# Global Markets Research
# Daily Market Highlights

## Key Takeaways

- **US stocks finished broadly higher overnight as positive earnings by Microsoft and PayPal led the gains in tech stocks to boost the S&P500 and NASDAQ by 0.2% and 0.8%.** The Dow Jones slipped 0.1%, dragged down by 3M's shares as the industrial giant missed sales estimates and lowered its guidance. Earnings were generally mixed - Amazon's profit fell by 26% over higher shipping cost, Twitter's revenue missed forecast on weaker advertising business while Intel reported strong earnings and raised its outlook. Treasuries yields barely moved. **The ECB held rates steady as widely expected and pledged to restart asset purchases on November, sending the euro lower. Mario Draghi defended his legacy in a final press conference**. **Boris Johnson called for a snap election in a bid to pressure his opponents at Parliament to fast-track his Brexit deal.** The sterling slipped nearly 0.5%. Oil went up by 0.5-0.8% (WTI $56.23/barrel, Brent $61.67/barrel) over the surprise drop in U.S. crude stocks alongside expectations of more market-supporting action by OPEC and allies. **Bank Indonesia cut its 7-day reverse repo rate to 5.0%, its fourth reduction in a row in a move to boost South East Asia's largest economy.**

- **Flash PMI readings for the US, Eurozone and Japan continued to reflect a broader slowdown in activities in these three major economies.** In the US, durable goods orders fell by 1.1% MOM while core capital orders, a gauge of business investment dropped by 0.5% MOM. New home sales slipped 0.7% MOM as limited inventories weighed down on sales. Initial jobless claims dropped by 6k to 212k last week.

- **The dollar index finished stronger by 0.24% to 97.458** led by GBP and EUR as markets await the EU's decision on an extension to Brexit. **We are neutral to mildly bullish USD today** as markets are likely to continue in consolidation in the absence of negative headlines and a scanty data calendar. **We remain bearish USD over the medium term** as expected Fed rate cuts alongside the Fed's balance sheet expansion plans are likely to weaken the USD.

- **MYR closed flat at 4.1850** as the pair continues to consolidate within recent ranges along with the rest of its peers. **We are neutral USDMYR today** as the pair consolidates within the well -defined 4.17-4.20 range. **We remain bearish USDMYR over the medium term** on an expected Fed rate cut and its balance sheet expansion plans.

- **SGD closed weaker by 0.10% against the USD at 1.3636** as the broad USD gains on Brexit concerns. **We are neutral to mildly bullish USDSGD today** as the pair is likely influenced by the previous session's moves due to a lack of headlines and a light data calendar. **We are bearish USDSGD over the medium term** over expected Fed rate cut and its balance sheet expansion plan.

## Overnight Economic Data

| | |
|---|---|
| US | ➔ |
| Eurozone | ➔ |
| Japan | ↓ |

## What's Coming Up Next

**Major Data**

- US University of Michigan Sentiment Index
- Japan Machine Tools Orders
- Singapore Industrial Production

**Major Events**

- Nil

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

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|---|---|---|---|---|---|---|
| **EURUSD** | 1.1050 | 1.1075 | 1.1104 | 1.1130 | 1.1160 | ➔ |
| **GBPUSD** | 1.2775 | 1.2800 | 1.2845 | 1.2900 | 1.2950 | ↘ |
| **USDJPY** | 108.00 | 108.30 | 108.62 | 108.80 | 109.10 | ↘ |
| **AUDUSD** | 0.6775 | 0.6800 | 0.6815 | 0.6830 | 0.6860 | ➔ |
| **EURGBP** | 0.8600 | 0.8625 | 0.8647 | 0.8675 | 0.8700 | ↗ |
| **USDMYR** | 4.1800 | 4.1850 | 4.1900 | 4.1950 | 4.2000 | ➔ |
| **EURMYR** | 4.6300 | 4.6400 | 4.6515 | 4.6600 | 4.6700 | ➔ |
| **JPYMYR** | 3.8400 | 3.8500 | 3.8569 | 3.8650 | 3.8750 | ↗ |
| **GBPMYR** | 5.3500 | 5.3650 | 5.3800 | 5.4000 | 5.4200 | ↘ |
| **SGDMYR** | 3.0675 | 3.0700 | 3.0720 | 3.0750 | 3.0775 | ➔ |
| **AUDMYR** | 2.8450 | 2.8500 | 2.8548 | 2.8600 | 2.8650 | ➔ |
| **NZDMYR** | 2.6600 | 2.6650 | 2.6717 | 2.6750 | 2.6850 | ➔ |
| **USDSGD** | 1.3600 | 1.3625 | 1.3641 | 1.3675 | 1.3700 | ➔ |
| **EURSGD** | 1.5100 | 1.5125 | 1.5146 | 1.5175 | 1.5200 | ➔ |
| **GBPSGD** | 1.7450 | 1.7500 | 1.7521 | 1.7550 | 1.7600 | ↘ |
| **AUDSGD** | 0.9250 | 0.9280 | 0.9296 | 0.9325 | 0.9350 | ➔ |

