

Global Markets Research

Weekly Market Highlights

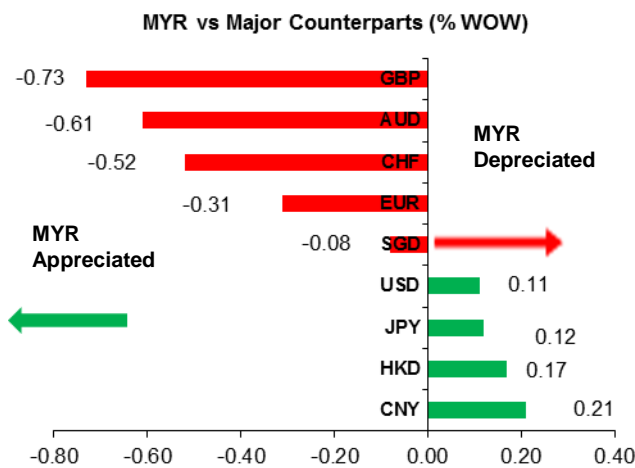
Weekly Performance

	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↑	↓	↑
EU	↓	↓	↑	↓
UK	↓	↓	↑	↓
Japan	↓	↑	↑	↓
Malaysia	↓	↓	↓	↑
China	↔	↑	↓	↑
Hong Kong	↔	↑	↓	↑
Singapore	↔	↓	↑	↓

Macroeconomics

- US stocks broadly gained this week as earnings season is in full swing amid a lack of trade headlines. Gain in the Dow Jones was capped at 0.1% by the mixed performance of its industrial components namely Boeing, Caterpillar and 3M, while the S&P500 (+0.8%) and NASDAQ (+1.2%) were boosted by higher tech shares. Brexit remained in the spotlight, the ECB held key rates steady as widely expected in a last meeting chaired by outgoing President Mario Draghi. The sterling and euro slipped this week as the dollar firmed up. Oil prices were up over a draw in US crude stockpile and optimism that OPEC would take market supporting actions. Bank Indonesia cut rate for the fourth time in a row.
- Data calendar was light. Flash PMI readings continued to point to a broader slowdown in activities in the US, Eurozone and Japan. Capex slowed in the US, house sales slipped. Eurozone consumer confidence plunged to lowest this year. Malaysia CPI inflation pulled back. Key events next week are the FOMC and BOJ meetings, and not forgetting the Brexit deadline, while data in the pipeline are US & Eurozone 3Q GDP, US PCE inflation, job report and ISM manufacturing PMI as well as China NBS PMIs.

Weekly MYR Performance



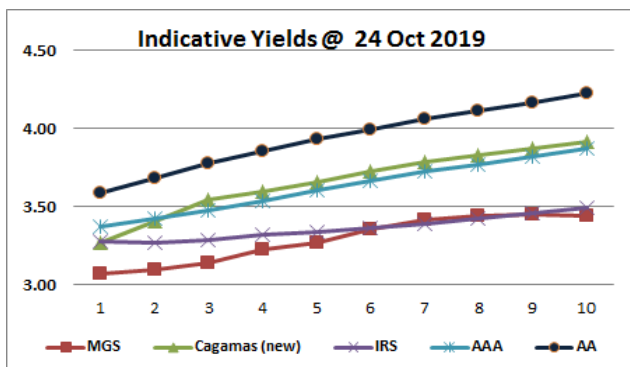
Forex

- MYR:** MYR weakened by 0.11% WOW to 4.1850 after spending most of the week in consolidation as there was relatively less negative headlines and the data calendar is relatively empty. Continued trade resolution optimism and an avoidance of a no-deal Brexit also lent a supportive tone to risk in the markets which lent MYR some strength from an intra week low of 4.1943. All eyes towards the FOMC due next week where market expects the Fed to cut rates by 25bps which would weaken the USD if executed together with their balance sheet expansion plans.
- USD:** DXY climbed slowly from a low of 97.146 to a high of 97.777 before settling 97.631 as the overall risk appetite was better with a lack of negative headlines, improving US-China trade optimism, relatively better performing equities and relatively less Brexit drama. The DXY bounced up nicely from the lows and looks likely to head towards the 98.03 short term resistance if the trend continues.

