

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks finished lower overnight as poor retail sales data and renewed concerns over US-China relation overshadowed upbeat corporate earnings.** Major indexes slipped around 0.1-0.3% after official data reported that retail sales contracted for the first time in seven months. **The House of Representatives passed a bill aimed at supporting Hong Kong protests, prompted China to threaten retaliation, and risked jeopardising a trade deal underway and more broadly an already fragile Sino-American relation.** Investors exited the equity market in favour of safer US treasuries- leaving yields to fall by 1-4bps. Oil prices rose around 1-1.2% overnight but are expected to retreat this morning after API reported larger than expected (+10.5mil-barrel) gain in US crude stocks. **The prospect of a Brexit deal seems near** as headlines emerged overnight that the EU and UK negotiators were close to reaching an agreement in a last-ditch effort to prevent a hard Brexit. **The IMF slashed its global growth forecast for 2019 for the fifth straight time from 3.2% to 3.0%**, expecting the prolonged trade tension to weigh on growth trajectory on a global scale. The projection for 2020 was also trimmed from 3.5% to 3.4%.
- **US data were mixed. Headline retail sales slipped by 0.3% MOM while the so-called retail sales for control group, a better gauge of consumer spending flat-lined.** The Fed's latest Beige Book also reported less optimistic sentiment over outlook as it mentioned "slight to modest" expansion of activity. **Data were more encouraging on the housing front** as the NAHB Housing Market Index rose to the highest level since Feb last year. **Elsewhere, inflation remained benign** as Eurozone September headline HICP inflation was down to 0.8% YOY over lower energy prices while UK CPI also came in steady at 1.7% YOY, comfortably below the BOE 2% target.
- **The dollar index closed lower by 0.29% at 98.002** led by disappointing US retail sales and a potential Brexit deal euphoria. **We are mildly bearish USD today** as the poor US retail sales number may weigh in the interim.
- **MYR closed flat at 4.1945** as Asian currencies went through consolidations while market participants seek fresh impetus. **We are neutral USDMYR today** on relatively poor risk sentiment due to poor US retail sales and lingering doubts over US-China trade talks.
- **SGD closed 0.06% stronger against the USD at 1.3700** on a broad dollar weakness. **We are neutral USDSGD today** as SGD is torn between a weak USD and poor risk sentiment arising from fading US-China trade optimism.

Overnight Economic Data

US	→
Eurozone	↓
UK	→
Australia	↑

What's Coming Up Next

Major Data

- US Building Permits, Housing Starts, Philadelphia Fed Business Outlook, Initial Jobless Claims, Industrial Production
- UK Retail Sales
- Singapore Non-oil Domestic Exports

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1025	1.1050	1.1082	1.1100	1.1130	↗
GBPUSD	1.2750	1.2800	1.2833	1.2860	1.2900	→
USDJPY	108.25	108.50	108.74	109.00	109.30	↗
AUDUSD	0.6725	0.6750	0.6780	0.6800	0.6830	→
EURGBP	0.8580	0.8610	0.8637	0.8650	0.8675	↗
USDMYR	4.1850	4.1900	4.1930	4.1950	4.2000	→
EURMYR	4.6200	4.6350	4.6458	4.6550	4.6700	↗
JPYMYR	3.8200	3.8350	3.8567	3.8750	3.8850	↘
GBPMYR	5.3350	5.3600	5.3809	5.4000	5.4200	→
SGDMYR	3.0550	3.0575	3.0615	3.0630	3.0660	→
AUDMYR	2.8200	2.8300	2.8429	2.8500	2.8700	↗
NZDMYR	2.6100	2.6250	2.6408	2.6550	2.6700	↗
USDSGD	1.3650	1.3675	1.3699	1.3730	1.3760	→
EURSGD	1.5100	1.5130	1.5175	1.5200	1.5230	↗
GBPSGD	1.7450	1.7520	1.7579	1.7600	1.7650	↗
AUDSGD	0.9230	0.9260	0.9292	0.9310	0.9340	↗

* 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	1,574.90	0.55	-6.84	CRB Index	174.98	0.13	3.05
Dow Jones Ind.	27,001.98	-0.08	15.75	WTI oil (\$/bbl)	53.36	1.04	17.51
S&P 500	2,989.69	-0.20	19.26	Brent oil (\$/bbl)	59.42	1.16	10.45
FTSE 100	7,167.95	-0.61	6.54	Gold (\$/oz)	1,490.13	0.62	16.21
Shanghai	2,978.71	-0.41	19.44	CPO (RM/tonne)	2,059.00	-0.68	5.45
Hang Seng	26,664.28	0.61	3.17	Copper (\$/tonne)	5,730.00	-0.74	-3.94
STI	3,134.71	0.59	2.15	Rubber (sen/kg)	422.00	0.84	11.35

