

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks finished little changed overnight amidst quiet trading as investors assessed mixed economic data and awaited development in US-China trade negotiations.** The Dow Jones, S&P 500 and NASDAQ ended on flattish notes after Markit PMIs indicated a modest gain in US economy. Earlier, **Germany manufacturing PMI unexpectedly dipped further below the 50 neutral threshold, adding to signs of a potential recession.** The Eurozone as a whole also saw its manufacturing downturn deepened this month. Treasuries yields barely moved along the curve - benchmark 10Y UST yield picked up 1bp to 1.73%. **Oil prices rose over lingering Saudi supply concerns** as Brent crude increased by 0.8% to \$64.77/barrel and WTI gained nearly 1% to \$58.64/barrel.
- On the data front, **Markit PMI showed activities picked up in the US but softened further in Europe.** As mentioned above, Germany PMI manufacturing staged a surprised contraction to mark a decline for the 9th straight month while overall Eurozone PMI manufacturing also extended its 8th straight month of contraction, adding to recession fear. On the contrary, US manufacturing and services both ticked higher, reaffirming continuous albeit modest growth in 3Q. **Singapore CPI also bounced higher as expected but this will likely change expectations of an easing move by MAS come October.**
- **USD strengthened** against most major currencies as selling pressure surrounding the euro and pound rose following weak European data. **The dollar index was rose 0.1% to 98.60. We are neutral to slightly bullish on USD today** as markets weighed trade news and risk aversion is expected to return amidst renewed growth concerns. We retain our view of no further Fed rate cut this year thus the dollar's medium term outlook now largely depends on its relative movement to EUR which is expected to weaken once the ECB restarts its APP program in November.
- **MYR reversed early session's gain to finish 0.29% weaker against the USD** at 4.1795 as earlier pick-up in risk sentiment failed to maintain and push ringgit further to the upside. **We are neutral to slightly bearish on MYR today** as market weighs trade news. Risk-off mode is expected to return amidst renewed growth concerns but on the other hand, MYR could benefit from the latest Fox News headlines that the US and China are resuming trade talks in early October. FTSE Russell's decision to retain Malaysian bonds in its World Government Bond Index is a key event risk this week for MYR. MYR is expected to be supported should the decision is to retain Malaysia in the index.
- **SGD closed 0.1% weaker** against the USD at 1.3780 as CPI turned out to be a non-event. **We are neutral on SGD today** as markets weigh trade news alongside risk-off sentiment. **In the medium term, we are neutral to slightly bearish on SGD** over unresolved US-China trade dispute and poorer Singapore economic outlook.

Overnight Economic Data

US	↑
Eurozone	↓
Singapore	↑

What's Coming Up Next

Major Data

- US FHFA House Price Index, S&P CoreLogic CS 20-City YOY, Richmond Fed Manufacturing Index, Conference Board Consumer Confidence
- UK CBI Trends Total Order
- Japan Jibun Manufacturing & Services PMIs, Leading Index CI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0950	1.0980	1.0992	1.1000	1.1020	↘
GBPUSD	1.2345	1.2390	1.2434	1.2500	1.2600	↘
USDJPY	107.30	107.50	107.65	108.50	109.00	→
AUDUSD	0.6730	0.6750	0.6774	0.6800	0.6830	→
EURGBP	0.8780	0.8800	0.8840	0.8850	0.8895	→
USDMYR	4.1700	4.1750	4.1775	4.1800	4.1850	→
EURMYR	4.5800	4.5920	4.5919	4.6100	4.6200	↘
JPYMYR	3.8580	3.8700	3.8804	3.8900	3.9000	→
GBPMYR	5.1730	5.1870	5.1945	5.2400	5.2650	→
SGDMYR	3.0250	3.0300	3.0321	3.0350	3.0400	→
AUDMYR	2.8110	2.8150	2.8292	2.8400	2.8450	→
NZDMYR	2.6100	2.6200	2.6279	2.6300	2.6400	↗
USDSGD	1.3700	1.3730	1.3778	1.3800	1.3840	→
EURSGD	1.5110	1.5130	1.5144	1.5170	1.5200	↘
GBPSGD	1.7050	1.7110	1.7132	1.7310	1.7350	↘
AUDSGD	0.9290	0.9300	0.9333	0.9350	0.9380	→

