

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks bounced off initial lows and ended largely flat overnight while UST curve flattened after the **Federal Reserve announced a 25bps cut in its Fed Funds Rate as widely expected but signaled no more reduction in the benchmark rate this year. The decision to cut is not unanimous with a 7-3 split and the latest dot plot also suggests policy makers are divided on future rate path, with only 7 out of 17 expecting further cut by year end.** There was also little change in the economic projection where only 2019 and 2021 GDP growth forecast were upgraded by 0.1ppt to 2.2% and 1.9% respectively (2020 unchanged at 2.0%). Unemployment rate for 2019 was also revised a notch up to 3.7% with all other projections unchanged from the June estimates. **The latest move by Fed alongside its accompanying projections and dot plot was widely seen as hawkish cut against a backdrop of uncertain global environment amidst slower growth outlook and unresolved trade dispute with China. Oil prices extended further declines as the oil market calmed and EIA reported a buildup in US crude inventories. Brent crude lost another 1.5% to \$63.60/barrel and WTI fell by 2.1% to \$58.11/barrel. Other economic releases were mixed, with pleasant surprises in the US housing market while CPI readings showed continued muted inflation in the EU and UK. Growth in the New Zealand economy slowed albeit less than expected in 2Q, supporting the case for RBNZ policy easing.**
- **Dollar rallied across the board as the dollar index gained 0.31% to 98.56,** nearly reversing previous day's loss. USD strengthened against all its G10 counterparts and nearly all the majors. **We are bullish on USD today** as the dollar is expected to extend its rally after the Fed delivered a hawkish cut overnight. **As we expect no further move by the Fed this year, the medium term outlook for dollar now largely depends on the movement in EUR** which is expected to weaken once the ECB restarts its APP program in November.
- **MYR finished flat against the USD,** recording a tiny 0.08% depreciation against the USD at 4.1850 as markets stayed on the sideline ahead of the FOMC meeting. **We turn bullish on USDMYR today** taking cue from the broad-based strengthening of the greenback overnight after the Federal Reserve delivered a hawkish cut in the fed funds rate by 25bps. **In the medium term, we turn neutral on MYR as we expect the currency to trade around recent ranges.** Outlook largely determined by USD movement relative to EUR as the ECB restarts APP program.
- **SGD closed 0.07% lower i.e. flattish** against the USD at 1.3749. **We are bullish on the pair today** on broad-based USD strength overnight. **In the medium term, we are neutral to slightly bearish on SGD** on unresolved trade dispute and poorer Singaporean economic outlook.

Overnight Economic Data

US	↑
EU	→
UK	↓
Australia	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US Philadelphia Fed Business Outlook, Initial Jobless Claims, Leading Index
- UK Retail Sales
- Japan All Industry Activity Index
- Australia Job Report

Major Events

- BOJ, BOE Monetary Policy Meetings

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1000	1.1020	1.1026	1.1150	1.1070	→
GBPUSD	1.2345	1.2430	1.2466	1.2570	1.2650	→
USDJPY	107.50	107.80	108.44	108.70	109.00	→
AUDUSD	0.6790	0.6800	0.6814	0.6850	0.6880	→
EURGBP	0.8800	0.8820	0.8844	0.8900	0.8930	→
USDMYR	4.1800	4.1850	4.1915	4.1950	4.2000	↗
EURMYR	4.5800	4.6100	4.6209	4.6400	4.6600	↗
JPYMYR	3.8350	3.8500	3.8658	3.8770	3.8880	→
GBPMYR	5.1750	5.2000	5.2251	5.2380	5.2500	↗
SGDMYR	3.0380	3.0400	3.0432	3.0450	3.0470	→
AUDMYR	2.8300	2.8500	2.8551	2.8800	2.9000	↘
NZDMYR	2.6200	2.6350	2.6541	2.6650	2.6800	↘
USDSGD	1.3700	1.3730	1.3773	1.3780	1.3800	↗
EURSGD	1.5130	1.5150	1.5184	1.5220	1.5250	↗
GBPSGD	1.7000	1.7054	1.7163	1.7240	1.7325	→
AUDSGD	0.9320	0.9360	0.9379	0.9420	0.9450	↘

* 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	1,599.49	-0.30	-5.39	CRB Index	177.63	-0.65	4.61
Dow Jones Ind.	27,147.08	0.13	16.37	WTI oil (\$/bbl)	58.11	-2.07	27.97
S&P 500	3,006.73	0.03	19.94	Brent oil (\$/bbl)	63.60	-1.47	18.22
FTSE 100	7,314.05	-0.09	8.71	Gold (\$/oz)	1,494.00	-0.49	16.37
Shanghai	2,985.66	0.25	19.72	CPO (RM/tonne)	2,140.50	2.32	9.63
Hang Seng	26,754.12	-0.13	3.51	Copper (\$/tonne)	5,814.00	-0.12	-2.53
STI	3,166.84	-0.51	3.20	Rubber (sen/kg)	442.00	-0.45	16.62

