

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Wall Street stocks saw a relief rally on Friday as markets took comfort in the moderate gain in US jobs**, easing fear that the US economy is heading into recession following a string of disappointing data earlier of last week. **Other headlines were generally positive**, returning investors back on a risk-on mode. On Friday, **President Trump said that the US had a “very good chance” of reaching a trade deal with China. Fed Chair Jerome Powell said that the economy is still in a “good place”,** despite facing some risks and repeated the central bank’s pledge to support growth. As of writing, futures show that markets pricing in a 79% chance of a rate cut at end-Oct. **Oil prices rose modestly on Friday. Key event to watch out for this week is the US-China trade negotiation as well as the Fed’s FOMC meeting minutes; Bloomberg reported this morning that China has narrowed scope for a trade deal with the US, signaling its reluctance to strike a broader deal with the US.** This would invariably keep markets on toes again.
- **It’s all about US job market on the data front.** While headline numbers failed to inspire, the moderate 136k gain and the 45k net two months upward revision coupled with the drop in unemployment rate to a five-decade low of 3.5%, were sufficient to soothe recession fear, overshadowing softer wage growth of 2.9% YOY. In a separate release, exports grew at a slower pace vs imports, widening the US trade deficit slightly to \$54.9bn in August. **Back home, exports surprisingly fell 0.8% YOY. A combo of details confirmed that the external trade sector remained mire under the fallout from US-China trade spat.**
- The greenback weakened across the board following the job report, slipping against nearly all the majors save for JPY and GBP which ended minimally lower against the USD. **The dollar index barely changed (-0.06%) at 98.81** after falling for four consecutive sessions. **We expect USD to range bound today** ahead of US-China trade talk and the lack of key US data. We look towards this week’s trade negotiation outcome, FOMC meeting minutes and any Fed speak to gauge the greenback’s future direction.
- **USDMYR finished flattish at 4.1850** on Friday as markets stayed on the sideline amidst muted trading in anticipation of Friday night’s US nonfarm job report. **We are neutral to MYR this week** as we expect investors to largely turn cautious ahead of this week’s US-China trade talk as well as the 2020 Budget speech for Malaysia on Friday.
- **SGD firmed up slightly by 0.10% to 1.3787 against the USD. We are neutral on SGD today** amidst a lack of catalyst and in anticipation of US-China trade talks. 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 MAS policy decision due by 14 October.

#### Overnight Economic Data

Malaysia	↓
US	→
Hong Kong	↑
Australia	↑

#### What’s Coming Up Next

##### Major Data

- Malaysia Foreign Reserves
- Eurozone Sentix Investor Confidence
- Japan Leading Index CI
- China Caixin China PMI Services

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0960	1.0970	1.0985	1.0990	1.1000	↗
GBPUSD	1.2275	1.2300	1.2335	1.2355	1.2390	↘
USDJPY	106.45	106.55	106.75	107.05	107.35	→
AUDUSD	0.6740	0.6750	0.6762	0.6780	0.6800	→
EURGBP	0.8870	0.8880	0.8906	0.8925	0.8940	↗
USDMYR	4.1800	4.1850	4.1875	4.1900	4.1950	→
EURMYR	4.5800	4.5900	4.6002	4.7000	4.8000	↗
JPYMYR	3.9040	3.9115	3.9222	3.9275	3.9370	↗
GBPMYR	5.1300	5.1445	5.1653	5.1780	5.1900	↘
SGDMYR	3.0290	3.0300	3.0347	3.0350	3.0365	→
AUDMYR	2.8200	2.8250	2.8320	2.8360	2.8400	↗
NZDMYR	2.6330	2.6375	2.6461	2.6500	2.6570	↗
USDSGD	1.3750	1.3775	1.3801	1.3815	1.3830	→
EURSGD	1.5120	1.5140	1.5161	1.5175	1.5190	↗
GBPSGD	1.6955	1.6985	1.7022	1.7065	1.7135	↘
AUDSGD	0.9285	0.9305	0.9333	0.9340	0.9365	→

\* 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	1,557.67	-0.41	-7.86	CRB Index	173.49	0.05	2.17
Dow Jones Ind.	26,573.72	1.42	13.92	WTI oil (\$/bbl)	52.81	0.69	16.30
S&P 500	2,952.01	1.42	17.76	Brent oil (\$/bbl)	58.37	1.14	8.27
FTSE 100	7,155.38	1.10	6.35	Gold (\$/oz)	1,504.66	-0.04	17.50
Shanghai*	2,905.19	-0.92	16.49	CPO (RM/tonne)	2,069.50	-0.48	5.99
Hang Seng	25,821.03	-1.11	-0.10	Copper (\$/tonne)	5,643.00	-0.34	-5.40
STI	3,078.36	-0.31	0.31	Rubber (sen/kg)	424.50	0.12	12.01

