

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks fell on Friday as investor optimism faded over a disappointing China 3Q GDP growth and negative corporate headlines on Boeing and Johnson & Johnson while awaiting UK Parliament to vote on Boris Johnson's Brexit deal.** The S&P 500 slipped by 0.4% while NASDAQ and the Dow Jones were lower by 0.8-1.0%. Bonds traded on a mixed note, yields on 2Y benchmark treasuries notes rose by 2bps to 1.57%, 10Y UST was virtually unchanged at 1.75%. The greenback extended further decline and depreciated against all major currencies. Oil prices fell again over poor risk sentiment. Positive trade news emerged over the weekend as Chinese Vice Premier Liu He said that China would work with the US to address each other's core concerns and to stop trade war. **On Saturday, the UK Parliament rejected Boris Johnson's Brexit deal, forcing the PM to seek for a three-month extension on the 31-October deadline from the EU.** Johnson however will make a fresh attempt to push through the deal at Parliament on Monday with reports citing that the government now has enough support for a victory, sparking some new Brexit hope. The pound is expected to be volatile but likely stay supported for now as overall the chances of a no-deal Brexit appears to be slim at this juncture.
- **On the data front, US leading index declined for the second month by 0.1% MOM in September.** Growth in UK house prices remained subdued this month as the Rightmove House Price index slipped 0.2% YOY despite a MOM increase. Japan exports slipped for the 10<sup>th</sup> month by 5.2% YOY in September. **China 3Q GDP growth pulled back to 6.0% YOY**, the lowest in nearly three decades, industrial production and retail sales picked up in September but remained weak.
- **The greenback extended further decline** and depreciated against all major currencies on Friday. The dollar index closed 0.33% lower near the tail end of 97 at 97.282. **We remain mildly bearish USD today**, expecting the dollar to remain weak while awaiting development in Brexit. **We remain bearish USD over the medium term** as prolonged trade uncertainty may trigger the Fed to cut rate again. As of writing, markets are pricing in an 88% chance of a rate cut at the end of this month, versus just 72% at the start of last week.
- **MYR closed 0.17% weaker at 4.1865 against the USD** as markets turned cautious heading into the weekend while awaiting further development in Brexit. **We are bearish USDMYR today**, expecting MYR to ride on the weakness in the greenback. We remain bearish USDMYR over the medium term on expected Fed rate cut and its balance sheet expansion plan.
- **SGD closed virtually unchanged against the USD at 1.3641. We are bullish on SGD today expecting SGD to ride on broad dollar weakness. We are bullish SGD over the medium term** on potential Fed rate cut.

#### Overnight Economic Data

US	↓
UK	↓
Japan	↓
China	→

#### What's Coming Up Next

##### Major Data

- Japan All Industry Activity Index MOM

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1120	1.1140	1.1158	1.1170	1.1200	↗
GBPUSD	1.2800	1.2830	1.2909	1.2930	1.2990	↘
USDJPY	108.00	108.20	108.38	108.75	109.00	→
AUDUSD	0.6800	0.6830	0.6854	0.6875	0.6900	↗
EURGBP	0.8600	0.8625	0.8649	0.8675	0.8700	↗
USDMYR	4.1700	4.1750	4.1830	4.1850	4.1900	↘
EURMYR	4.6500	4.6600	4.6689	4.6700	4.6750	↗
JPYMYR	3.8400	3.8500	3.8593	3.8600	3.8700	→
GBPMYR	5.3645	5.3800	5.4029	5.4100	5.4200	↘
SGDMYR	3.0600	3.0650	3.0688	3.0700	3.0750	→
AUDMYR	2.8500	2.8575	2.8674	2.8700	2.8800	↗
NZDMYR	2.6560	2.6670	2.6737	2.6800	2.6880	↗
USDSGD	1.3600	1.3625	1.3632	1.3660	1.3675	↘
EURSGD	1.5130	1.5160	1.5212	1.5220	1.5250	→
GBPSGD	1.7470	1.7520	1.7607	1.7680	1.7730	↘
AUDSGD	0.9275	0.9300	0.9342	0.9350	0.9375	↘

