HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks extended rally but pared earlier gains on Friday after President Trump announced a partial trade deal with China and hold off a scheduled tariffs hike on Chinese goods**. Officials did not disclose many details of the deal which is said to encompass agriculture, currency and "some aspect of intellectual property protection" according to Reuters. Trump said an agreement could take up to five weeks to be inked but expressed confidence that it would not fall apart within this period. **Risk-on mode prompted investors to exit safer assets, leading treasuries yields to rise by 4-7bps across the curve.** On Brexit, there seems to be **rising prospect of a Brexit deal as EU officials agreed to an intensive negotiation with PM Boris Johnson** in Brussels. **Oil prices rallied by more than 2%** on trade optimism and on the attack on an Iranian oil tanker as Middle East tension intensified.

- On the data front, **US consumer sentiment got a boost** this month over lower interest rate environment as the University of Michigan Sentiment Index edged up to 96.0. Imported inflation remained subdued as import prices index picked up a mere 0.2% MOM and declined by 1.6% YOY. **Singapore managed to stave off technical recession to record a 0.6% QOQ growth in 3Q.** YOY GDP barely changed, growing 0.1%. However, dismal growth outlook has prompted **MAS to ease policy for the first time since 2016** as it announced decision to reduce the rate of appreciation for its S$NEER band. Locally, the Malaysian government expectedly announced an expansionary budget to promote growth in the midst of external challenges. MOF's latest macro forecasts were also largely in line with our expectations. *(Please refer separate attachment for details)*

- The greenback slipped across the board except against the yen, led by the strength in the sterling. **The dollar index closed 0.41% lower at 98.30. USD is likely rebounding today** as the sterling seems likely to take another hit from the latest less-than-positive Brexit headlines. We reiterate view that barring from any immediate trade war escalation, medium term outlook is bullish as we foresee the Fed to hold rate steady prior to ECB's restart of QE in November.

- **MYR finished little changed against the USD at 4.1865** on Friday ahead of the 2020 Budget speech. We expect Friday's budget to have little implication on MYR but **foresee MYR to trade on a stronger note today** mainly on trade optimism following the announcement of a partial trade deal between the US and China. In the medium term, we expect USD strength to take hold of the markets heading into November when the ECB restarts QE while maintaining our view that the Fed will hold rate steady this month.

- **SGD strengthened by 0.17% against the USD at 1.3733** amidst broad dollar weakness. **We are slightly bullish on SGD today supported by overall risk-on mode, and** as the MAS was not as dovish as expected even as it eased policy for the first time since 2016, in response to dismal growth outlook in 2019. In the short-to-medium term, we are bearish on SGD amidst unresolved US-China trade dispute and poor Singapore growth outlook.

Overnight Economic Data

Malaysia	↑
US	→
Singapore	→
New Zealand	↓

What's Coming Up Next

Major Data

- Eurozone Industrial Production
- China Exports, Imports

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0987	1.1010	1.1027	1.1045	1.1057	→
GBPUSD	1.2503	1.2554	1.2593	1.2643	1.2670	↘
USDJPY	107.55	108.09	108.26	108.46	108.79	→
AUDUSD	0.6725	0.6761	0.6780	0.6800	0.6823	→
EURGBP	0.8680	0.8722	0.8755	0.8776	0.8803	→
USDMYR	4.1751	4.1774	4.1795	4.1841	4.1898	↘
EURMYR	4.5940	4.6040	4.6090	4.6167	4.6229	↘
JPYMYR	3.8436	3.8546	3.8616	3.8682	3.8766	↘
GBPMYR	5.2492	5.2558	5.2653	5.2730	5.2829	↗
SGDMYR	3.0439	3.0481	3.0501	3.0513	3.0532	↗
AUDMYR	2.8190	2.8240	2.8347	2.8355	2.8400	→
NZDMYR	2.6245	2.6320	2.6382	2.6530	2.6600	↘
USDSGD	1.3671	1.3689	1.3703	1.3732	1.3775	↘
EURSGD	1.5061	1.5089	1.5111	1.5132	1.5150	↘
GBPSGD	1.7206	1.7245	1.7260	1.7279	1.7320	↘
AUDSGD	0.9270	0.9285	0.9295	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	1,556.84	0.32	-7.91	CRB Index	176.04	1.42	3.67
Dow Jones Ind.	26,816.59	1.21	14.96	WTI oil ($/bbl)	54.70	2.15	20.46
S&P 500	2,970.27	1.09	18.49	Brent oil ($/bbl)	60.51	2.39	12.55
FTSE 100	7,247.08	0.84	7.71	Gold (S/oz)	1,489.01	-0.33	15.69
Shanghai	2,973.66	0.88	19.24	CPO (RM/tonne)	2,112.00	-0.02	8.17
Hang Seng	26,308.44	2.34	1.79	Copper ($/tonne)	5,796.00	0.26	-2.83
STI	3,113.97	0.79	1.47	Rubber (sen/kg)	420.00	-1.41	10.82

