

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Stocks rose overnight, buoyed by optimism that the US and China seem inching closer to ink a partial trade deal** as Beijing announced that it had agreed with the US to remove tariffs in phases. Reuters also cited an anonymous US official this morning of the planned rollback of tariffs. No details have been released over this agreement. Major indexes picked up 0.3-0.7% with the **Dow and S&P500 closing at their record highs**. Investors sold US treasuries, pushing yields higher by 6-10bps across the curve. **Benchmark 10Y UST yield jumped by 10bps to 1.92%, its highest level since late July this year**. The sterling plunged after the **BOE held rate steady but its 7-2 vote split came as dovish surprise**. Oil prices benefited from positive trade outlook, Brent crude settled 0.9% higher at \$62.29/barrel. **The European Commission trimmed its growth forecast** from 1.2% to 1.1% in 2019 and from 1.5% to a mere 1.2% in 2020, citing trade tensions in its Autumn Economic Forecasts report. **Key data to watch out for today is China's trade report and consensus is calling for a decline in both exports and imports.**
- **Data flow was scanty and all dwarfed by US-China trade newsflows.** Initial jobless claims fell more than expected in the US confirming a tightening labour market. Japan labour cash earnings rose for the first time in two months mainly spurred by bonus payment and offered little reprieve to recent signs of weakness in the labour market. Household spending however got a boost from pre-sales tax hike purchases. Malaysia foreign reserves dipped slightly to \$103.2bn, but still sufficient to finance 7.6 months of retained imports.
- The dollar rallied on trade optimism, strengthening against most major currencies overnight while safe havens struggled to find demand. **The dollar index finished above 98.0 for the first time in more than three weeks, 0.19% higher at 98.143. We are mildly bearish on USD** in the Asian session, expecting current risk-on mode to support EMEA currencies, but watch out for the China trade data.
- **MYR** erased early session's loss and rebounded on Thursday late trading to finish **0.33% higher against the USD at 4.1240**, alongside stronger Chinese yuan and other regional Asian currencies amidst optimistic US-China trade deal outlook. **We expect MYR to trade on a mildly bullish tone today** heading into the weekend, aided by rising prospect that the US and China are moving closer to a partial trade deal, which was reinforced by announcement that both sides have agreed to remove tariffs in phases, but watch out for China's trade data.
- **SGD finished 0.13% stronger against the USD at 1.3576** alongside stronger regional Asian currencies. **We are slightly bullish on SGD today in a risk-on environment. 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.

Overnight Economic Data

Malaysia	↓
US	↑
Japan	↑

What's Coming Up Next

Major Data

- US Wholesale Inventories, U. of Mich. Sentiment
- Japan Leading Index
- China Exports, Imports
- Australia Home Loans

Major Events

- RBA Statement on Monetary Policy

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1020	1.1040	1.1049	1.1050	1.1080	→
GBPUSD	1.2750	1.2800	1.2813	1.2850	1.2880	↘
USDJPY	108.80	109.00	109.32	109.50	109.80	→
AUDUSD	0.6850	0.6880	0.6894	0.6900	0.6930	↘
EURGBP	0.8550	0.8600	0.8624	0.8650	0.8700	↗
USDMYR	4.1150	4.1200	4.1255	4.1300	4.1350	↘
EURMYR	4.5450	4.5500	4.5584	4.5600	4.5650	↘
JPYMYR	3.7500	3.7600	3.7741	3.7800	3.7900	↘
GBPMYR	5.2450	5.2600	5.2843	5.3000	5.3400	↘
SGDMYR	3.0325	3.0350	3.0384	3.0400	3.0425	↘
AUDMYR	2.8350	2.8400	2.8432	2.8450	2.8500	↘
NZDMYR	2.6100	2.6200	2.6279	2.6400	2.6500	↘
USDSGD	1.3530	1.3550	1.3577	1.3600	1.3620	↘
EURSGD	1.4950	1.4975	1.5001	1.5030	1.5050	→
GBPSGD	1.7320	1.7365	1.7395	1.7450	1.7510	↘
AUDSGD	0.9335	0.9350	0.9353	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 %	Name	Last Price	DoD %	YTD %
KLCI	1,609.33	0.38	-4.81	CRB Index	180.98	0.26	6.58
Dow Jones Ind.	27,674.80	0.66	18.64	WTI oil (\$/bbl)	57.15	1.42	25.85
S&P 500	3,085.18	0.27	23.07	Brent oil (\$/bbl)	62.29	0.89	15.78
FTSE 100	7,406.41	0.13	10.08	Gold (\$/oz)	1,468.48	-1.48	14.45
Shanghai	2,978.71	0.00	19.44	CPO (RM/tonne)	2,405.50	-0.10	23.20
Hang Seng	27,847.23	0.57	7.74	Copper (\$/tonne)	5,907.00	-0.56	-0.97
STI	3,285.72	0.71	7.07	Rubber (sen/kg)	435.00	-0.46	14.78