Source: Bloomberg

➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	Oct-11	0.5%	5.2%	--
US Retail Sales Advance MOM	Sep	-0.3%	0.6% (revised)	0.3%
US Retail Sales Control Group	Sep	0.0%	0.3%	0.3%
US NAHB Housing Market Index	Oct	71.0	68.0	68.0
EU Trade Balance SA	Aug	€20.3b	€17.5b (revised)	€18.0b
EU CPI Core YOY	Sep F	1.0%	1.0%	1.0%
EU CPI YOY	Sep F	0.8%	1.0%	0.9%
UK CPI YOY	Sep	1.7%	1.7%	1.8%
AU Employment Change	Sep	14.7k	37.9k revised	15.0k
AU Unemployment Rate	Sep	5.2%	5.3%	5.3%

Source: Bloomberg

- US retail sales slipped, cast doubt over consumer spending:** US retail sales fell for the first time in seven months by 0.3% MOM in September (Aug: +0.6% revised) following a newly revised gain in August while the retail sales for control group which took away more volatile items was flat (Aug: +0.3%). Both readings missed consensus calls, casting some doubt over the resilience of American consumer spending which has thus far been the main pillar that supports overall growth. Nonetheless, September's miss could be just a blip as leading indicators such as consumer sentiment index and robust consumer financials as reported by big banks still offer tentative signs of a firm consumer spending.
- US homebuilders turned upbeat this month:** Data were encouraging on the housing front aided by lower interest rates environment, as the NAHB Housing Market Index rose to 71 in October (Sep: 68), its highest level since February last year as homebuilders expect a surge in sales of single family units in both present and future times and higher prospective buyers traffic. Meanwhile, the MBA mortgage applications rose a little by 0.5% last week (previous: +5.2%) following two straight week of gains.
- US Fed Beige Book appeared less optimistic over growth:** The latest Federal Reserve Beige Book reported that the US economy expanded at a "slight to modest" pace as opposed to the previous assessment of a "modest" expansion, citing that persistent trade tensions and slower growth had weighed on activity, signaling a less optimistic outlook nationwide. The survey also highlighted slower hiring growth and modest price increases in the US economy as widely expected.
- Eurozone inflation pulled back further in September; trade surplus widened:** Final reading confirmed that inflation in the Eurozone remained muted as widely expected. HICP inflation picked up 0.2% MOM (Aug: +0.1%) but the annual rate was a tad slower at 0.8% YOY (Aug: +1.0%) compared to the initial estimate of 0.9% YOY as prices of energy fell last month amidst lower global oil prices. September headline CPI growth was the softest observed since late 2016. Core CPI managed to record a slightly faster gain of 1.0% YOY (Aug: +0.9%), but was still a weak reading. On a separate note, the Eurozone recorded a higher trade surplus of €20.3b in August (Jul: €17.5b revised) as imports slipped by 1.2% MOM (Jul: +0.3%) while exports increased slightly by 0.4% MOM (Jul: +0.2%). Compared to the same period last year, imports fell by 1.4% YOY (Jul: +0.0%) after flat-lining in July, while exports growth pulled back to a mere 1.0% YOY (Aug: +2.8%) following a modest increase in the previous month.
- UK inflation below BOE target:** UK inflation steadied in September as CPI gained 1.7% YOY in September (Aug: +1.7%), unchanged from the rate recorded in the previous month as the fall in the cost of transport as well as housing and household services were offset by the gain in prices of furniture & household goods and services offered at restaurants & hotels. Core CPI regained strength to increase 1.7% YOY (Aug: +1.5%), but nonetheless price pressure appeared muted in general. Headline CPI has now remained below the BOE's 2% target for the second straight month, leaving the central bank in no rush to raise its bank rate as it sticks to its hawkish bias while awaiting development in the ongoing Brexit negotiation.
- Australia job report upbeat in September:** Australia job report painted a brighter picture of the labour market last month. The headline employment change number came slightly below expectation at 14.7k in September (Aug: +37.9k revised) following an upwardly revised gain in the previous month. September's hiring was driven by an increase in full-time employment (+26.2k vs -13.2k) that offset the decline in part-time jobs (-11.4k vs +51.1k). Unemployment rate also went down to 5.2% (Aug: 5.3%) but that came alongside a shrinking labour force with participation rate inching lower to 66.1% (Aug: 66.2%).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
17/10	US	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%	--
18/10		Leading Index	Sep	0.0%	0.0%	--
17/10	UK	Retail Sales MOM	Sep	-0.2%	-0.2%	--
18/10	Japan	Natl CPI Ex Fresh Food YOY	Sep	0.3%	0.5%	--
18/10	China	Fixed Assets Ex Rural YTD YOY	Sep	5.5%	5.5%	--
		Industrial Production YOY	Sep	4.9%	4.4%	--
		Retail Sales YOY	Sep	7.8%	7.5%	--
		GDP YOY	3Q	6.1%	6.2%	--
17/10	Singapore	Non-oil Domestic Exports YOY	Sep	-7.2%	-8.9%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1072	0.35	1.1086	1.1023	-3.42
GBPUSD	1.2832	0.35	1.2877	1.2658	0.54
USDJPY	108.76	-0.09	108.87	108.57	-0.88
AUDUSD	0.6759	0.09	0.6766	0.6724	-4.19
EURGBP	0.8629	-0.01	0.8717	0.8598	-3.92
USDMYR	4.1945	0.06	4.1960	4.1865	1.48
EURMYR	4.6305	0.30	4.6386	4.6217	-2.05
JPYMYR	3.8587	-0.27	3.8633	3.8493	2.69
GBPMYR	5.3449	0.81	5.3638	5.3169	1.47
SGDMYR	3.0564	-0.06	3.0594	3.0549	0.68
AUDMYR	2.8287	-0.27	2.8324	2.8211	-3.23
NZDMYR	2.6316	-0.08	2.6397	2.6294	-5.29
CHFMYR	4.2067	0.21	4.2099	4.1945	0.18
CNYMYR	0.5907	-0.28	0.5915	0.5905	-2.41
HKDMYR	0.5347	0.07	0.5350	0.5339	1.23
USDSGD	1.3700	-0.06	1.3733	1.3695	0.55
EURSGD	1.5168	0.30	1.5185	1.5108	-2.89
GBPSGD	1.7579	0.30	1.7653	1.7381	1.09
AUDSGD	0.9260	0.03	0.9268	0.9229	-3.64

