September 20, 2019

HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks ended on a mixed note overnight as markets continued to digest the Fed's interest rate outlook** while awaiting any meaningful development in US-China trade negotiation. The Dow slipped by 0.2%, the S&P 500 was unchanged and NASDAQ picked up a mere 0.1% during Thursday closing. Treasuries yields fell across the curve by 1-2bps. Benchmark 10Y UST yield finished only 1bps lower at 1.79%. **Oil prices resumed gain as Iranian Foreign Minister's comment raised geopolitical tensions in the Middle East.** Brent crude rose 1.2% to $64.40/barrel while WTI was flattish at $58.13/barrel. Thursday was packed with central bank actions. **The BOJ and BOE as well as the SNB Bank hold their respective benchmark interest rates unchanged as widely expected whereas closer to home, Bank Indonesia (BI) cut its 7-day reverse repo rate by 25bps to 5.25%, its third consecutive monthly cut in a bid to boost the economy.**

- **Overnight data was mixed to negative.** Philly Fed business outlook improved while the US labour market remained firm. US existing home sales grew at a slower pace and leading index stagnated in August, offering tentative signs of softening momentum in the US economy going forward. UK retail sales staged a surprised decline dragged by a fall in online sales. Inflation in Japan remained very muted and BOJ has communicated yesterday that it might review its price target in view of persistently low price pressure. Australian job data also disappointed with most of the job creation coming from part time jobs and unemployment rate climbed to a one-year high.

- **The dollar index reversed previous day's gain to fall 0.3% to 98.27**, led by the strength in the Swiss franc and Japanese yen post central banks' decisions as well as the sterling on improving Brexit sentiment. **We turn neutral on USD today** amidst a lack of catalyst. As reiterated earlier, **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 0.17% weaker against USD at 4.1920** amidst broad-based dollar strength following the Fed's hawkish cut in the Fed Funds rate on Thursday. **We are neutral on USDMYR today** as MYR is expected to trade around recent ranges of 4.18-4.20 heading into the weekend. Similarly in the medium term, we turn neutral on the currency pair as outlook now depends largely on the USD movement relative to EUR as the ECB restarted bond buying program in November as well as any development in US-China trade negotiation.

- **SGD closed 0.28% lower** against the USD at 1.3787 amidst broad-based dollar strength after the Fed cut rate. **We are neutral on SGD today** on a lack of catalyst**. 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	→
UK	↓
JP	→
Australia	↓

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- Eurozone Consumer Confidence
- China Loan Prime Rate
- Hong Kong CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1000	1.1020	1.1050	1.1080	1.1100	→
GBPUSD	1.2345	1.2430	1.2525	1.2570	1.2600	→
USDJPY	107.50	107.80	107.98	108.50	109.00	→
AUDUSD	0.6760	0.6780	0.6789	0.6800	0.6830	↘
EURGBP	0.8780	0.8800	0.8822	0.8850	0.8895	→
USDMYR	4.1800	4.1850	4.1900	4.1950	4.2000	→
EURMYR	4.6100	4.6150	4.6285	4.6400	4.6450	→
JPYMYR	3.8350	3.8500	3.8802	3.8940	3.9000	→
GBPMYR	5.2000	5.2200	5.2459	5.2700	5.2880	→
SGDMYR	3.0350	3.0370	3.0389	3.0450	3.0470	→
AUDMYR	2.8300	2.8350	2.8419	2.8480	2.8550	↘
NZDMYR	2.6300	2.6320	2.6344	2.6430	2.6500	→
USDSGD	1.3700	1.3730	1.3788	1.3800	1.3840	→
EURSGD	1.5160	1.5200	1.5233	1.5260	1.5290	→
GBPSGD	1.7120	1.7200	1.7266	1.7310	1.7350	→
AUDSGD	0.9320	0.9340	0.9349	0.9380	0.9400	↘

* 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	1,596.28	-0.20	-5.58	CRB Index	177.77	0.07	4.69
Dow Jones Ind.	27,094.79	-0.19	16.15	WTI oil ($/bbl)	58.13	0.03	28.01
S&P 500	3,006.79	0.00	19.94	Brent oil ($/bbl)	64.40	1.26	19.70
FTSE 100	7,356.42	0.58	9.34	Gold (S/oz)	1,499.03	0.34	16.85
Shanghai	2,999.28	0.46	20.26	CPO (RM/tonne)	2,125.00	-0.79	8.83
Hang Seng	26,468.95	-1.07	2.41	Copper ($/tonne)	5,788.00	-0.45	-2.97
STI	3,158.80	-0.25	2.93	Rubber (sen/kg)	442.00	0.34	16.62