* at time of writing

↗ = above 0.1% gain; ↘ = above 0.1% loss; ➔ = less than 0.1% gain / loss

| | Last Price | DoD % | YTD % |
|---|---|---|---|
| KLCI | 1,571.11 | 0.15 | -7.07 |
| Dow Jones Ind. | 26,805.53 | -0.11 | 14.91 |
| S&P 500 | 3,010.29 | 0.19 | 20.08 |
| FTSE 100 | 7,328.25 | 0.93 | 8.92 |
| Shanghai | 2,940.92 | -0.02 | 17.92 |
| Hang Seng | 26,797.95 | 0.87 | 3.68 |
| STI | 3,168.87 | 0.78 | 3.26 |

| Name | Last Price | DoD % | YTD % |
|---|---|---|---|
| CRB Index | 177.71 | 0.23 | 4.66 |
| WTI oil ($/bbl) | 56.23 | 0.46 | 23.36 |
| Brent oil ($/bbl) | 61.67 | 0.82 | 14.63 |
| Gold (S/oz) | 1,503.98 | 0.79 | 17.21 |
| CPO (RM/tonne) | 2,150.00 | 1.78 | 10.12 |
| Copper ($/tonne) | 5,880.00 | -0.02 | -1.42 |
| Rubber (sen/kg) | 427.50 | 0.12 | 12.80 |

*Source: Bloomberg*

## Macroeconomics

| Economic Data | | | | |
|---|---|---|---|---|
| | For | Actual | Last | Survey |
| US Durable Goods Orders | Sep P | -1.1% | 0.3% (revised) | -0.7% |
| US Cap Goods Orders Nondef Ex Air | Sep P | -0.5% | -0.6% (revised) | -0.1% |
| US Initial Jobless Claims | Oct-19 | 212k | 218k (revised) | 215k |
| US Markit US Manufacturing PMI | Oct P | 51.5 | 51.1 | 50.9 |
| US Markit US Services PMI | Oct P | 51.0 | 50.9 | 51.0 |
| US New Home Sales MOM | Sep | -0.7% | 6.2% (revised) | -1.6% |
| US Kansas City Fed Manf. Activity | Oct | -3 | -2 | -3 |
| EU Markit Manufacturing PMI | Oct P | 45.7 | 45.7 | 46.0 |
| EU Markit Services PMI | Oct P | 51.8 | 51.6 | 51.9 |
| EU ECB Main Refinancing Rate | Oct-24 | 0.0% | 0.0% | 0.0% |
| JP Jibun Bank PMI Mfg | Oct P | 48.5 | 48.9 | -- |
| JP Jibun Bank PMI Services | Oct P | 50.3 | 52.8 | -- |
| JP Leading Index CI | Aug F | 91.9 | 93.7 | -- |

*Source: Bloomberg*

- ***ECB held rates steady; Draghi defended legacy:*** The ECB left its key interest rates unchanged as widely expected and repeated its pledge to restart its Asset Purchase Program (APP) in November while maintaining its dovish stance on monetary policy as it expects interest rates to "remain at their present or lower levels" until inflation outlook robustly converge to a level sufficiently close to, but below, 2%. The central bank reitereated the need for highly accomodative policy as economic assesment was largely unchanged – It mentioned the ongoing weakness of international trade amid persistent global uncertainties which continue to weigh on the manufacturing sector and investment growth. The services and construction sectors are said to remain resilient despite some moderation, risk surrounding euro area growth remain on the downside. Headline inflation is expected to decline slightly further before rising at the end of the year and underlying inflation remaied muted. In his final press conference, President Mario Draghi defended and praised the Governing Council's firm commitment to fulfilling its mandate via measures from asset purchases to negative interest rates and expressed confidence in his successor, former IMF Managing Director Christine Lagarde for taking over the helm.

