

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks closed at record highs on Friday, to register a solid weekly gain as investors shrugged off President Trump's latest remark that he hadn't agreed to a rollback in US tariffs on imported Chinese goods.** Despite this, risk-on mode persisted, leading investors to buy stocks and exit safe havens, as many appeared convinced that a partial deal in some form would be reached by both the US and China. The Dow Jones edged up minimally whereas the S&P 500 and NASDAQ picked up 0.3-0.5%. Treasuries yields rose moderately by 1-3bps along the curve. Benchmark 10Y UST gained 2bps to 1.94%. The greenback sustained its strength, appreciating against most its major peers. Oil prices went up slightly, Brent crude gained 0.4% to \$62.51/barrel. **On Friday, BNM announced a surprised cut in the Statutory Reserve Requirement Ratio (SRR) by 50bps to 3.0%, effective 16-Nov,** its first reduction in three years aimed at ensuring sufficient liquidity that could free up RM7.4b to the banking system. We believe this will unlikely provide a significant lift to loans growth given overall weak loans demand but would probably help address liquidity concerns over potential outflows. **We also would not interpret this as an easing bias in BNM monetary policy, hence our OPR pause view, barring bigger than expected escalation in external risks.**
- On the data front, **American consumer sentiment was little changed. China trade report turned out to less gloomy** than expected as both exports and imports registered smaller contractions. China consumer inflation spiked further, boosted by higher food prices amidst a shortage of pork supply. **Factories however are mired in deflation as producer prices saw sharper drop last month.** Japan's key capex gauge, the core machinery orders unexpectedly fell for the third straight month to indicate firms' cut in spending. **Australian housing market seems poised for a turnaround** as the number of home loans approval increased for the fifth month.
- The greenback sustained its strength, appreciating against nearly all its major peers. **The dollar index gained steadily by 0.21% to 98.35. We are slightly bullish on USD** today as dollar strength will likely persist amidst a lack of clarity and development in US-China trade deal.
- **MYR weakened against the USD by 0.3% to 4.1345** ahead of the weekend alongside its regional peers as market saw a good bargain in buying cheaper dollar that in turn boosted USD demand. **We are neutral to slightly bearish on MYR today** awaiting more development in US-China trade development.
- **SGD slipped by 0.1% against the USD at 1.3590** alongside its weaker regional peer. **We are neutral on SGD today similarly on the lack of clarity/development surrounding US-China trade headlines.**

Overnight Economic Data

US	➔
Japan	➔
China	➔
Australia	⬆

What's Coming Up Next

Major Data

- Malaysia Industrial Production
- UK GDP, Industrial Production, Visible Trade Balance
- Japan Eco Watchers Survey

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1080	1.1000	1.1022	1.1050	1.1080	➔
GBPUSD	1.2700	1.2750	1.2795	1.2850	1.2880	➔
USDJPY	108.80	109.00	109.22	109.50	109.80	➔
AUDUSD	0.6830	0.6850	0.6859	0.6880	0.6930	➔
EURGBP	0.8550	0.8600	0.8615	0.8650	0.8700	➔
USDMYR	4.1250	4.1300	4.1380	4.1400	4.1500	➔
EURMYR	4.5500	4.5540	4.5625	4.5700	4.5800	↗
JPYMYR	3.7650	3.7800	3.7907	3.8000	3.8200	➔
GBPMYR	5.2500	5.2730	5.2976	5.3100	5.3350	➔
SGDMYR	3.0375	3.0400	3.0440	3.0450	3.0480	↗
AUDMYR	2.8300	2.8350	2.8390	2.8400	2.8450	↘
NZDMYR	2.6100	2.6150	2.6219	2.6280	2.6350	↘
USDSGD	1.3550	1.3580	1.3600	1.3620	1.3650	➔
EURSGD	1.4950	1.4975	1.4989	1.5030	1.5050	➔
GBPSGD	1.7320	1.7365	1.7400	1.7450	1.7510	➔
AUDSGD	0.9300	0.9315	0.9325	0.9350	0.9380	➔

* 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	1,609.73	0.02	-4.78	CRB Index	181.28	0.16	6.76
Dow Jones Ind.	27,681.24	0.02	18.66	WTI oil (\$/bbl)	57.24	0.16	26.05
S&P 500	3,093.08	0.26	23.39	Brent oil (\$/bbl)	62.51	0.35	15.95
FTSE 100	7,359.38	0.63	9.38	Gold (\$/oz)	1,459.00	-0.65	13.87
Shanghai	2,964.19	0.49	18.86	CPO (RM/tonne)	2,407.50	0.08	23.30
Hang Seng	27,651.14	0.70	6.99	Copper (\$/tonne)	5,924.00	-0.84	-0.69
STI	3,264.30	0.65	6.37	Rubber (sen/kg)	428.50	-1.15	13.06

