

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks suffered huge losses overnight as investors lost faith in a possible US-China trade deal following Washington's move to impose visa restriction on Chinese official accused of the abusing Muslim minorities.** The announcement came after yesterday's decision to ban Chinese tech firms and just ahead of the scheduled trade talk, severely denting the possibility of a much pinned for agreement. **Trade jittery overshadowed Federal Reserve chief Jerome Powell's remarks that hinted potential easing** by the central bank as he repeated that monetary policy is not on a preset course and it will act as "appropriate" to support growth. **Chicago Fed President Charles Evans went so far as to saying that he wouldn't mind another rate cut to generate inflation.** Markets have since then increased bets on another rate cut at the end of this month as futures show that the chance of a 25bps cut went from 69% to 85%. Overnight, key stock indexes lost 1.2-1.7% and bond yields fell slipped by 2-4bps. Brent crude and WTI finished 0.2% lower at \$58.24/barrel and \$52.63/barrel. **Hope of a Brexit deal faded as a PM office source said that a deal was "essentially impossible" following a phone call between Angela Merkel and Boris Johnson.**
- **Broad negative newsflows overshadowed broad negative economic releases.** Small business optimism continued fading in the US and PPI confirmed absence of price pressure in the US economy. Mirroring the official print, Caixin PMI services signaled slower growth in the China services sector but surprisingly underlying details were firm. Indicators also showed Japanese and Australians were both downbeat on growth outlook and confidence levels.
- **Amidst deteriorating trade sentiment, the greenback continued to firm up** against the major currencies save for the safe havens. The dollar index rose back up above 99.0 handle, finishing 0.17% higher at 99.13. **We expect USD strength to persist today amidst heightening risk aversion** as US visa restriction move severely dented possibility of a trade deal. We look towards this week's trade negotiation outcome, FOMC meeting minutes and any more Fed speaks to gauge the greenback's future direction.
- **MYR finished virtually unchanged against the USD at 4.1920** on Tuesday as markets turned cautious ahead of trade talks and fading sentiment. **Expect MYR to trade on a weaker note today** due to overnight's dollar strength as Washington's move to impose visa restriction on Chinese officials further dampened the chance of a trade deal **but the downside is likely limited** as investors anticipate 2020 Budget Speech on the local front.
- **SGD slipped again by 0.11% against the USD to 1.3825** on broader dollar strength. **We are bearish on SGD today** as falling trade sentiment and rising risk aversion is expected to weigh on EM currencies in general. 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.

#### Overnight Economic Data

US	↓
Japan	↓
China	↓
Australia	↓

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications, Wholesale Inventories
- Japan Machine Tool Orders

##### Major Events

- FOMC Meeting Minutes

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0940	1.0950	1.0956	1.0960	1.0980	➔
GBPUSD	1.2150	1.2195	1.2216	1.2280	1.2305	⬇
USDJPY	106.50	106.80	107.06	107.45	107.70	⬇
AUDUSD	0.6700	0.6720	0.6728	0.6750	0.6780	⬇
EURGBP	0.8915	0.8940	0.8969	0.8999	0.9020	↕
USDMYR	4.1900	4.1950	4.1965	4.2000	4.2050	↗
EURMYR	4.5800	4.5900	4.5972	4.6000	4.7000	➔
JPYMYR	3.9015	3.9125	3.9200	3.9290	3.9350	↗
GBPMYR	5.1020	5.1150	5.1258	5.1375	5.1500	⬇
SGDMYR	3.0300	3.0330	3.0356	3.0380	3.0400	➔
AUDMYR	2.8150	2.8195	2.8231	2.8365	2.8315	⬇
NZDMYR	2.6300	2.6370	2.6447	2.6500	2.6570	⬇
USDSGD	1.3780	1.3800	1.3824	1.3830	1.3850	↗
EURSGD	1.5120	1.5140	1.5147	1.5175	1.5190	➔
GBPSGD	1.6800	1.6850	1.6890	1.6930	1.6980	⬇
AUDSGD	0.9285	0.9290	0.9303	0.9320	0.9335	➔

\* 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	1,558.79	-0.01	-7.80	CRB Index	173.32	0.13	2.07
Dow Jones Ind.	26,164.04	-1.19	12.16	WTI oil (\$/bbl)	52.63	-0.23	15.90
S&P 500	2,893.06	-1.56	15.41	Brent oil (\$/bbl)	58.24	-0.19	8.25
FTSE 100	7,143.15	-0.76	6.17	Gold (S/oz)	1,505.51	0.80	17.59
Shanghai	2,913.57	0.29	16.83	CPO (RM/tonne)	2,083.50	-0.22	6.71
Hang Seng	25,893.40	0.28	0.18	Copper (\$/tonne)	5,675.50	-0.81	-4.85
STI	3,110.85	0.37	1.37	Rubber (sen/kg)	424.50	0.35	12.01

