

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks got a boost from positive trade headlines** and managed to stage a rebound overnight after falling for two consecutive sessions. **A Bloomberg news story cited an unnamed Chinese source that China is still open to a limited trade deal** by offering “non-core concessions like purchases of (US) agricultural products without giving in to major sticking points”, so long that the Trump Administration would impose no more tariffs on China. Talks are set to begin on Thursday. Meanwhile the **September FOMC meeting minutes was a non-event and offered no fresh insights** except for revealing that most Fed officials believed a 25bps cut in Fed funds rate was appropriate at that point, citing that downside risk to outlook had increased somewhat since July meeting as trade uncertainties weighed on business investment, exports and manufacturing production. **Markets were taken aback this morning by an SCMP report that said deputy level talks earlier this week had failed to yield any progress on critical issue and high level talk is expected to last only one day** with Chinese delegations meaning to leave Washington on Thursday itself. The yen surged and the yuan plunged in early trading.
- On the data front, US wholesale inventories saw a steady 0.2% MOM increase in August while mortgage applications rose due to higher refinancing activities. UK housing market continued to be pressured by Brexit sentiment despite a slight uptick in the RICS House Price Balance Index. Japan core machine orders, a key capex gauge slipped again in August whereas the country's factories were engulfed in a state of deflation as PPI continued to fall for the fourth straight month.
- **The greenback continued to firm up across the board** except against the euro. The dollar index was little changed at 99.12. **We expect USD strength to generally persist today** except for strength in safe haven JPY as the SCMP report casts doubt on a US-China deal. We look towards this week's trade negotiation outcome 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 but we do not foresee a rate cut at the end of this month.
- **MYR finished weaker against the USD on Wednesday** as expected at 4.1965 (-0.11%) following negative trade headlines. **We are neutral on MYR today** as investors weigh mixed trade headlines and await outcome of trade talk while anticipating tomorrow's 2020 Budget Speech on the local front.
- **SGD strengthened by 0.12% against the USD at 1.3808. We are still bearish on SGD today** as negative trade headlines are 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	→
UK	↑
Japan	↓

What's Coming Up Next

Major Data

- US CPI, Initial Jobless Claims
- UK Monthly GDP, Industrial Production, Visible Trade Balance
- Australia Home Loan

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0950	1.0970	1.0984	1.1000	1.1020	↗
GBPUSD	1.2150	1.2195	1.2211	1.2280	1.2305	↘
USDJPY	106.90	107.00	107.24	107.60	107.70	↘
AUDUSD	0.6700	0.6705	0.6717	0.6725	0.6740	↘
EURGBP	0.8915	0.8940	0.8995	0.8999	0.9020	↗
USDMYR	4.1900	4.1950	4.1972	4.2000	4.2050	→
EURMYR	4.5945	4.6000	4.6098	4.6200	4.6230	↗
JPYMYR	3.8945	3.9030	3.9115	3.9175	3.9275	↗
GBPMYR	5.1020	5.1150	5.1252	5.1375	5.1500	↘
SGDMYR	3.0330	3.0360	3.0381	3.0400	3.0430	→
AUDMYR	2.8100	2.8150	2.8191	2.8250	2.8300	↘
NZDMYR	2.6305	2.6350	2.6392	2.6450	2.6530	↘
USDSGD	1.3780	1.3800	1.3814	1.3830	1.3850	↗
EURSGD	1.5120	1.5140	1.5172	1.5187	1.5200	↗
GBPSGD	1.6800	1.6840	1.6868	1.6915	1.6985	↘
AUDSGD	0.9260	0.9275	0.9278	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	1,551.23	-0.48	-8.24	CRB Index	173.07	-0.15	1.92
Dow Jones Ind.	26,346.01	0.70	12.94	WTI oil (\$/bbl)	52.59	-0.08	15.81
S&P 500	2,919.40	0.91	16.46	Brent oil (\$/bbl)	58.32	0.14	8.40
FTSE 100	7,166.50	0.33	6.52	Gold (\$/oz)	1,505.57	0.00	18.22
Shanghai	2,924.86	0.39	17.28	CPO (RM/tonne)	2,085.50	0.07	6.81
Hang Seng	25,682.81	-0.81	-0.63	Copper (\$/tonne)	5,684.00	0.15	-4.71
STI	3,089.90	-0.67	0.69	Rubber (sen/kg)	424.50	0.47	12.01

Source: Bloomberg

Macroeconomic

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Oct-04	5.2%	8.1%	--
US Wholesale Inventories MOM	Aug F	0.2%	0.2% (revised)	0.4%
UK RICS House Price Balance	Sep	-2%	-4%	-7%
JP Machine Tool Orders YOY	Sep P	-35.5%	-37.0%	--
JP PPI YOY	Sep	-1.1%	-0.9%	-1.1%
JP Core Machine Orders MOM	Aug	-2.4%	-6.6%	-1.0%

