

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks finished higher overnight after the Federal Reserve cut rate as widely expected but signaled a pause in easing policy this year.** Fed Chair Jerome Powell said that monetary policy is in a good place, adding that the latest cut in the Fed funds rate was a step to help “keep the economy strong in the face of global developments and to provide some insurance against ongoing risks”. **Apple and Facebook both reported earnings that topped analysts’ estimates** while US 3Q GDP growth slowed less than expected. **Chile cancelled November APEC trade summit** amidst domestic unrests where the US and China had been expected to sign a partial trade deal, dampening some trade optimism. Key US stock indexes rose 0.3%-0.4%. Treasuries yields dropped by 4-8bps and the greenback slipped across the board. **The Bank of Canada (BOC) stayed put**, but did consider an insurance cut before leaving its overnight lending rate unchanged at 1.75%, refraining to join its global peers in easing policy. **The Bank of Japan (BOJ) is widely expected to keep its monetary policy intact today.**
- **On the data front**, US annualized real GDP growth topped estimate at 1.9% QOQ, supported by consumer spending as business investment faltered. The ADP private payroll number came in at a better-than-expected 125k for October, but was accompanied by a 42k downward revision. Eurozone Economic Sentiment Index slipped nearly 1pts and UK GfK Consumer Confidence dropped 2pts. New Zealand ANZ Business Confidence surprisingly improved but stayed negative. Japan industrial production unexpectedly rebounded by 1.1% YOY.
- **The dollar index closed lower by 0.22% to 97.43** as the Fed cut rates as expected. **We are bearish USD today** as the broad USD slips due to lower rates and better risk taking environment. **We are bullish USD over the medium term** as the Fed has signaled a pause in easing policy while the ECB begins its move tomorrow which is likely to strengthen the greenback in general
- **MYR closed marginally stronger at 4.1805** as the pair traded lower on expectations of a Fed rate cut. **We are bearish USDMYR today** as the Fed has cut rate as expected and pair will likely adjust lower in accordance with the broad USD.
- **SGD closed flat against the USD at 1.3621** on profit taking as the Fed cut rates as expected. **We are neutral USDSGD today** as the pair is likely to continue trading on a muted mode with good two-way flows to contain large movements either way.

Overnight Economic Data

US	→
Eurozone	↓
UK	↓
Japan	↑
New Zealand	↑

What's Coming Up Next

Major Data

- US Personal Income, Spending, Core PCE, Initial Jobless Claims, MNI Chicago PMI
- Eurozone Unemployment Rate, GDP, HICP
- Hong Kong GDP
- China NBS Manufacturing and Non-Manufacturing PMI

Major Events

- Bank of Japan Monetary Policy Meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1100	1.1125	1.1156	1.1175	1.1200	↗
GBPUSD	1.2800	1.2850	1.2907	1.2950	1.3000	↘
USDJPY	108.25	108.50	108.83	109.00	109.30	→
AUDUSD	0.6750	0.6775	0.6908	0.6925	0.6950	↗
EURGBP	0.8575	0.8600	0.8643	0.8670	0.8700	↗
USDMYR	4.1700	4.1750	4.1800	4.1850	4.1900	↘
EURMYR	4.6400	4.6500	4.6615	4.6700	4.6800	↗
JPYMYR	3.8000	3.8150	3.8391	3.8500	3.8650	↘
GBPMYR	5.3500	5.3700	5.3932	5.4000	5.4200	↘
SGDMYR	3.0650	3.0675	3.0701	3.0725	3.0750	→
AUDMYR	2.8650	2.8750	2.8871	2.8950	2.9050	↗
NZDMYR	2.6600	2.6700	2.6800	2.6900	2.7000	↗
USDSGD	1.3550	1.3580	1.3611	1.3625	1.3650	→
EURSGD	1.5120	1.5150	1.5185	1.5200	1.5235	↗
GBPSGD	1.7450	1.7500	1.7568	1.7600	1.7650	↘
AUDSGD	0.9340	0.9370	0.9405	0.9430	0.9460	↗