Source: Bloomberg

➢ Macroeconomic

Economic Data				
	For	Actual	Last	Survey
US Philadelphia Fed Business Outlook	Sep	12.0	16.8	10.5
US Initial Jobless Claims	Sep-14	208k	206k (revised)	213k
US Existing Home Sales	Aug	1.3%	2.5%	-0.7%
US Leading Index	Aug	0.0%	0.4% (revised)	-0.1%
UK Retail Sales Inc Auto Fuel MOM	Aug	-0.2%	0.4% (revised)	0.0%
UK Bank of England Bank Rate	Sep-19	0.75%	0.75%	0.75%
JP All Industry Activity Index MOM	Jul	0.2%	-0.7% (revised)	0.2%
JP BOJ Policy Balance Rate	Sep-19	-0.1%	-0.1%	-0.1%
JP Natl CPI Ex Fresh Food YOY	Aug	0.5%	0.6%	0.5%
AU Employment Change	Aug	34.7k	41.1k	15.0k
AU Unemployment Rate	Aug	5.3%	5.2%	5.2%

Source: Bloomberg

- ***BOE held rate steady; stuck to hawkish tone:*** The Bank of England MPC voted unanimously to keep its Bank Rate steady at 0.75% as widely expected and did not offer much surprise in its statement as it stuck to its hawkish bias, refraining from joining global central banks in easing monetary policy in the face of slower growth outlook. The BOE pointed to heightening US-China trade tension and loosening monetary policy in many major economies since its last meeting. which could raise GDP to 0.2% in 3Q as consumption growth is expected to be resilient, supported by real household income as business investment and exports weakened. Inflation is expected to remain slightly below the 2% target in the near term. The labour market appears to be tight but does not seem to be tightening futher. While flagging its usual concerns over Brexit, there was a slight change in its tone which appears rather dovish – adding that this "entrenched uncertainties" over Brexit would reduce domestically generated inflationary pressures. Nontheless it repeated that in the event of a no-deal Brexit, monetary policy response could be in either direction Overall, the BOE continued to stick to maintain its hawkish tone, reiterating its commitment to increase interest rates at a gradual pace and to a limited extent to return inflation to its 2% target assuming a smooth Brexit transition.

- ***BOJ kept policy intact and said might reexamine price target as inflation faltered:*** The BOJ kept its monetary policy unchanged as widely expected, keeping its policy balance rate at -0.1% and maintaining its purchase of JGBs to keep 10Y yields at around 0%. The central bank's move came just hours after the Federal Reserve cut rate in the US and preceded that of the BOE's meeting later of the day. The latest statement said that the BOJ continued to observe slowdown in external economies and acknowledged weakness in Japanese exports but noted that corporate profits were at high level hence rising business capex. BOJ continued to highlight external risks such as the impact of US macroeconomic policy on global financial markets as well as China economic growth, Brexit and geopolitical risks. Downside risks were said to be increasing. Inflation is around 0.5% and inflation expectations have been largely the same. It said it would not hesitate to take additional easing if momentum towards achieving its 2% inflation target was lost but added that it may now reexamine its economic and price development in its next meeting, signaling a potential revision to its 2% price target. The BOJ's preferred inflation gauge – the CPI for all items excluding fresh food has been running below 1% for ten months, ranging at 0.5-0.8%, making the 2% price target seems far from attainable. Latest data released this morning confirms the view as CPI ex fresh food grew a mere 0.5% in August (Jul: +0.6%), its slowest in more than two years. On a separate note, the All Industry Activity Index rebounded to increase 0.2% MOM in July (Jun: -0.7% revised) supported by growth in both manufacturing and services sector.

- ***US Philly Fed index fell; existing home sales beat expectation:*** The latest Philadelphia Manufacturing Business Outlook Survey reported that its headline diffusion index for current general activity fell 5pts to 12.0 in September (Aug: 16.8) indicating a slower pace of growth in the region's manufacturing industry. Initial jobless claims rose by 2k to 208k for the week ended 13 September (previous: 206k) bringing the four-week moving average to 212.25k (previous: 213k), still a historically low level. The Conference Board Leading Index was flat in August (Jul: +0.4% revised), in line with a slower growth narrative as positive contribution from higher building permits were weighed down by falling ISM new orders and stock prices. Last but not least, sales of existing home in the US beat expectations to record a 1.3% MOM increase in August (Jul: +2.5%), adding to signs that momentum is returning to the housing market amidst lower interest rate environment.

- ***UK retail sales fell on lower online sales:*** Headline retail sales dropped by 0.2% MOM in August (Jul: +0.4% revised), its first decline in four months, led mainly by a fall in online sales (-3.2% vs +7.6%). Sales of clothing & footwear continued to be flat while sales of household goods rebounded and auto fuel sales saw only minimal increase. Nonetheless, outlook for consumer spending remains intact for now supported by stable labour market with higher wages, but we expect retailers to continue grappling with Brexit uncertainties in the current period while awaiting any development or extension of the Brexit deadline.