* 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	1,592.93	-0.28	-5.78	CRB Index	178.65	0.74	5.21
Dow Jones Ind.	26,949.99	0.06	15.53	WTI oil (\$/bbl)	58.64	0.95	28.80
S&P 500	2,991.78	-0.01	19.34	Brent oil (\$/bbl)	64.77	0.76	20.39
FTSE 100	7,326.08	-0.26	8.89	Gold (\$/oz)	1,522.24	0.35	18.66
Shanghai	2,977.08	-0.98	19.37	CPO (RM/tonne)	2,096.50	-0.76	7.38
Hang Seng	26,222.40	-0.81	1.46	Copper (\$/tonne)	5,778.00	-0.34	-3.13
STI	3,143.24	-0.52	2.43	Rubber (sen/kg)	440.50	0.23	16.23

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Chicago Fed National Activity Index	Aug	+0.10	-0.41 (revised)	0.00
US Markit Manufacturing PMI	Sept P	51.0	50.3	50.4
US Markit Services PMI	Sept P	50.9	50.7	51.5
EU Markit Manufacturing PMI	Sept P	45.6	47.0	47.3
EU Markit Services PMI	Sept P	52.0	53.5	53.3
SG CPI YOY	Aug	0.5%	0.4%	0.5%

Source: Bloomberg

➤ Macroeconomics

- PMIs suggest muted growth in US economy; Chicago Fed National Activity Index points to a pickup:** The flash Markit manufacturing PMI recovered slightly to 51.0 in September (Aug: 50.3) to signal a modest improvement in manufacturing business conditions. The flash services PMI inched up a little to 50.9 (Aug: 50.7) amidst slower demand in general, pointing to sluggish growth in the US economy at the end of 3Q. Meanwhile, the Chicago Fed National Activity Index rose to +0.10 in August (Jul: -0.41 revised), indicating a pickup in growth, led by positive contribution from production related indicators. Note that industrial production had rebounded by quite a substantial margin in the same month.
- Eurozone economy nearly stalled in September as manufacturing downturn deepened:** The Eurozone economy is close to stalling this month according to the preliminary Markit PMIs. The Eurozone Manufacturing PMI fell to 45.6 in September (Aug: 47.0) as the ongoing manufacturing downturn deepened this month amidst falling production, orders and exports sales. This was also accompanied by a slower expansion of the services sector given that the services PMI slipped to 52.0 (Aug: 53.5). Notably, PMIs for Germany, the bloc's largest economy unexpectedly dropped this month with the manufacturing PMI diving deeper below the 50.0 neutral threshold at 41.4 (Aug: 43.5). September's print marked the PMI's ninth consecutive month of sub-50 reading, heightening concerns over a recession.
- Singapore inflation rebounded in August:** Singapore CPI rebounded to increase 0.5% MOM in August (Jul: -0.4%) led by the gain in cost of housing & utilities (+1.8% vs -1.5%), transport (+0.6% vs -0.2%), education (+0.3% vs +0.1%) as well as the smaller decline in clothing & footwear (-0.3% vs -0.8%). The rebound in MOM inflation led the YOY gain to 0.5% YOY (Jul: +0.4%), matching consensus estimate. The MAS core inflation which excludes the costs of accommodation and private road transport stabilized to record a 0.8% YOY gain (Jul: +0.8%). The MAS and MTI projected imported inflation to be benign in the remainder of 2019, citing lower global oil prices despite recent volatility. An acceleration of inflationary pressures is unlikely against slower growth backdrop and uncertainties in the global economy and restraining effects of MAS' monetary policy tightening in 2018. The MAS expected CPI for all items to average 0.5-1.5% and core inflation at the lower half of its projected 1-2% range in 2019. Taking into account muted inflation and the recent contraction in QOQ GDP, we expect the MAS to ease its monetary policy in October, potentially shifting its current stance of allowing a "modest and gradual appreciation of the Singapore dollar" to a zero appreciation stance.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
25/09	Malaysia	CPI YoY	Aug	1.5%	1.4%	--
24/09	US	FHFA House Price Index MOM	Jul	0.3%	0.2%	--
		S&P CoreLogic CS 20-City YOY NSA	Jul	2.1%	2.1%	--
		Richmond Fed Manufacturing Index	Sep	1.0	1.0	--
		Conf. Board Consumer Confidence	Sep	133.0	135.1	--
24/09	UK	CBI Trends Total Orders	Sep	-16.0	-13.0	--
24/09	Japan	Jibun PMI Manufacturing	Sept P	--	49.3	--
		Jibun PMI Services	Sept P	--	53.3	--
		Leading Index CI	Jul F	--	93.6	--
25/09	New Zealand	Trade Balance NZD	Aug	-1,400m	-685m	--
		Exports NZD	Aug	4.10b	5.03b	--
		RBNZ Official Cash Rate	Sep-25	1.0%	1.0%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0993	-0.22	1.1025	1.0966	-4.12
GBPUSD	1.2429	-0.39	1.2491	1.2413	-2.50
USDJPY	107.55	-0.01	107.80	107.31	-1.97
AUDUSD	0.6773	0.10	0.6782	0.6765	-3.90
EURGBP	0.8844	0.16	0.8856	0.8815	-1.64
USDMYR	4.1795	0.29	4.1825	4.1625	1.11
EURMYR	4.5899	-0.31	4.6059	4.5771	-2.91
JPYMYR	3.8932	0.64	3.8962	3.8641	3.60
GBPMYR	5.1981	-0.65	5.2141	5.1839	-1.32
SGDMYR	3.0326	-0.14	3.0364	3.0250	-0.11
AUDMYR	2.8291	-0.22	2.8312	2.8208	-3.21
NZDMYR	2.6188	-0.10	2.6202	2.6094	-5.75
CHFMYR	4.2231	0.25	4.2269	4.1986	0.57
CNYMYR	0.5864	-0.45	0.5874	0.5851	-3.12
HKDMYR	0.5332	0.02	0.5335	0.5310	0.95
USDSGD	1.3780	0.10	1.3791	1.3756	1.09
EURSGD	1.5148	-0.13	1.5179	1.5110	-3.08
GBPSGD	1.7130	-0.27	1.7206	1.7103	-1.45
AUDSGD	0.9329	0.16	0.9337	0.9314	-2.84