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US Wholesale Inventories MOM	Sep F	-0.4%	-0.3%	-0.3%
US U. of Mich. Sentiment	Nov P	95.7	95.5	95.5
JP Leading Index CI	Sep P	92.2	91.9	92.2
JP Core Machine Orders MOM	Sep	-2.9%	-2.4%	0.9%
CN Exports YOY	Oct	-0.9%	-3.2%	-3.9%
CN Imports YOY	Oct	-6.4%	-8.3% (revised)	-7.8%
CN Trade Balance	Oct	\$42.81b	\$39.2b (revised)	\$40.10b
CN PPI YOY	Oct	-1.6%	-1.2%	-1.5%
CN CPI YOY	Oct	3.8%	3.0%	3.4%
AU Home Loans MOM	Sep	3.6%	2.0% (revised)	1.0%

Source: Bloomberg

- RBA sees moderate growth in 2H19:** In its quarterly Statement on Monetary Policy released on Friday, the RBA maintained that outlook for the Australian economy was little changed since the August Statement and continued to expect moderate growth in the second half of 2019. While it slashed its forecasts for 2019 from 2.0% to 1.75%, it foresees growth to pick up in 2020 (+2.75%) and 2021 (+3.0%), led by gradual increase in consumption which was in turn supported by rising income and improvement in the housing market. Inflation is expected to remain subdued – the trimmed mean CPI will remain below 2.0% this year and is only expected to reach 2.0% in 2021. The labour market is likely to continue experiencing strong employment growth as firms' hiring intention remains above average. RBA said that further escalation of US-China trade dispute despite recent progress in negotiation alongside Brexit, China slowing growth trajectory, falling dwelling investment post downside risks to the economy. RBA also recognized that the global financial markets appear to have passed “a trough of pessimism” and given its 75basis point cut in the cash rate for the past six months, it was appropriate to hold cash rate steady in the most recent meeting on last Tuesday. However it maintained that it is prepared to ease policy further if needed to support growth, full employment and to achieve its inflation target.
- US consumer sentiment almost unchanged in November:** The University of Michigan Consumer Sentiment Index edged up slightly to 95.7 in November according to a preliminary reading, to indicate little change in American consumer sentiment but the survey reported that consumers did voice out more positive outlook for the economy that was slightly offset by the less favourable outlook for their own personal finances. On a separate note, wholesale inventories in the US slipped by 0.4% MOM in September (Aug: +0.1%), more than initially expected in the advance report.
- China exports slipped lesser than expected:** China trade report turned out much less gloomy than initially expected as exports recorded a tiny 0.9% YOY drop in October (Sep: -3.2%). Analysts had been projecting exports to slip 3.9% YOY, the marginal decline offers some reprieves that Chinese external trade sector may not be as severely affected as previously thought in the midst of an unresolved trade dispute with the US. The smaller decline in shipment was aided by the robust growth in shipments to ASEAN countries, Taiwan and the rebound of that to South Korea and the European Union. Exports to the US, Hong Kong and Japan continued to fall last month. Imports meanwhile declined by 6.4% YOY (Sep: -8.3% revised), marking its sixth back-to-back contraction since May, a firm sign that Chinese demand for overseas goods continued to pull back amidst a broader economic slowdown. As a result, the sharper fall in imports led the trade surplus for October to widen to \$42.1b (Sep: \$39.2b revised).
- China factories in deflation; consumer inflation spiked over skyrocketing pork prices:** China factories remained mired in a state of deflation as producer prices further declined by 1.6% YOY in October (Sep: -1.2%) in the midst of a manufacturing downturn. Headline consumer prices meanwhile surged by 3.8% YOY (Aug: +3.6%) mainly reflecting the continuous spike in pork prices that boosted the overall food category. The nation remains short of pork supply, a Chinese household preferred poultry while fighting the widespread African swine flu.

