

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Stocks rebounded on refreshed Fed rate-cut hope; treasuries rallied and dollar came under pressure.** US stocks recovered parts of its two-day losses overnight as investors turned hopeful that the Federal Reserve would cut rate again this year to stem an ongoing slowdown. Stocks had slipped initially in the immediate response to a disappointing ISM services index that printed a three-year low reading, the latest key barometer to join a string of poor macroeconomic indicators this week. Stocks then rebounded as traders raised their bets on more rate cuts in 2019- money market futures show that **markets now price in an 85% chance of 25bps cut in the Fed funds rate at the end of this month (versus just 40% at the start of the week) and another similar cut in the Fed's last meeting in December.** Rally in US treasuries extended as investors piled into the safe havens, leaving yields at 6-9bps higher across the curve. Yield on benchmark 2Y notes, a proxy for short term interest rate outlook fell the most by 9bps to 1.39%, reflecting higher rate cut expectations. **Crude oil prices were steady** – Brent finished little changed at \$57.71/barrel and WTI slipped a little (-0.4%) to \$52.45/barrel.
- **Dataflow continued to disappoint across the globe.** US ISM services index that tapered off to a 3-year low at 52.6 in September took center stage, significantly raising the odds of a Fed rate cut later this month, and another cut by year end. Other services readings (save for the slight uptick in US Markit PMI) all deteriorated, compounding slowing growth fear when viewed collectively with the weaker manufacturing activities. Down under, slower exports to key trading partners namely China, Japan and EU pushed exports down and narrowed the trade surplus to A\$5.9bn in August.
- **The dollar index breached below 99.0 handle and finished at 98.864 (-0.16%)** hit by poor US ISM services data. This marked its third consecutive daily decline as risk-off flow continued to support JPY strength alongside firmer GBP and EUR. **We expect USD to stay bearish today** as the selling surrounding dollar is expected to remain strong amidst rising growth concerns and higher expectations of a Fed rate cut at end October. Technicals suggest that medium term trend remains bullish. We look towards tonight's job report and any Fed speaks to gauge the greenback's future direction.
- **MYR snapped three-day losing streak to finish 0.19% higher against the USD at 4.1865** on Thursday in the midst of broad dollar weakness following poor US data. **We are still neutral to slightly bullish on MYR today**, taking cue from continuous weakness in the greenback overnight but expect markets to stay cautious ahead of today's Malaysia's trade data and US job report.
- **SGD firmed up against the USD by 0.3% to 1.3801 on dollar weakness. 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	↓
Eurozone	→
UK	↓
Japan	↓
Singapore	↓
Australia	↓

#### What's Coming Up Next

##### Major Data

- Malaysia Exports
- US Nonfarm Job Report, Trade Balance
- Hong Kong Markit PMI
- Australia Retail Sales

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0950	1.0960	1.0977	1.0980	1.100	↗
GBPUSD	1.2275	1.2300	1.2346	1.2355	1.2390	↗
USDJPY	106.50	106.70	106.83	107.00	107.35	↘
AUDUSD	0.6700	0.6730	0.6749	0.6760	0.6780	↗
EURGBP	0.8870	0.8880	0.8891	0.8925	0.8940	↗
USDMYR	4.1750	4.1800	4.1847	4.1900	4.1950	→
EURMYR	4.5600	4.5700	4.5938	4.6000	4.7000	↗
JPYMYR	3.8963	3.9015	3.9173	3.9200	3.9260	↗
GBPMYR	5.1350	5.1500	5.1664	5.1780	5.1900	↗
SGDMYR	3.0290	3.0300	3.0330	3.0350	3.0365	→
AUDMYR	2.8020	2.8155	2.8235	2.8275	2.8340	↗
NZDMYR	2.6240	2.6330	2.6407	2.6450	2.6500	↗
USDSGD	1.3770	1.3785	1.3796	1.3815	1.3830	→
EURSGD	1.5120	1.5140	1.5145	1.5165	1.5190	↗
GBPSGD	1.6955	1.6985	1.7035	1.7065	1.7135	→
AUDSGD	0.9260	0.9280	0.9315	0.9330	0.9360	↗

\* 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	1,564.12	-0.68	-7.48	CRB Index	173.41	0.27	2.12
Dow Jones Ind.	26,201.04	0.47	12.32	WTI oil (\$/bbl)	52.45	-0.36	15.50
S&P 500	2,910.63	0.80	16.11	Brent oil (\$/bbl)	57.71	0.03	7.27
FTSE 100	7,077.64	-0.63	5.19	Gold (S/oz)	1,505.19	0.38	17.50
Shanghai*	2,905.19	-0.92	16.49	CPO (RM/tonne)	2,077.50	-0.14	6.40
Hang Seng	26,110.31	0.26	1.02	Copper (\$/tonne)	5,662.00	-0.28	-5.08
STI	3,087.97	-0.50	0.63	Rubber (sen/kg)	425.00	-0.58	12.14

