

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Overall contained moves in global financial markets overnight amid global recession fear following weak China price data and jitters ahead of ECB policy announcement where huge stimulus is expected.** Major global stock indices closed mainly flat while the global bond markets saw broad-based selloffs. **UST yields climbed 8-9bps higher across the curve** with the 10Ys added 8bps to 1.73%. **The 30Y German bund yields bounced back to positive territory for the first time since 5-August** as stocks rose following German Finance Minister's comment on readiness to inject "many, many billions of euros" into the economy to avert a slowdown.
- **Overnight dataflow was mainly neutral to negative** – less upbeat business optimism in the US and Australia, biggest drop in Japan machine tool orders in a decade but BSI outlook improved in 3Q, tentative signs of softness in the UK labour market, and most important of all, deepening fall in China producer prices to -0.8% YOY in August that is expected to heighten deflation risk and dampen factories profitability, further worsening the already apparent slowdown. Meanwhile, despite the sustained 2.8% YOY increase in CPI in August which was spurred by food prices amid the swine flu epidemic, underlying inflation remained very mild with non-food prices up only a modest 1.1% YOY.
- **The dollar index closed almost unchanged at 98.36** as markets consolidate ahead of key ECB policy meet. **We turn neutral USD today** as the data calendar and headlines remain light ahead of key ECB policy meet. **We remain bearish USD over the medium term** as prolonged issues may trigger a series of Fed rate cuts.
- **MYR closed stronger by 0.19% at 4.1710** on quiet trades ahead of key ECB monetary policy meet. **We turn neutral USDMYR today** as market seems to be in consolidation ahead of key ECB policy meet. **We remain bearish USDMYR over the medium term** on an expected Fed rate cuts due to prolonged trade worries.
- **SGD closed flat against the USD at 1.3802** in line with the general USD on lack of headlines and ahead of key ECB policy meet. **We turn neutral SGD today** ahead of key ECB meet but **remain bearish SGD over the medium term** as the outlook remains gloomy over prolonged trade issues.

#### Overnight Economic Data

US	↓
UK	→
Japan	↓
China	→
Australia	↓

#### What's Coming Up Next

##### Major Data

- Malaysia IPI
- US PPI, mortgage applications, wholesale inventories
- Australia Westpac consumer confidence

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1000	1.1025	1.1050	1.1075	1.1100	↘
GBPUSD	1.2250	1.2300	1.2352	1.2400	1.2450	↘
USDJPY	107.00	107.30	107.65	107.75	108.10	↗
AUDUSD	0.6780	0.6820	0.6855	0.6880	0.6910	→
EURGBP	0.8900	0.8925	0.8947	0.8975	0.9000	↘
USDMYR	4.1650	4.1700	4.1750	4.1800	4.1850	→
EURMYR	4.5800	4.6000	4.6142	4.6300	4.6500	↘
JPYMYR	3.8300	3.8500	3.8790	3.9000	3.9200	↘
GBPMYR	5.1000	5.1300	5.1565	5.1750	5.2000	→
SGDMYR	3.0200	3.0220	3.0267	3.0275	3.0300	→
AUDMYR	2.8200	2.8400	2.8620	2.8800	2.9000	→
NZDMYR	2.6600	2.6700	2.6787	2.7000	2.7200	→
USDSGD	1.3750	1.3780	1.3801	1.3840	1.3870	→
EURSGD	1.5200	1.5220	1.5246	1.5275	1.5300	↘
GBPSGD	1.6900	1.7000	1.7041	1.7100	1.7150	↘
AUDSGD	0.9400	0.9430	0.9458	0.9480	0.9520	→

\* 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	1,595.85	-0.54	-5.60	CRB Index	174.94	0.36	3.03
Dow Jones Ind.	26,909.43	0.28	15.36	WTI oil (\$/bbl)	57.40	1.56	26.40
S&P 500	2,979.39	0.03	18.85	Brent oil (\$/bbl)	62.38	1.36	35.99
FTSE 100	7,267.95	0.44	8.02	Gold (S/oz)	1,485.78	-1.40	15.96
Shanghai	3,021.20	-0.12	21.14	CPO (RM/tonne)	2,108.00	0.86	7.96
Hang Seng	26,683.68	0.01	3.24	Copper (\$/tonne)	5,825.00	0.17	-2.35
STI	3,155.71	0.30	2.83	Rubber (sen/kg)	437.00	-0.23	15.30