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US NFIB Small Business Optimism	Sep	101.8	103.1	102.0
US PPI Final Demand YOY	Sep	1.4%	1.8%	1.8%
JP Eco Watchers Survey Outlook SA	Sep	36.9	39.7	43.3
CN Caixin China PMI Services	Sep	51.3	52.1	52.0
AU NAB Business Confidence	Sep	0.0	1.0	--
AU Westpac Consumer Conf Index	Oct	92.8	98.2	--

Source: Bloomberg

**Macroeconomic**

- Optimism weakened in US small businesses:** THE NFIB Small Business Optimism Index fell by 1.3pts to 101.8 in September (Aug: 103.1), still a historically solid reading but nonetheless flashing signs of weakening confidence among smaller firms in the US. The Uncertainty Index rose 2pts last month and a total of 6pts for the past three months, highlighting firms' concerns over the adverse effect of tariffs - in fact 30% of firms reported its negative impact in this survey. Overall firms were reported to be more reluctant to make major spending commitments when the future becomes less certain.
- US factory gate inflation slipped in September to signal subdued price pressure:** Producer prices index for final demand, a key gauge of US factory gate inflation fell by 0.3% MOM in September (Aug: +0.1%), leaving the annual PPI inflation at 1.4% YOY, the lowest level in nearly three years. The core PPI fell 0.3% MOM (Aug: +0.3%), its largest decrease in more than four years and thus rose a mere 2.0% YOY (Aug: +2.3%), a firm indication that the economy continued to lack price pressure in the midst of generally softer demand.
- Markit PMIs suggest stabilization in Chinese economy:** The Caixin China General Services PMI fell to 51.3 in September (Aug: 52.1), its lowest reading in seven months to signal a slower growth in the country's services sector, This was however offset by the stronger expansion in the manufacturing sector which led the Caixin China Composite PMI to pick up to 51.9 in September (Aug: 51.6). September was marked by firmer new orders, new work from abroad and employment, and was largely in line with the official NBS readings, suggesting that the Chinese economy has begun to stabilize following months of poor data.
- Japan economic survey indicates poorer outlook:** Japan Economic Watcher Survey reported that its current condition index rose to 46.7 in September (Aug: 42.8) just ahead of the October Sales tax hike. The outlook index, not surprisingly, fell to 36.9 in September (Aug: 39.7), reflecting generally downbeat sentiment over consumption outlook from October onwards.
- Australia business confidence turned softer; consumer sentiment plummeted:** The National Australia Bank (NAB) Business Conditions Index slipped to 0 in September (Aug: 1.0) while the index of business condition only edged up a little to 2.0 (Aug: 1.0), painting an overall downbeat sentiment among Australian firms. Meanwhile, the Westpac Consumer Confidence Index plunged by a whopping 5.5% to 92.8 in October (Sep: 98.2) as consumers turned increasingly downbeat over outlook as well as family finance a year from now. The sub-index that gauges consumers' plan to buy major household item slipped by 5pts, pointing to softer consumption outlook.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
<b>09/10</b>	<b>US</b>	<b>MBA Mortgage Applications</b>	<b>Oct-04</b>	--	<b>8.1%</b>	--
		<b>Wholesale Inventories MOM</b>	<b>Aug F</b>	<b>0.4%</b>	<b>0.1%</b>	--
10/10		FOMC Meeting Minutes	Sep-18	--	--	--
		CPI YOY	Sep	1.8%	1.7%	--
		Initial Jobless Claims	Oct-05	220k	219k	--
10/10	UK	RICS House Price Balance	Sep	-7%	-4%	--
		Monthly GDP (MOM)	Aug	0.0%	0.3%	--
		Industrial Production MOM	Aug	0.1%	0.1%	--
		Visible Trade Balance GBP/Mn	Aug	--£10,000m	--£9,144m	--
<b>09/10</b>	<b>Japan</b>	<b>Machine Tool Orders YOY</b>	<b>Sep P</b>	--	<b>-37.0%</b>	--
10/10		PPI YOY	Sep	-1.1%	-0.9%	--
		Core Machine Orders MOM	Aug	-1.0%	-6.6%	--
10/10	Australia	Home Loans MOM	Aug	2.3%	4.2%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0957	-0.13	1.0996	1.0941	-4.44
GBPUSD	1.2219	-0.60	1.2303	1.2195	-4.16
USDJPY	107.09	-0.16	107.44	106.81	-2.43
AUDUSD	0.6728	-0.07	0.6757	0.6723	-4.54
EURGBP	0.8966	0.46	0.9000	0.8922	-0.28
USDMYR	4.1920	-0.01	4.1947	4.1875	1.42
EURMYR	4.6064	0.12	4.6095	4.5970	-2.56
JPYMYR	3.9124	-0.36	3.9135	3.9001	4.11
GBPMYR	5.1446	-0.29	5.1557	5.1385	-2.84
SGDMYR	3.0385	0.12	3.0388	3.0345	0.09
AUDMYR	2.8315	0.23	2.8323	2.8212	-3.13
NZDMYR	2.6509	0.44	2.6514	2.6374	-4.60
CHFMYR	4.2247	0.11	4.2269	4.2085	0.61
CNYMYR	0.5879	0.19	0.5885	0.5877	-2.87
HKDMYR	0.5345	-0.07	0.5349	0.5339	1.19
USDSGD	1.3825	0.11	1.3828	1.3786	1.42
EURSGD	1.5149	-0.01	1.5195	1.5124	-3.08
GBPSGD	1.6894	-0.48	1.6981	1.6849	-2.80
AUDSGD	0.9302	0.05	0.9322	0.9292	-3.18