* 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	1,580.00	0.14	-6.54	CRB Index	178.31	-0.04	5.01
Dow Jones Ind.	27,186.69	0.43	16.54	WTI oil (\$/bbl)	55.06	-0.86	21.25
S&P 500	3,046.77	0.33	21.54	Brent oil (\$/bbl)	60.61	-1.59	12.66
FTSE 100	7,330.78	0.34	8.96	Gold (\$/oz)	1,495.66	0.53	16.63
Shanghai	2,939.32	-0.50	17.86	CPO (RM/tonne)	2,265.00	-0.46	16.01
Hang Seng	26,667.71	-0.44	3.18	Copper (\$/tonne)	5,927.50	0.33	-0.63
STI	3,207.92	0.34	4.53	Rubber (sen/kg)	429.00	0.00	13.19

Source: Bloomberg

➤ Macroeconomics

- Fed made hawkish rate cut, signaled pause in easing:** The Federal Reserve cut the Fed Funds Rate target range by 25 basis point from 1.75-2% to 1.5-1.75% as widely expected, marking its third reduction in its benchmark rate this year. There was little change in the FOMC statement, but the Fed removed its language of “to act as appropriate” to support its latest decision to ease policy, offering signals that the Fed is likely leaving rate unchanged for the remainder of 2019. Fed Chair Jerome Powell’s press conference remarks supported views that the cut was somewhat hawkish in the sense that Powell appeared more positive over growth outlook, referring the move as insurance in the face of global development and against ongoing risks. He said that monetary policy is in a good place, the US and China are inching closer to a deal and the likelihood of a hard Brexit is dimming. He added that U.S. growth outlook continues to be “moderate” with strong labor market and inflation rising back to the Fed’s 2% target.
- US advance 3Q GDP growth topped estimates, supported by consumer spending:** US annualized real GDP surprised to the upside, recording an impressive 1.9% QOQ growth in the third quarter of 2019 (2Q: +2.0%), topping analysts’ estimate of 1.6%. Growth in 3Q, albeit slower than 2Q, reflected the positive contributions from personal consumption expenditures (PCE), federal government spending, residential fixed investment, state and local government spending, and exports that were partly offset by negative contributions from nonresidential fixed investment and private inventory investment (business investment). YOY, GDP growth decelerated to 2.0% (2Q: +2.3%). Consumer spending supported by a firm labour market continued to buoy US growth, allaying some fear of a recession as business investment faltered amidst weaker sentiment brought about by trade and tariffs related uncertainty.
- US private sector added 125k jobs in October:** The private sector added 125k jobs in October (Sep: 93k revised) according to the ADP National Employment Report of which the all job gains came from the services industry as the mining, construction and manufacturing sectors all reported job losses. The latest reading beat consensus estimate of 110k but was accompanied by a 42k downward revision to September number. The nonfarm payroll job report is up next on Friday. On a separate note, mortgage application rose only a little by 0.6% last week (previous: -11.9%) amidst slightly higher borrowing costs and potential borrowers generally anticipated this week’s Fed’s rate cut.
- Eurozone sentiment down again in October:** The headline Economic Sentiment Index (ESI) published by the European Commission decreased to 100.8 in October (Sep: 101.7), reflecting lower confidence in industry, services, retail trade as well as consumer. In fact consumer confidence hit the lowest level of the year this month (-7.6 vs -6.5) amidst deteriorating general sentiment as the Eurozone continues to face domestic headwinds especially in its manufacturing sector amidst a challenging external backdrop plagued by markedly subdued demand and prolonged trade uncertainty.
- UK consumer confidence slumped further as Brexit fear gripped nation:** The GfK Consumer Confidence Index slipped to -14 in October (Sep: -12), its lowest level since the beginning of the year. Consumers’ view of their personal finances, general economic situation for the next 12 months as well as “climate for major purchases” weakened further in a month full of dramatic Brexit developments. The latest “flection” on the 31 Oct deadline to 31 Jan next year alongside the upcoming Dec general election as well as poorer economic outlook were the key sources of concerns among consumers.

