

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks sold off and bonds rallied overnight** as poor US manufacturing data rekindled worries over outlook of the world's largest economy. Markets were **slammed by the weakest ISM manufacturing PMI in a decade which printed its second month of sub-50 reading, echoing the synchronized manufacturing downturn that happens elsewhere across key economies.** Major indexes had a terrible start to 4Q as the Dow Jones, S&P 500 and NASDAQ dropped by 1.1-1.3%. Investors sought the relative safety of US treasuries leading yields to slip around 2-8bps along the curve. **Weak data prompted speculations that the Federal Reserve would deliver another rate cut** - The yield on benchmark 2Y notes, a proxy for short term interest rate outlook fell by 7bps to 1.55% while 10Y UST yield slipped by 3bps to 1.64%. **Brent crude fell below \$60 to \$58.89/barrel as Saudi Arabia restored productions,** WTI slipped by 0.8% to \$53.62/barrel. **Boris Johnson is expected to unveil final Brexit offer to the EU** and clarified his intention to leave without an offer on 31 Oct should the deal was again rejected. **The RBA cut cash rate to a historic low of 0.75% as widely expected, expressing concerns over labour market.**
- **The latest bag of PMI manufacturing readings confirmed a deeper slowdown in the global manufacturing sectors.** The ISM index in the US remained sub-50 for a 2nd straight month printing its weakest level in a decade, overshadowing the Markit reading that showed a bigger than expected uptick. Readings showed further deterioration in manufacturing activities in the EU and Vietnam, steady in Japan and some slight uptick in the UK and Malaysia.
- The greenback weakened against most of its G10 counterparts, the dollar index reversed previous session's gain to fall back to the lower end of 99 as investors fled to traditional safe havens CHF and JPY. EUR and GBP rebounded. **DXY closed 0.25% lower at 99.13. The dollar is expected to trade on a weaker note today** on renewed concerns over US economic growth as investors raised their bets on another Fed rate cut in end-October. Futures priced in 64% probability of a 25bps cut, a marked increase from Monday's 40%.
- **MYR weakened further against the USD by 0.13% to close at 4.1930** on Tuesday on broad-based dollar strength. **We turned bullish on MYR today,** expecting the dollar to trade on a weaker note after being hit hard by the poor ISM manufacturing overnight. 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 Budget event on 11-October.
- **SGD strengthened against USD by 0.22% to 1.3849** amidst broad dollar weakness. **We are neutral on SGD today** as upside to SGD is capped in today's session. In the medium term, we are still neutral to slightly bearish on SGD over unresolved US-China trade dispute, poorer Singapore economic outlook and ahead of this month's MAS policy decision.

Overnight Economic Data

Malaysia	↑
US	↓
Eurozone	→
UK	→
Japan	→
Vietnam	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, ADP Employment Change
- Hong Kong Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0900	1.0920	1.0941	1.0950	1.0980	→
GBPUSD	1.2210	1.2250	1.2298	1.2350	1.2390	↘
USDJPY	107.30	107.50	107.67	108.00	108.50	→
AUDUSD	0.6680	0.6700	0.6711	0.6740	0.6770	↗
EURGBP	0.8845	0.8860	0.8896	0.8905	0.8920	↗
USDMYR	4.1800	4.1850	4.1868	4.1900	4.1950	↘
EURMYR	4.5600	4.5700	4.5803	4.5900	4.6000	↗
JPYMYR	3.8680	3.8800	3.8884	3.8980	3.9050	↗
GBPMYR	5.1210	5.1340	5.1495	5.1745	5.1800	→
SGDMYR	3.0200	3.0210	3.0230	3.0250	3.0290	↘
AUDMYR	2.8020	2.8050	2.8085	2.8170	2.8250	↘
NZDMYR	2.6080	2.6130	2.6182	2.6260	2.6330	↘
USDSGD	1.3820	1.3830	1.3851	1.3860	1.3880	→
EURSGD	1.5090	1.5120	1.5153	1.5170	1.5185	↗
GBPSGD	1.6950	1.6980	1.7034	1.7080	1.7115	→
AUDSGD	0.9260	0.9280	0.9293	0.9300	0.9315	↗