\*Closing on 30 Sep

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US Initial Jobless Claims	Sep-28	219k	215k (revised)	215k
US Markit US Services PMI	Sep F	50.9	50.7	50.9
US Factory Orders	Aug	-0.1%	1.4%	-0.2%
US ISM Non-Manufacturing Index	Sep	52.6	56.4	55.0
EU Markit Eurozone Services PMI	Sep F	51.6	53.5	52.0
EU PPI YOY	Aug	-0.5%	0.1% (revised)	-0.3%
EU Retail Sales MOM	Aug	0.3%	-0.5% (revised)	0.3%
UK Markit/CIPS UK Services PMI	Sep	49.5	50.6	50.3
JP Jibun Bank Japan PMI Services	Sep F	52.8	53.3	--
SG Markit Singapore PMI	Sep	48.3	48.7	--
SG Purchasing Managers Index	Sep	49.5	49.9	49.9
AU Trade Balance	Aug	A\$5,926m	A\$7,253m (revised)	A\$6,100m

Source: Bloomberg

## ➤ Macroeconomic

- ISM Non-manufacturing Index at 3-year low, raising concerns over US economic health:** The ISM Non-manufacturing Index slipped by nearly 4pts to 52.6 in September (Aug: 56.4), its lowest level in three years, flashing worrying signals that growth in the US services industry is stalling in the midst of a broader economic slowdown. While the index remained above 50.0 neutral threshold to indicate an expansion, details show that the key production and new orders sub-indexes both slipped by 6-7pts, an unwelcoming sign of weak demand. Employment also fell by nearly 3pts to a borderline reading of 50.4, suggesting a poor NFP number tonight. On a separate note, the Markit Services PMI rose a little to 50.9 in September (Aug: 50.7), but is still staying close to 50.0, broadly in line with the softer services growth picture. Other US data were less than positive as well – the headline factory orders dropped by 0.1% MOM in August (Jul: +1.4%) where core capital orders were seen sliding by 0.4% MOM (Jul: 0.0%). Initial jobless claims rose by 4k to 219k last week (previous: 215k revised)
- Eurozone services sector flashed slowdown signal; factory gate prices slipped for first time in nearly 3 years:** The final reading of the IHS Services PMI was revised lower from 52.0 to 51.6 in September (Aug: 53.5) to signal the weakest increase in services activities since the start of 2019 amidst softer new business volume, offering tentative sign of a slowdown in the sector. On the retail front, retail sales rose by 0.3% MOM in August (Jul: -0.5% revised) led by the rebound in sales in all categories. Compared to a year ago, retail sales growth stabilized at 2.1% YOY (Jul: +2.2%). Last but not least, producer prices index fell again by 0.5% MOM in August (Jul: +0.1%) after a brief upturn in the previous month. YOY, the index dropped by 0.8% YOY (Jul: +0.1%), marking its first decline in nearly three years, a firm sign of muted factory gate inflation in the Euro area.
- UK services activities contracted in September:** The IHS Markit/CIPS Services PMI fell to 49.5 in September (Aug: 50.6), marking its fifth time of sub-50 reading in over a decade to signal a decline in services sector output. The contraction in activities reflected lower volumes of both new and outstanding business and notably a faster rate of job shedding (its first time in five months) with evidence that foreign clients has switched business to other markets amidst heightening uncertainties surrounding a potential no-deal Brexit.
- Japan services sector in solid state:** The Jibun Bank Japan Services PMI slipped from the 22-month high in August to 52.8 in September (Aug: 53.3), to indicate a still-growing state of the country's services sector. The survey reported that business conditions were supported by greater inflows of new work and new exports sales leading firms to increase hiring on a slightly faster rate. Latest PMI print was in line with the global picture of a resilient services sector in the midst of a manufacturing downturn.
- Singapore PMIs flashed technical recession sign:** The IHS Markit Singapore PMI edged lower to 48.3 in September (Aug: 48.7) to signal a back-to-back contraction in Singapore's private sector while the official Purchasing Managers Index slipped further to 49.5 (Aug: 49.9), its fifth month of sub-50 reading, reflecting deteriorations in the country's macroeconomic health, flashing more convincing signs that the economy is in for a technical recession.
- Australia trade surplus narrowed as exports fell:** Australia exports slipped again by 3.4% MOM in August (Jul: +0.4%), weighed down by the decline in shipments of goods to majority of its key trading partners including China (-1.5%), Japan (-4.7%) and the European Union (-21.9%). Imports edged lower by 0.4% MOM (Jul: +2.5%) leaving the trade surplus to narrow to A\$5.93b (Jul: A\$7.3b revised). On a yearly basis, exports growth continued to slow to a rate of 10.1% YOY (Jul: +15.6%), confirming the weakness in global demand for Australian goods.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
<b>04/10</b>	<b>Malaysia</b>	<b>Exports YOY</b>	<b>Aug</b>	<b>2.7%</b>	<b>1.70%</b>	--
07/10		Foreign Reserves	Sep-30	--	\$103.5b	--
<b>04/10</b>	<b>US</b>	<b>Change in Nonfarm Payrolls</b>	<b>Sep</b>	<b>145k</b>	<b>130k</b>	--
		<b>Unemployment Rate</b>	<b>Sep</b>	<b>3.7%</b>	<b>3.7%</b>	--
		<b>Average Hourly Earnings YOY</b>	<b>Sep</b>	<b>3.2%</b>	<b>3.2%</b>	--
		<b>Trade Balance</b>	<b>Aug</b>	<b>-\$54.5b</b>	<b>-\$54.0b</b>	--
07/10	Eurozone	Sentix Investor Confidence	Oct	-12.5	-11.1	--
07/10	Japan	Leading Index CI	Aug P	91.8	93.7	--
07/10	China	Caixin China PMI Services	Sep	52.0	52.1	--
<b>04/10</b>	<b>Hong Kong</b>	<b>Markit Hong Kong PMI</b>	<b>Sep</b>	<b>--</b>	<b>40.8</b>	--
07/10	Singapore	GDP YoY	3Q A	0.2%	0.1%	--
<b>04/10</b>	<b>Australia</b>	<b>Retail Sales MOM</b>	<b>Aug</b>	<b>0.5%</b>	<b>-0.1%</b>	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0965	0.05	1.0999	1.0941	-4.31
GBPUSD	1.2332	0.24	1.2413	1.2266	-3.28
USDJPY	106.92	-0.24	107.30	106.48	-2.57
AUDUSD	0.6742	0.52	0.6753	0.6702	-4.34
EURGBP	0.8891	-0.20	0.8922	0.8848	-1.05
USDMYR	4.1865	-0.19	4.1940	4.1860	1.28
EURMYR	4.5834	0.08	4.5974	4.5831	-3.04
JPYMYR	3.9084	0.33	3.9165	3.9039	4.01
GBPMYR	5.1554	0.54	5.1614	5.1383	-2.13
SGDMYR	3.0292	0.09	3.0315	3.0248	-0.22
AUDMYR	2.8131	0.39	2.8177	2.8077	-3.76
NZDMYR	2.6326	0.86	2.6380	2.6205	-5.26
CHFMYR	4.1907	-0.10	4.2079	4.1775	-0.20
CNYMYR*	0.5868	-0.20	0.5882	0.5867	-3.05
HKDMYR	0.5339	-0.17	0.5348	0.5337	1.08
USDSGD	1.3801	-0.30	1.3853	1.3785	1.30
EURSGD	1.5133	-0.24	1.5187	1.5121	-3.07
GBPSGD	1.7028	-0.01	1.7129	1.6964	-2.03
AUDSGD	0.9304	0.23	0.9320	0.9274	-3.09

