October 1, 2019

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded to finish modestly higher on the last day of 3Q, led by the surge in Apple shares amidst easing trade worries** after Trade Advisor Peter Navarro dismissed the potential delisting of Chinese firms from US stock exchanges as fake news. Technology sector got a major boost with Apple shares climbing by 2.4% on upbeat analysts' comments. Stocks saw only a modest gain in a quarter characterized by trade uncertainties, persistent concerns over global and domestic growth which had led to a brief inversion of the yield curve and most recently, rising impeachment risk in the US. On Monday, US bond yields slipped around 1-2bps, benchmark 10Y UST yield lost 1bp to 1.67%. **Oil prices continued to fall as concerns over supply outage and Middle-east tension faded.** International benchmark Brent crude dropped by 1.8% to $60.78/barrel while US WTI fell sharply by 3.3% to $54.07/barrel. For the quarter, Brent eased a whopping 8.7% WTI lost 7.5%. **The RBA is widely expected to cut its cash rate today to a further low from 1.0% to 0.75%.**

- **Economic releases was another mixed bag with a negative bias** save for the Eurozone jobless rate that improve to its best level in more than 11 years and quicker growth in Australia manufacturing sector. China manufacturing health as measured by both the official NBS and Caixin surprised on the upside too and offered some temporary relief but the official services reading slowed a tad. US data signaled deeper slowdown in the US manufacturing sector while Japan business confidence softened.

- The greenback as measured by **the dollar index firmed up by 0.27% to a multi-year high of 99.38** as selling pressure surrounding the euro intensified following weak German CPI. USD strengthened against nearly all majors. **We expect continued strength in the dollar** as the greenback's safe haven appeal remains strong in the midst of general uncertainties, opening up potentials to hit the important psychological handle of 100.0. Markets await further development on US-China trade front as the next talk approaches.

- MYR weakened against the USD slightly by 0.04% at 4.1875 on Monday as Friday's FTSE Russell-inspired rally was short-lived amidst broad dollar strength. **We are bearish on MYR** as dollar strength is expected to persist in the short term, taking advantage of general uncertainties. In the medium term, we are neutral to slightly bearish on MYR taking into account unresolved US-China trade dispute and ECB's impending APP program as well as the next major Budget event on 11-October.

- **SGD barely changed against the USD at 1.3819**. **We are neutral to slightly bearish on SGD today** amidst general dollar strength. **In the medium term, we are still neutral to slightly bearish on SGD** over unresolved US-China trade dispute and poorer Singapore economic outlook.

Overnight Economic Data	
US	↓
Eurozone	↑
UK	↓
Japan	↓
China	→
Australia	↑
Vietnam	→

What's Coming Up Next

Major Data

- Markit Manufacturing PMIs for Malaysia, US, Eurozone, Japan and Vietnam
- US ISM Manufacturing Index and Construction Output
- Eurozone HICP inflation,

Major Events

- RBA Cash Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0850	1.0980	1.0901	1.0920	1.0950	↘
GBPUSD	1.2210	1.2250	1.2290	1.2350	1.2390	↘
USDJPY	107.70	108.00	108.10	108.30	108.50	→
AUDUSD	0.6730	0.6740	0.6757	0.6770	0.6800	→
EURGBP	0.8845	0.8860	0.8868	0.8905	0.8920	↘
USDMYR	4.1800	4.1850	4.1880	4.1900	4.1950	↗
EURMYR	4.5600	4.5640	4.5647	4.5700	4.5750	↘
JPYMYR	3.8630	3.8705	3.8735	3.8845	3.8900	→
GBPMYR	5.1210	5.1340	5.1469	5.1745	5.1800	↘
SGDMYR	3.0260	3.0280	3.0295	3.0325	3.0340	→
AUDMYR	2.8200	2.8250	2.8296	2.8340	2.8380	→
NZDMYR	2.6160	2.6230	2.6235	2.6275	2.6335	↘
USDSGD	1.3780	1.3800	1.3824	1.3830	1.3850	→
EURSGD	1.5030	1.5050	1.5066	1.5085	1.5120	→
GBPSGD	1.6900	1.6950	1.6988	1.7030	1.7080	→
AUDSGD	0.9310	0.9330	0.9340	0.9350	0.9370	→

