November 7, 2019

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Overnight US equities ended little changed and mixed as markets turned risk-off again following news that the inking of a partial US-China trade deal could now be delayed to December** pending further talks on the terms and venue, with London touted to be the next option where the NATO Summit will be held from 3-4 December. **UST rebounded as a result, pushing yields down 2-3bps across the curve.** Earlier, major European and Asian stock indices mainly ended in the green. **Crude oil trended lower following a US report showed bigger than expected build-up in inventories.** Brent crude was down 1.9% to $61.74/ barrel. On the monetary policy front, **BOT cut its benchmark interest rate for a 2nd time this year** by another 25bps to 1.25%, its lowest since the 2008/09 GFC, to bolster its slowing economy. Back on the Fed, **Fed Evans said the US economy is in a good place but the path of inflation will be important in deciding the future path of interest rate, and offered his pledge on readiness to response should there be a big negative shock. Meanwhile, Fed William said any future policy move will be data dependent,** but policy makers should be preemptive in ensuring economic expansion.

- **Economic data releases were a mixed bag** with weekly mortgage applications in the US adding to signs of a soft housing market. **Services performed overall better than manufacturing,** even though the latest readings showed upticks in the Eurozone but contraction in Japan. **Australia trade surplus surprised on the upside,** as exports to ASEAN, EU, and the UK jumped, easing the pressure on RBA to cut.

- **The Dollar Index** managed to recoup earlier losses to **close only marginally weaker at 97.95,** as news of a delay in US-China partial trade deal to December unnerved markets and renewed bids in the USD. **We remain bullish on USD today** expecting renewed trade jitters to keep haven demand in the USD supported. The medium term outlook remains bullish on expectation the Fed would not ease further this year.

- **MYR** weakened for the first time in ten days, **depreciating by 0.16% against a stronger USD at 4.1375** as at yesterday's close, despite the still positive risk sentiments overall. We expect **MYR to continue trade on a slightly bearish tone today** taking cue from somewhat dented risk sentiments amid reduced trade deal optimism now that the partial US-China trade deal would likely be delayed until December.

- **SGD finished 0.08% weaker against the USD at 1.3594** on broad dollar strength. **We are slightly bearish on SGD today, expecting USD strength to persist**. **We are bearish SGD** in the medium term, expecting a stronger USD as the Fed signaled no further cut this year as well as weaker Singapore fundamentals.

Overnight Economic Data

US	↓
Eurozone	→
Japan	↓
Australia	↑

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US Initial Jobless Claims

Major Events

- Bank of England (BOE) MPC

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1020	1.1050	1.1069	1.1100	1.1120	↘
GBPUSD	1.2800	1.2840	1.2853	1.2880	1.2900	↘
USDJPY	108.60	108.75	108.92	109.17	109.30	↘
AUDUSD	0.6840	0.6860	0.6877	0.6900	0.6930	↘
EURGBP	0.8550	0.8575	0.8612	0.8630	0.8650	→
USDMYR	4.1300	4.1375	4.1445	4.1475	4.1500	↗
EURMYR	4.5800	4.5830	4.5871	4.5925	4.5940	↗
JPYMYR	3.7937	3.8000	3.8049	3.8057	3.8098	↗
GBPMYR	5.3000	5.3100	5.3258	5.3500	5.3700	→
SGDMYR	3.0380	3.0400	3.0469	3.0489	3.0511	→
AUDMYR	2.8400	2.8450	2.8498	2.8525	2.8550	↘
NZDMYR	2.6200	2.6300	2.6364	2.6400	2.6500	↘
USDSGD	1.3580	1.3590	1.3601	1.3610	1.3620	↗
EURSGD	1.5000	1.5030	1.5053	1.5070	1.5090	→
GBPSGD	1.7450	1.7461	1.7481	1.7500	1.7545	→
AUDSGD	0.9327	0.9340	0.9350	0.9380	0.9400	→

