

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **The financial markets saw a roller-coaster day, torn between US political noises and trade headlines.** US stocks dropped modestly overnight in reaction to ongoing US political drama as a whistleblower report exposed President Trump's attempt to seek Ukrainian help to intervene in the 2020 General Election raised impeachment risk. On a brighter note, China's foreign minister said that they are willing to buy more US products needed by the Chinese markets on the sideline of the UN General Assembly and expressed hope that both side could take more enthusiastic measures to reach a deal. **Bonds rallied as sentiments turned less upbeat leading treasuries yield to slip by 2-5bps along the curve.** Benchmark 10Y UST yield dropped by 5bps to 1.69%. Oil prices closed mixed amidst overall market jitters – Brent crude rose 0.6% to \$62.74/barrel but WTI was down 0.1% to \$56.41/ barrel.
- **Announcement on the highly anticipated FTSE Russell Country Classification Review appears to be a non event and not surprising for Malaysia** taking cue from BNM's optimistic communique on "positive engagement" a month ago. **The Review confirmed that Malaysia will continue to be included in the WGBI (World Government Bond Index) but will remain on the watch list for potential exclusion.** Malaysia aside, China remains on the watch list for potential inclusion while Israel will be included in the WGBI (with a 0.29% weightage) and FTSE World Inflation Linked Securities Index (1.78% weightage) effective 1-Apr-2020, implying existing weightage of other countries (including Malaysia) could potentially be tweaked lower to accommodate the inclusion. Malaysia currently carries a 0.4% weightage in WGBI as at end-August 2019.
- **MYR barely changed against the USD on Thursday at 4.1940** ahead of FTSE Russell's decision to retain Malaysian bonds in its World Government Bond Index (WGBI). **We are slightly bearish on USDMYR today** as the announcement by FTSE Russell to maintain Malaysia in its WGBI watch list for now (vis-à-vis concern for an exclusion risk) should offer a relief rally to the MYR. That said, overnight USD strength could limit its gain and result in a rangebound trading of 4.18-4.19 today.
- **The greenback's safe haven appeal remained strong as it continued to firm up against major currencies** amidst general uncertainty - the dollar index picked up 0.1% to 99.13. **The dollar is expected to be supported by current upside momentum in the short term** as DXY broke above 99.10 overnight while uncertainties surrounding US politics, Brexit, trade dispute are still at play. As reiterated earlier, aside from US-China trade development, **the dollar's medium-term outlook still** depends largely on its relative movement to EUR which is expected to weaken once the ECB restarts its APP program in November.

#### Overnight Economic Data

US	➔
Japan	⬇
Hong Kong	⬇
Singapore	⬇

#### What's Coming Up Next

##### Major Data

- US personal income & spending, PCE core, durable goods orders, Uni Michigan consumer sentiments
- EU economic confidence, consumer confidence
- UK GfK consumer confidence
- China industrial profits

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0878	1.0909	1.0920	1.0944	1.0970	⬇
GBPUSD	1.2290	1.2311	1.2326	1.2375	1.2390	⬇
USDJPY	107.00	107.30	107.71	108.00	108.19	➔
AUDUSD	0.6716	0.6734	0.6748	0.6765	0.6782	⬇
EURGBP	0.8800	0.8830	0.8861	0.8895	0.8905	➔
USDMYR	4.1809	4.1852	4.1873	4.2000	4.2050	⬇
EURMYR	4.5665	4.5689	4.5725	4.5813	4.5901	⬇
JPYMYR	3.8705	3.8824	3.8876	3.9053	3.9172	⬇
GBPMYR	5.1368	5.1534	5.1609	5.1708	5.1790	⬇
SGDMYR	3.0246	3.0271	3.0286	3.0314	3.0349	⬇
AUDMYR	2.8163	2.8231	2.8261	2.8319	2.8395	⬇
NZDMYR	2.6210	2.6288	2.6341	2.6400	2.6500	⬇
USDSGD	1.3787	1.3803	1.3828	1.3840	1.3855	➔
EURSGD	1.5050	1.5080	1.5091	1.5130	1.5170	➔
GBPSGD	1.6950	1.7000	1.7036	1.7100	1.7200	➔
AUDSGD	0.9295	0.9306	0.9328	0.9338	0.9356	➔