* 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	1,583.91	-0.01	-6.31	CRB Index	173.94	-1.01	2.44
Dow Jones Ind.	26,916.83	0.36	15.39	WTI oil ($/bbl)	54.07	-3.29	19.07
S&P 500	2,976.74	0.50	18.74	Brent oil ($/bbl)	60.78	-1.83	10.13
FTSE 100	7,408.21	-0.24	10.11	Gold (S/oz)	1,472.49	-1.64	14.87
Shanghai	2,905.19	-0.92	16.49	CPO (RM/tonne)	2,027.50	-1.22	3.84
Hang Seng	26,092.27	0.53	0.95	Copper ($/tonne)	5,725.00	-0.73	-4.02
STI	3,119.99	-0.18	1.67	Rubber (sen/kg)	431.00	1.53	13.72

Source: Bloomberg

➢Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US MNI Chicago PMI	Sep	47.1	50.4	50.0
US Dallas Fed Manf. Activity	Sep	1.5	2.7	1.0
EU Unemployment Rate	Aug	7.4%	7.5%	7.5%
UK GDP QOQ	2Q F	-0.2%	0.6%	-0.2%
UK Mortgage Approvals	Aug	65.5k	67.3k	66.5k
JP Jobless Rate	Aug	2.2%	2.2%	2.3%
JP Tankan Large Mfg Index	3Q	5	7	1
JP Tankan Large Non-Mfg Index	3Q	21	23	20
JP Tankan Large All Industry Capex	3Q	6.6%	7.4%	7.0%
CN Manufacturing PMI	Sep	49.8	49.5	49.6
CN Non-manufacturing PMI	Sep	53.7	53.8	53.9
CN Caixin China PMI Mfg	Sep	51.4	50.4	50.2
AU AiG Perf of Mfg Index	Sep	54.7	53.1	--
VN Industrial Production YOY	Sep	10.2%	10.5%	--
VN Retail Sales YTD YOY	Sep	11.6%	11.5%	--

Source: Bloomberg

- ***US seems poise for a manufacturing downturn:*** Latest batch of regional manufacturing surveys continued to point to a weaker manufacturing sector. The MNI Chicago Business Barometer fell below 50.0 in September at 47.1 (Aug: 50.4), a contractionary sign whereas the Dallas Fed Manufacturing PMI slipped to 1.5 (Aug: 2.7).

- ***Eurozone unemployment rates ticked lower in August:*** Eurozone unemployment rate continued to trend down to 7.4% in August (Jul: 7.5%), lower than consensus forecast, confirming the continuous tightening of the Eurozone job market.

- ***UK economy contracted in 2Q amidst heightening Brexit uncertainties and weakening trade:*** Final ONS reading confirmed that the UK economy contracted by 0.2% QOQ in the second quarter of 2019 (1Q: +0.6%) after a robust first quarter as the fall in investment more than offset the rise in household final consumption and net trade. The annual growth was revised upwards from 1.2% to 1.3% YOY (1Q: +2.1%), a marked slowdown compared to the same period last year, weighed down by both investment and net trade, a result of Brexit as well as a weakening external trade sector. On a separate note, mortgage approvals slipped to 65.5k in August (Jul: 67.3k) amidst a generally softer consumer credit growth.

- ***Japan BOJ Tankan Survey shows withering business confidence; jobless rate steady:*** The closely watched BOJ Tankan Survey published this morning showed that Japanese large firms were less upbeat over current business conditions and overall outlook. The Large Manufacturing Index slipped to 5.0 for 3Q (2Q: 7.0) and the Large Manufacturing Outlook Index fell sharply to 2.0 (2Q: 7.0). Meanwhile, for the services sector, the Large Non-manufacturing Index fell to 21.0 (2Q: 23) and the Large Non-manufacturing Outlook Index also recorded a lower reading of 15.0 (2Q: 17.0). Firms were also seen scaling back on business capex amidst weaker external trade and slower domestic consumption (especially on the retail front) in anticipation of this month's sales tax hike. Gain in the All Industry Capex Index pulled back to 6.6% YOY (2Q: +7.4%), a sign of weakening business sentiment. On a separate note, Japan jobless rate stayed unchanged at 2.2% in August (Jul: 2.2%) as the labor market remained tight. Job-to-applicant ratio was steady at 1.59.