\* 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	1,571.15	-0.21	-7.06	CRB Index	175.75	0.13	3.50
Dow Jones Ind.	26,770.20	-0.95	14.76	WTI oil (\$/bbl)	53.78	-0.28	18.43
S&P 500	2,986.20	-0.39	19.12	Brent oil (\$/bbl)	59.42	-0.82	10.09
FTSE 100	7,150.57	-0.44	6.28	Gold (\$/oz)	1,490.05	-0.12	16.30
Shanghai	2,938.14	-1.32	17.81	CPO (RM/tonne)	2,105.00	-0.38	7.81
Hang Seng	26,719.58	-0.48	3.38	Copper (\$/tonne)	5,806.00	1.17	-2.67
STI	3,114.16	-0.38	1.48	Rubber (sen/kg)	426.50	0.83	12.53

Source: Bloomberg

## ➤ Macroeconomics

Economic Data				
	For	Actual	Last	Survey
US Leading Index	Sep	-0.1%	-0.2% (revised)	0.0%
UK Rightmove House Prices YOY	Oct	-0.2%	0.2%	--
JP Trade Balance	Sep	-¥123.0b	-¥143.5b (revised)	-¥50.0bb
JP Exports YOY	Sep	-5.2%	-8.2%	-3.8%
CH GDP YOY	3Q	6.0%	6.2%	6.1%
CH Fixed Assets Ex Rural YTD YOY	Sep	5.4%	5.5%	5.5%
CH Industrial Production YOY	Sep	5.8%	4.4%	4.9%
CH Retail Sales YOY	Sep	7.8%	7.5%	7.8%

Source: Bloomberg

- US leading index declined for second month:** index The Conference Board Leading Economic Index (LEI) for the U.S. declined 0.1% MOM in September (Aug: -0.2% revised) to 111.9 due to weaknesses in the manufacturing sector and the interest spread that were only partially offset by higher stock prices and positive contribution from the Leading Credit index. The Conference Board said that the latest LEI "reflects uncertainty in the outlook and falling business expectations, brought on by the downturn in the industrial sector and trade disputes". It added that, looking ahead, the LEI is "consistent with an economy that is still growing, albeit more slowly, through the end of the year and into 2020".
- UK house prices rose this month:** UK house prices rebounded this month according to property website Rightmove. The Rightmove House Price Index which gauges the national asking prices rebounded to increase 0.6% MOM in October (Sep: -0.2%), its first positive reading in three months. YOY, the indexes slipped by 0.2% (Sep: +0.2%) as the property market remains subdued in the UK.
- Japan exports fell for tenth straight month:** Japan external trade continued to succumb to slower global demand in the midst of trade uncertainty as exports slipped for the tenth straight month by 5.2% YOY in September (Aug: -8.2%). Imports fell for the first consecutive month albeit at a smaller margin of 1.5% YOY (Aug: -11.5%). Trade deficit narrowed to -¥123.0b (Aug: -143.5b revised).
- China GDP growth slumped to fresh record low in three decades:** China's third quarter real GDP growth rate missed estimate, clocking at an all-time low in nearly 30 years at 6.0% YOY (2Q: +6.2%) versus a Bloomberg consensus forecast of 6.1% YOY and marked its sixth consecutive quarter of softer reading. On a quarterly basis, GDP growth matched estimate at 1.5% QOQ (2Q: +1.6%), a tad slower than the previous quarter, dragged down by a broad-based softening across key sectors.
- China key indicators showed improvement but remained weak:** Key domestic indicators showed some improvement but remained weak in our view, while external trade continued to take a beating from poor demand. Industrial production rebounded slightly to increase 5.8% YOY in September after two months of sub-5% growth. Retail sales rose 7.8% YOY in September, slightly faster than the previous month's 8.5% YOY growth but remained historically low. Meanwhile, fixed investment pulled back to increase 5.4% YTD (Aug: +5.5%). Prolonged trade-related uncertainty remains the biggest issue at hand and is likely to weigh on medium term outlook as we do not foresee both US and China reaching a comprehensive trade deal in the short-to-medium term. The most recent trade talks ended on a positive note but left us with open-ended questions considering the fact that a formal agreement is yet to be inked, not to mention the potential politics-inspired dramatic turn of events that could risk jeopardising this so-called "phase one" agreement. US lawmakers' aim to pass a Hong Kong bill (now pending the Senate) is a time-ticking bomb in the making. All-in-all, we do not expect any comprehensive trade deal to come into the picture soon as the Chinese government may be inclined to wait until after the 2020 US General Election for a potentially new president and administration. Taking into account softer consumer spending and a manufacturing downturn, China 2019 GDP growth is thus expected to be at the lower range of its 6.0-6.5% target.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
22/10	Malaysia	Foreign Reserves	Oct-15	--	\$103.0b	--
22/10	US	Richmond Fed Manufacturing Index	Oct	-7	-9	--
		Existing Home Sales MOM	Sep	-0.7%	1.3%	--
22/10	UK	CBI Trends Total Orders	Oct	-25	-28	--
<b>21/10</b>	<b>Japan</b>	<b>All Industry Activity Index MOM</b>	<b>Aug</b>	<b>0.1%</b>	<b>0.2%</b>	<b>--</b>

