

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Overnight key equity indices all ended in the green globally in a day where markets anxiously await ECB policy announcement later today, and while Brexit and trade tension somewhat receded.** It was a rather quiet and listless day if not because of **President Trump's tweet lambasting the Fed again, calling for the Fed to lower rates to zero or below.** Meanwhile, global bond markets traded mixed and mainly flat. Both the 2Y and 10Y UST yields ended little changed at 1.67% and 1.74% respectively. The Dollar Index climbed steadily through the day to settle marginally higher at 98.65 amid weaknesses in the EUR and GBP. **Crude oil was down nearly 3.0% as a result of easing US-Iran tension** with the WTI and Brent last settled at \$55.75 and \$60.81/ barrel. While markets are expected to be cautious ahead of ECB announcement, **the delay in 5% US tariff hikes from 1-October to 15-October on \$250bn of Chinese goods is expected to somewhat soothe market jitters.**
- **Economic releases have been another mixed bag.** While we have some positive signals from the US and the UK, Asian data released yesterday were on the weaker side. US producer prices were firmer in August but shall have little impact on the Fed policy decision to cut rates next week. RICS survey also showed some improvement in house prices although overall property market in the UK remained sluggish. Japan PPI remained in deflation for a 3rd straight month while indicator showed capex slowed. Malaysia IPI eased more than expected to 1.2% YOY in July dragged by mining even as manufacturing remained firm.
- **The dollar index closed higher by 0.31% to 98.65** as the US PPI data came in better than expected. **We turn bullish USD today** as an expected aggressive ECB stimulus package will likely cause the USD to strengthen. **We remain bearish USD over the medium term** as prolonged trade issues may trigger a series of Fed rate cuts.
- **MYR closed weaker by 0.18% at 4.1785** as investors hedged and squared up risk ahead of ECB event risk. **We remain neutral USDMYR today** as the pair is unlikely to make much headway either way as markets await the ECB meeting. **We remain bearish USDMYR over the medium term** on expected Fed rate cuts due to prolonged trade worries.
- **SGD closed flat against the USD at 1.3795** as market continues to consolidate ahead of key ECB policy meet. **We turn mildly bullish SGD today** as President Trump delays tariffs against China but **remain bearish SGD over the medium term** as the outlook remains gloomy over prolonged trade issues.

Overnight Economic Data

Malaysia	↓
US	↑
UK	↑
Japan	↓
Australia	↓

What's Coming Up Next

Major Data

- US CPI, initial jobless claims
- EU industrial production
- Japan tertiary industry index
- Singapore retail sales

Major Events

- ECB & BNM MPC meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0970	1.1000	1.1012	1.1040	1.1070	↘
GBPUSD	1.2250	1.2300	1.2331	1.2360	1.2400	↘
USDJPY	107.50	107.70	108.02	108.30	108.60	↗
AUDUSD	0.6825	0.6850	0.6877	0.6900	0.6925	↗
EURGBP	0.8870	0.8900	0.8932	0.8960	0.9000	↘
USDMYR	4.1650	4.1700	4.1750	4.1800	4.1850	→
EURMYR	4.5600	4.5800	4.5979	4.6100	4.6300	↘
JPYMYR	3.8300	3.8500	3.8655	3.8800	3.9000	↘
GBPMYR	5.1000	5.1300	5.1480	5.1750	5.2000	↘
SGDMYR	3.0200	3.0250	3.0305	3.0350	3.0400	↗
AUDMYR	2.8300	2.8500	2.8711	2.8800	2.9000	↗
NZDMYR	2.6600	2.6700	2.6824	2.7000	2.7200	↗
USDSGD	1.3730	1.3750	1.3781	1.3810	1.3840	↘
EURSGD	1.5120	1.5150	1.5177	1.5200	1.5250	↘
GBPSGD	1.6850	1.6900	1.6995	1.7050	1.7100	↘
AUDSGD	0.9420	0.9450	0.9478	0.9520	0.9550	→