* at time of writing

↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1,603.25	-0.22	-5.17
Dow Jones Ind.	27,492.56	0.00	17.85
S&P 500	3,076.78	0.07	22.73
FTSE 100	7,396.65	0.12	9.94
Shanghai	2,978.60	-0.43	19.44
Hang Seng	27,688.64	0.02	7.13
STI	3,262.69	0.43	6.32

Name	Last Price	DoD %	YTD %
CRB Index	180.51	-0.87	6.31
WTI oil ($/bbl)	56.35	-1.54	24.09
Brent oil ($/bbl)	61.74	-1.94	41.18
Gold (S/oz)	1,490.57	0.47	16.22
CPO (RM/tonne)	2,408.00	2.14	23.33
Copper ($/tonne)	5,940.00	1.07	-0.42
Rubber (sen/kg)	436.50	-0.80	15.17

Source: Bloomberg

Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	01 Nov	-0.1%	0.6%	--
EU Markit Eurozone Services PMI	Oct F	52.2	51.6	51.8
EU Retail Sales MOM	Sep	0.1%	0.6% (revised)	0.0%
JP Jibun Bank Japan PMI Services	Oct F	49.7	52.8	--
AU Trade Balance	Sep	A$7180m	A$6617m (revised)	A$5050m

Source: Bloomberg

- ***US mortgage applications fell again:*** MBA mortgage applications in the US fell 0.1% WOW in the week ended 1-November, dragged by a 2.5% WOW decline in new purchases, even as refinancing rebounded to increase 1.8%. The decline came on the back of a decline in long term rates, suggesting weak demand for housing.

- ***Eurozone services PMI improved in October:*** The final reading of the IHS Markit Eurozone PMI was revised upward from 51.8 to 52.2 in October (Sep: 51.6) to show a slight improvement in the condition of Eurozone services sector last month. In contrast with the manufacturing sector which is still mired in a downturn, services managed to regain footing, supported by a solid labour market, although the increase in new business/sales was only marginal. In a separate release, retail sales in the Eurozone slowed markedly in September, eking out a mere 0.1% MOM increase (Aug: +0.6% revised), dragged by lower sales of food & drinks, computers and electrical goods, as well as textile & clothing.

- ***Japan services activity contracted in October*:** The Jibun Bank Japan Services PMI dropped substantially to 49.7 in October (Sep: 52.8) to mark its first contraction in over three years. The decline was attributed to the recently imposed consumption tax and disruptions from typhoon, pointing to a weak start to the Japanese economy in the fourth quarter.

- ***Australia trade surplus surprisingly widened in September*:** Trade surplus widened unexpectedly to A$7.18bn in September (Aug: A$6.62bn revised), as exports jumped 3.5% MOM during the month (Aug: -2.0% MOM), outweighing the 2.5% MOM increase in imports (Aug: -0.5% MOM). Exports to ASEAN, EU and the UK jumped while that to the US and China fell. The better than expected trade surplus is expected to provide support to 3Q GDP growth, hence easing the pressure on the RBA to cut.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
07/11	**Malaysia**	**Foreign Reserves**	**Oct-31**	**--**	**$103.3b**	**--**
07/11	**US**	**Initial Jobless Claims**	**Nov-02**	**215k**	**218k**	**--**
08/11		Wholesale Inventories MOM	Sep F	--	-0.3%	--
		U. of Mich. Sentiment	Nov P	95.5	95.5	--
07/11	**UK**	**Bank of England Bank Rate**	**Nov-07**	**0.75%**	**0.75%**	**--**
08/11	Japan	Labor Cash Earnings YOY	Sep	0.1%	-0.2%	-0.10%
		Household Spending YOY	Sep	7.0%	1.0%	--
		Leading Index CI	Sep P	92.2	91.9	--
08/11	China	Exports YOY	Oct	-4.0%	-3.2%	--
		Trade Balance	Oct	$40.20b	$39.65b	--
08/11	Australia	RBA Statement on Monetary Policy				
		Home Loans MOM	Sep	1.0%	0.7%	--

