

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks slipped overnight as investors turned anxious over less positive trade headlines just days ahead of the high stake US-China negotiation.** A Bloomberg news story reporting China's intention to narrow scope of the scheduled talk coupled with the lack of economic data helped push major indexes lower on Monday leading the Dow Jones, S&P500 and NASDAQ to drop by 0.3-0.5%. Treasuries yields picked up 3-6bps along the curve, yield on benchmark 2Y notes closed 6bps higher at 1.46% while 10Y UST yield rose by 3bps to 1.56%. What is certain to raise jitters today is the Trump Administration's latest move to put eight Chinese technology companies on a blacklist that prohibit the latter to do business with American companies without being granted an American license, further casting doubt over the possibility of both sides reaching any sort of amicable agreement this week. On a brighter note, Trump signed two US-Japan trade agreements on Monday, calling the deal a "phenomenal victory" for US farmers.
- **Data releases were limited at the start of the week – Investor confidence dipped further in the Eurozone as the October Sentix Investor Confidence Index dipped to its lowest level** this year amidst expectation that the bloc's economic growth especially that of Germany would unravel this year. In Asia, Japan headlines cash earnings, a key gauge of wage growth slipped a little by 0.2% YOY in August mainly on lower bonus payment. Contracted pay managed to rise after multi-month decline. Malaysia foreign reserve slipped to \$103.0b in the end of September according to latest BNM data.
- **MYR finished slightly lower by 0.18% against the USD at 4.1925** on Monday as the greenback regained strength across the board amidst poorer trade sentiments ahead of this week US-China negotiation. **Expect MYR to trade on a weaker note today** taking cue from overnight's dollar strength and poorer sentiment stemming from US move to blacklist eight Chinese companies. **We are still neutral to MYR this week** as we expect investors to largely remain on edge ahead of trade talk as well as the 2020 Budget speech for Malaysia on Friday.
- **The greenback regained strength amidst poor trade sentiment-** USD rose against most of the major currencies while the dollar index rose by 0.2% to 98.97, short of the 99.0 handle. **We expect USD to trade on a bullish bias today** as Trump Administration's move to blacklist Chinese firms would further dampen sentiment and raise risk aversion. We look towards this week's trade negotiation outcome, FOMC meeting minutes and any Fed speak to gauge the greenback's future direction.
- **SGD slipped by 0.17% against the USD to 1.3810** in the midst of broader dollar strength and poor trade sentiment. **We are still neutral on SGD today** while awaiting US-China trade talk outcome later this week.

Overnight Economic Data

Malaysia	↓
Eurozone	↓
Japan	→

What's Coming Up Next

Major Data

- US NFIB Small Business Optimism, PPI Final Demand
- Japan Eco Watchers Survey
- China Caixin Services PMI
- Australia NAB Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0950	1.0960	1.0971	1.0980	1.1000	↘
GBPUSD	1.2250	1.2270	1.2290	1.2300	1.2340	↘
USDJPY	106.90	107.10	107.31	107.50	107.70	→
AUDUSD	0.6700	0.6720	0.6730	0.6750	0.6780	↘
EURGBP	0.8870	0.8890	0.8926	0.8940	0.8950	→
USDMYR	4.1850	4.1900	4.1940	4.1950	4.2000	↗
EURMYR	4.5800	4.5900	4.6009	4.7000	4.8000	→
JPYMYR	3.8870	3.8980	3.9078	3.9190	3.9300	→
GBPMYR	5.1300	5.1450	5.1549	5.1780	5.1900	↘
SGDMYR	3.0300	3.0330	3.0366	3.0380	3.0400	→
AUDMYR	2.8150	2.8175	2.8225	2.8325	2.8365	↘
NZDMYR	2.6250	2.6311	2.6386	2.6500	2.6570	→
USDSGD	1.3780	1.3800	1.3814	1.3830	1.3850	↗
EURSGD	1.5120	1.5140	1.5151	1.5175	1.5190	→
GBPSGD	1.6895	1.6940	1.6976	1.7030	1.7075	→
AUDSGD	0.9260	0.9285	0.9297	0.9305	0.9320	→

* 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	1,559.00	0.09	-7.78	CRB Index	173.10	-0.23	1.94
Dow Jones Ind.	26,478.02	-0.36	13.51	WTI oil (\$/bbl)	52.75	-0.11	16.16
S&P 500	2,938.79	-0.45	17.23	Brent oil (\$/bbl)	58.35	-0.03	8.46
FTSE 100	7,197.88	0.59	6.98	Gold (\$/oz)	1,493.50	-0.74	16.37
Shanghai*	2,905.19	-0.92	16.49	CPO (RM/tonne)	2,088.00	0.89	6.94
Hang Seng	25,821.03	-1.11	-0.10	Copper (\$/tonne)	5,722.00	1.40	-4.07
STI	3,099.48	0.69	1.00	Rubber (sen/kg)	424.00	-0.12	11.87

*Closing on 30 Sep

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Foreign Reserves	Sep-30	\$103.0b	\$103.5b	--
EU Sentix Investor Confidence	Oct	-16.8	-11.1	-13.0
JP Leading Index CI	Aug P	91.7	93.7	91.7
JP Labor Cash Earnings YOY	Aug	-0.2%	-1.0% (revised)	-0.2%
JP Household Spending YOY	Aug	1.0%	0.8%	1.0%