Source: Bloomberg

- FOMC meeting offered no fresh input to markets:** The Federal Reserve September FOMC meeting minutes turned out to be a non-event, partially shadowed by development of US-China trade talks. The minutes was important as the Fed had cut rate for the second time in September, but largely ended up offering no fresh clues except for revealing that most Fed officials believed a 25bps cut in Fed funds rate was appropriate at that point, reasons being downside risk to outlook had "increased somewhat" since July meeting. Officials agreed that outlook had been little changed and economic expansion but consistent with strong labour market conditions. Trade uncertainties have been weighing on business investment, exports and manufacturing production. These uncertainties and global development would continue to affect firms' investment spending. Household spending would likely remain on a firm footing, PCE inflation remained below its 2% target despite a firming in recent data. It is prudent to adopt a somewhat more accommodative policy stance.
- US wholesale inventories steadied; low interest rates buoyed refinancing activities:** US wholesale inventories saw a steady 0.2% MOM increase in August (Jul: +0.2%), suggesting that firms are raising inventories modestly in anticipation of softer spending trend. The MBA mortgage applications for last week picked up for the second week by 5.2% (previous: +8.1%) due to an increase in refinancing applications as borrowing costs turned lower. The number of purchases-related applications slipped a little, adding to signs that the housing market is still full of wary buyers.
- UK housing market still depressed by Brexit:** The RICS House Price Balance Index extended its negative reading in September to indicate a continuous albeit smaller decline in UK house prices. Despite the slight increase in the balance index from -3.5% to -2%, details show that outlook for the housing market remained dismal amidst deteriorating Brexit sentiment where majority still expect prices and sales to fall. Notably, new buyer enquiries, new instruction and agreed sales all plunged to multi-month low.
- Japan capex slipped; factories in dis-inflation :** Japan core machine orders, a key gauge of business capex slipped for the second month by 2.4% MOM in August (Jul: -6.6%), adding to signs that firms continued to scale back on investments after a ramp-up in early summer. On a separate note, producer prices index fell for the fourth month and by a sharper margin of 1.1% YOY in September (Aug: -0.9%), confirming the state of dis-inflation at Japanese factories. Meanwhile, machine orders rebounded to increase 11.8% MOM in September (Aug: -12.6%) according to a preliminary reading yesterday offering some comfort that overseas and domestic demand for Japanese machines order have not completely faltered. YOY, orders saw another month of sharp decline in September (-35.5% vs -37.0%) on unfavourably low base effect.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
11/10	Malaysia	Industrial Production YOY	Aug	2.0%	1.2%	--
10/10	US	CPI YOY	Sep	1.8%	1.7%	--
		Initial Jobless Claims	Oct-05	220k	219k	--
11/10		Import Price Index YOY	Sep	-2.1%	-2.0%	--
		U. of Mich. Sentiment	Oct P	92.0	93.2	--
10/10	UK	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	--
11/10	Singapore	Retail Sales YOY	Aug	-4.3%	-1.8%	--
10/10	Australia	Home Loans MOM	Aug	2.3%	4.2%	--
11/10	New Zealand	BusinessNZ Manufacturing PMI	Sep	--	48.4	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0971	0.13	1.0990	1.0952	-4.20
GBPUSD	1.2206	-0.11	1.2291	1.2198	-4.23
USDJPY	107.48	0.36	107.63	106.93	-2.42
AUDUSD	0.6725	-0.04	0.6750	0.6723	-4.78
EURGBP	0.8990	0.26	0.8995	0.8939	0.05
USDMYR	4.1965	0.11	4.1995	4.1905	1.52
EURMYR	4.6086	0.05	4.6131	4.5936	-2.51
JPYMYR	3.9124	0.00	3.9239	3.9114	4.11
GBPMYR	5.1375	-0.14	5.1592	5.1202	-2.47
SGDMYR	3.0392	0.02	3.0406	3.0321	0.11
AUDMYR	2.8293	-0.08	2.8312	2.8206	-3.21
NZDMYR	2.6505	-0.02	2.6528	2.6396	-4.61
CHFMYR	4.2244	-0.01	4.2333	4.2221	0.60
CNYMYR	0.5883	0.19	0.5885	0.5869	-2.79
HKDMYR	0.5351	0.11	0.5353	0.5343	1.31
USDSGD	1.3808	-0.12	1.3828	1.3792	1.41
EURSGD	1.5149	0.00	1.5173	1.5140	-2.86
GBPSGD	1.6855	-0.23	1.6970	1.6842	-2.88
AUDSGD	0.9286	-0.17	0.9320	0.9284	-3.42

Source: Bloomberg

Forex

MYR

- **MYR finished weaker against the USD on Wednesday** as expected at 4.1965 (-0.11%) following negative trade headlines.
- **We are neutral on MYR today** as investors weigh mixed trade headlines and await outcome of trade talk while anticipating tomorrow's 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

- **The greenback continued to firm up across the board** except against the euro. The dollar index was little changed at 99.12.
- **We expect USD strength to generally persist today** except for strength in safe haven JPY as the SCMP report casts doubt on a US-China deal. We look towards this week's trade negotiation outcome 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 but we do not foresee a rate cut at the end of this month.

EUR

- **EUR finished 0.13% stronger against the USD at 1.0971.**
- **Expect firmer EUR today as it continues to test the 1.1000 critical level** in the midst of trade talk jittery and ahead of the ECB meeting minutes today. EUR's medium-term outlook is still 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 slipped by 0.11% against the USD at 1.2206** amidst broad dollar strength and Brexit sentiment continued to weigh.
- **GBP is likely stayed under pressure** over a series of poor Brexit headlines. The Telegraph reported that the EU insisted no extension on 31-Oct Deadline in the absence of new referendum. The Sun said that Labour will grant Boris Johnson a general election if Brexit isn't delivered by Halloween. Short and medium term outlook are completely guided by Brexit headlines hence is subject to volatility.

JPY

- **JPY tumbled by 0.36% against the USD at 107.48** as risk aversion retreated overnight.
- **We are bullish on JPY today as risk-off flow** rose in early trading following an SCMP news report that cast doubt over a US-China deal. Nonetheless, mixed headlines suggest that trade talk could yield an entirely unexpected outcome and overturn JPY strength. We remain bullish on JPY in the medium term as the possibility of broad-based trade deal has appeared thinner 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 0.6725.**
- **We are bearish on AUD today** over emerging headlines that suggest a US-China trade deal could not be reached this week. 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 strengthened by 0.12% against the USD at 1.3808.**
- **We are still bearish on SGD today** as negative trade headlines are 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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