

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks extended further losing streak overnight as a lacklustre ADP job report intensified concerns over the impact of a prolonged trade war on the US economy** just a day after markets were hit with a decade-low ISM manufacturing index. **Adding to the worrying growth picture was the risk of a further trade war escalation between the US and the EU** after a WTO's Airbus ruling granted permission for the US to impose levy on \$7.5b worth of European goods. The decision was part of a long-running dispute over subsidies given to European plane maker, Airbus, the primary competitor of its US counterpart Boeing. On Wednesday, tracking the earlier selloff of European shares, the Dow Jones, S&P 500 and NASDAQ lost around 1.6-1.9%. **Safe havens bidding led US bonds to rally further leading yields to slip by 4-7bps** along the short-to-medium end of the curve. Yield on 2Y treasuries notes dropped by 7bps further to 1.48% as investors priced in higher chance of another Fed rate cut at the end of this month. Oil benchmark slumped further by 1.8-2.0% over growth concerns and US inventories buildup. **Brent settled at \$57.69/barrel and WTI at \$52.64/barrel.**
- Overnight data was scanty but nonetheless eye-catching. **ADP job report showed the US added fewer than expected jobs in September**, adding on to growth slowdown concern. Not surprisingly, **retail sales plunged at a record pace of 23.0% YOY in Hong Kong** as domestic unrest and violence significantly disrupted businesses. **Services sector picked up a little in Australia** but did little to soothe the concern over RBA easing prospects.
- **The dollar index fell 0.11% to 99.02** as risk-off flow continued to support the perceived safer JPY alongside a firmer EUR. **The dollar is expected to be pressured by weaker data** as it struggles to stay above 99.0, renewed growth concerns and higher bets on another October Fed rate cut risk pushing DXY back to below 99.0. Futures priced in nearly 75% probability of a 25bps cut as of writing compared to the previous day's 60.5%. Key data to look out for is tonight's ISM non-manufacturing index and tomorrow's job report. Medium-term outlook now depends on incoming data.
- **MYR slipped a little further by 0.04% against the USD to close at 4.1945** on Wednesday in tandem with slightly firmer USD most emerging Asian currencies amidst rising risk aversion. **We are neutral to slightly bullish on MYR today**, expecting the dollar to trade on a weaker note as it continued to be pressured by weak US data but expect markets to stay sidelined ahead of today's Malaysia's trade data and US ISM non-manufacturing index and tomorrow's NFP job report.
- **SGD gained slightly by 0.05% against the USD to 1.3842. We are neutral to slightly bullish on SGD today** on weaker dollar. 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

US	➔
Hong Kong	⬇️
Australia	⬆️

#### What's Coming Up Next

##### Major Data

- US Initial Jobless Claims, Markit & ISM Services PMI, Factory Orders
- Eurozone Markit Services PMI, PPI and Retail Sales
- UK Markit/CIPS Services PMI
- Japan Jibun Bank Services PMI
- Australia Trade Report.

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0950	1.0960	1.0961	1.0970	1.0980	↗
GBPUSD	1.2210	1.2250	1.2300	1.2350	1.2390	↗
USDJPY	106.75	106.89	106.99	107.30	107.50	↘
AUDUSD	0.6680	0.6700	0.6709	0.6720	0.6740	↗
EURGBP	0.8870	0.8890	0.8911	0.8937	0.8950	↗
USDMYR	4.1800	4.1850	4.1900	4.1950	4.2000	➔
EURMYR	4.5600	4.5700	4.5929	4.6000	4.7000	↗
JPYMYR	3.8963	3.9015	3.9159	3.9200	3.9260	↗
GBPMYR	5.1210	5.1340	5.1539	5.1745	5.1800	➔
SGDMYR	3.0230	3.0250	3.0275	3.0300	3.0325	↗
AUDMYR	2.8020	2.8050	2.8112	2.8170	2.8250	↗
NZDMYR	2.6170	2.6200	2.6279	2.6330	2.6380	↗
USDSGD	1.3820	1.3830	1.3840	1.3860	1.3880	➔
EURSGD	1.5120	1.5140	1.5170	1.5185	1.5190	↗
GBPSGD	1.6950	1.6980	1.7026	1.7080	1.7115	➔
AUDSGD	0.9260	0.9280	0.9286	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	1,574.90	-0.91	-6.84	CRB Index	172.94	-0.66	1.85
Dow Jones Ind.	26,078.62	-1.86	11.79	WTI oil (\$/bbl)	52.64	-1.83	15.92
S&P 500	2,887.61	-1.79	15.19	Brent oil (\$/bbl)	57.69	-2.04	7.23
FTSE 100	7,122.54	-3.23	5.86	Gold (S/oz)	1,499.45	1.37	16.97
Shanghai*	2,905.19	-0.92	16.49	CPO (RM/tonne)	2,080.50	3.51	6.56
Hang Seng	26,042.69	-0.19	0.76	Copper (\$/tonne)	5,678.00	-0.14	-4.81
STI	3,103.45	-1.35	1.13	Rubber (sen/kg)	429.50	0.94	13.32