* 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	1,589.44	0.35	-5.98	CRB Index	174.09	0.08	2.52
Dow Jones Ind.	26,573.04	-1.28	13.91	WTI oil (\$/bbl)	53.62	-0.83	18.08
S&P 500	2,940.25	-1.23	17.29	Brent oil (\$/bbl)	58.89	-3.11	9.46
FTSE 100	7,360.32	-0.65	9.40	Gold (S/oz)	1,479.14	0.45	15.31
Shanghai*	2,905.19	-0.92	16.49	CPO (RM/tonne)	2,010.00	-0.86	2.94
Hang Seng	26,092.27	0.53	0.95	Copper (\$/tonne)	5,686.00	-0.68	-4.68
STI	3,146.03	0.83	2.52	Rubber (sen/kg)	427.00	-0.47	12.66

*Closing on 30 Sep

Source: Bloomberg

➤ Macroeconomic

Economic Data				
	For	Actual	Last	Survey
MA Markit Malaysia PMI Mfg	Sep	47.9	47.4	--
US Markit US Manufacturing PMI	Sep F	51.5	50.3 (revised)	51.0
US ISM Manufacturing	Sep	47.8	49.1	50.0
US Construction Spending MOM	Aug	0.1%	0.0% (revised)	0.5%
EU Markit Eurozone Manufacturing PMI	Sep F	45.7	47.0	45.6
EU CPI Core YOY	Sep A	1.0%	0.9%	1.0%
EU CPI Estimate YOY	Sep	0.9%	1.0%	1.0%
UK Nationwide House Price Index YOY	Sep	0.2%	0.6%	0.5%
UK Markit UK PMI Manufacturing SA	Sep	48.3	47.4	47.0
JP Jibun Bank Japan PMI Mfg	Sep F	48.9	48.9	--
AU RBA Cash Rate Target	Oct-01	0.75%	1.00%	0.75%
VN Markit Vietnam PMI Mfg	Sep	50.5	51.4	--

Source: Bloomberg

- RBA cut rate to historic low on global growth, labour market concerns:** The RBA cut cash rate from 1.0% to a historic low of 0.75% yesterday as widely expected, citing lower interest rate worldwide, global uncertainties and expressing concerns over domestic labour market. The central bank pointed out that while current labour market condition remained solid i.e. stronger employment and high participation rate, the unemployment rate however had remained steady at 5.25% over recent months. Forward-looking indicators suggested that employment growth was likely to slow, wages growth remained subdued. The decision to lower cash rate was to support employment and income growth as well as to provide greater confidence to meet the medium-term inflation target. RBA repeated that an extended period of low interest rates will be required to support employment and inflation and reiterated that it would continue to monitor the labour market and was prepared to ease policy further if necessary.
- US ISM manufacturing index sank to 10-year low; construction spending remained lacklustre:** Contraction in US manufacturing sector intensified last month as the ISM Manufacturing Index slipped further by 1.3pts to 47.8 in September (Aug: +49.1), marking its second month below 50.0 and was the lowest level observed since Jun 2009. The disappointing print was a result of a broad-based contraction across all components as production, employment, inventories and exports order all dipped deeper in the sub-50 territories. New orders managed to post a tiny 0.1pts gain but remained below 50.0, confirming signs of extreme weakness in demand. Firms' confidence was said to be decreasing, most were worried about sluggish demand and Chinese tariffs. The Markit PMI reading turned out to be less downbeat, the final IHS Markit Manufacturing PMI was revised slightly higher from 51.0 to 51.1 in September (Aug: 50.3), up from the borderline reading in August due to "quicker rise in production" which is a bit of a contrast to the ISM's result. Nonetheless, Markit said the overall picture of manufacturing remained a struggling one amidst gloomy business confidence. Last but not least, construction spending in the US picked up a lacklustre 0.1% MOM in August (Jul: 0.0% revised), as weakness in nonresidential construction offset gains in homebuilding.
- Eurozone manufacturing sector downturn deepened; inflation remained benign:** The final reading of the September IHS Markit PMI was revised slightly higher from 45.6 to 45.7 (Aug: 47.0), but still a substantial fall from August's print and thus confirming the persistent weakness in the euro area's manufacturing industry. Not surprisingly, amidst a slowdown in factories output and the economy in general, inflation remained adamantly weak – the HICP inflation rose a mere 0.9% YOY in September (Aug: +1.0%) while the core inflation ticked up a bit to 1.0% YOY (Aug: +0.9%).
- UK manufacturing downturn persisted in September:** The IHS/CIPS Markit PMI rose slightly to 48.3 in September (Aug: 47.4), marking its fifth successive month below the 50.0 neutral threshold to indicate a continuous downturn in the country's manufacturing industry in the face of slower growth and Brexit uncertainties. On a separate note, the Nationwide House Price Index slipped by 0.2% MOM in September (Aug: +0.0%) after a flat reading in the previous month, bringing the YOY growth to a softer pace of 0.2% (Aug: +0.6%), adding to sign of a sluggish property market.
- Japan manufacturing industry stayed under pressure:** The final reading of the Jibun Bank Japan Manufacturing PMI was unchanged at 48.9 in September (Aug: 48.9), down from August reading to confirm the entrenched weakness in Japan's manufacturing industry amidst a subdued global demand for Japanese goods.