* 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	1,602.30	0.40	-5.22	CRB Index	173.73	-0.69	2.31
Dow Jones Ind.	27,137.04	0.85	16.33	WTI oil (\$/bbl)	55.75	-2.87	22.77
S&P 500	3,000.93	0.72	19.71	Brent oil (\$/bbl)	60.81	-2.52	32.57
FTSE 100	7,338.03	0.96	9.06	Gold (S/oz)	1,497.20	0.77	16.66
Shanghai	3,008.81	-0.41	20.65	CPO (RM/tonne)	2,112.00	0.19	8.17
Hang Seng	27,159.06	1.78	5.08	Copper (\$/tonne)	5,772.50	-0.90	-3.23
STI	3,204.52	1.55	4.42	Rubber (sen/kg)	440.00	-0.23	16.09

Source: Bloomberg

➤ Macroeconomic

Economic Data

	For	Actual	Last	Survey
MY IPI YOY	Jul	1.2%	3.9%	3.1%
US MBA mortgage applications	Sept 6	2.0%	-3.1%	--
US PPI MOM	Aug	0.1%	0.2%	0.0%
US wholesale inventories MOM	Jul F	0.2%	0.2%	0.2%
UK RICS house price balance	Aug	-4%	-9%	-10%
JP PPI YOY	Aug	-0.9%	-0.6%	-0.8%
JP core machine orders YOY	Jul	0.3%	12.5%	-3.7%
AU Westpac consumer confidence	Sept	98.2	100.0	--

Source: Bloomberg

- US core PPI gained steam; mortgage applications and wholesale inventories rebounded:** Headline producer prices in the US moderated at a less than expected pace to 0.1% MOM in August (Jul: +0.2%) dragged by declines in food and energy prices that fell 0.6% and 2.5% MOM respectively. However, core PPI ex food and energy rebounded strongly to increase 0.3% MOM (Jul: -0.1%), suggesting some moderate pick-up in inflationary pressure. YOY, both headline and core PPI beat expectations to increase 1.8% and 2.3% respectively in August (Jul: +1.7% and +2.1%). A rise in inflation would make it difficult to justify the case for rate cuts. Separately, MBA mortgage applications increased for the first time in four weeks, by 2.0% WOW in the week ended 6-Sept, lifted by both purchases (+4.5%) and refinancing (+0.4%) as long term financing costs dropped 10bps to 3.84%. Wholesale inventories also managed to shrug off last month's 0.1% decline to gain 0.2% MOM in July, thanks to increase in automotive, computers, groceries and drugs, a sign of sustained demand.
- Some signs of improvement in UK house prices :** RICS house price balance showed a surprised improvement to -4% in August (Jul: -9%), even though there were still more surveyors reporting a price decline vs a rise, added to sign that the UK property market remained under pressure amid Brexit uncertainties. The surveys showed most areas reported flat to negative sales in August, while sales expectations fell to a 6-month low and price index remained negative.
- Japan producer prices and core machine orders eased:** PPI registered a bigger than expected fall of 0.9% YOY in August (Jul: -0.6%), marking its 3rd straight month of deflation as export and import prices extended their declines. Meanwhile, core machine orders slowed sharply to eke out a mere 0.3% YOY gain in July (Jun: +12.5%), although this came in better than expectations for a 3.7% YOY decline. Weak capital spending will continue to be a dampener on the Japanese economy as consumption and exports remain under the hit from dimmer growth outlook.
- Softer consumer confidence in Australia:** Westpac consumer confidence softened 1.7% MOM to 98.2 in September (Aug: 100.0), adding to economic woes down under who is probably already under pressure from a slowing China and global economy. All major aspects spanning from expectations, family finances, economic outlook (except for 5-year ahead) and household spending plans fell, reflecting the fragile state of the consumer sector amid a gloomier growth landscape.
- Malaysia IPI growth eased more than expected in July:** Industrial production surprised on the downside, tapering off more than expected to increase a mere 1.2% YOY in July (Jun: +3.9% YOY), as renewed contraction in mining mitigated quicker gains in manufacturing and electricity output. The latest performance of the manufacturing sector as well as the slight uptick seen in global PMI manufacturing, while offering some reprieve, should not be taken as a sign the worst is over. The somewhat synchronized weakness in the manufacturing sector globally is expected to continue undermine overall world economic growth, more so when a concrete resolution to the years-long trade dispute remains remote. We are maintaining our full year real GDP growth forecast of 4.7% in anticipation of sustained domestic demand in the face of increasing downside risks from the external environment.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
12/09	Malaysia	BNM OPR	Sept	3.00%	3.00%	
12/09	US	CPI YOY	Aug	1.8%	1.8%	
		Initial jobless claims	Sept 7	215k	217k	
13/09		Retail sales MOM	Aug	0.2%	0.7%	
		Uni Michigan consumer sentiments	Sept P	90.8	89.8	
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%	
13/09		Trade balance	Jul	€17.5b	€17.9b	
12/09	Japan	Tertiary industry index MOM	Jul	-0.3%	-0.1%	
13/09		Industrial production MOM	Jul F	--	1.3%	
12/09	Singapore	Retail sales YOY	Jul	-2.9%	-8.9%	
13/09	New Zealand	BusinessNZ PMI manufacturing	Aug	--	48.2	