\* 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	1,593.00	0.22	-5.77	CRB Index	176.23	-0.23	3.78
Dow Jones Ind.	26,891.12	-0.30	15.28	WTI oil (\$/bbl)	56.41	-0.14	24.22
S&P 500	2,977.62	-0.24	18.78	Brent oil (\$/bbl)	62.74	0.56	16.62
FTSE 100	7,351.08	0.84	9.26	Gold (\$/oz)	1,504.78	0.05	17.37
Shanghai	2,929.09	-0.89	17.45	CPO (RM/tonne)	2,049.50	0.00	4.97
Hang Seng	26,041.93	0.37	0.76	Copper (\$/tonne)	5,722.00	-1.12	-4.07
STI	3,125.81	0.00	1.86	Rubber (sen/kg)	437.50	0.57	15.44

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US GDP Annualized QOQ	2Q T	2.0%	3.1%	2.0%
US Wholesale Inventories MOM	Aug P	0.4%	0.1% (revised)	0.1%
US Advance Goods Trade Balance	Aug	-\$72.8b	-\$72.5b (revised)	-\$73.4b
US Initial Jobless Claims	Sep-21	213k	210k (revised)	212k
US Pending Home Sales MOM	Aug	1.6%	-2.5%	1.0%
US Kansas City Fed Manf. Activity	Sep	-2.0	-6.0	-4.0
UK GfK Consumer Confidence	Sep	-12.0	-14.0	-14.0
JP Machine Tool Orders YOY	Aug F	-37.0%	-33.0%	--
HK Exports YOY	Aug	-6.3%	-5.7%	-7.4%
SG Industrial Production YOY	Aug	-8.0%	-0.1% (revised)	-0.6%
NZ ANZ Consumer Confidence Index	Sep	113.9	118.2	--

Source: Bloomberg

## ➤ Macroeconomics

- US 2Q GDP growth unrevised:** The final reading of the annualized real GDP growth for the second quarter of 2019 was unrevised at 2.0% QOQ (1Q: +3.1%), reflecting positive contribution from PCE, federal government spending, local government spending which were partly offset by negative contributions from private inventory investment, exports, nonresidential fixed investment, and residential fixed investment. The deceleration in growth was a result of downturns in inventory investment, exports, and nonresidential fixed investment, partly offset by accelerations in PCE and federal government spending.
- US goods trade deficit widened; wholesalers raised inventories but retailers held back:** Advanced reports showed that US external goods trade barely changed in August. Exports picked up a mere 0.1% MOM (Jul: +0.9%) as the rise in shipment in industrial supplies and automotive vehicles was offset by the fall in capital and consumer goods. Imports rebounded only slightly by 0.3% MOM (Jul: -0.3%) leading goods deficit to widen to -\$72.8b in August (Jul: -\$72.5b revised). The same advance report also shows that wholesale inventory rose by 0.4% MOM in August (Jul: +0.1% revised) as firms raised inventories of durable goods. Retail inventories however were flat last month (+0.0% vs +0.7%). On a separate note, initial jobless claims in the US rose by 3k to 213k last week (previous: 210k). Pending home sales rebounded more than expected to increase 1.6% MOM in August (Jul: -2.5%), signaling improvement in existing home sales in the month to come. Kansas City Fed Manufacturing Index improved but remained in negative territory at -2.0 in September (Aug: -6.0), pointing to some recovery in the area's factory activities.
- UK consumer turned less pessimistic over outlook:** The GfK Consumer Confidence Index ticked up by 2pts to -12.0 in September (Aug: -14.0), suggesting that UK consumers turned less pessimistic over outlook following the passage of a law that requires the government to seek for an extension on the current 31 October Brexit headline should Parliament did not vote on a Brexit deal, effectively mitigating the risk of a hard Brexit.
- Japan machine tools orders dipped again:** The orders of Japan machine tools dipped again by 37.0% YOY in August (Jul: -33.0%) as both domestic and foreign demand saw further decline, adding to signs of continued sluggishness in business investment.
- Hong Kong external trade weakened in August:** Hong Kong external trade sector continued to fall victim to slower global demand and ongoing US-China trade dispute as exports fell for the 10<sup>th</sup> straight month by 6.3% YOY in August (Jul: -5.7%). On the plus side, exports managed to increase MOM albeit on slower pace of 4.2% (Jul: +9.4%). Looking at country details, shipments to main trading partner China declined by 5.2% YOY (Jul: -7.1%) while shipments to the US, Japan, Singapore, India and Vietnam also fell. Imports meanwhile plunged by larger margin of 11.1% MOM (Jul: -8.7%) indicating softer domestic demand in the midst of ongoing domestic unrest.

