October 16, 2019

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks gained ground overnight as a series of upbeat corporate earnings alleviated worries over a slower growth and temporary moved the current US-China trade dispute to the backseat**. Major indexes rebounded to add 0.9-1.2%, led by shares of JP Morgan, Citigroup, UnitedHealth and Johnsons & Johnsons after their upbeat third-quarter earnings that mainly reflected strength in consumer's financials and spending. **Investors exited safe havens as markets were back into risk-on mode, leading treasuries yields to pick up 2-4bps along the curve**. **The pound surged to its highest level since May over the increasing prospect of a Brexit deal** as news emerged that the EU and British negotiators were closing in on a draft in a last-minute effort to prevent a hard withdrawal. Oil prices continued to fall by 1-1.5%. Earlier yesterday, RBA released its rather dovish October meeting minutes, hinting potential easing in the months to come.

- **On the data front, Germany ZEW Investors Expectations Indexes for both Germany and Eurozone continued to fall deeper in the negative territory**. **The UK saw its job market turning softer** as unemployment rate rose to 3.9% in the three months to August as the economy lost 56k jobs in the same period. Japan industrial production fell by 4.7% YOY in August. **China headline CPI surged by 3% over the near 70% increase in pork prices,** masking weakness in other segments. **Factories stayed in dis-inflation** as PPI dropped by 1.2% YOY. Australia Westpac Leading Index 6-month annualized growth fell by 0.92% to signal a below-trend growth. **New Zealand CPI inflation pulled back to 1.5% YOY** in 3Q.

- **The dollar index closed lower by 0.17% at 98.288** led by GBP as EU and UK negotiators were reportedly closing in on a draft Brexit deal. **We are mildly bearish USD today** as there might be some spillover optimism from Brexit headlines. **We remain bearish USD over the medium term** as prolonged trade issues may trigger a series of Fed rate cuts alongside its balance sheet expansion plans.

- **MYR closed flat at 4.1920** after spending the day in a tight range as the economic calendar was light, with little push or pull factors. **We remain bullish USDMYR today** on relatively poor risk sentiment due to lack of details on 'Phase 1' US-China trade deal. **We remain bearish USDMYR over the medium term** on expected Fed rate cuts and balance sheet expansion.

- **SGD closed 0.09% weaker against the USD at 1.3708**. **We are mildly bullish USDSGD today** on uncertain US-China trade development. **We are bearish USDSGD over the medium term** on an expected Fed rate cut due to prolonged trade issues.

Overnight Economic Data

Eurozone	↓
UK	↓
Japan	↓
China	→
Australia	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, Retail Sales, NAHB Housing Market Index
- Eurozone Trade Balance, CPI
- UK CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0975	1.1000	1.1033	1.1050	1.1080	↘
GBPUSD	1.2600	1.2700	1.2755	1.2800	1.2850	↘
USDJPY	108.25	108.50	108.79	109.00	109.30	↗
AUDUSD	0.6700	0.6725	0.6750	0.6775	0.6800	↘
EURGBP	0.8600	0.8625	0.8653	0.8675	0.8700	↗
USDMYR	4.1850	4.1900	4.1950	4.2000	4.2150	↗
EURMYR	4.6000	4.6150	4.6288	4.6350	4.6500	↗
JPYMYR	3.8200	3.8350	3.8570	3.8750	3.8850	↘
GBPMYR	5.3100	5.3300	5.3511	5.3700	5.3800	↘
SGDMYR	3.0550	3.0575	3.0603	3.0630	3.0660	↗
AUDMYR	2.8000	2.8150	2.8316	2.8500	2.8800	↘
NZDMYR	2.6000	2.6150	2.6387	2.6500	2.6700	↘
USDSGD	1.3650	1.3680	1.3714	1.3730	1.3760	↗
EURSGD	1.5050	1.5090	1.5127	1.5160	1.5200	↘
GBPSGD	1.7400	1.7450	1.7490	1.7550	1.7600	↘
AUDSGD	0.9200	0.9225	0.9255	0.9275	0.9300	↘