Source: Bloomberg

## ➤ Macroeconomic

Economic Data				
	For	Actual	Last	Survey
US NFIB biz confidence	Aug	103.1	104.7	103.5
UK jobless claims change	Aug	28.2	19.8k (revised)	--
UK average weekly earnings YOY	Jul	4.0%	3.8% (revised)	3.7%
UK ILO jobless rate	Jul	3.8%	3.9%	3.9%
JP machine tool orders YOY	Aug P	-37.1%	-33.0%	--
JP BSI large all industry	3Q	1.1	-3.7	-1.0
JP BSI large manufacturing	3Q	-0.2	-10.4	--
CH CPI YOY	Aug	2.8%	2.8%	2.7%
CH PPI YOY	Aug	-0.8%	-0.3%	-0.9%
AU NAB business condition	Aug	0.5	2.6 (revised)	--
AU NAB business confidence	Aug	1.4	3.8	--

Source: Bloomberg

- US small business confidence turned less optimistic:** Small businesses in the US were least upbeat in five months. The NFIB business optimism index dwindled more than expected to 103.1 in August (Jul: 104.7), as the percentage of firms hiring and expecting a better economy fell amid heightened trade tensions and rising recession fear. However, the current level remains far above the GFC low of 81.6, suggesting businesses still remained optimistic overall.
- Some softness in UK job market:** UK job data turned in softer overall, showing tentative signs of weakness in the UK labour market as Brexit uncertainties continued to deter hiring. Initial jobless claims increased 28.2k in August, up from a downwardly revised 19.8k in July while employment added only 31k jobs in July, sharply lower than the 115k jobs in June and below expectation for a 55k addition. These were however mitigated by the slight dip in unemployment rate to 3.8% in the three months to July (Jun: 3.9%) and quicker growth in average earnings (+4.0% vs +3.8% YOY), its fastest in 11 years.
- China underlying inflation remains subdued:** CPI sustained a 2.8% YOY increase in August, extending its gradual uptrend since the beginning of the year, spurred by hefty increases in food prices (+10.0% vs +9.1% YOY) as non-food prices rose a mere 1.1% YOY. Overall inflationary pressure remains very modest indeed as the spike in food prices was pandemic-related to the outbreak of swine flu that drove up pork prices. Continuous decline in PPI, at an even faster pace of 0.8% YOY in August (Jul: -0.3% YOY), is expected to heighten deflationary risks and dampened profitability at factories, worsening the already apparent slowdown.
- Continued decline in Japan machine tool orders; BSI outlook improved:** Preliminary reading showed machine tool orders in Japan fell for the 11<sup>th</sup> straight month, by 37.1% YOY in August (Jul: -33.0% YOY), near its steepest fall in a decade. Both domestic and overseas orders deepened its fall during the month, reaffirming weak outlook in business spending. However, there was some relief from a separate release this morning. BSI survey showed outlook for large all industry bounced back to positive territory of 1.1 in 3Q (2Q: -3.7) thanks to broad-based improvement across all from large, medium to small scale firms, notably led by large manufacturing setups that improved markedly by 10.2ppt to -0.2 in 3Q (2Q: -10.4). The outlook component was however mixed, with some deterioration expected in 4Q (-0.4) before bouncing back in 1Q20 (+1.7) for overall all large industries.
- Australia businesses turned less upbeat in August:** NAB business conditions and outlook both softened in August. The business condition index pulled back to its lowest in five years at 0.5 in August (Jul: 2.6 revised) while the confidence gauge retreated to its lowest in four months (1.4 vs 3.8). This somewhat contrasted with recent generally positive Australian dataflow, which if sustained, could spare the RBA from delivering another rate cut in the near term.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
11/09	Malaysia	Industrial production YOY	Jul	3.1%	3.9%	
		Manufacturing sales YOY	Jul	--	5.3%	
12/09		BNM OPR	Sept	3.00%	3.00%	
11/09	US	MBA mortgage applications	Sept 6	--	-3.1%	
		PPI final demand MOM	Aug	0.0%	0.2%	
		Wholesale inventories MOM	Jul F	0.2%	0.2%	
12/09		CPI YOY	Aug	1.8%	1.8%	
		Initial jobless claims	Sept 7	215k	217k	
12/09	EU	Industrial production MOM	Jul	-0.1%	-1.6%	
		ECB main refinancing rate	Sept	0.0%	0.0%	
		ECB deposit facility rate	Sept	-0.5%	-0.4%	
12/09	UK	RICS house price balance	Aug	-10%	-9%	
12/09	Japan	PPI YOY	Aug	-0.8%	-0.6%	
		Core machine orders MOM	Jul	-8.0%	13.9%	
		Tertiary industry index MOM	Jul	-0.3%	-0.1%	
12/09	Singapore	Retail sales YOY	Jul	-2.9%	-8.9%	
11/09	Australia	Westpac consumer confidence index	Sept	--	100.0	