Source: Bloomberg

Forex

MYR

- **MYR closed flat at 4.1945** as Asian currencies went through consolidations while market participants seek fresh impetus.
- **We are neutral USDMYR today** on relatively poor risk sentiment due to poor US retail sales and lingering doubts over US-China trade talks. **We are bearish USDMYR over the medium term** on possible Fed rate cuts and balance sheet expansion.

USD

- **The dollar index closed lower by 0.29% at 98.002** led by disappointing US retail sales and a potential Brexit deal euphoria.
- **We are mildly bearish USD today** as the poor US retail sales number may weigh in the interim. **We remain bearish USD over the medium term** as prolonged trade issues may trigger a series of Fed rate cuts alongside the Fed's balance sheet expansion plans.

EUR

- **EUR closed higher by 0.35% against the USD at 1.1072** on overall USD weakness due to weak US retail sales.
- **We are mildly bullish EUR today** on continuing USD weakness and on Brexit euphoria. **We remain bearish EUR over the medium term** over the ECB's announced easing measures.

GBP

- **GBP closed stronger by 0.35% at 1.2832** led by USD weakness and euphoria over a possible Brexit deal in the making.
- **We turn neutral GBP in the interim** as EU and UK negotiators seem to be hammering out a possible deal within the stipulated deadline.

JPY

- **JPY finished stronger by 0.09% at 108.76**, on weak dollar and US equities.
- **We remain bearish JPY over the short term** on technicals so long as 108.36 short term support holds. **We remain bullish JPY over the medium term** on prolonged trade uncertainties and possible Fed rate cuts.

AUD

- **AUD closed 0.09% stronger against the USD at 0.6759** as the broad USD weakened over poor US retail sales data.
- **We are neutral AUD today** as AUD seems to be torn between a weak USD, poor risk sentiment arising from fading US-China trade optimism and rising Middle East tensions. **We remain bearish AUD over the medium term** on potential RBA easing, expected slower global growth and prolonged trade uncertainties.

SGD

- **SGD closed 0.06% stronger against the USD at 1.3700** on a broad dollar weakness.
- **We are neutral USDSGD today** as SGD is torn between a weak USD and poor risk sentiment arising from fading US-China trade optimism. **We are bearish USDSGD over the medium term** over possible Fed rate cuts and prolonged trade uncertainties.

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.