* 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	1,566.23	-0.09	-7.36	CRB Index	174.75	-0.14	2.91
Dow Jones Ind.	27,024.80	0.89	15.85	WTI oil ($/bbl)	52.81	-1.46	16.30
S&P 500	2,995.68	1.00	19.50	Brent oil ($/bbl)	58.74	-1.03	9.18
FTSE 100	7,211.64	-0.03	7.19	Gold (S/oz)	1,481.01	-0.82	15.48
Shanghai	2,991.05	-0.56	19.93	CPO (RM/tonne)	2,073.00	-1.57	6.17
Hang Seng	26,503.93	-0.07	2.55	Copper ($/tonne)	5,773.00	-0.77	-3.22
STI	3,116.17	-0.27	1.54	Rubber (sen/kg)	420.50	-0.12	10.95

Source: Bloomberg

Macroeconomics

Economic Data				
	For	Actual	Last	Survey
EU ZEW Survey Expectations	Oct	-23.5	-22.4	--
UK Average Weekly Earnings 3M/YOY	Aug	3.8%	3.9% (revised)	4.0%
UK ILO Unemployment Rate 3Mths	Aug	3.9%	3.8%	3.8%
UK Employment Change 3M/3M	Aug	-56k	31k	26k
JP Industrial Production YOY	Aug F	-4.7%	-4.7%	--
CN CPI YOY	Sep	3.0%	2.8%	2.9%
CN PPI YOY	Sep	-1.2%	-0.8%	-1.2%
AU RBA Oct. Rate Meeting Minutes	Oct			
AU Westpac Leading Index	Sep	-0.08%	-0.19% (revised)	-
NZ CPI YOY	3Q	1.5%	1.7%	1.4%

Source: Bloomberg

- ***RBA meeting minutes hinted further easing ahead:*** The Reserve Bank of Australia released the minutes of its recent meeting in October when it had cut its cash rate to a historic low of 0.75%. RBA appeared dovish in general, noting that unemployment and inflation outcomes over the following years were likely to be short of the Bank's goals. Members had more extensive and deeper considerations over cutting rate – they are mindful that policy was already expansionary and among the arguments was that monetary stimulus should be kept in reserve to address any future negative shocks. Members also noted the ongoing strength in employment growth that was forecast to slow down in the period ahead. Policy stimulus might be less effective than past experience suggests, but transmission through the exchange rate channel was still likely to work effectively. The minutes concluded with the decision to cut rate, to support employment and to provide greater confidence that inflation would be consistent with the medium term target, in tandem with the global trend to lower interest rate. The RBA repeated that it is reasonable that an extended period of low interest rates would be required in Australia and that it would continue to monitor development in the labour market and signal readiness to ease policy further if needed.

- ***German investors still downbeat over growth outlook:*** The German ZEW investor expectation index for Germany slipped a little to -22.8 in October (Sep: -22.5), reflecting German investors' ongoing pessimism over Germany's growth outlook amidst an extensive manufacturing downturn. The similar index for the Euro area economy fell by a larger margin to -23.5 (Sep: -22.4) as investors turned more gloomy over the bloc's overall outlook in the face of ever challenging external backdrop and prolonged trade uncertainties.

- ***UK job data turned softer in August:*** UK latest job data painted a softer picture of the labour market as the ONS reported a loss in employment, higher unemployment rate and slower wage growth in the midst of an ongoing economic slowdown plagued by Brexit uncertainties. The headline employment change for the three months ending August came in on a negative note (-56k vs +31k) as the fall in part time jobs (-128k) outweighed that of the increase in full-time jobs (+72k). Unemployment rate also went back up to 3.9% in the three months to August (Jul: 3.8%). Average weekly earnings, a gauge of wage growth picked up 3.8% YOY in the same period (Jul: +3.9% revised), a tad slower than the newly downward revised growth in the previous month. Excluding bonus, wages also grew at a softer rate of 3.8% YOY (Jul: +3.9% revised).