Source: Bloomberg

Macroeconomic

- Eurozone investor confidence deteriorated in October:** The Sentix Investor Confidence Index fell to the lowest level this year at 16.8 in October (Sep: -13.0) to indicate a deterioration in investor sentiment following the US imposition of tariffs on \$7.5b worth of European goods which risks further US-EU trade war escalation alongside generally weakening economic data. The latest being the larger-than-expected plunge in Germany's factory orders which had intensified worries surrounding the Eurozone growth outlook ahead of the ECB's APP program in November,
- Japan wage growth slipped on lower bonus; household spending held up ahead of tax hike:** Japan labour cash earnings, a key gauge of wage growth matched expectations to record a 0.2% YOY drop in August (Jul: -1.0% revised). Notably, wages fell more than initially estimated in the previous month as July's decline was revised further down from -0.3% to -1.0% YOY. Nonetheless for August, the smaller drop was attributed to lower bonus payout as contracted earnings managed to edge up 0.3% YOY for the first time in many months. Meanwhile, household spending saw a modest increase of 1.0% YOY in August (Jul: +0.8%), marking its nine-month gaining streak ahead of this month's sales tax hike. On a separate note yesterday, Japan leading index slipped further to 91.7 in August (Jul: 93.7) and the coincident index also dropped to 99.3 (Jul:99.7) to signal a less upbeat current and future conditions.
- Malaysia foreign reserve lower in September:** Bank Negara Malaysia's international reserve slipped to \$103.0b at the end of September (Aug: \$103.5) sufficient to finance 7.6 months of retained imports and is 1.1 times short term external debt.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
08/10	US	NFIB Small Business Optimism	Sep	102.0	103.1	--
		PPI Final Demand YOY	Sep	1.8%	1.8%	--
09/10		MBA Mortgage Applications	Oct-04	--	8.1%	--
		Wholesale Inventories MOM	Aug F	0.4%	0.1%	--
08/10	Japan	Eco Watchers Survey Current SA	Sep	43.3	42.8	--
09/10		Machine Tool Orders YOY	Sep P	--	-37.0%	--
08/10	China	Caixin China PMI Services	Sep	52.0	52.1	--
08/10	Australia	NAB Business Confidence	Sep	--	1.0	--
09/10		Westpac Consumer Conf Index	Oct	--	98.2	--

Source: Bloomberg

Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0971	-0.07	1.1001	1.0962	-4.32
GBPUSD	1.2293	-0.31	1.2337	1.2287	-3.65
USDJPY	107.26	0.30	107.46	106.57	-2.22
AUDUSD	0.6733	-0.56	0.6766	0.6730	-4.48
EURGBP	0.8925	0.19	0.8945	0.8902	-0.68
USDMYR	4.1925	0.18	4.1965	4.1840	1.42
EURMYR	4.6010	0.14	4.6060	4.5939	-2.67
JPYMYR	3.9265	0.20	3.9274	3.9171	4.49
GBPMYR	5.1594	0.00	5.1699	5.1518	-2.05
SGDMYR	3.0349	0.02	3.0371	3.0311	-0.03
AUDMYR	2.8250	-0.10	2.8326	2.8250	-3.85
NZDMYR	2.6392	-0.32	2.6490	2.6384	-5.02
CHFMYR	4.2202	0.55	4.2220	4.2074	0.50
CNYMYR*	0.5868	-0.20	0.5882	0.5867	-3.05
HKDMYR	0.5349	0.26	0.5350	0.5334	1.27
USDSGD	1.3810	0.17	1.3826	1.3788	1.34
EURSGD	1.5151	0.10	1.5186	1.5126	-3.03
GBPUSD	1.6976	-0.19	1.7029	1.6939	-2.85
AUDSGD	0.9297	-0.40	0.9336	0.9296	-3.19

*Closing on 30 Sep

Source: Bloomberg

- **MYR finished slightly lower by 0.18% against the USD at 4.1925** on Monday as the greenback regained strength across the board amidst poorer trade sentiments ahead of this week US-China negotiation.
- **Expect MYR to trade on a weaker note today** taking cue from overnight's dollar strength and poorer sentiment stemming from US move to blacklist eight Chinese companies. **We are still neutral to MYR this week** as we expect investors to largely remain on edge ahead of 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 regained strength amidst poor trade sentiment-** USD rose against most of the major currencies while the dollar index rose by 0.2% to 98.97, short of the 99.0 handle.
- **We expect USD to trade on a bullish bias today** as Trump Administration's move to blacklist Chinese firms would further dampen sentiment and raise risk aversion. 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 on a choppy note to finish little changed against the USD at 1.0971.**
- **We turn bearish on EUR** as USD regained strength amidst trade jittery while weak German factory orders revived concerns over Eurozone growth outlook. Germany industrial production is up next today of which a downbeat reading likely sends EUR weaker. EUR's medium-term outlook is bearish over heightening concerns over the Eurozone's dismal economic state, and is expected to weaken as the ECB restarts its APP program in November.

GBP

- **GBP slipped below 1.2300, pressured by downbeat Brexit headlines and stronger USD** – the sterling finished 0.31% lower against the USD at 1.2293.
- **GBP is likely weighed down by refreshed Brexit pessimism** following news that EU Parliament President Donald Tusk had rejected Boris Johnson's Brexit plan. Short and medium term outlook are completely guided by Brexit headlines hence is subject to volatility.

JPY

- **JPY fell by 0.3% against the USD at 107.26 amidst broader dollar strength.**
- **We are neutral on JPY** as markets await US-China trade talk outcome. 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 a dismal global growth outlook.

AUD

- **AUD lost momentum and reversed course,** tumbling by 0.56% against the USD to 0.6733 on poor US-China trade deal outlook.
- **We turn bearish on AUD today** as sentiment surrounding AUD is expected to weaken following US move to blacklist Chinese tech firms ahead of trade talk later this week. 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 slipped by 0.17% against the USD to 1.3810** in the midst of broader dollar strength and poor trade sentiment.
- **We are still neutral on SGD today** while awaiting US-China trade talk outcome later this week. 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 MAS policy decision due by 14 October.

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