Source: Bloomberg

Forex

MYR

- **MYR reversed early session's gain to finish 0.29% weaker against the USD** at 4.1795 as earlier pick-up in risk sentiment failed to maintain and push ringgit further to the upside.
- **We are neutral to slightly bearish on MYR today** as market weighs trade news. Risk-off mode is expected to return amidst renewed growth concerns but on the other hand, MYR could benefit from the latest Fox News headlines that the US and China are resuming trade talks in early October. FTSE Russell's decision to retain Malaysian bonds in its World Government Bond Index is a key event risk this week for MYR. MYR is expected to be supported should the decision is to retain Malaysia in the index.

USD

- **USD strengthened** against most major currencies as selling pressure surrounding the euro and pound rose following weak European data. **The dollar index was rose 0.1% to 98.60.**
- **We are neutral to slightly bullish on USD today** as markets weighed trade news and risk aversion is expected to return amidst renewed growth concerns. We retain our view of no further Fed rate cut this year thus the dollar's medium term outlook now largely depends on its relative movement to EUR which is expected to weaken once the ECB restarts its APP program in November.

EUR

- **EUR extended further losses by 0.22% against the USD at 1.0993** on weaker than expected Eurozone PMI data.
- **EUR is likely to stay under pressure today** as selling of the shared currency resumes. Key data to watch out for is the German IFO Business Climate Index. **In the medium term we are bearish on EUR** as the ECB restarts its APP program in November alongside generally poor economic data.

GBP

- **GBP weakened further by 0.39% against the USD at 1.2429** dragged down by higher USD demand.
- **We are bearish on GBP** which is expected to be volatile and sensitive to Brexit headlines as Boris Johnson strives to push for a deal with key European leaders this week. The PM's meeting with US President Donald Trump on Tuesday to talk about free-trade deal could be another driving factor for GBP. **The medium-term outlook remains bearish**, and is entirely determined by Brexit development.

JPY

- **JPY retraced earlier gain to finish flat against the USD at 107.55** as USD strength outrun risk-off flow to the safe haven currency.
- **We are neutral on JPY today** as markets weigh latest trade news and weak data. **We remain bullish JPY in the medium term** as prolonged US-China trade uncertainties and ongoing geopolitical risks could spur demand for JPY.

AUD

- **AUD picked up a little by 0.1% against the USD at 0.6773.**
- **We are neutral on AUD today** as markets weigh latest trade news and ahead of RBA governor Adrian Orr's speech. **In the medium term, we remain bearish on AUD** as poor economic data open door for further RBA easing while prolonged trade tension and weakening Chinese economy continued to post downside risk to the commodity currency.

SGD

- **SGD closed 0.1% weaker** against the USD at 1.3780 as CPI turned out to be a non-event.
- **We are neutral on SGD today** as markets weigh trade news alongside risk-off sentiment. **In the medium term, we are neutral to slightly bearish on SGD** over unresolved US-China trade dispute and poorer Singapore economic outlook.

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