Source: Bloomberg

Macroeconomics

Economic Data				
	For	Actual	Last	Survey
MA Industrial Production YOY	Aug	1.9%	1.2%	2.0%
US Import Price Index YOY	Sep	-1.6%	-1.8% (revised)	-2.1%
US U. of Michigan Consumer Sentiment	Oct P	96.0	93.2	92.0
SG Retail Sales YOY	Aug	-4.1%	-1.5% (revised)	-4.3%
SG GDP YOY	3Q A	0.1%	0.1%	0.2%
NZ Performance Services Index	Sep	54.4	54.6	--

Source: Bloomberg

- ***Pump-priming Budget to promote growth:*** We see no major surprises from the latest MOF projections as well as 2020 Budget measures which reaffirmed that the Malaysian economy is on a steady growth path. Sustained real GDP growth forecasts of 4.7% and 4.8% for this and next year came in largely in line with our house view of 4.7% and 4.6% for 2019 and 2020 respectively. Even though the 2020 growth forecast is a tad more optimistic than ours, we believe it is still realistic barring escalation of external risks. The private sector will remain firmly in the driver seat, aided by revival in investment, hence helping offset the negative drag from net exports. Against such challenging macro backdrop, the government is proposing to maintain an expansionary budget (+7.0% to RM297bn) to pump-prime economic growth. It is hopeful that the increase in development expenditure (equivalent to ~0.2% of GDP) to RM56.0bn, and targeted Budget measures to boost consumption, business investment, and infrastructure projects, would help achieve the 4.8% growth target even though this would be at the expense of slower pace of fiscal consolidation (3.2% of GDP vs initial target of 3.0%). However, this should not raise any credit rating concern as the deficit target of 3.4% of GDP for 2019 remains firmly on track, and that the government remains committed towards trimming its fiscal shortfall to 2.8% of GDP through 2020-2022 under the Medium Term Fiscal Framework (MTFF). Steady global crude oil prices (MOF's 2020 assumption at $62/ barrel vs YTD 2019: $64) is expected to help sustain government revenue pending measures to broaden and restructure its tax base, providing the government more policy flexibility in managing its finances and growth agenda. By and large, we believe this is a thoughtful budget covering various facets of the Malaysian consumers and business and even geographically including East Malaysia. Segments which stand tall to benefit include the B40 population, SMEs, E&E, basic utilities, property and construction. As mentioned, this is a growth-centric budget, but the government is mindful of not jeopardizing the country's fiscal consolidation objective in the longer term.

- ***Malaysia IPI saw another month of subdued gain:*** Industrial production picked up to increase 1.9% YOY in August (Jul: +1.2% YOY), but the gain remained very moderate reflecting subdued overall activities amid ongoing concerns over slower global economic growth. The pick-up in overall IPI gain was underpinned by continuous albeit softer expansion in manufacturing (+3.7%vs +4.0%) and electricity output (+0.3% vs +2.0%) further aided by smaller contraction in mining output (-3.9% vs -8.4%). MOM, IPI bounced back to register a 0.9% increase in August (Jul: -0.4%) on a seasonally adjusted basis, reflecting post-Hari Raya normalization. While overall production reported a pick-up in August, the subdued gain averaging a mere 1.6% YOY in the first two months of 3Q paled in comparison to the 4.0% YOY increase in 2Q, hence raising worries over a bigger than expected pullback in 3Q growth. On a more comforting note, domestic-oriented sectors have been resilient, helping cushion the weakness in export-oriented sectors. Pending more upcoming data, we are keeping our full year real GDP growth forecast unchanged at 4.7%.