Fixed Income

- US Treasuries slid lower for the week under review in a relatively quiet trading week following optimism on Brexit issues and positive developments pertaining to US-China trade negotiations. The curve steepened as **overall benchmark yields ended mixed between -2 and +3bps across most tenures**. The 2Y benchmark; reflective of interest rate predictions edged 2bps at 1.58% whereas the much-watched 10Y traded within a tighter 1.75-1.80% range but ended 2bps up at 1.76% levels. The latest deluge of auctions involving 3Y, 5Y and 7Y bonds amounting to \$113b saw solid bidding metrics this week. Meanwhile the Fed has commenced its balance sheet expansion by buying bonds and plans to buy \$60b of short-term debt every month; for the next 3 quarters.
- Local govies saw the curve steepen and shift higher on a generally weaker tone w-o-w with the longer-end slightly pressured. **Overall benchmark yields ended mostly higher between 2-10bps** with activity seen mainly in the off-the-run 19-21's, 25's, 37's and also benchmark 3Y, 7Y, 10Y bonds. The 5Y MGS 6/24 edged 2bps higher at 3.25% whilst the 10Y benchmark MGS 8/29 moved within a tight 3.40-3.46% band; ending 3bps up at 3.44%. Weekly volume rose to RM16.75b from prior week's RM13.44b with GII bond trades forming one-third of overall trades. Local govies may however find support following the recently-announced expansionary budget and muted inflation data for September. Risks on Malaysia being excluded from FTSE Russell's WGBI have eased at least until March 2020 with BNM taking initiatives to address concerns.

Indicative Yields



Please see important disclosure at the end of the report

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Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Interest Rate	Currency
US	↓	↔	↓	↑
EU	↓	↔	↓	↔
UK	↓	↔	↔	↓
Japan	↓	↔	↔	↑
Australia	↓	↔	↓	↓
China	↓	↔	↔	↔
Malaysia	↓	↔	↔	↓
Thailand	↓	↔	↓	↓
Indonesia	↓	↔	↓	↓
Singapore	↓	↔	↔	↓

The Week in Review

- US stocks broadly gained this week as earnings season is in full swing amid a lack of trade headlines. Gain in the Dow Jones was capped at 0.1% compared to last Friday by the mixed performance of its industrial components namely Boeing, Caterpillar and 3M, while the S&P500 (+0.8%) and NASDAQ (+1.2%) were boosted by higher tech shares. Brexit remained in spotlight as the UK parliament voted in favour of Boris Johnson's deal but rejected his proposed timeline to fast-track its approval. The PM now attempts to call for a snap election on 12 Dec to pressure his opponents into ratifying the deal but headlines suggest that he may not be granted such an opportunity. The sterling and euro slipped this week as the dollar firmed up. The ECB kept its key interest rates unchanged as widely expected and said as it did in the previous meeting that it would restart Asset Purchase Program (APP) in November. The meeting was the last one chaired by outgoing President Mario Draghi who is set to finish his eight-year term in the central bank at the end of this month before handing over the helm to former IMF Managing Director Christine Lagarde. 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. Oil prices were up by 3.8-4.2% over a draw in US crude inventories alongside rising prospect that OPEC and allies would undertake more market-supporting actions.

- Data calendar was lighter this week. Flash PMI readings for the US, Eurozone and Japan continued to point to a broader slowdown in activities in these three major economies, save for the slight uptick in US factories activity. British manufacturing order book was under tremendous stress as the CBI headline Trends plunged deeper in the negative territory. In the US, business investment appeared to have weakened as seen in the slide in core capital orders. Housing data were not very optimistic as both new and existing homesales slipped in September and house prices experienced limited gain. The Eurozone flash Consumer Confidence Index dropped to its lowest level this year. Malaysia recorded a more modest gain in CPI by 1.1% YOY, similarly Singapore headline CPI rose a steady 0.5% YOY