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Oct-25	0.6%	-11.9%	--
US ADP Employment Change	Oct	125k	93k (revised)	110k
US GDP Annualized QOQ	3Q A	1.9%	2.0%	1.6%
US FOMC Fed Funds Rate Target Range	31 Oct	1.5-1.75%	1.75-2%	1.5-1.75%
EU Economic Confidence	Oct	100.8	101.7	101.1
EU Consumer Confidence	Oct F	-7.6	-6.5	-7.6
UK GfK Consumer Confidence	Oct	-14	-12	-13
JP Industrial Production YOY	Sep P	1.1%	-4.7%	-0.1%
NZ ANZ Business Confidence	Oct	-42.4	-53.5	--

Source: Bloomberg

- **Japan industrial output rebounded in September:** Japan industrial production unexpected rebounded in September according to a preliminary reading as output registered a 1.4% MOM increase (Aug: -1.2%). Compared to the same month last year, output rose 1.1% YOY (Aug: -4.7%) following a slump in the previous month and marked its largest increase in ten months, offering some comfort that the industrial sector managed to pick up some momentum instead of deteriorating further in a challenging environment.
- **New Zealand business confidence fell at slower pace in October:** The ANZ Business Outlook Survey was a mixed bag as the headline business confidence index jumped by 12pts to -42.4 in October (Sep: -53.5), marking the index's first increase in five months. Firms' investment intentions and profit expectations rose but hiring intentions and activity outlook fell. Among all sectors, the retail sectors remained the most downbeat and the construction sector is faring well, coinciding with the 7.2% MOM surge in September building permits. Overall ANZ sees this month's survey as a positive sign that interrupted a deteriorating trend.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
01/11	Malaysia	Markit Malaysia PMI Mfg	Oct	--	47.9	--
31/10	US	Personal Income	Sep	0.3%	0.4%	--
		Personal Spending	Sep	0.2%	0.1%	--
		Core PCE YOY	Sep	1.7%	1.8%	--
		Initial Jobless Claims	Oct-26	215k	212k	--
		MNI Chicago PMI	Oct	48.0	47.1	--
01/11		Change in Nonfarm Payrolls	Oct	85k	136k	--
		Unemployment Rate	Oct	3.6%	3.5%	--
		Average Hourly Earnings YOY	Oct	3.0%	2.9%	--
		Markit US Manufacturing PMI	Oct F	51.5	51.5	--
		ISM Manufacturing	Oct	49.0	47.8	--
		Construction Spending MOM	Sep	0.2%	0.1%	--
31/10	Eurozone	Unemployment Rate	Sep	7.4%	7.4%	--
		GDP SA QOQ	3Q A	0.1%	0.2%	--
		CPI Core YOY	Oct P	1.0%	1.0%	--
		CPI Estimate YOY	Oct	0.7%	0.9%	--
01/11	UK	Markit UK PMI Manufacturing SA	Oct	48.2	48.3	--
31/10	Japan	BOJ Policy Balance Rate	Oct-31	-0.1%	-0.1%	--
01/11		Jobless Rate	Sep	2.2%	2.2%	--
		Jibun Bank Japan PMI Mfg	Oct F	--	48.5	--
31/10	Hong Kong	GDP YOY	3QA	-0.3%	0.5%	--
01/11		Retail Sales Value YOY	Sep	-25.6%	-23.0%	--
31/10	China	Manufacturing PMI	Oct	49.8	49.8	--
		Non-manufacturing PMI	Oct	53.6	53.7	--
01/11		Caixin China PMI Mfg	Oct	51.0	51.4	--
01/11	Australia	AiG Perf of Mfg Index	Oct	--	54.7	--
01/11	New Zealand	ANZ Consumer Confidence Index	Oct	--	113.9	--
01/11	Vietnam	Markit Vietnam PMI Mfg	Oct	--	50.5	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1151	0.35	1.1152	1.1080	-2.74
GBPUSD	1.2902	0.31	1.2908	1.2845	1.18
USDJPY	108.85	-0.04	109.29	108.72	-0.80
AUDUSD	0.6903	0.55	0.6904	0.6849	-2.13
EURGBP	0.8643	0.09	0.8645	0.8612	-3.86
USDMYR	4.1805	-0.08	4.1870	4.1800	1.13
EURMYR	4.6448	0.21	4.6551	4.6448	-1.75
JPYMYR	3.8436	-0.02	3.8463	3.8415	2.28
GBPMYR	5.3883	0.34	5.3983	5.3807	2.29
SGDMYR	3.0711	-0.02	3.0722	3.0702	1.16
AUDMYR	2.8749	0.28	2.8757	2.8665	-1.65
NZDMYR	2.6593	0.12	2.6653	2.6546	-4.30
CHFMYR	4.2172	0.35	4.2183	4.2076	0.43
CNYMYR	0.5928	0.02	0.5929	0.5921	-2.05
HKDMYR	0.5336	-0.06	0.5339	0.5335	1.02
USDSGD	1.3621	-0.01	1.3647	1.3614	-0.10
EURSGD	1.5187	0.33	1.5188	1.5121	-2.84
GBPSGD	1.7573	0.26	1.7580	1.7515	1.08
AUDSGD	0.9401	0.53	0.9401	0.9334	-2.21