- ***US PMIs point to modest expansion in economy:*** The flash Markit US Manufacturing PMI picked up to a six-month high of 51.5 in October (Sep: 51.1) to signal a recovery in business conditions of US factories that was driven by stronger growth of output, new orders and employment. The flash services PMI was only marginally higher at 51.0 (Sep: 50.9) over stagnating new business with anecdotal evidence of subdued demand conditions and weaker business spending. These resulted in a slightly firmer reading in the composite index at 51.2 (Sep: 51.0), reflecting modest expansion in the US economy this month. Elsewhere on the manufacturing front, the Kansas City Fed Manufacturing Index rose to -2 in October (Sep: -3), but the negative print indicates the continuous decline in overall regional factory activity in the Tenth District.

- ***US new home sales fell in September:*** Mirroring the fall in existing homes sales, new homes sales in the US slipped 0.7% MOM in September (Aug: +6.2%) despite low rates environment as inventories remained limited.

- ***US initial jobless claims dropped last week:*** Initial jobless claims for unemployment benefits declined 6k to 212k for the week ended 19 Oct (previous: 218k revises) according to the Labor Department, suggesting that the labour market remains tight.

- ***US key capex gauge signals weak business investment:*** The preliminary reading of durable goods orders plunged more than expected by 1.1% MOM in September (Aug: +0.3% revised), weighed down by the fall in orders for computers and electronic products and motor vehicles & parts. Orders of non-defense capital goods excluding that of aircrafts, a key gauge of US firms' demand for business equipment slipped 0.5% MOM (Aug: -0.6% revised) while shipment of these goods dropped by 0.7% MOM (Aug: 0.0%), reflecting weaker business investment last month.

- ***Eurozone economy near stagnation according to PMIs:*** The flash Eurozone Manufacturing PMI was unchanged at 45.7 in October (Sep: 45.7), marking its ninth month below the 50.0 neutral threshold, reflecting the ongoing weakness in manufacturing conditions. The services PMI edged up slightly to 51.8 (Sep: 51.6) to signal a little improvement in services sector growth. New orders for goods and services slipped for the second month in a row, pointing to broadly weak demand. By country, the improved performance in France was said to help keep the Eurozone out of contraction whereas the rate of decline in Germany experienced a mild easing. As a result, the Composite Index inched up a tiny bit to 50.2 (Sep: 50.1), indicating that the economy is still in a state of near-stagnation.

- ***Japan composite PMI suggests activity contraction in October:*** The Jibun Bank Flash Manufacturing PMI slipped to 48.5 in October (Final: 48.9) to extend its current run of contraction as it recorded its sixth successive month of sub-50 reading. The services PMI dropped sharply to just a tad above 50.0 at 50.3 (Sep: 52.8) to signal a marked slowdown in the services sector growth. The much softer reading was a result of the tiny increase in business output due to typhoon-related disruption. Surprisingly demand appeared to strengthen despite price increase after the sales tax hike as new orders rose at the fastest pace in four months. Nonetheless, the composite index dropped to 49.8 in October (Sep: 51.5) an indication that economic activities generally contracted this month amidst the current manufacturing downturn and temporary pull-back in services activity. On a separate note, the Economic and Social Research Institute leading index slipped to 91.9 in August (Jul: 93.7), another reflection of softer outlook.

| Economic Calendar | | | | | | |
|---|---|---|---|---|---|---|
| **Date** | **Country** | **Events** | **Reporting Period** | **Survey** | **Prior** | **Revised** |
| **25/10** | **US** | **U. of Mich. Sentiment Index** | **Oct F** | **96.0** | **96.0** | **--** |
| 28/10 | | Chicago Fed Nat Activity Index | Sep | 0.2 | 0.1 | -- |
| | | Wholesale Inventories MOM | Sep P | -- | 0.2% | -- |
| | | Advance Goods Trade Balance | Sep | -$73.5b | -$72.8b | -- |
| | | Dallas Fed Manf. Activity | Oct | 0.0 | 1.5 | -- |
| 28/10 | UK | Nationwide House Px NSA YOY | Oct | 0.0% | 0.2% | -- |
| **25/10** | **Japan** | **Machine Tool Orders YOY** | **Sep F** | **--** | **-35.5%** | **--** |
| 27/10 | China | Industrial Profits YOY | Sep | -- | -2.0% | -- |
| **25/10** | **Singapore** | **Industrial Production YOY** | **Sep** | **-4.8%** | **-8.0%** | **--** |
| **25-31/10** | **Vietnam** | **Industrial Production YOY** | **Oct** | **--** | **10.2%** | **--** |
| | | **CPI YOY** | **Oct** | **2.1%** | **1.98%** | **--** |
| | | **Exports YOY** | **Oct** | **9.9%** | **9.0%** | **--** |
| | | **Retail Sales YTD YOY** | **Oct** | **--** | **11.6%** | **--** |