\*Closing on 30 Sep

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	Sep-27	8.1%	-10.1%	--
US ADP Employment Change	Sep	135k	157k (revised)	140k
HK Retail Sales Value YOY	Aug	-23.0%	-11.4%	-14.0%
AU AiG Services Index	Sep	51.5	51.4	

Source: Bloomberg

## ➤ Macroeconomic

- Lacklustre ADP report suggests slower hiring in US; mortgage demand rebounded on lower borrowing cost:** The ADP National Employment Report, a key gauge of US private sector job market reported that the economy added 135k payrolls in September (Aug: 157k revised), slightly below consensus estimate of 140k. Accompanying the latest print was the 38k downward revision of August payrolls from 195k to 157k as well as commentaries that the job market has shown signs of a slowdown, raising concerns over the US job market. Businesses were said to have “turned more cautious” in hiring and small businesses were “especially hesitant”. On a separate note, mortgage applications rebounded to increase 8.1% for the week ended 27 Sep (previous: -10.1%) supported by higher refinancing applications as mortgage costs which tracked lower US treasuries yields fell across the board.
- Hong Kong retail sales saw record plunge as protests gripped city:** Hong Kong retail sales plunged by a whopping 23.0% YOY in the month of August (Jul: -11.4%), marking its seventh consecutive month of decline and its worst performance on record, as domestic unrests involving street protests and occasional violence continues to grip the city for nearly four months now, scaring away visitors and disrupting businesses.
- Australia services sector stabilized in September:** The AiG Performance of Services Index edged up slightly by 0.1pts to 51.5 in September (Aug: 51.4) to signal a stabilization of the services sector following a brief contraction in July. The above 50.0 PMI offers some comfort that the services industry remained in expansion mode supported by higher new orders, deliveries and wages. Sales continued to decline but at slower pace while the borderline reading of the employment sub-index (50.5 vs 55.2) flashed signs of a slowdown in hiring. The RBA has cut its cash rate to historic low this week, expressing concerns over the country’s labour market.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
04/10	Malaysia	Exports YOY	Aug	2.7%	1.70%	--
<b>03/10</b>	<b>US</b>	<b>Initial Jobless Claims</b>	<b>Sep-28</b>	<b>215k</b>	<b>213k</b>	--
		<b>Markit US Services PMI</b>	<b>Sep F</b>	<b>50.9</b>	<b>50.7</b>	--
		<b>Factory Orders</b>	<b>Aug</b>	<b>-0.2%</b>	<b>1.40%</b>	--
		<b>ISM Non-Manufacturing Index</b>	<b>Sep</b>	<b>55.0</b>	<b>56.4</b>	--
04/10		Change in Nonfarm Payrolls	Sep	148k	130k	--
		Unemployment Rate	Sep	3.7%	3.7%	--
		Average Hourly Earnings YOY	Sep	3.2%	3.2%	--
		Trade Balance	Aug	-\$54.5b	-\$54.0b	--
<b>03/10</b>	<b>Eurozone</b>	<b>Markit Eurozone Services PMI</b>	<b>Sep F</b>	<b>52.0</b>	<b>52.0</b>	--
		<b>PPI YOY</b>	<b>Aug</b>	<b>-0.3%</b>	<b>0.2%</b>	--
		<b>Retail Sales MOM</b>	<b>Aug</b>	<b>0.3%</b>	<b>-0.6%</b>	--
<b>03/10</b>	<b>UK</b>	<b>Markit/CIPS UK Services PMI</b>	<b>Sep</b>	<b>50.3</b>	<b>50.6</b>	--
<b>03/10</b>	<b>Japan</b>	<b>Jibun Bank Japan PMI Services</b>	<b>Sep F</b>	--	<b>52.8</b>	--
04/10	Hong Kong	Markit Hong Kong PMI	Sep	--	40.8	--
<b>03/10</b>	<b>Singapore</b>	<b>Markit Singapore PMI</b>	<b>Sep</b>	--	<b>48.7</b>	--
		<b>Purchasing Managers Index</b>	<b>Sep</b>	<b>49.9</b>	<b>49.9</b>	--
<b>03/10</b>	<b>Australia</b>	<b>Trade Balance</b>	<b>Aug</b>	<b>A\$6,100m</b>	<b>A\$7,268m</b>	--
04/10		Retail Sales MOM	Aug	0.5%	-0.1%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
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**Forex**