Source: Bloomberg

## Forex

- **MYR finished virtually unchanged against the USD at 4.1920** on Tuesday as markets turned cautious ahead of trade talks and fading sentiment.
- **Expect MYR to trade on a weaker note today** due to overnight's dollar strength as Washington's move to impose visa restriction on Chinese officials further dampened the chance of a trade deal **but the downside is likely limited** as investors anticipate 2020 Budget Speech on the local front. In the medium term, we are still neutral to slightly bearish on MYR taking into account ECB's impending APP program and the decreasing chance of a US-China trade deal. We are still skeptical that the Fed would cut rate this month at this juncture.

### USD

- **Amidst deteriorating trade sentiment, the greenback continued to firm up** against the major currencies save for the safe havens, the dollar index rose back up above 99.0 handle, finishing 0.17% higher at 99.13.
- **We expect USD strength to persist today amidst heightening risk aversion** as US visa restriction move severely dented possibility of a trade deal. We look towards this week's trade negotiation outcome, FOMC meeting minutes and any more Fed speaks to gauge the greenback's future direction. As mentioned earlier, the Fed's interest rate outlook remains uncertain at this point.

### EUR

- Dollar strength led EUR to erase earlier German data-inspired gain during the American session, **finishing 0.13% lower against the USD at 1.0957**.
- **We are neutral to slightly bearish on EUR today** in the midst of trade talk jittery and ahead of the ECB meeting minutes due Thursday. EUR's medium-term outlook is bearish as sentiment surrounding the Eurozone's dismal economic state has turned poorer and is expected to weaken as the ECB restarts its APP program in November.

### GBP

- **GBP tumbled by 0.60% against the USD to 1.2219** as poor Brexit headlines and a stronger USD weighed on the sterling.
- **Expect GBP to stay under pressure** as fear of a no-deal withdrawal intensified after news of the Merkel-Johnson phone call suggests disagreement over Northern Ireland backstop. Short and medium term outlook are completely guided by Brexit headlines hence is subject to volatility.

### JPY

- **JPY gained 0.16% against the USD at 107.09** on safe havens bidding.
- **We are bullish on JPY** as risk aversion rose amidst deteriorating trade sentiment. We remain bullish on JPY in the medium term as recent US moves have severely dented the chance of a broad-based US-China trade deal alongside risk of US-EU trade war escalation, no-deal Brexit and a dismal global growth outlook.

### AUD

- **AUD was little changed against the USD at 0.6728**.
- **We are bearish on AUD today** on falling trade sentiment. In the medium term, we remain bearish on AUD over the possibility of further RBA easing taking into account falling confidence on the domestic front, prolonged US-China trade tension and a weakening Chinese economy that could pose downside risk to AUD.

### SGD

- **SGD slipped again by 0.11% against the USD to 1.3825** on broader dollar strength.
- **We are bearish on SGD today** as falling trade sentiment and rising risk aversion is expected to weigh on EM currencies in general. 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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