\*Closing on 30 Sep

Source: Bloomberg

## ➤ Macroeconomic

Economic Data				
	For	Actual	Last	Survey
MA Exports YOY	Aug	-0.8%	1.7%	2.7%
US Change in Nonfarm Payrolls	Sep	136k	168k (revised)	145k
US Unemployment Rate	Sep	3.5%	3.7%	3.7%
US Average Hourly Earnings YOY	Sep	2.9%	3.2%	3.2%
US Trade Balance	Aug	-\$54.9b	-\$54.0b	-\$54.5b
HK Markit Hong Kong PMI	Sep	41.5	40.8	--
AU Retail Sales MOM	Aug	0.4%	0.0% (revised)	0.5%

Source: Bloomberg

- Hiring slowed in US but job markets remained tight:** Nonfarm payroll fell to 136k in September (Aug: +168k revised), below consensus forecast but the moderate increase was accompanied by a net upward revision of 45k for the last two months. This offered comfort that the labour market is still holding up as the latest readings were stronger compared to the poor ISM employment sub-indexes published earlier last week. Growth in the average hourly earnings tapered off from August's high to 2.9% YOY (Aug: +3.2%) amidst a generally softer demand for labour and firms struggling with higher input cost from trade war. The Household Survey meanwhile reported that unemployment rate fell to a 50-year low of 3.5% in September (Aug: 3.7%), participation rate was unchanged at 63.2% to indicate that the labour market remains as tight as ever in the US. The job report broadly reflects employers' scaling back on hiring following multi-year expansion in the face of softer growth outlook in both manufacturing and services industry and a challenging external environment.
- US trade sector slowed in September:** Exports rose by a mere 0.2% MOM in August (Jul: +0.6%), extending its lacklustre trend for the second month. Imports picked up a mere 0.5% MOM (Jul: -0.1%) after a flattish reading in the previous month, leaving the trade deficit to widen slightly to \$54.9b (Jul: -\$54.0b). Comparing to the same month last year, exports barely rose as well recording a tiny gain of 0.1% YOY (Jul: -0.6%) following four months of decline reflecting slower global demand for American goods and services. Imports stayed flattish for the second month with no change in August (Jul: +0.1% YOY), painting a softer picture of US international trade in general. The 7.3% MOM growth in goods exports to China alongside little gain in imports brought its trade deficit with China to a smaller \$28.9b (Jul: -\$29.6b)
- Hong Kong PMI signals worsening economic health:** The IHS Markit Hong Kong PMI rose to 41.5 in September (Aug: 40.8), but still marked its second steepest contraction level in Hong Kong's economic health, a result of falling activities as ongoing citizen protests severely curb spending and scare away visitors effectively damaging local businesses. The effect was compounded by a slower external trade as demand from mainland China softened, pointing to a potential recession in the making.
- Australia retail sales up in August:** Australia retail sales rose 0.4% MOM in August (Jul: 0.0% revised) supported by higher sales of household goods, apparels and department store goods. August's upturn offered tentative signs that household consumption may still be holding up amidst widespread expectation of an economic slowdown, a temporary relief for policy makers.
- Malaysia exports surprisingly fell in August:** Exports came in weaker than expected to contract 0.8% YOY to RM81.4bn in August, suggesting that last month's 1.7% YOY rebound could be just a blip as the global economy increasingly succumbed to spillovers from protracted US protectionism policies that has inarguably dented overall demand and growth prospects. Shipments to major export markets including Singapore and China fell, while that to the US grew slower with most of the key export products registered contractions. On a MOM basis, exports also fell 7.5% MOM in August (Jul: +15.5% MOM), despite a weaker MYR during the month. This, coupled with the renewed decline in exports in USD terms (-3.2% vs +0.4% YOY), added to signs of weak underlying global demand. In tandem with weaker exports, imports extended its decline for the third consecutive month, by 12.5% YOY in August (Jul: -6.0% YOY revised), on the back of broad-based contraction across all import categories. MOM, imports also fell 4.4% MOM in August (Jul: +12.3%). The bigger fall in exports vis-à-vis imports narrowed the trade surplus to RM10.9bn in August (Jul: RM14.3bn revised). Unconvinced that a near term trade resolution is on the table, we are maintaining our view for subdued exports growth this year with full year real GDP growth unchanged at 4.7%.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
<b>07/10</b>	<b>Malaysia</b>	<b>Foreign Reserves</b>	<b>Sep-30</b>	--	<b>\$103.5b</b>	--
08/10	US	NFIB Small Business Optimism	Sep	102.5	103.1	--
		PPI Final Demand YOY	Sep	1.8%	1.8%	--
<b>07/10</b>	<b>Eurozone</b>	<b>Sentix Investor Confidence</b>	<b>Oct</b>	<b>-13.0</b>	<b>-11.1</b>	--
<b>07/10</b>	<b>Japan</b>	<b>Leading Index CI</b>	<b>Aug P</b>	<b>91.7</b>	<b>93.7</b>	--
08/10		Labor Cash Earnings YOY	Aug	-0.2%	-0.3%	-1.0%
		Household Spending YOY	Aug	1.0%	0.8%	--
		Eco Watchers Survey Current SA	Sep	43.3	42.8	--
<b>07/10</b>	<b>China</b>	<b>Caixin China PMI Services</b>	<b>Sep</b>	<b>52.0</b>	<b>52.1</b>	--
08-14/10	Singapore	GDP YOY	3Q A	0.2%	0.1%	--
08/10	Australia	NAB Business Confidence	Sep	--	1.0	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0979	0.13	1.0998	1.0957	-4.22
GBPUSD	1.2331	-0.01	1.2357	1.2276	-3.32
USDJPY	106.94	0.02	107.13	106.61	-2.61
AUDUSD	0.6771	0.43	0.6774	0.6739	-4.03
EURGBP	0.8908	0.20	0.8937	0.8881	-0.92
USDMYR	4.1850	-0.04	4.1875	4.1810	1.25
EURMYR	4.5945	0.24	4.5963	4.5870	-2.31
JPYMYR	3.9186	0.26	3.9215	3.9130	4.28
GBPMYR	5.1593	0.08	5.1707	5.1583	-2.06
SGDMYR	3.0343	0.17	3.0354	3.0305	-0.05
AUDMYR	2.8277	0.52	2.8296	2.8216	-3.26
NZDMYR	2.6477	0.57	2.6487	2.6368	-4.71
CHFMYR	4.1973	0.16	4.1989	4.1814	-0.05
CNYMYR*	0.5868	-0.20	0.5882	0.5867	-3.05
HKDMYR	0.5335	-0.07	0.5339	0.5331	1.00
USDSGD	1.3787	-0.10	1.3811	1.3777	1.26
EURSGD	1.5136	0.02	1.5160	1.5121	-3.01
GBPSGD	1.7008	-0.12	1.7051	1.6932	-2.40
AUDSGD	0.9334	0.32	0.9336	0.9301	-2.32