EURUSD	1.0959	0.24	1.0964	1.0904	-4.42
GBPUSD	1.2303	0.01	1.2324	1.2227	-3.58
USDJPY	107.18	-0.53	107.89	107.05	-2.28
AUDUSD	0.6707	0.04	0.6719	0.6671	-4.87
EURGBP	0.8908	0.24	0.8925	0.8882	-0.87

USDMYR	4.1945	0.04	4.1955	4.1855	1.48
EURMYR	4.5798	0.26	4.5861	4.5728	-3.12
JPYMYR	3.8955	0.66	3.8980	3.8834	3.66
GBPMYR	5.1278	-0.51	5.1558	5.1278	-2.65
SGDMYR	3.0264	0.02	3.0277	3.0213	-0.31
AUDMYR	2.8023	-0.28	2.8157	2.8020	-4.18
NZDMYR	2.6102	-0.06	2.6216	2.6097	-6.05
CHFMYR	4.1950	0.07	4.2243	4.1936	-0.10
CNYMYR*	0.5868	-0.20	0.5882	0.5867	-3.05
HKDMYR	0.5348	-0.06	0.5349	0.5337	1.25

USDSGD	1.3842	-0.05	1.3868	1.3840	1.56
EURSGD	1.5169	0.19	1.5179	1.5110	-2.94
GBPSGD	1.7030	-0.04	1.7063	1.6943	-2.07
AUDSGD	0.9283	-0.02	0.9304	0.9249	-3.35

\*Closing on 30 Sep

Source: Bloomberg

#### MYR

- **MYR slipped a little further by 0.04% against the USD to close at 4.1945** on Wednesday in tandem with slightly firmer USD most emerging Asian currencies amidst rising risk aversion.
- **We are neutral to slightly bullish on MYR today**, expecting the dollar to trade on a weaker note as it continued to be pressured by weak US data but expect markets to stay sidelined ahead of today's Malaysia's trade data and US ISM non-manufacturing index and tomorrow's NFP job report. In the medium term, we are neutral to slightly bearish on MYR taking into account unresolved US-China trade dispute, ECB's impending APP program as well as the Budget event on 11-October.

#### USD

- **The dollar index fell 0.11% to 99.02** as risk-off flow continued to support the perceived safer JPY alongside a firmer EUR.
- **The dollar is expected to be pressured by weaker data** as it struggles to stay above 99.0, renewed growth concerns and higher bets on another October Fed rate cut risk pushing DXY back to below 99.0. Futures priced in nearly 75% probability of a 25bps cut as of writing compared to the previous day's 60.5%. Key data to look out for is tonight's ISM non-manufacturing index and tomorrow's job report. Medium-term outlook now depends on incoming data.

#### EUR

- **EUR continued to take advantage of weak US data to firm up against the USD, closing 0.24% higher at 1.0959.**
- **The short-term outlook is bullish** as EUR looks likely to challenge the 1.0960 resistance amidst broad-based dollar weakness. Key drive is tonight's US ISM non-manufacturing index. The single currency's medium-term outlook remains tied to the ongoing worries over the Eurozone's dismal economic state, and is expected to weaken as the ECB restarts its APP program in November.

#### GBP

- **GBP bounced off intraday low to close little changed against the USD at 1.2303** as Boris Johnson made his final Brexit offer to the EU.
- We are slightly bullish on GBP on broad dollar weakness but expect markets to stay sidelined as the EU assesses Johnson's offer. Short and medium term outlook are completely driven by Brexit headlines hence is subject to volatility.

#### JPY

- **JPY surged by 0.53% against the USD to 107.18** as heightening growth concern supported risk-off flow to the safe haven currency.
- **We are bullish on JPY today** as the risk of an US-EU trade escalation likely leads to a further deterioration in sentiment, supporting risk-off flow. We remain bullish JPY in the medium term on prolonged US-China trade uncertainties and dismal global growth outlook.

#### AUD

- **AUD was little changed against the USD as it rose minimally by 0.04% to close at 0.6707.**
- **AUD is expected to firm up today**, taking advantage of broad-based dollar weakness while markets are expecting Australia trade report due this morning. 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 gained slightly by 0.05% against the USD to 1.3842.**
- **We are neutral to slightly bullish on SGD today** on weaker dollar. 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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