Source: Bloomberg

➤ Macroeconomic

Economic Data				
	For	Actual	Last	Survey
US MBA Mortgage Applications	Sep-13	-0.1%	2.0%	--
US Building Permits MOM	Aug	7.7%	6.9% (revised)	-1.3%
US Housing Starts MOM	Aug	12.3%	-1.5% (revised)	5.0%
US FOMC Rate Decision	Sep-18	1.75-2.00%	2.00-2.25%	1.75-2.00%
EU CPI Core YOY	Aug F	0.9%	0.9%	0.9%
EU CPI YOY	Aug F	1.0%	1.0%	1.0%
UK CPI YOY	Aug	1.7%	2.1%	1.9%
AU Westpac Leading Index MOM	Aug	-0.28%	0.14%	--
NZ GDP SA QOQ	2Q	0.5%	0.6%	0.4%

Source: Bloomberg

- Fed cut rate despite little change in economic assessment:** The Federal Reserve lowered the target range of the Fed Funds Rate by 25bps from 2.0-2.25% to 1.75-2.0% as widely expected. Minimal changes were being made to the latest FOMC statement as the Fed said that "household spending has been rising at a strong pace but business investments and exports have weakened". Newly released projections show the Fed's median view of appropriate fed funds rate for 2019 at 1.9% (versus 2.4% previously) indicating no further cut this year. The new dot plot shows that members appeared divided on interest outlook as 7 out of its 17 committee members expect further cut by the end of 2019 Economic projections barely changed, aside from the upward revision of 2019 GDP growth from 2.1 to 2.2% and 2019 unemployment rate from 3.6 to 3.7%, indicating the Fed's apparent confidence in a still-solid growth outlook as reiterated by Chair Jerome Powell in the post meeting press conference. He said that the Fed took this step to keep the US economy strong in the face of some notable developments and to provide insurance against ongoing risks while at the same time pledging a more extensive sequence of rate cuts in the unlikely event of a downturn. The latest move by Fed alongside its accompanying projections and dot plot was widely seen as hawkish cut against a backdrop of uncertain global environment amidst slower growth outlook and unresolved trade dispute with China.
- US homebuilding activities rebounded in August:** Housing starts surged more than expected by 12.3% MOM in August (Jul: -1.5% revised) to an annualized pace of 1.36m. Building permits, a forward indicator for housing starts also rose by another 7.7% MOM (Jul: +6.9% revised), pointing to further rise in homebuilding activities in the US amidst lower interest rates environment. Mortgages demand were flat last week as the number of mortgage applications slipped a little by 0.1% for the week ended 13 Sep.
- Eurozone inflation remained muted in August:** The final reading of Eurozone HICP inflation was unrevised at 1.0% YOY in August (Jul: +1.0%). Core CPI rose 0.9% YOY (Jul: +0.9%), also unchanged from the preliminary reading. Inflation remained muted in the Eurozone alongside weak domestic growth and prolonged trade uncertainties, has been the main reason why the ECB has cut its key deposit rate and announced the restart of its asset purchase program.
- UK inflation eased in autumn:** CPI growth tapered from July's high to increase by a mere 1.7% YOY in August (Jul: +2.1%), missing consensus forecast of 1.9% YOY. The lower modest gain in the index was due to the slower gain in cost of alcohol & tobacco, energy, housing and services in general as well as the fall in prices of clothing & footwear. The core reading also printed a lower 1.5% YOY (Jul: +1.9%), as price pressure eased in autumn. The latest CPI readings are unlikely to affect the BOE's decision today where we are expecting the central bank to hold Bank rate unchanged at 0.75% as it continues to grapple with Brexit uncertainties.
- Westpac Leading Index indicates slower Australian growth:** The Westpac Leading Index fell by 0.28% to 97.5 in August (Jul: 97.81) leading the 6-month annualized growth rate to slip back to the negative territory at -0.35% (Jul: 0.01%). The downturn was mainly a result of the substantial drag from the stock markets, commodity prices and dwelling approvals, affirming that the economy will continue to be operating at a below-trend growth rate into late 2019 and early 2020.