- ***China manufacturing PMIs beat expectations; services stayed supported:*** China manufacturing activities displayed some signs of recovery in September as both official and private gauges for the manufacturing sector beat expectations. The NBS manufacturing Index rose to 49.8 in September (Aug: 49.5), marking its fifth consecutive month of sub-50 reading but was nonetheless a welcoming development. The Caixin Manufacturing PMI ticked up to 51.4 (Aug: 50.4), signaling slightly better outlook for the country's manufacturing industry. Meanwhile, the NBS non-manufacturing PMI, a leading indicator for the services sector fell minimally to 53.7 (Aug: 53.8) suggesting that the sector remained well supported.

- ***Australia manufacturing sector saw faster upturn in September***: The AiG Performance of Manufacturing Index rose to a five-month high of 54.7 in September (Aug: 53.1) to signal a more solid upturn in the manufacturing industry last month. While output and exports fell again last month, the surge in new order and employment were a good sign to indicate higher future output. The rise in input prices and higher wages also points to higher inflation.

- ***Vietnam industrial and retail sector remained solid:*** Vietnam industrial production rose by a solid pace of 10.2% YOY in September (Aug: +10.5%) as the acceleration in the growth of manufacturing output, electricity and water supply was offset by the fall in mining and quarrying. MOM, industrial output barely changed (-0.1% vs +5.4%) of which manufacturing output appeared to increase at a substantially slower pace of 0.9% MOM (Aug: +7.5%). Meanwhile on the retail front, retail sales picked up to increase by 11.6% YOY for the first nine months of 2019 (Jan- Sep'18: +11.3%), a tad faster compared to the same period last year, pointing to steady consumer spending.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
01/10	**Malaysia**	**Markit Malaysia PMI Mfg**	**Sep**	**--**	**47.4**	**--**
01/10	**US**	**Markit US Manufacturing PMI**	**Sep F**	**51.0**	**51.0**	**--**
		ISM Manufacturing	**Sep**	**50.0**	**49.1**	**--**
		Construction Spending MOM	**Aug**	**0.5%**	**0.1%**	**--**
02/10		MBA Mortgage Applications	Sep-27	--	-10.1%	--
		ADP Employment Change	Sep	140k	195k	--
01/10	**Eurozone**	**Markit Eurozone Manufacturing PMI**	**Sep F**	**45.6**	**47.0**	**--**
		CPI Core YOY	**Sep A**	**1.0%**	**0.9%**	**--**
		CPI Estimate YOY	**Sep**	**1.0%**	**1.0%**	**--**
01/10	UK	Nationwide House Price Index YOY	Sep	0.5%	0.6%	
		Markit UK PMI Manufacturing SA	Sep	47.0	47.4	--
01/10	**Japan**	**Jibun Bank Japan PMI Mfg**	**Sep F**	**--**	**48.9**	**--**
02/10	Hong Kong	Retail Sales Value YOY	Aug	-13.5%	-11.4%	--
01/10	**Australia**	**RBA Cash Rate Target**	**Oct-01**	**0.75%**	**1.00%**	**--**
01/10	**Vietnam**	**Markit Vietnam PMI Mfg**	**Sep**	**--**	**51.4**	**--**