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA Foreign Reserves	Oct-31	\$103.2b	\$103.3b	--
US Initial Jobless Claims	Nov-02	211k	219k (revised)	215k
UK Bank of England Bank Rate	Nov-07	0.75%	0.75%	0.75%
JP Labor Cash Earnings YOY	Sep	0.8%	-0.1% (revised)	0.1%
JP Household Spending YOY	Sep	9.5%	1.0%	7.1%

Source: Bloomberg

- BOE kept rate at 0.75% and maintained hawkish stance; vote split surprised market:** The BOE kept bank rate unchanged at 0.75% as widely expected, but the MPC's 7-2 vote was a departure from its previously unanimous decision, offering a dovish tilt to a generally hawkish monetary stance. The major change to the statement was the BOE's optimistic outlook regarding Brexit and hence as it said that "the perceived likelihood of a no-deal Brexit has fallen markedly". The recent Brexit "flexextension" is expected to remove some uncertainties and the MPC are projecting growth to pick up in 2020, supported by fiscal stimulus. GDP growth has been revised upward for 4Q19 (0.7% to 1.0%) and 4Q20 (1.5% to 1.6%) but was trimmed for 4Q21 (2.2% to 1.8%) and 4Q22 (2.3% to 2.1%) over expected weaker global environment. Inflation is projected to be benign and likely slipping to 1.4% by 4Q19 over fall in energy and water prices. The BOE maintained that monetary policy could still respond in either direction to changes in economic outlook in order to bring inflation back to its 2% target. It hinted the potential of a rate cut had global growth fails to stabilize and Brexit uncertainties remained entrenched. Barring from the materialization of these scenarios, BOE held on to its hawkish stance, saying that a modest tightening of policy at a gradual pace and to a limited extent may be needed to sustain its inflation target.
- US Initial jobless claims fell last week:** Initial jobless claims in the US slipped by 8k to 211k for the week ended 02 November (previous: 219k revised), adding to signs of a tightening labour market in the US.
- Japan household ramped up spending ahead of tax hike; wage growth rebounded:** Household spending jumped by a record high of 9.5% YOY in September (Aug: +1.0%), right before the scheduled sales tax hike in October. Meanwhile, cash earnings rose for the first time in two months by 0.8% YOY in September (Aug: -0.1%), boosted by a spike in bonus payment (+14.2% vs -4.8%) alongside higher regular wages (+0.5% vs +0.2%). Japan labour market, while remains tight, has been flashing signs of weakness recently as demand for workers have softened in manufacturing and retail sectors.
- Malaysia foreign reserves edged lower in October:** The international reserves of Bank Negara Malaysia ticked lower to \$103.2 billion as at 31 October 2019. (previous: \$103.3b). The reserves position is sufficient to finance 7.6 months of retained imports and is 1.1 times total short-term external debt.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
11/11	Malaysia	Industrial Production YOY	Sep	1.4%	1.9%	--
08/11	US	Wholesale Inventories MOM	Sep F	-0.3%	-0.3%	--
		U. of Mich. Sentiment	Nov P	95.5	95.5	--
11/11	UK	GDP QOQ	3Q P	0.4%	-0.2%	--
		Industrial Production MOM	Sep	0.2%	-0.6%	--
		Visible Trade Balance GBP/Mn	Sep	-£10000m	-£9806m	--
08/11	Japan	Leading Index CI	Sep P	92.2	91.9	--
11/11		Core Machine Orders MOM	Sep	1.6%	-2.4%	--
		Eco Watchers Survey Current SA	Oct	--	46.7	--
		Eco Watchers Survey Outlook SA	Oct	--	36.9	--
08/11	China	Exports YOY	Oct	-3.9%	-3.2%	--
		Trade Balance	Oct	\$40.10b	\$39.65b	--
08/11	Australia	RBA Statement on Monetary Policy				
		Home Loans MOM	Sep	1.0%	0.7%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1050	-0.14	1.1092	1.1036	-3.63
GBPUSD	1.2817	-0.30	1.2878	1.2795	0.47
USDJPY	109.28	0.28	109.49	108.65	-0.37
AUDUSD	0.6898	0.20	0.6913	0.6862	-2.18
EURGBP	0.8619	0.13	0.8658	0.8603	-4.07
USDMYR	4.1240	-0.33	4.1500	4.1235	-0.23
EURMYR	4.5683	-0.45	4.5904	4.5676	-3.36
JPYMYR	3.7899	-0.13	3.8181	3.7872	0.85
GBPMYR	5.3147	-0.34	5.3312	5.3075	0.89
SGDMYR	3.0421	-0.11	3.0515	3.0412	0.20
AUDMYR	2.8496	-0.24	2.8542	2.8444	-2.51
NZDMYR	2.6326	-0.30	2.6396	2.6300	-5.26
CHFMYR	4.1586	-0.19	4.1818	4.1586	-0.97
CNYMYR	0.5914	0.04	0.5919	0.5904	-2.28
HKDMYR	0.5278	-0.09	0.5302	0.5278	-0.08
USDSGD	1.3576	-0.13	1.3607	1.3562	-0.42
EURSGD	1.5000	-0.29	1.5062	1.4975	-4.04
GBPSGD	1.7399	-0.43	1.7492	1.7366	0.05
AUDSGD	0.9364	0.03	0.9378	0.9334	-2.59