- Japan's key capex gauge slipped for third month; leading index edged up in September:** Japan's core machinery orders, a key gauge of firms' capital expenditure unexpectedly slipped by 2.9% MOM in September (Aug: -2.4%), marking its third back-to-back contraction since July, pointing to a weaker business outlook as firms continued to cut spending. Analysts had been expecting orders to record a tiny gain, shy of 1.0% following two months of decline. Meanwhile, the preliminary leading index published by the Economic And Social Research Institute rose marginally to 92.2 in September (Aug: 91.9) led by a 2pts gain in the coincident sub-index that offset the drop in the lagging indicators.
- Australia housing market poised for a turnaround:** The number of home loan approved for owner occupiers rose 3.6% MOM in September (Aug: +2.0% revised), marking its fifth consecutive month of increase. Accompanying a stronger September print was the upward revision to August's growth (from 0.7% to 2.0%), adding to signs that housing demand is picking up in what appears to be a turnaround of the market. Lending to owner-occupiers continued to pick up for the fourth month by 3.2% MOM (Aug: +3.4% revised), whereas lending to investors slipped by 4.0% MOM (Aug: +6.5% revised) following an outsized gain in August.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
11/11	Malaysia	Industrial Production YOY	Sep	1.7%	1.9%	--
12/11	US	NFIB Small Business Optimism	Oct	102.0	101.8	--
12/11	Eurozone	ZEW Survey Expectations	Nov	--	-23.5	--
11/11	UK	GDP QOQ	3Q P	0.4%	-0.2%	--
		Industrial Production MOM	Sep	-0.1%	-0.6%	--
		Visible Trade Balance GBP/Mn	Sep	-£10100m	-£9806m	--
12/11		Average Weekly Earnings 3M/YOY	Sep	3.8%	3.8%	--
		ILO Unemployment Rate 3Mths	Sep	3.9%	3.9%	--
		Employment Change 3M/3M	Sep	-102k	-56k	--
11/11	Japan	Eco Watchers Survey Current SA	Oct	40.6	46.7	--
		Eco Watchers Survey Outlook SA	Oct	41.9	36.9	--
12/11		Machine Tool Orders YOY	Oct P	--	-35.5%	--
12/11	Singapore	Retail Sales YOY	Sep	-3.0%	-4.1%	--
12/11	Australia	NAB Business Confidence	Oct	--	0.0	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1018	-0.29	1.1055	1.1017	-3.89
GBPUSD	1.2774	-0.34	1.2825	1.2769	0.31
USDJPY	109.26	-0.02	109.48	109.08	-0.43
AUDUSD	0.6863	-0.51	0.6906	0.6848	-2.68
EURGBP	0.8624	0.05	0.8630	0.8598	-4.17
USDMYR	4.1345	0.25	4.1370	4.1225	0.03
EURMYR	4.5644	-0.09	4.5709	4.5547	-3.45
JPYMYR	3.7812	-0.23	3.7866	3.7686	0.62
GBPMYR	5.2987	-0.30	5.3014	5.2822	0.59
SGDMYR	3.0406	-0.05	3.0437	3.0373	0.15
AUDMYR	2.8437	-0.21	2.8496	2.8398	-2.71
NZDMYR	2.6300	-0.10	2.6333	2.6267	-5.35
CHFMYR	4.1507	-0.19	4.1581	4.1419	-1.16
CNYMYR	0.5912	-0.03	0.5926	0.5912	-2.31
HKDMYR	0.5281	0.06	0.5286	0.5269	-0.02
USDSGD	1.3590	0.10	1.3606	1.3569	-0.24
EURSGD	1.4976	-0.16	1.5023	1.4973	-4.13
GBPSGD	1.7370	-0.17	1.7442	1.7360	0.06
AUDSGD	0.9324	-0.43	0.9371	0.9311	-2.90

Source: Bloomberg

Forex

MYR

- **MYR weakened against the USD by 0.3% to 4.1345** ahead of the weekend alongside its regional peers as market saw a good bargain in buying cheaper dollar that in turn boosted USD demand.
- **We are neutral to slightly bearish on MYR today** awaiting more development in US-China trade development. Medium term outlook remains bearish, expecting stronger USD as the Fed stays put, supported by better US data in 4Q.

USD

- The greenback sustained its strength, appreciating against nearly all its major peers. **The dollar index gained steadily by 0.21% to 98.35.**
- **We are slightly bullish on USD** today as dollar strength will likely persist amidst a lack of clarity and development in US-China trade deal. The medium term outlook remains bullish over better US data in 4Q and views that the Fed would stay put for the rest of 2019.

EUR

- **EUR lost 0.29% against the USD to close at 1.1018** on Friday to mark its worst weekly decline (-1.3%) since late August.
- **We are neutral to slightly bearish on EUR today**, expecting a muted start to the week amidst a lack of key data and development in US-China trade deal. **In the medium term, outlook remains bearish** as the ECB restarts its balance sheet expansion.

GBP

- **GBP slipped against the USD by 0.34% to 1.2774** amidst broad dollar strength.
- **We are neutral to slightly bearish on GBP today**, expecting the USD to continue trading on a firmer note amidst a lack of US-China trade deal development. **Medium term outlook is still bearish** but is mainly driven by headlines surrounding Brexit and UK upcoming December ballots.

JPY

- **JPY was little changed against the USD at 109.26 after bouncing off intra-day lows.**
- **We are neutral on JPY today** as equity is expected to start the week on a mixed note as market awaits development in US-China trade deal. **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 a trade war escalation.

AUD

- **AUD tumbled against the USD by 0.51% to 0.6863** amidst broad dollar strength despite better China trade data.
- **We are neutral to bearish on AUD today** on broad dollar strength and a lack of development in US-China trade deal. **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 slipped by 0.1% against the USD at 1.3590** alongside its weaker regional peer.
- **We are neutral on SGD today similarly on the lack of clarity/development surrounding US-China trade headlines. 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.

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

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