- ***US consumer sentiment boosted by lower interest rates:*** The University of Michigan Consumer Index jumped by 3pts to 96.0 in October (Sep: 93.2) according to a preliminary reading as consumers expected larger income gains and lower inflation in the year ahead while maintaining their views of a slower overall economic growth. The survey reported that "stronger finances and lower interest rates helped to modestly bolster buying plans", thus indicating that consumer spending likely to be strong enough to offset the weakness in business investment, a welcoming sign for the economy.

- ***US imported inflation stayed subdued***: Import price index picked up a mere 0.2% MOM in September (Aug: -0.2% revised) as the 2.1% MOM (Aug: -1.9%) rebound in cost of fuel imports were offset by a little decrease in prices of nonfuel goods (-0.1% vs 0.0). YOY, import prices extended further decline of 1.6% YOY (Aug: -1.8% revised) albeit at a smaller margin, as imported fuel prices remained comparatively lower in the same period last year.

- ***Singapore staved off technical recession but economy remained weak; MAS eased policy for first time since 2016:*** Advance reading released this morning show that Singapore real GDP rebounded to increase 0.6% QOQ in the third quarter (2Q: -2.7% revised), staving off a much feared technical recession (defined as two consecutive quarterly contractions). YOY, GDP barely grew, recording a 0.1% expansion (2Q: +0.1%), missing consensus forecast of 0.2%. Manufacturing contraction continued to weigh on overall growth albeit on a slower pace (-0.4% QOQ vs -4.2% QOQ). Weakness in construction persisted (-1.1% QOQ vs -5.3% QOQ) while services managed to regain some footing (+0.7% vs -1.4%). Months of domestic and external weakness has finally prompted the Monetary Authority of Singapore (MAS) to ease policy for the first time since 2016, to "reduce slightly the rate of appreciation of the S$NEER policy band". There will be no change to the width of the policy band and the level at which it is centered as widely expected. The MAS expects growth to print around the midpoint of 0-1% forecast range in 2019 and to improve modestly in 2020, barring any further shocks. Inflation is likely benign as core inflation is expected to come in at the lower end of the 1-2% range in 2019 and average 0.5-1.5% in 2020.

- ***Lower motor vehicle sales weighed on Singapore retail sales:*** Singapore retail sales slipped again in August, recording a decline of 1.3% MOM (Jul: +2.9% revised) after brief rebound in the previous month, attributed mainly to a sharp fall in motor vehicle sales (-19.1% vs +23.7%). Excluding motor vehicles, sales managed to increase by 2.2% MOM (Jul: -0.4%) led by a broad-based rebound across products, offering some respites that consumer demand has not completely lost ground. Compared to the same period last year, retail sales fell by 4.1% YOY (Jul: -1.5%) marking its seventh consecutive month of decline, in line with the broader trend of a slowdown.

- ***New Zealand services sector stabilized:*** The Bank of New Zealand Performance of Services Index was little changed, recording a 54.4 reading in September (Aug: 54.6) and remained comfortably above the 50.0 threshold, suggesting that the sector continued to expand at a steady rate. New orders surged last month, offsetting softer sales and employment, affirming that the services sector will continue to support the New Zealand economy as manufacturing weakness persists.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
15/10	US	Empire Manufacturing	Oct	1.0	2.0	--
14/10	**Eurozone**	**Industrial Production SA MOM**	**Aug**	**0.3%**	**-0.4%**	**--**
15/10		ZEW Survey Expectations	Oct	--	-22.4	--
15/10	UK	Average Weekly Earnings 3M/YOY	Aug	4.0%	4.0%	--
		ILO Unemployment Rate 3Mths	Aug	3.8%	3.8%	--
		Employment Change 3M/3M	Aug	26k	31k	--
15/10	Japan	Industrial Production YOY	Aug F	--	-4.7%	--
14/10	**China**	**Exports YOY**	**Sep**	**-2.8%**	**-1.0%**	**--**
		Imports YOY	**Sep**	**-6.0%**	**-5.6%**	**--**
15/10		CPI YOY	Sep	2.9%	2.8%	--
		PPI YOY	Sep	-1.2%	-0.8%	--
15/10	Australia	RBA Oct. Rate Meeting Minutes				