*Source: Bloomberg*

| | Last Price | DoD % | High | Low | YTD % |
|---|---|---|---|---|---|
| EURUSD | 1.1104 | -0.23 | 1.1163 | 1.1093 | -3.17 |
| GBPUSD | 1.2851 | -0.47 | 1.2950 | 1.2789 | 0.66 |
| USDJPY | 108.61 | -0.07 | 108.75 | 108.50 | -0.97 |
| AUDUSD | 0.6819 | -0.50 | 0.6858 | 0.6811 | -3.33 |
| EURGBP | 0.8641 | 0.25 | 0.8676 | 0.8600 | -3.79 |
| | | | | | |
| USDMYR | 4.1850 | -0.06 | 4.1885 | 4.1805 | 1.25 |
| EURMYR | 4.6587 | 0.12 | 4.6723 | 4.6557 | -1.45 |
| JPYMYR | 3.8524 | -0.31 | 3.8565 | 3.8442 | 2.52 |
| GBPMYR | 5.3958 | 0.25 | 5.4202 | 5.3920 | 2.43 |
| SGDMYR | 3.0716 | -0.03 | 3.0763 | 3.0710 | 1.13 |
| AUDMYR | 2.8594 | -0.20 | 2.8689 | 2.8578 | -2.18 |
| NZDMYR | 2.6764 | -0.17 | 2.6897 | 2.6745 | -3.68 |
| CHFMYR | 4.2274 | -0.13 | 4.2315 | 4.2221 | 0.67 |
| CNYMYR | 0.5921 | 0.02 | 0.5928 | 0.5909 | -2.17 |
| HKDMYR | 0.5340 | 0.00 | 0.5344 | 0.5325 | 1.10 |
| | | | | | |
| USDSGD | 1.3636 | 0.10 | 1.3642 | 1.3611 | 0.07 |
| EURSGD | 1.5144 | -0.13 | 1.5203 | 1.5129 | -3.10 |
| GBPSGD | 1.7524 | -0.37 | 1.7637 | 1.7445 | 0.73 |
| AUDSGD | 0.9299 | -0.40 | 0.9339 | 0.9291 | -3.26 |

*Source: Bloomberg*

# ➢Forex

### MYR

- **MYR closed flat at 4.1850** as the pair continues to consolidate within recent ranges along with the rest of its peers.
- **We are neutral USDMYR today** as the pair consolidates within the well - defined 4.17-4.20 range. **We remain bearish USDMYR over the medium term** on an expected Fed rate cut and its balance sheet expansion plans.

### USD

- **The dollar index finished stronger by 0.24% to 97.458** led by GBP and EUR as markets await the EU's decision on an extension to Brexit.
- **We are neutral to mildly bullish USD today** as markets are likely to continue in consolidation in the absence of negative headlines and a scanty data calendar. **We remain bearish USD over the medium term** as expected Fed rate cuts alongside the Fed's balance sheet expansion plans are likely to weaken the USD.

### EUR

- **EUR closed 0.23% lower against the USD at 1.1104** in sympathy with GBP as it slumped over ongoing Brexit drama.
- **We remain neutral EUR today** with a focus on Brexit headlines as the data calendar remains relatively empty. **We remain bearish EUR in the medium term** in anticipation of the ECB's easing measures which begin in November.

### GBP

- **GBP closed 0.47% weaker at 1.2851** as the Brexit drama picks up slightly with an EU indecision and a UK snap election in the focus.
- **We remain mildly bearish GBP in the interim** ahead of the strong 1.30 technical resistance and on continuous Brexit drama.

### JPY

- **JPY finished flat at 108.61** supported slightly by mixed US equities.
- **We remain bullish JPY over the short term** as the JPY finds it difficult to break through recent supports as we draw nearer to the FOMC date. **We remain bullish JPY over the medium term** on expected Fed rate cuts and its balance sheet expansion plans.

### AUD

- **AUD closed 0.50% weaker against the USD at 0.6819** in line with better USD performance and some flight to safety probably due to Brexit.
- **We are neutral to slightly bearish AUD today** as the pair is likely to echo its previous session moves due to a lack of headlines and a light data calendar. **We remain bearish AUD over the medium term** on potential RBA easing and slower global growth amid prolonged trade uncertainty.

### SGD

- **SGD closed weaker by 0.10% against the USD at 1.3636** as the broad USD gains on Brexit concerns.
- **We are neutral to mildly bullish USDSGD today** as the pair is likely influenced by the previous session's moves due to a lack of headlines and a light data calendar. **We are bearish USDSGD over the medium term** over expected Fed rate cut and its balance sheet expansion plan.

**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