- ***Japan industrial production fell again as manufacturing downturn deepened:*** Final reading confirmed that industrial production slipped by 1.2% MOM in August (Jul: +1.3% after a temporary rebound in July as manufacturing downturn persisted in the second quarter. YOY, IPI slumped deeper by 4.7% (Jul: +0.7%) after a less than 1% temporary rebound in July, marking its sixth decline within a seven-month period.

- ***China headline inflation spiked on pork prices; factory in dis-inflation:*** Consumer prices spiked again in September, driven by the continuous rise in prices of pork which are still in limited supply amidst an ongoing fight against the African swine flu. Headline CPI rose by 3.0% YOY (Aug: +2.8%), its largest increase in nearly six years as a result of a 69.3% YOY increase in cost of pork (Aug: +46.7%) which lifted the overall food category to a 11.2% YOY increase (Aug: +10.0%). Taking away the volatile items, core CPI remained sluggish, stabilizing at a rate of 1.5% YOY (Aug: +1.5%) to indicate a lack of price pressure in the economy. This argument is supported by the continuous fall in producer prices (-1.2% vs -0.8%), now in its third consecutive month of decline to signal a deepening state of dis-inflation at Chinese factories, flagging worrying signs of falling manufacturing profits.

- ***Australia Leading Index signaled below trend growth:*** Australia Westpac-Melbourne Institute Leading Index slipped by 0.08% MOM in September (Aug: -0.19% revised), leading the 6-month annualized growth rate to fall by a whopping 0.92% (Aug: -0.24%).The growth rate is now "materially below trend", weighed down by further weakening in dwelling approvals, consumer sentiment, lower commodities prices and slower gain in working hours.

- ***New Zealand inflation pulled back in 3Q:*** Consumer Price Index rose 0.7% QOQ in the third quarter of 2019 (2Q: +0.6%), a tad faster than the second quarter. However, prices pressure remained muted as YOY CPI inflation pulled back to a mere 1.5% (2Q: +1.7%). Softer inflation was among the key issues facing RBNZ alongside a manufacturing downturn and deteriorating business confidence. The slower inflation came largely in line with the central bank's projection- it had expected inflation to slow to 1.3% YOY in 3Q and to remain below the midpoint of its 1-3% target. The RBNZ had cut its official cash rate multiple times this year, and remains open to further easing if needed.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
16/10	**US**	**MBA Mortgage Applications**	**Oct-11**	**--**	**5.2%**	**--**
		Retail Sales Advance MOM	**Sep**	**0.3%**	**0.4%**	**--**
		Retail Sales Control Group	**Sep**	**0.3%**	**0.3%**	**--**
		NAHB Housing Market Index	**Oct**	**68.0**	**68.0**	**--**
17/10		U.S. Federal Reserve Releases Beige Book				
		Building Permits MOM	Sep	-5.3%	7.7%	8.2%
		Housing Starts MOM	Sep	-3.2%	12.3%	--
		Philadelphia Fed Business Outlook	Oct	7.6	12.0	--
		Initial Jobless Claims	Oct-12	215k	210k	--
		Industrial Production MOM	Sep	-0.2%	0.6%	--
16/10	**Eurozone**	**Trade Balance SA**	**Aug**	**18.0b**	**19.0b**	**--**
		CPI Core YOY	**Sep F**	**1.0%**	**1.0%**	**--**
		CPI YOY	**Sep F**	**0.9%**	**1.0%**	**1.0%**
16/10	**UK**	**CPI YOY**	**Sep**	**1.8%**	**1.7%**	**--**
17/10		Retail Sales MOM	Sep	-0.2%	-0.2%	--
17/10	Singapore	Non-oil Domestic Exports YOY	Sep	-7.2%	-8.9%	--
17/10	Australia	Employment Change	Sep	15.0k	34.7k	--
		Unemployment Rate	Sep	5.3%	5.3%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1033	0.05	1.1046	1.0991	-3.78
GBPUSD	1.2787	1.42	1.2800	1.2603	0.06
USDJPY	108.86	0.42	108.90	108.16	-0.77
AUDUSD	0.6753	-0.32	0.6789	0.6743	-4.23
EURGBP	0.8630	-1.34	0.8751	0.8626	-3.82
USDMYR	4.1920	0.08	4.1935	4.1840	1.42
EURMYR	4.6167	-0.14	4.6302	4.6119	-2.34
JPYMYR	3.8690	0.06	3.8716	3.8592	2.96
GBPMYR	5.3021	0.70	5.3224	5.2737	0.65
SGDMYR	3.0581	0.03	3.0609	3.0552	0.73
AUDMYR	2.8364	0.16	2.8414	2.8319	-2.96
NZDMYR	2.6336	-0.13	2.6431	2.6326	-5.22
CHFMYR	4.1980	-0.09	4.2067	4.1930	-0.03
CNYMYR	0.5923	-0.05	0.5929	0.5919	-2.14
HKDMYR	0.5343	0.11	0.5345	0.5333	1.15
USDSGD	1.3708	0.09	1.3719	1.3684	0.58
EURSGD	1.5122	0.13	1.5136	1.5074	-3.22
GBPSGD	1.7527	1.50	1.7542	1.7249	0.64
AUDSGD	0.9257	-0.25	0.9290	0.9247	-3.66