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1167	0.38	1.1172	1.1115	-2.73
GBPUSD	1.2984	0.72	1.2985	1.2840	1.11
USDJPY	108.45	-0.19	108.72	108.39	-1.19
AUDUSD	0.6856	0.47	0.6858	0.6821	-2.87
EURGBP	0.8610	-0.22	0.8664	0.8603	-3.79
USDMYR	4.1865	0.17	4.1875	4.1795	1.28
EURMYR	4.6598	0.28	4.6614	4.6495	-1.43
JPYMYR	3.8503	0.13	3.8575	3.8459	2.46
GBPMYR	5.3988	0.80	5.4068	5.3700	2.49
SGDMYR	3.0643	0.07	3.0674	3.0616	0.94
AUDMYR	2.8613	0.48	2.8632	2.8523	-2.11
NZDMYR	2.6667	0.84	2.6681	2.6562	-4.03
CHFMYR	4.2353	0.52	4.2421	4.2308	0.86
CNYMYR	0.5909	-0.04	0.5916	0.5906	-2.37
HKDMYR	0.5336	0.04	0.5337	0.5328	1.02
USDSGD	1.3641	-0.03	1.3661	1.3634	0.07
EURSGD	1.5218	0.26	1.5245	1.5170	-2.67
GBPSGD	1.7713	0.70	1.7721	1.7525	1.18
AUDSGD	0.9353	0.43	0.9355	0.9311	-2.79

Source: Bloomberg

## Forex

### MYR

- MYR closed **0.17% weaker** at **4.1865** against the **USD** as markets turned cautious heading into the weekend while awaiting further development in Brexit.
- **We are bearish USDMYR today**, expecting MYR to ride on the weakness in the greenback. We remain bearish USDMYR over the medium term on expected Fed rate cut and its balance sheet expansion plan.

### USD

- The **greenback** extended further decline and depreciated against all major currencies on Friday. The dollar index closed 0.33% lower near the tail end of 97 at 97.282.
- **We remain mildly bearish USD today**, expecting the dollar to remain weak while awaiting development in Brexit. **We remain bearish USD over the medium term** as prolonged trade uncertainty may trigger the Fed to cut rate again. As of writing, markets are pricing in an 88% chance of a rate cut at the end of this month, versus just 72% at the start of last week.

### EUR

- EUR finished **0.38% stronger** against the **USD** at **1.1167**, riding on dollar weakness amidst Brexit optimism.
- **We remain mildly bullish EUR today** on continuing USD weakness while anticipating fresh Brexit development. **We remain bearish EUR over the medium term** as the shared currency is expected to weaken across the board once the ECB restarts its Asset Purchase Program in November.

### GBP

- GBP extended its winning streak against the **USD** on Friday, surging by **0.72%** to **1.2984**.
- **We are cautiously bearish on GBP today** as the sterling tumbled in Asian morning after UK Parliament rejected Boris Johnson's deal over the weekend, forcing the PM to seek a deadline extension. We expect GBP to be volatile but is likely to stay supported as Johnson makes a fresh attempt to push through the deal at Parliament on Monday and the chances of a no-deal Brexit appears to be slim at this juncture.

### JPY

- JPY finished **0.19% firmer** at **108.45** against the **USD** amidst broad dollar weakness.
- **We are neutral to slightly bearish on JPY in the short term** awaiting Brexit development. **We remain bullish JPY over the medium term** on prolonged trade uncertainties and potential Fed rate cut.

### AUD

- AUD closed **0.47% stronger** against the **USD** at **0.6856** on broad dollar weakness despite China GDP falling short of expectations.
- **We are bullish AUD today** as AUD continues to benefit in a weak USD environment. **We remain bearish AUD over the medium term** on potential RBA easing in the face of slower global growth and prolonged trade uncertainty.

### SGD

- SGD closed **virtually unchanged** against the **USD** at **1.3641**.
- **We are bullish on SGD today** expecting SGD to ride on broad dollar weakness. **We are bullish SGD over the medium term** on potential Fed rate cut.

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