	2.56
EURSGD	1.5613	0.04	1.5626	1.5573	-2.77
GBPSGD	1.7526	-0.45	1.7621	1.7490	-3.10
AUDSGD	1.0030	0.02	1.0060	1.0013	-3.97

Source: Bloomberg

MYR

- **MYR strengthened 0.40% to 4.1840 against a weak USD** but retreated against all other G10s that also rallied following a weakened greenback.
- **MYR is neutral in our view against a soft USD** as buying interest is likely to be dampened by rising risk aversion heading into risk event this weekend. We continue to caution lingering price-momentum divergence, formation of a bearish chart pattern and rising downward momentum to be pointing to a potential reversal lower. A close below 4.1865 today will add further credence to this view.

USD

- **USD ended mixed against the G10s** while the DXY clawed back early losses to close barely changed at 96.77 as refuge demand returned amid losses in equities.
- **Continue to expect a bearish USD** on emergence of mild reconciliatory tone ahead of G20 meeting where US-China trade relations will be assessed. Technical viewpoint continues to suggest further downsides for DXY as part of the rejection near 97.50. Expect DXY to head towards 96.37 in the next leg lower.

EUR

- **EUR climbed 0.24% to 1.1393 against a soft USD** and advanced against 7 G10s following relatively firmer Eurozone indicators.
- **Expect a bullish EUR against a soft USD**, supported by expectations of easing trade tensions. EURUSD sustains a bullish bias and we continue to set sights on a test circa 1.1400 – 1.1416 in the next leg higher. We note that beating 1.1456 is seen as completion of a bullish chart pattern that suggests a move to circa 1.1560 – 1.1580.

GBP

- **GBP fell 0.27% to 1.2791 against USD** and sank against 8 G10s as Brexit uncertainties continue to weigh ahead of a parliamentary voting on current Brexit plan.
- **We are back to being bearish on GBP against USD** as Brexit uncertainties prevail. We continue to caution that Brexit headlines have the potential to quickly swing GBP to either sides. GBPUSD is back in a bearish trend, likely heading for a downside break at 1.2773, which could trigger further losses to circa 1.2725.

JPY

- **JPY gained 0.18% to 113.48 against USD** and climbed against 5 G10s, supported by return in refuge demand amid losses in equities.
- **JPY is slightly bullish against a soft USD** and amid support from rising risk aversion going into G20 meeting where US-China trade relations will be assessed. Downsides in USDJPY is likely to prevail as a follow up to recent rejection at 114.00. A test at 113.18, possibly even 113.00, may be appropriate soon.

AUD

- **AUD rose 0.18% to 0.7319 against a weak USD** and strengthened against 5 G10s, backed by relatively firmer commodities.
- **AUD remains slightly bullish against a weak USD**, also supported by signs of extended rebound in commodities. AUDUSD is still tilted to the upside and is now likely taking aim at 0.7339 – 0.7350. Nonetheless, we continue to view AUDUSD as rather toppish and that upward momentum did not commensurate to recent rally, all of which trigger a reversal lower.

SGD

- **SGD strengthened 0.18% to 1.3704 against USD** and advanced against 6 G10s, supported by firmer refuge demand.
- **Stay slightly bullish on SGD against a weak USD**. USDSGD remains technically bearish and is now setting a course for a downside break at 1.3681. Below this, 1.3661 will be eyed.

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