Source: Bloomberg

## Forex

	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1043	-0.05	1.1060	1.1031	-3.66
GBPUSD	1.2350	0.03	1.2379	1.2307	-3.13
USDJPY	107.54	0.28	107.59	107.18	-1.99
AUDUSD	0.6861	-0.01	0.6870	0.6849	-2.68
EURGBP	0.8940	-0.10	0.8975	0.8921	-0.54
USDMYR	4.1710	-0.19	4.1755	4.1675	0.91
EURMYR	4.6075	-0.05	4.6167	4.6026	-2.53
JPYMYR	3.8891	-0.39	3.8910	3.8807	3.49
GBPMYR	5.1444	0.09	5.1666	5.1357	-2.34
SGDMYR	3.0243	0.05	3.0275	3.0189	-0.38
AUDMYR	2.8626	0.25	2.8691	2.8588	-2.07
NZDMYR	2.6797	0.04	2.6888	2.6790	-3.56
CHFMYR	4.2106	-0.37	4.2113	4.1996	0.27
CNYMYR	0.5873	0.03	0.5878	0.5860	-2.97
HKDMYR	0.5323	-0.15	0.5326	0.5317	0.78
USDSGD	1.3802	0.04	1.3814	1.3788	1.24
EURSGD	1.5242	-0.01	1.5256	1.5221	-2.48
GBPSGD	1.7046	0.08	1.7084	1.6978	-1.93
AUDSGD	0.9467	-0.03	0.9479	0.9453	-1.46

Source: Bloomberg

### MYR

- **MYR closed stronger by 0.19% at 4.1710** on quiet trades ahead of key ECB monetary policy meet.
- **We turn neutral USDMYR today** as market seems to be in consolidation ahead of key ECB policy meet. **We remain bearish USDMYR over the medium term** on an expected Fed rate cuts due to prolonged trade worries.

### USD

- **The dollar index closed almost unchanged at 98.36** as markets consolidate ahead of key ECB policy meet.
- **We turn neutral USD today** as the data calendar and headlines remain light ahead of key ECB policy meet. **We remain bearish USD over the medium term** as prolonged issues may trigger a series of Fed rate cuts.

### EUR

- **EUR closed marginally lower by 0.05% against the USD at 1.1043** as the pair struggled to move either way ahead of key ECB meet.
- **We remain bearish EUR over the foreseeable future** as the ECB is expected to introduce an aggressive stimulus package which would be expected to weaken the EUR.

### GBP

- **GBP closed flat at 1.2350 against the USD** in line with the general USD on lack of headlines.
- **We remain bearish GBP for the foreseeable future** as the UK government continues to struggle internally to come to terms with Brexit issues right before a 31 October deadline.

### JPY

- **JPY finished 0.28% weaker at 107.54 vs the greenback** led by higher UST yields.
- **We remain bearish JPY** over the short term on higher UST yields. **We remain bullish JPY over the medium term** on prolonged trade worries and possible Fed rate cuts.

### AUD

- **AUD closed flat against the USD at 0.6861** in line with the general USD on lack of headlines.
- **We turn neutral AUD today** as market seems to be in consolidation but **remain bearish AUD over the medium term** on expected slower global growth due to prolonged trade worries.

### SGD

- **SGD closed flat against the USD at 1.3802** in line with the general USD on lack of headlines and ahead of key ECB policy meet.
- **We turn neutral SGD today** ahead of key ECB meet but **remain bearish SGD over the medium term** as the outlook remains gloomy over prolonged trade issues.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936  
Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

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