Source: Bloomberg

Forex

MYR

- **MYR** erased early session's loss and rebounded on Thursday late trading to finish **0.33% higher against the USD at 4.1240**, alongside stronger Chinese yuan and other regional Asian currencies amidst optimistic US-China trade deal outlook.
- **We expect MYR to trade on a mildly bullish tone today** heading into the weekend, aided by rising prospect that the US and China are moving closer to a partial trade deal, which was reinforced by announcement that both sides have agreed to remove tariffs in phases, but watch out for China's trade data. 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 rallied on trade optimism, strengthening against most major currencies overnight while safe havens struggled to find demand. **The dollar index finished above 98.0 for the first time in more than three weeks, 0.19% higher at 98.143.**
- **We are mildly bearish on USD** in the Asian session, expecting current risk-on mode to support EMEA currencies, but watch out for the China trade data. The medium term outlook remains bullish on expectation the Fed would not ease further this year.

EUR

- **EUR** erased intraday gain to close **0.14% lower against the USD at 1.1050** amidst broad dollar strength.
- **We are neutral to slightly bearish on EUR today, expecting EUR to trade around recent ranges as it struggles to break above 1.1050 handle** amidst a lack of key data. A breach below 1.1040 opens door for more bearish movement. **In the medium term, outlook remains bearish** as the ECB restarts its balance sheet expansion.

GBP

- **GBP** plunged against the USD by **0.30% at 1.2817** after the BOE held rate steady but its 7-2 vote split came as a dovish surprise.
- **We are mildly bearish on GBP today** as market digests the prospect of a BOE rate cut next year but expect the sterling to stay supported above the 1.28 handle. **Medium term outlook is still bearish** but is mainly driven by headlines surrounding Brexit and UK upcoming December ballots.

JPY

- **JPY** slipped by **0.28% against the USD to 109.28** amidst rising equity and higher UST yields in a risk-on environment.
- **We are neutral to slightly bearish on JPY today as positive risk sentiment pushed Asian equity higher. 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** rose **0.20% to 0.6898 against the USD on positive US-China trade outlook.**
- **We are bullish on AUD today** expecting the Aussie dollar to continue benefiting from rising prospect of a US-China trade deal but again, key data to watch out for are China trade data. **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 **0.13% stronger against the USD at 1.3576** alongside stronger regional Asian currencies.
- **We are slightly bullish on SGD today in a risk-on environment. 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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