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1010	-0.30	1.1056	1.0985	-3.97
GBPUSD	1.2326	-0.19	1.2371	1.2313	-3.32
USDJPY	107.82	0.26	107.86	107.50	-1.65
AUDUSD	0.6862	0.01	0.6885	0.6849	-2.57
EURGBP	0.8930	-0.12	0.8952	0.8906	-0.65
USDMYR	4.1785	0.18	4.1835	4.1680	1.09
EURMYR	4.6049	-0.06	4.6219	4.6049	-2.59
JPYMYR	3.8780	-0.29	3.8841	3.8731	3.20
GBPMYR	5.1648	0.40	5.1707	5.1495	-1.95
SGDMYR	3.0289	0.15	3.0334	3.0210	-0.23
AUDMYR	2.8689	0.22	2.8781	2.8583	-1.85
NZDMYR	2.6813	0.06	2.6916	2.6741	-3.51
CHFMYR	4.2055	-0.12	4.2162	4.2036	0.15
CNYMYR	0.5872	-0.01	0.5879	0.5867	-2.98
HKDMYR	0.5330	0.13	0.5334	0.5317	0.91
USDSGD	1.3795	-0.05	1.3805	1.3780	1.12
EURSGD	1.5188	-0.35	1.5253	1.5157	-2.90
GBPSGD	1.7002	-0.26	1.7063	1.6982	-2.25
AUDSGD	0.9466	-0.01	0.9487	0.9452	-1.47

Source: Bloomberg

Forex

MYR

- **MYR closed weaker by 0.18% at 4.1785** as investors hedge and square up risk ahead of ECB event risk.
- **We remain neutral USDMYR today** as pair is unlikely to make much headway either way as markets await the ECB meeting. **We remain bearish USDMYR over the medium term** on expected Fed rate cuts due to prolonged trade worries.

USD

- **The dollar index closed higher by 0.31% to 98.645** as the US PPI data came in better than expected.
- **We turn bullish USD today** as an expected aggressive ECB stimulus package will likely cause the USD to strengthen. **We remain bearish USD over the medium term** as prolonged trade issues may trigger a series of Fed rate cuts.

EUR

- **EUR closed lower by 0.30% against the USD at 1.1010** as investors moved in anticipation of the ECB's stimulus package announcement.
- **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 lower by 0.19% to 1.2326** in line with the general USD strength on lack of Brexit 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 0.26% weaker at 107.82** led higher by a rally in US tech stocks.
- **We remain bearish JPY** over the short term on higher UST yields and better performing US equities. **We remain bullish JPY over the medium term** on prolonged trade worries and possible Fed rate cuts.

AUD

- **AUD closed almost unchanged against the USD at 0.6862.**
- **We are mildly bullish AUD today** as President Trump delays USD 250 bio worth of tariffs on China by 14 days 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 1.3795** as market continues to consolidate ahead of key ECB policy meet.
- **We turn mildly bullish SGD today** as President Trump delays tariffs against China 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

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