- Singapore manufacturing downturn deepened in August:** Growth in Singapore's manufacturing sector failed to sustain its momentum as industrial production again fell by 7.5% MOM in August (Jul: +3.6%) after a brief rebound in July. This led output to experience a sharper decline of 8.0% (July: -0.1% revised) following a flat July reading, deepening the ongoing downturn in Singapore's factories. The plunge in overall electronic output (-24.4% YOY vs 0.0%) was the main culprit, led by fall in both semiconductors and computer products as the other two key sub-sectors namely biomedical manufacturing and chemicals managed to increase in August. The weak IPI reading again reflects the ongoing down cycle in global electronic demand amidst a challenging international trade sector plagued by rising protectionism. Singapore has been a major victim to the unresolved US-China trade dispute given its exporter status. August IPI reading alongside weak domestic consumption risk putting Singapore in a technical recession, reaffirming view that the MAS will ease monetary policy next month.
- New Zealand consumers less optimistic in September:** The ANZ Roy Morgan Consumer Confidence Index slipped to 113.9 in September (Aug: 118.2), still below its historical average, raising concerns that consumers remained unconvinced over growth outlook despite the RBNZ's recent cut in OCR to spur lower rates.

**Economic Calendar**

Date	Country	Events	Reporting Period	Survey	Prior	Revised
27/09	US	Personal Income	Aug	0.4%	0.1%	--
		Durable Goods Orders	Aug P	-1.0%	2.0%	--
		Personal Spending	Aug	0.3%	0.6%	--
		Cap Goods Orders Nondef Ex Air	Aug P	0.0%	0.2%	--
		Core PCE Inflation YOY	Aug	1.8%	1.6%	--
		U. of Mich. Sentiment	Sep F	92.1	92.0	--
30/09		MNI Chicago PMI	Sep	50.0	50.4	--
		Dallas Fed Manf. Activity	Sep	1.5	2.7	--
27/09	Eurozone	Economic Confidence	Sep	103.0	103.1	--
		Consumer Confidence	Sep F	-6.5	-7.1	--
30/09		Unemployment Rate	Aug	7.5%	7.5%	--
30/09	UK	GDP QOQ	2Q F	-0.2%	-0.2%	--
		Mortgage Approvals	Aug	66.2k	67.3k	--
30/09	Japan	Retail Sales YOY	Aug	0.5%	-2.0%	--
		Industrial Production YOY	Aug P	-3.9%	0.7%	--
27/09	China	Industrial Profits YOY	Aug	--	2.6%	--
30/09		Manufacturing PMI	Sep	49.6	49.5	--
		Non-manufacturing PMI	Sep	53.9	53.8	--
		Caixin China PMI Mfg	Sep	50.2	50.4	--
30/09	New Zealand	ANZ Business Confidence	Sep	--	-52.3	--
28/09	Vietnam	GDP YOY	3Q	6.70%	6.71%	--
		CPI YOY	Sep	2.15%	2.26%	--
		Exports YOY	Sep	5.8%	4.5%	--
		Markit Vietnam PMI Mfg	Sep	--	51.4	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0921	-0.20	1.0967	1.0909	-4.78
GBPUSD	1.2328	-0.20	1.2381	1.2303	-3.36
USDJPY	107.83	0.06	107.96	107.43	-1.70
AUDUSD	0.6749	-0.03	0.6781	0.6746	-4.24
EURGBP	0.8860	0.01	0.8886	0.8845	-1.45
USDMYR	4.1940	0.06	4.1970	4.1735	1.46
EURMYR	4.5862	-0.52	4.6123	4.5855	-2.98
JPYMYR	3.8979	-0.19	3.9081	3.8916	3.73
GBPMYR	5.1708	-0.77	5.2066	5.1691	-1.84
SGDMYR	3.0382	-0.12	3.0512	3.0360	0.08
AUDMYR	2.8352	-0.19	2.8435	2.8303	-3.00
NZDMYR	2.6427	-0.25	2.6536	2.6284	-4.89
CHFMYR	4.2222	-0.71	4.2450	4.2204	0.55
CNYMYR	0.5881	-0.02	0.5906	0.5879	-2.83
HKDMYR	0.5351	0.09	0.5368	0.5347	1.31
USDSGD	1.3818	0.22	1.3824	1.3781	1.42
EURSGD	1.5091	0.03	1.5145	1.5077	-3.43
GBPUSD	1.7035	0.01	1.7086	1.6997	-2.00
AUDSGD	0.9325	0.19	0.9360	0.9303	-2.86