Source: Bloomberg

HongLeong Bank

➢Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1066	-0.08	1.1093	1.1065	-3.46
GBPUSD	1.2855	-0.23	1.2897	1.2844	0.81
USDJPY	108.98	-0.16	109.18	108.82	-0.68
AUDUSD	0.6884	-0.13	0.6908	0.6869	-2.38
EURGBP	0.8608	0.14	0.8617	0.8592	-4.22
USDMYR	4.1375	0.16	4.1415	4.1300	0.10
EURMYR	4.5891	-0.18	4.5912	4.5743	-2.92
JPYMYR	3.7947	-0.01	3.7996	3.7849	0.98
GBPMYR	5.3330	0.18	5.3359	5.3196	1.24
SGDMYR	3.0454	0.02	3.0476	3.0404	0.31
AUDMYR	2.8565	-0.13	2.8583	2.8456	-2.28
NZDMYR	2.6406	-0.51	2.6421	2.6310	-4.97
CHFMYR	4.1667	-0.12	4.1711	4.1608	-0.77
CNYMYR	0.5912	0.09	0.5916	0.5904	-2.32
HKDMYR	0.5283	0.19	0.5288	0.5274	0.02
USDSGD	1.3594	0.08	1.3610	1.3575	-0.19
EURSGD	1.5044	0.01	1.5072	1.5033	-3.65
GBPSGD	1.7475	-0.15	1.7519	1.7474	0.62
AUDSGD	0.9361	-0.02	0.9381	0.9349	-2.55

Source: Bloomberg

MYR

- **MYR** weakened for the first time in ten days, **depreciating by 0.16% against a stronger USD at 4.1375** as at yesterday's close, despite the still positive risk sentiments overall.
- We expect **MYR to continue trade on a slightly bearish tone today** taking cue from somewhat dented risk sentiments amid reduced trade deal optimism now that the partial US-China trade deal would likely be delayed until December. **Over the medium term, we remain bearish MYR** in anticipation of a bullish USD over better US data in 4Q and the Fed's clear signal that it would not ease policy further this year.

USD

- **The Dollar Index** managed to recoup earlier losses to **close only marginally weaker at 97.95,** as news of a delay in US-China partial trade deal to December unnerved markets and renewed bids in the USD.
- **We remain bullish on USD today** expecting renewed trade jitters to keep haven demand in the USD supported. The medium term outlook remains bullish on expectation the Fed would not ease further this year.

EUR

- **EUR finished 0.08% lower against the USD at 1.1066** as the dollar held up well amid renewed risk-off in the markets.
- **We remain slightly bearish on EUR today** expecting dollar strength to persist on safety demand. **In the medium term, outlook remains bearish** as the ECB restarts its balance sheet expansion.

GBP

- **GBP closed 0.23% weaker against the USD at 1.2855,** after it came under selling pressure in US session as the USD regained grounds.
- **We are bearish on GBP today** on prospect of a still firm USD. Absence of Brexit headlines would also mean the fate of the sterling will depend on USD movement. **Medium term outlook is still bearish** but is mainly driven by headlines surrounding Brexit and UK upcoming ballots.

JPY

- **JPY advanced 0.16% against the USD to 108.98** on renewed refuge demand amid a reversal in risk sentiments.
- **We are bullish on JPY today** supported by risk-off in the markets on dented trade deal optimism. **We remain bullish JPY over the medium term** on narrowing yield differentials between the dollar, alongside lingering Brexit concerns and have not ruled out the risk of trade war escalation.

AUD

- **AUD fell 0.13% to 0.6884against the USD, unsettled by revived risk-off sentiments in the market.**
- **We are slightly bearish on AUD today** as the Aussie is expected to be pressured by prospect of a firm USD but losses could be limited by better than expected trade balance this morning. **Medium term outlook is slightly bullish** as the RBA is expected to stay put in December's meeting, barring any trade-war escalation.

SGD

- **SGD finished 0.08% weaker against the USD at 1.3594** on broad dollar strength.
- **We are slightly bearish on SGD today, expecting USD strength to persist**. **We are bearish SGD** in the medium term, expecting a stronger USD as the Fed sent a clear signal that it would not ease further this year as well as weaker Singapore fundamentals.

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