- **Malaysia Manufacturing PMI improved but remained sub-50:** The IHS Markit Malaysia Manufacturing PMI rose to a four-month high of 47.9 in September (Aug: 47.4), supported by a slight pick-up in production.
- **PMI flashed slowdown in Vietnam manufacturing industry:** The Vietnam Markit manufacturing PMI fell to 50.4 in September (Aug: 51.4) to signal a slowdown in the manufacturing industry. Notably, production ended a sequence of 21-month growth to record a decline last month amidst weaker business demand. Vietnam's manufacturing sector was among the most resilient as it continued to register solid gain for the past one year despite a synchronized slowdown in global manufacturing. The weaker September PMI added to signs that persistent trade uncertainties are slowly taking a toll on even the best performer, raising concerns over the global growth outlook in general.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
02/10	US	MBA Mortgage Applications	Sep-27	--	-10.1%	
		ADP Employment Change	Sep	140k	195k	
03/10		Initial Jobless Claims	Sep-28	215k	213k	--
		Markit US Services PMI	Sep F	50.9	50.7	--
		Factory Orders	Aug	-0.2%	1.40%	--
		ISM Non-Manufacturing Index	Sep	55.2	56.4	--
03/10	Eurozone	Markit Eurozone Services PMI	Sep F	52.0	52.0	--
		PPI YoY	Aug	-0.3%	0.2%	--
		Retail Sales MoM	Aug	0.3%	-0.6%	--
03/10	UK	Markit/CIPS UK Services PMI	Sep	50.3	50.6	--
03/10	Japan	Jibun Bank Japan PMI Services	Sep F	--	52.8	--
02/10	Hong Kong	Retail Sales Value YOY	Aug	-14.0%	-11.4%	--
03/10	Singapore	Markit Singapore PMI	Sep	--	48.7	--
		Purchasing Managers Index	Sep	49.9	49.9	--
03/10	Australia	AiG Perf of Services Index	Sep	--	51.4	--
		Trade Balance	Aug	A\$6,000m	A\$7,268m	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0933	0.31	1.0943	1.0879	-4.67
GBPUSD	1.2302	0.11	1.2339	1.2207	-3.64
USDJPY	107.75	-0.31	108.47	107.63	-1.78
AUDUSD	0.6704	-0.68	0.6776	0.6672	-4.87
EURGBP	0.8886	0.20	0.8937	0.8847	-1.06
USDMYR	4.1930	0.13	4.1960	4.1870	1.44
EURMYR	4.5679	-0.12	4.5728	4.5594	-3.37
JPYMYR	3.8700	-0.34	3.8777	3.8685	2.99
GBPMYR	5.1539	-0.23	5.1620	5.1412	-2.16
SGDMYR	3.0257	-0.16	3.0317	3.0250	-0.34
AUDMYR	2.8102	-0.66	2.8363	2.8082	-3.86
NZDMYR	2.6118	-0.46	2.6267	2.6086	-6.01
CHFMYR	4.1919	-0.65	4.2002	4.1911	-0.17
CNYMYR*	0.5868	-0.20	0.5882	0.5867	-3.05
HKDMYR	0.5351	0.13	0.5352	0.5342	1.31
USDSGD	1.3849	0.22	1.3879	1.3816	1.64
EURSGD	1.5140	0.53	1.5153	1.5052	-3.12
GBPSGD	1.7037	0.31	1.7087	1.6932	-2.06
AUDSGD	0.9285	-0.46	0.9361	0.9259	-3.29