Source: Bloomberg

➢Forex

MYR

- **MYR closed flat at 4.1920** after spending the day in a tight range as the economic calendar was light, with little push or pull factors.
- **We remain bullish USDMYR today** on relatively poor risk sentiment due to lack of details on 'Phase 1' US-China trade deal. **We remain bearish USDMYR over the medium term** on expected Fed rate cuts and balance sheet expansion.

USD

- **The dollar index closed lower by 0.17% at 98.288** led by GBP as EU and UK negotiators were reportedly closing in on a draft Brexit deal.
- **We are mildly bearish USD today** as there might be some spillover optimism from Brexit headlines. **We remain bearish USD over the medium term** as prolonged trade issues may trigger a series of Fed rate cuts alongside its balance sheet expansion plans.

EUR

- **EUR closed flat against the USD at 1.1033** as Brexit headlines brought it up to close higher from the lows.
- **We are mildly bullish EUR today** on possible spillover optimism from Brexit headlines. **We remain bearish EUR over the medium term** over the ECB's announced easing measures.

GBP

- **GBP closed stronger by 1.42% to 1.2787** as EU-UK negotiators were reportedly closing on a draft Brexit deal.
- **We remain bearish GBP for the foreseeable future** so long there is no firm or confirmed announcement over any Brexit deal. We still do not rule out the possibility of a hard Brexit.

JPY

- **JPY finished weaker by 0.42% at 108.86** on as Brexit headlines spurred risk-taking activities.
- **We remain bearish JPY over the short term** on technicals. **We remain bullish JPY over the medium term** on prolonged trade worries and possible Fed rate cuts.

AUD

- **AUD closed 0.32% weaker against the USD at 0.6753** as commodity prices continue to suffer on ongoing trade uncertainties.
- **We remain bearish AUD today** on fading US-China trade optimism and rising Middle East tensions. **We remain bearish AUD over the medium term** on expected slower global growth arising from prolonged trade uncertainties.

SGD

- **SGD closed 0.09% weaker against the USD at 1.3708**.
- **We are mildly bullish USDSGD today** on uncertain US-China trade development. **We are bearish USDSGD over the medium term** on an expected Fed rate cut due to prolonged trade issues.

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