- ***Australia job report disappointed***: The Australia job report broadly disappointed yesterday leading to a plunge in the Aussie dollar. Headline employment change came in at +34.7k in August (Jul: +36.4k revised), more than consensus estimate of 15k, but that was mainly a result of a surge in part-time jobs (+50.2k vs +4.4k). Full-time jobs meanwhile dropped as many as 15.5k (Jul: +32k) for the first time in three months. Unemployment rate also rose to 5.3%, the highest in a year, but was alongside higher participation rate (66.2% vs 66.1%) i.e. an expanding workforce. Nonetheless, the mixed job report could still open door for further RBA easing but we expect the RBA to keep cash rate intact at 1.0% for its next meeting on 1 October.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
20/09	**Malaysia**	**Foreign Reserves**	**Sep-13**	**--**	**$103.5b**	**--**
23/09	US	Chicago Fed National Activity Index	Aug	0.05	-0.36	--
		Markit PMI Manufacturing	Sept P	50.3	50.3	--
		Markit PMI Services	Sept P	51.5	50.7	--
20/09	**Eurozone**	**Consumer Confidence**	**Sep A**	**-7.0**	**-7.1**	**--**
23/09		Markit PMI Manufacturing	Sept P	47.0	47.0	--
		Markit PMI Services	Sept P	53.2	53.5	--
23/09	UK	CBI Trends Total Orders	Sep	-15	-13	--
23/09	Japan	Jibun PMI Manufacturing	Sept P	--	49.3	--
		Jibun PMI Services	Sept P	--	53.3	--
20/09	**China**	**Loan Prime Rate (1Y)**	**Sept**	**4.20%**	**4.25%**	**--**
20/09	**Hong Kong**	**CPI Composite YOY**	**Aug**	**3.1%**	**3.3%**	**--**
23/09	Singapore	CPI YOY	Aug	0.5%	0.4%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1041	0.10	1.1073	1.1023	-3.68
GBPUSD	1.2526	0.43	1.2560	1.2438	-1.80
USDJPY	108.02	-0.40	108.47	107.79	-1.51
AUDUSD	0.6792	-0.53	0.6831	0.6780	-3.62
EURGBP	0.8816	-0.33	0.8894	0.8804	-1.90
USDMYR	4.1920	0.17	4.1980	4.1875	1.41
EURMYR	4.6369	0.28	4.6396	4.6156	-1.91
JPYMYR	3.8820	0.37	3.8942	3.8587	3.31
GBPMYR	5.2383	0.55	5.2403	5.2183	-0.56
SGDMYR	3.0437	0.01	3.0453	3.0398	0.26
AUDMYR	2.8486	-0.42	2.8587	2.8431	-2.55
NZDMYR	2.6487	-0.04	2.6514	2.6400	-4.68
CHFMYR	4.2291	0.61	4.2295	4.1961	0.71
CNYMYR	0.5908	0.07	0.5915	0.5901	-2.39
HKDMYR	0.5354	0.15	0.5366	0.5345	1.36
USDSGD	1.3787	0.28	1.3795	1.3744	1.17
EURSGD	1.5223	0.38	1.5262	1.5161	-2.56
GBPSGD	1.7270	0.64	1.7309	1.7140	-0.66
AUDSGD	0.9366	-0.24	0.9400	0.9347	-2.47

Source: Bloomberg

➢Forex

MYR

- **MYR finished 0.17% weaker against USD at 4.1920** amidst broad-based dollar strength following the Fed's hawkish cut in the Fed Funds rate on Thursday.
- **We are neutral on USDMYR today** as MYR is expected to trade around recent ranges of 4.18-4.20 heading into the weekend. Similarly in the medium term, we turn neutral on the currency pair as outlook now depends largely on the USD movement relative to EUR as the ECB restarted bond buying program in November as well as any development in US-China trade negotiation.

USD

- **The dollar index reversed previous day's gain to fall 0.3% to 98.27**, led by the strength in the Swiss franc and Japanese yen post central banks' decisions as well as the sterling on improving Brexit sentiment.
- **We turn neutral on USD today** amidst a lack of catalyst. As reiterated earlier, **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 finished only slightly higher against the USD by 0.10% to 1.1041**.
- **We are neutral on EUR today** as we continued to expect the fiber to consolidate around recent ranges amidst a lack of catalyst. **In the medium term we remain bearish on the single currency** which is expected to be under pressure 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 0.43% higher against the USD at 1.2526** on improving Brexit sentiments as European Commission President Jean Claude Juncker's comment raised prospect of a soft Brexit. GBP largely shrugged off BOE's rate decision.
- **We are still neutral on GBP today** awaiting further development on Brexit and **reiterate that the medium term outlook remains bearish,** and is entirely determined by any development or outcome of Brexit.

JPY

- **JPY finished stronger by 0.40% to 108.02** against the USD as the BOJ disappointed, refraining to ease monetary policy further.
- **We are neutral on JPY today amidst a lack of catalyst and remain bullish on JPY over the medium term** on prolonged US-China trade uncertainties and rising geopolitical risks.

AUD

- **AUD slipped further by 0.53% to 0.6792** on generally poor Australia job data.
- **We are still bearish on AUD today** as a break below 0.6800 support level indicates higher downside bias. **In the medium term, we remain bearish on AUD** as persistently poor job data open door for further RBA easing while prolonged trade tension and weakening Chinese economy could serve as a drag on AUD.

SGD

- **SGD closed 0.28% lower** against the USD at 1.3787 amidst broad-based dollar strength after the Fed cut rate.
- **We are neutral on SGD today** on a lack of catalyst**. 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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