*Closing on 30 Sep

Source: Bloomberg

Forex

MYR

- **MYR weakened further against the USD by 0.13% to close at 4.1930** on Tuesday on broad-based dollar strength.
- **We turned bullish on MYR today**, expecting the dollar to trade on a weaker note after being hit hard by the poor ISM manufacturing overnight. 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 weakened against most of its G10 counterparts, the dollar index reversed previous session's gain to fall back to the lower end of 99 as investors fled to traditional safe havens CHF and JPY. EUR and GBP rebounded. **DXY closed 0.25% lower at 99.13.**
- **The dollar is expected to trade on a weaker note today** on renewed concerns over US economic growth as investors raised their bets on another Fed rate cut in end-October. Futures priced in 64% probability of a 25bps cut, a marked increase from Monday's 40%. 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 rebounded** back above 1.09, adding 0.31% **to close at 1.0933** as it benefited from broad dollar weakness despite poor Eurozone CPI data.
- **We are neutral on EUR** as upside to the single currency is limited as it might struggle to break above 1.0950 on persisting downbeat sentiment surrounding Euro area outlook. Medium-term outlook is tied to ongoing worries over the Eurozone's dismal economic state, and is expected to weaken as the ECB restarts its APP program.

GBP

- **GBP** snapped four-day losing streak to **finish 0.11% higher against the USD at 1.2303** on broad dollar weakness.
- **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, not to mention PM Boris Johnson's adamant hardline on a no-deal withdrawal. The medium-term outlook is bearish, entirely determined by Brexit development leading up to the 31-October deadline.

JPY

- **JPY stemmed losing streak and strengthened against the USD by 0.31% to 107.75** as risk-off flow supported demand for the safe haven currency.
- **We are neutral to slightly bullish on JPY today** on rising risk aversion. We remain bullish JPY in the medium term on prolonged US-China trade uncertainties and dismal global growth outlook.

AUD

- **AUD** extended further losses against the USD, **finishing 0.68% weaker at a multi-year low of 0.6704** as markets reacted to RBA's dovish rate cut.
- **AUD is likely to retrace some losses today amidst general dollar weakness** as markets digest poor US data and RBA's dovish statement, particular its concern over the Australia labour market. In the medium term, we remain bearish on AUD over the possibility of further RBA easing, prolonged US-China trade tension and a weakening Chinese economy that could pose downside risk to AUD.

SGD

- **SGD strengthened against USD by 0.22% to 1.3849** amidst broad dollar weakness.
- **We are neutral on SGD today** as upside to SGD is capped in today's session. In the medium term, we are still neutral to slightly bearish on SGD over unresolved US-China trade dispute, poorer Singapore economic outlook and ahead of this month's MAS policy decision.

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