- **New Zealand GDP growth slowed in 2Q:** New Zealand economy grew 0.5% QOQ in the second quarter of 2019 (1Q: +0.6%) according to StatNZ this morning, bringing the YOY growth to 2.1% (1Q: +2.5%), its slowest in more than five years. Both numbers however beat consensus expectations which had called for even slower pace of growth. 2Q growth was supported by the agriculture and services industries as the manufacturing sector contracted. The RBNZ has cut its Official Cash Rate (OCR) to a record low of 1.0% in August in a bid to stimulate demand and boost business and consumer confidence. A further fall in confidence could potentially lead to another cut in OCR by the end of the year.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
20/09	Malaysia	Foreign Reserves	Sep-13	--	\$103.5b	--
19/09	US	Philadelphia Fed Business Outlook	Sep	10.5	16.8	--
		Initial Jobless Claims	Sep-14	213k	204k	---
		Leading Index	Aug	-0.1%	0.5%	--
20/09	Eurozone	Consumer Confidence	Sep A	-7.0	-7.1	--
19/09	UK	Retail Sales Inc Auto Fuel MOM	Aug	0.0%	0.2%	--
		Bank of England Bank Rate	Sep-19	0.75%	0.75%	--
19/09	Japan	All Industry Activity Index MOM	Jul	0.2%	-0.8%	--
		BOJ Policy Balance Rate	Sep-19	-0.1%	-0.1%	--
20/09		Natl CPI Ex Fresh Food YOY	Aug	0.5%	0.6%	--
20/09	China	Loan Prime Rate (1Y)	Sept	4.20%	4.25%	--
20/09	Hong Kong	CPI Composite YOY	Aug	3.1%	3.3%	--
19/09	Australia	Employment Change	Aug	15.0k	41.1k	--
		Unemployment Rate	Aug	5.2%	5.2%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1030	-0.39	1.1076	1.1014	-3.83
GBPUSD	1.2472	-0.22	1.2515	1.2439	-2.20
USDJPY	108.45	0.30	108.48	108.09	-1.17
AUDUSD	0.6828	-0.55	0.6869	0.6812	-3.13
EURGBP	0.8845	-0.15	0.8881	0.8820	-1.66
USDMYR	4.1850	0.08	4.1860	4.1750	1.25
EURMYR	4.6240	0.37	4.6322	4.6195	-2.19
JPYMYR	3.8675	0.05	3.8688	3.8611	2.92
GBPMYR	5.2099	0.46	5.2285	5.2063	-1.10
SGDMYR	3.0433	0.21	3.0448	3.0381	0.24
AUDMYR	2.8605	0.06	2.8712	2.8581	-2.14
NZDMYR	2.6497	0.18	2.6568	2.6490	-4.64
CHFMYR	4.2033	-0.08	4.2126	4.2029	0.10
CNYMYR	0.5904	0.16	0.5907	0.5891	-2.45
HKDMYR	0.5346	0.02	0.5347	0.5337	1.21
USDSGD	1.3749	0.07	1.3766	1.3724	0.98
EURSGD	1.5165	-0.32	1.5224	1.5159	-2.89
GBPSGD	1.7161	-0.08	1.7206	1.7095	-1.23
AUDSGD	0.9389	-0.43	0.9440	0.9376	-2.21

Source: Bloomberg

Forex

MYR

- **MYR finished flat against the USD**, recording a tiny 0.08% depreciation against the USD at 4.1850 as markets stayed on the sideline ahead of the FOMC meeting.
- **We turn bullish on USDMYR today** taking cue from the broad-based strengthening of the greenback overnight after the Federal Reserve delivered a hawkish cut in the fed funds rate by 25bps. **In the medium term, we turn neutral on MYR as we expect the currency to trade around recent ranges.** Outlook largely determined by USD movement relative to EUR as the ECB restarts APP program.

USD

- **Dollar rallied across the board as the dollar index gained 0.31% to 98.56**, nearly reversing previous day's loss. USD strengthened against all its G10 counterparts and nearly all the majors.
- **We are bullish on USD today** as the dollar is expected to extend its rally after the Fed delivered a hawkish cut overnight. **As we expect no further move by the Fed this year, the medium term outlook for dollar now largely depends on the movement in EUR** which is expected to weaken once the ECB restarts its APP program in November.

EUR

- **EUR fell against the USD by 0.39% to 1.1030** but managed to stay above the 1.10 psychological level throughout the session.
- **We are neutral to slightly bearish on EUR today** as the single currency is expected to consolidate around recent ranges after the Fed signaled no further cut in 2019. **In the medium term we are bearish on EUR** which is expected to weaken once the ECB restarts its APP program in November and riding on the fact that the Eurozone economy is fundamentally poorer compared to that of the US.

GBP

- **GBP closed weaker by 0.22% to 1.2472** amidst broad dollar strength.
- **We are neutral on GBP today** ahead of the BOE's rate decision as the central bank is expected to keep Bank Rate steady at 0.75%. **The medium term outlook for GBP remain bearish**, and is primarily determined by any development or outcome of Brexit.

JPY

- **JPY finished softer by 0.3% to 108.45** against the USD on dollar strength.
- **We are neutral on JPY today** ahead of BOJ's policy announcement and forward guidance. **We remain bullish on JPY over the medium term** on prolonged US-China trade uncertainties and geopolitical risks.

AUD

- **AUD slipped by 0.55% to 0.6828** vs the USD amidst broad dollar strength.
- **We are neutral to slightly bearish on AUD today** ahead of today's Australia job report where a lower-than-expected new employment figure should trigger a further weakening of the Aussie dollar. **In the medium term, we remain bearish on AUD** as prolonged trade tension is weighing on slower global growth outlook while at the same time, weakening Chinese economy is expected to serve as a drag on AUD.

SGD

- **SGD closed 0.07% lower i.e. flattish** against the USD at 1.3749.
- **We are bullish on the pair today** on broad-based USD strength overnight. **In the medium term, we are neutral to slightly bearish on SGD** on unresolved trade dispute and poorer Singaporean economic outlook.

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