\*Closing on 30 Sep

Source: Bloomberg

## Forex

### MYR

- **MYR** snapped three-day losing streak to **finish 0.19% higher against the USD at 4.1865** on Thursday in the midst of broad dollar weakness following poor US data.
- **We are still neutral to slightly bullish on MYR today**, taking cue from continuous weakness in the greenback overnight but expect markets to stay cautious ahead of today's Malaysia's trade data and US job report. In the medium term, we are still 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 greenback stayed under pressure over poor US data as the USD weakened against most of the major currencies. **The dollar index breached below 99.0 handle and finished at 98.864 (-0.16%)**, marking its third consecutive daily decline as risk-off flow continued to support JPY strength alongside firmer GBP and EUR.
- **We expect USD to stay bearish today** as the selling surrounding dollar is expected to remain strong amidst rising growth concerns and higher expectations of a Fed rate cut at end October. Technicals suggest that medium term trend remains bullish. We look towards tonight's job report and any Fed speaks to gauge the greenback's future direction.

### EUR

- **EUR** rode on poor US data to strengthen further but failed to breach critical 1.10 handle, **closing 0.05% firmer at 1.0965 against the USD** overnight.
- **The short-term outlook remains bullish** with key driver being tonight's US job report of which a poor reading likely sends EUR up above 1.10. 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** extended further gain against the USD, hitting as high as above 1.24 during intraday trading before settling **0.24% higher at 1.2332**, supported by broad dollar weakness and some improvement in Brexit sentiments. Boris Johnson's Conservative Party seems united behind the PM's final Brexit plan while awaiting a deal from the European Union.
- **We are still slightly bullish on GBP** on broad dollar weakness but expect markets to stay cautious 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** strengthened further by **0.24% against the USD to 106.92** supported by ongoing risk-off flow.
- **We are bullish on JPY** amidst heightening risk aversion. We also remain bullish JPY in the medium term on prolonged US-China trade uncertainties, risk of US-EU trade war escalation and dismal global growth outlook.

### AUD

- **AUD surged by 0.52% against the USD to finish at 0.6742** amidst ongoing recovery supported by broad dollar weakness.
- **We are neutral to slightly bullish on AUD** ahead of Australia retail sales data and continue to expect the Aussie dollar to take advantage of dollar weakness to recover earlier week's RBA-inspired losses. 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 firmed up against the USD by 0.3% to 1.3801 on dollar weakness.**
- **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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