Source: Bloomberg

Forex

MYR

- **MYR closed marginally stronger at 4.1805** as the pair traded lower on expectations of a Fed rate cut.
- **We are bearish USDMYR today** as the Fed has cut rate as expected and pair will likely adjust lower in accordance with the broad USD. **We are bullish USDMYR over the medium term** as the Fed has signaled a pause in easing policy and we now look towards the ECB as it begins their move tomorrow which is likely to strengthen the greenback in general.

USD

- **The dollar index closed lower by 0.22% to 97.43** as the Fed cut rates as expected.
- **We are bearish USD today** as the broad USD slips due to lower rates and better risk taking environment. **We are bullish USD over the medium term** as the Fed has signaled a pause in easing policy while the ECB begins its move tomorrow which is likely to strengthen the greenback in general.

EUR

- **EUR closed 0.35% higher against the USD at 1.1151** on a broadly lower USD as the Fed cut rates as expected.
- **We are mildly bullish EUR today** on broad USD weakness following the rate cut. **We remain bearish EUR in the medium term** in anticipation of the ECB's easing measures which begin in November.

GBP

- **GBP closed 0.31% stronger at 1.2902** in line with a weaker USD overall following Fed's rate cut.
- **We remain mildly bearish GBP in the interim** ahead of the strong 1.30 technical resistance and on UK election uncertainty.

JPY

- **JPY finished flat at 108.85** as the pair is torn between higher equities and better risk taking environment versus a lower USD and US yields.
- **We remain neutral JPY over the short term** as markets adjust to a lower USD rates and better risk taking environment. **We remain bullish JPY over the medium term** on narrowing yield differentials between USD and JPY.

AUD

- **AUD closed 0.55% stronger against the USD at 0.6903** in line with a weaker USD overall and better risk taking environment.
- **We are bullish AUD today** as risk taking environment improves following the Fed's rate cut. **We remain bearish AUD over the medium term** on potential RBA easing and slower global growth amid prolonged trade uncertainty.

SGD

- **SGD closed flat against the USD at 1.3621** on profit taking as the Fed cut rates as expected.
- **We are neutral USDSGD today** as the pair is likely to continue trading on a muted mode with good two-way flows to contain large movements either way. **We are bullish USDSGD over the medium term** as the Fed signaled a pause in easing policy while the ECB is set to begin its move tomorrow.

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