Source: Bloomberg

## Forex

### MYR

- **MYR** barely changed against the USD on Thursday at 4.1940 ahead of FTSE Russell's decision to retain Malaysian bonds in its World Government Bond Index (WGBI).
- **We are slightly bearish on USDMYR today** as the announcement by FTSE Russell to maintain Malaysia in its WGBI watch list for now (vis-à-vis concern for an exclusion risk) should offer a relief rally to the MYR. That said, overnight USD strength could limit its gain and result in a rangebound trading of 4.18-4.19 today.

### USD

- The greenback's safe haven appeal remained strong as it continued to firm up against major currencies amidst general uncertainty - the dollar index picked up 0.1% to 99.13.
- **The dollar is expected to be supported by current upside momentum in the short term** as DXY broke above 99.10 overnight while uncertainties surrounding US politics, Brexit, trade dispute are still at play. As reiterated earlier, aside from US-China trade development, **the dollar's medium-term outlook still** depends largely 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 against the USD as it weakened by 0.20% to 1.0921.
- **We are bearish on EUR today** as markets broke below 1.0920 to 1.0908 amidst firmer demand for the USD, opening up chances for a test below 1.0900. **The single currency's medium-term outlook is tied to** ongoing worries over the Eurozone's dismal economic state, and is **expected to weaken in the medium term** as the ECB restarts its APP program in November alongside generally poor economic data.

### GBP

- **GBP** slipped by 0.20% to 1.2328 on broad dollar strength alongside the lack of meaningful progress in current Brexit impasse.
- **GBP remains bearish today** as it continues to be subject to volatility due to its sensitivity to Brexit headlines. **The medium-term outlook remains bearish**, and again is entirely determined by Brexit development leading up to the October deadline.

### JPY

- **JPY** ticked slight lower by 0.06% to 107.83 amidst broader dollar strength.
- **We are neutral to slightly bearish on JPY** as sentiment improves over latest US-China trade headlines and USD demand is appearing to firm up in the short term. **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** was little changed against the USD at 0.6749.
- **We are bearish on AUD** as demand for dollar continues to firm up and the pair seems unfettered by recent positive US-China trade headlines. **In the medium term, we remain bearish on AUD** as we do not rule out further RBA easing while prolonged trade tension and weakening Chinese economy continued to post downside risk to AUD.

### SGD

- **SGD** extended further weakness against USD, closing 0.22% weaker at 1.3818 on broad dollar strength.
- **We are slightly bearish on SGD today** as dollar strength persists. **In the medium term, we are still neutral to slightly bearish on SGD** over unresolved US-China trade dispute and poorer Singapore economic outlook.

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