\*Closing on 30 Sep

Source: Bloomberg

## Forex

- **USDMYR finished flattish at 4.1850** on Friday as markets stayed on the sideline amidst muted trading in anticipation of Friday night's US nonfarm job report.
- **We are neutral to MYR this week** as we expect investors to largely turn cautious ahead of this week's US-China trade talk as well as the 2020 Budget speech for Malaysia on Friday. In the medium term, we are still neutral to slightly bearish on MYR taking into account unresolved US-China trade dispute and ECB's impending APP program as it is still too early to tell if the Fed is cutting rate again at the end of this month given the lack of forward guidance/Fed speak at this juncture.

### USD

- The greenback weakened across the board following the job report, slipping against nearly all the majors save for JPY and GBP which ended minimally lower against the USD. **The dollar index barely changed (-0.06%) at 98.81** after falling for four consecutive sessions.
- **We expect USD to range bound today** ahead of US-China trade talk and the lack of key US data. We look towards this week's trade negotiation outcome, FOMC meeting minutes and any Fed speak to gauge the greenback's future direction.

### EUR

- **EUR** traded sideways against the USD but managed to finish **0.13% higher at 1.0979** following US job report.
- **The short-term outlook is bullish**, expecting EUR to continue testing 1.10 handle while markets weigh data and anticipating this week's US-China trade talk. Key data today is the Eurozone Sentix Investor Confidence Index and is unlikely to be a major market driver unless the index plunged to an unexpectedly low level. 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 was virtually unchanged at 1.2331 (-0.01%)** after bouncing off intraday low on Friday. Brexit optimism weakened as the EU Parliament President Donald Tusk rejected Boris Johnson's Brexit plan.
- **We expect GBP upside to fade** this week as unfavorable Brexit headlines weigh on the pound. Short and medium term outlook are completely driven by Brexit headlines hence is subject to volatility.

### JPY

- **JPY was little changed against the USD at 106.94** as markets digest mixed job data.
- **JPY** opened higher in today's Asian session, the **short term outlook is neutral to slightly bullish** in anticipation of this week US-China trade talk. We remain bullish on JPY in the medium term as the likelihood of a broad-based US-China trade deal has appeared thinner alongside rising risk of US-EU trade war escalation and dismal global growth outlook.

### AUD

- **AUD surged by 0.43% against the USD to 0.6771** to recover from last week RBA-inspired losses.
- **We are neutral to slightly bearish on AUD** on lower opening as investors are expected to stay on edge ahead of US-China trade talks. 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 slightly by 0.10% to 1.3787 against the USD.**
- **We are neutral on SGD today** amidst a lack of catalyst and in anticipation of US-China trade talks. 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 MAS policy decision due by 14 October.

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