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1042	0.34	1.1063	1.1001	-3.82
GBPUSD	1.2668	1.81	1.2707	1.2409	-0.98
USDJPY	108.29	0.29	108.63	107.85	-1.12
AUDUSD	0.6794	0.49	0.6811	0.6753	-3.67
EURGBP	0.8724	-1.39	0.8869	0.8695	-2.86
USDMYR	4.1865	-0.07	4.1890	4.1835	1.28
EURMYR	4.6136	-0.17	4.6158	4.6058	-2.41
JPYMYR	3.8773	-0.69	3.8829	3.8719	3.18
GBPMYR	5.2325	2.02	5.2365	5.1964	-0.67
SGDMYR	3.0468	0.13	3.0478	3.0426	0.36
AUDMYR	2.8440	0.41	2.8451	2.8292	-2.70
NZDMYR	2.6536	0.09	2.6558	2.6435	-4.50
CHFMYR	4.1923	-0.83	4.2054	4.1911	-0.16
CNYMYR	0.5897	0.20	0.5901	0.5888	-2.57
HKDMYR	0.5338	-0.17	0.5343	0.5334	1.06
USDSGD	1.3733	-0.17	1.3760	1.3702	0.68
EURSGD	1.5167	0.19	1.5199	1.5120	-3.17
GBPSGD	1.7380	1.55	1.7450	1.7057	-0.31
AUDSGD	0.9327	0.28	0.9349	0.9290	-3.00

Source: Bloomberg

➢Forex

MYR

- **MYR finished little changed against the USD at 4.1865** on Friday ahead of the 2020 Budget speech.
- We expect Friday's budget to have little implication on MYR but **foresee MYR to trade on a stronger note today** mainly on trade optimism following the announcement of a partial trade deal between the US and China. In the medium term, we expect USD strength to take hold of the markets heading into November when the ECB restarts QE while maintaining our view that the Fed will hold rate steady this month.

USD

- The greenback slipped across the board except against the yen, led by the strength in the sterling. **The dollar index closed 0.41% lower at 98.30.**
- **USD is likely rebounding today** as the sterling seems likely to take another hit from the latest less-than-positive Brexit headlines. We reiterate view that barring from any immediate trade war escalation, medium term outlook is bullish as we foresee the Fed to hold rate steady prior to ECB's restart of QE in November.

EUR

- **EU** extended further strength against the USD, to **finish 0.34% stronger against the USD at 1.1042** amidst rising Brexit optimism as risk-on mode dominated market.
- **Expect EUR to cling on to recent ranges above 1.1000** as sentiment stays broadly positive. EUR's medium-term outlook remains bearish over the Eurozone's poor growth outlook and the impending restart of APP in November which would spell further weakness for the shared currency.

GBP

- **GBP jumped by nearly 2% to close at 1.2668 against the USD** over the rising prospect of a Brexit deal as EU officials agreed to an intensive negotiation with PM Boris Johnson in Brussels.
- As mentioned earlier, **GBP likely to reverse course to bearish** following less than positive Brexit headlines. Short and medium term outlook are completely guided by Brexit headlines as proven in the past week, hence is subject to volatility.

JPY

- **JPY finished lower against the USD again by 0.29% at 108.**29 as safe havens came under pressure alongside higher UST yields.
- **We are neutral to slightly bearish on JPY** as risk-on mode still largely dominates markets. We remain bullish on JPY in the medium term given that the US-China trade dispute remains unresolved and there is no reason to completely rule out an unexpected escalation in the months to come.

AUD

- **AUD jumped against the USD by 0.49% to 0.6794** over the news of a partial US-China trade deal.
- **AUD might reverse some of the gains** made last week after Chinese trade data missed expectations. We remain bearish on AUD over the possibility of further RBA easing, unresolved US-China trade dispute and a weakening Chinese economy that could pose downside risk to AUD.

SGD

- **SGD strengthened by 0.17% against the USD at 1.3733** amidst broad dollar weakness.
- **We are slightly bullish on SGD today supported by overall risk-on mode, and** as the MAS was not as dovish as expected even as it eased policy for the first time since 2016, in response to dismal growth outlook in 2019. In the short-to-medium term, we are bearish on SGD amidst unresolved US-China trade dispute and poor Singapore growth outlook.

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