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0899	-0.37	1.0948	1.0885	-4.95
GBPUSD	1.2289	-0.02	1.2346	1.2276	-3.65
USDJPY	108.08	0.15	108.18	107.75	-1.49
AUDUSD	0.6750	-0.21	0.6770	0.6741	-4.24
EURGBP	0.8869	-0.33	0.8905	0.8832	-1.34
USDMYR	4.1875	0.04	4.1935	4.1860	1.31
EURMYR	4.5735	-0.01	4.5842	4.5731	-3.25
JPYMYR	3.8832	0.06	3.8864	3.8762	3.34
GBPMYR	5.1657	0.40	5.1657	5.1421	-1.93
SGDMYR	3.0304	0.00	3.0331	3.0287	-0.18
AUDMYR	2.8289	-0.10	2.8349	2.8236	-3.22
NZDMYR	2.6240	-0.43	2.6319	2.6168	-5.57
CHFMYR	4.2193	0.03	4.2284	4.2169	0.48
CNYMYR	0.5868	-0.20	0.5882	0.5867	-3.05
HKDMYR	0.5344	0.06	0.5346	0.5338	1.17
USDSGD	1.3819	0.01	1.3835	1.3808	1.42
EURSGD	1.5060	-0.36	1.5127	1.5056	-3.62
GBPSGD	1.6984	0.02	1.7062	1.6966	-2.29
AUDSGD	0.9328	-0.19	0.9351	0.9321	-2.86

Source: Bloomberg

➢Forex

MYR

- MYR weakened against the USD slightly by 0.04% at 4.1875 on Monday as Friday's FTSE Russell-inspired rally was short-lived amidst broad dollar strength.
- **We are bearish on MYR** as dollar strength is expected to persist in the short term, taking advantage of general uncertainties. In the medium term, we are neutral to slightly bearish on MYR taking into account unresolved US-China trade dispute and ECB's impending APP program as well as the next major Budget event on 11-October.

USD

- The greenback as measured by **the dollar index firmed up by 0.27% to a multi-year high of 99.38** as selling pressure surrounding the euro intensified following weak German CPI. USD strengthened against nearly all majors.
- **We expect continued strength in the dollar** as the greenback's safe haven appeal remains strong in the midst of general uncertainties, opening up potentials to hit the important psychological handle of 100.0. Markets await further development on US-China trade front as the next talk approaches. Aside from trade headlines, the dollar's medium-term outlook still depends largely on its relative movement to EUR which is expected to weaken once the ECB restarts its APP program in November.

EUR

- **EUR** lost ground on Monday, breaching below 1.0900 as it **slipped 0.37% to 1.0899,** its lowest level since May-17 following weaker than expected German CPI.
- **We are bearish on EUR in the short term** as we expect the single currency to stay under pressured by downbeat sentiment surrounding Euro area outlook. September HICP inflation due today is the key number to watch out for. **EUR's medium-term outlook** is tied to ongoing worries over the Eurozone's dismal economic state, and **is expected to weaken in the medium term** as the ECB restarts its APP program in November.

GBP

- **GBP** retraced intra-day gain to **finish virtually unchanged (-0.02%) against the USD at 1.2289** amidst continuous Brexit uncertainties.
- **No change to our bearish view on the sterling** as it continues to be subject to volatility in the short term due to its sensitivity to endless Brexit headlines. **The medium-term outlook is bearish,** entirely determined by Brexit development leading up to the 31-October deadline.

JPY

- **JPY weakened by 0.15% to 108.08 against the USD** amidst broad dollar strength while a slight recovery in sentiment capped traditional safe haven flow.
- **We are neutral to bearish on JPY today** amidst continuous dollar strength. **We remain bullish JPY in the medium term** on prolonged US-China trade uncertainties and dismal global growth outlook.

AUD

- **AUD closed 0.21% weaker against the USD at 0.6750, reversing previous session's gain.**
- **We are neutral on AUD** as investors are expected to stay sidelined ahead of today's crucial RBA cash rate decision due 12.30pm Malaysian time. Markets are positioning for a 25bps cut to 0.75%. **In the medium term, we remain bearish on AUD** on prolonged US-China trade tension and the weakening Chinese economy continued to pose downside risk to AUD.

SGD

- **SGD barely changed against the USD at 1.3819**.
- **We are neutral to slightly bearish on SGD today** amidst general dollar strength. **In the medium term, we are still neutral to slightly bearish on SGD** over unresolved US-China trade dispute and poorer Singapore economic outlook.

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