The Week Ahead

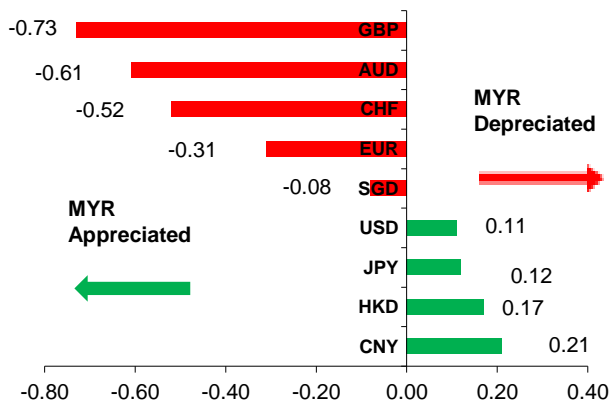
- We look forward to the crucial week ahead packed with top-tiered economic data and most importantly the two-day FOMC meeting due on 31 October. After delivering a somewhat hawkish cut in September, the Federal Reserve is once again expected to deliver another 25 basis point reduction in the fed funds rate. Chief of the reasons being markets pricing in a 90% probability of a cut on the basis of somewhat weaker data in the past one month which counteract the improvement in US-China trade relation. We think that the US fundamentals remained healthy but what mainly sparked concerns were the recently poor ISM manufacturing index alongside weaker retail sales number that cast doubt over the resilience of US consumer spending.

- The US calendar is packed with top-tiered data, namely the first reading of 3Q GDP, core PCE inflation alongside personal spending & income, the nonfarm job report, ISM manufacturing index and construction spending. Key Eurozone data are the advance 3Q GDP reading, HICP inflation and European Commission Economic Confidence Index while in the UK, Markit manufacturing PMI, GfK Consumer Confidence are in the pipeline.

- In Asia, the Bank of Japan meets just hours after the FOMC and the BOJ is likely keeping its ultra-loose monetary policy intact as the recent positive US-China trade development took pressure off the central bank to add stimulus. Data in focus are retail sales, industrial production and jobless rate. Elsewhere, the NBS manufacturing & non-manufacturing PMI are due in China, followed by the private Caixin manufacturing reading. Downunder, Australia CPI and AiG manufacturing PMI as well as New Zealand ANZ Business & Consumer Confidence are the key data to watch out for.

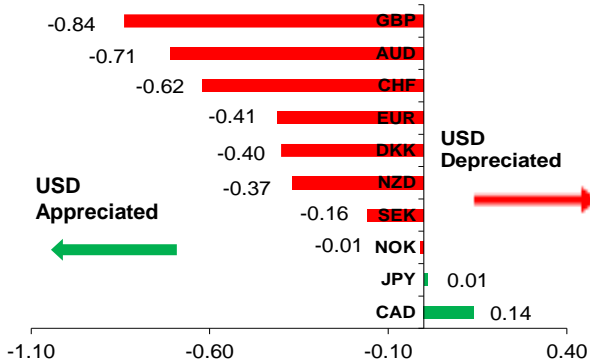
Forex

MYR vs Major Counterparts (% WOW)



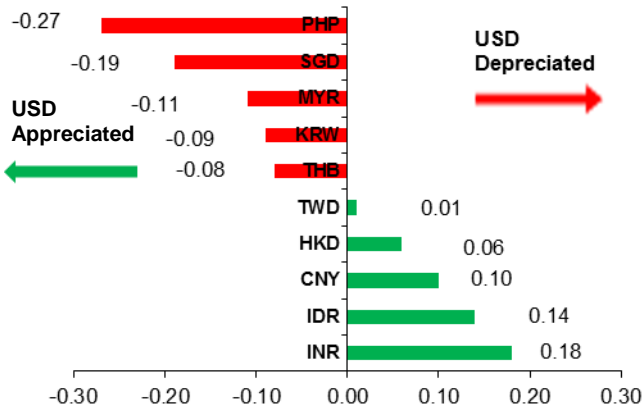
Source: Bloomberg

USD vs the G10s (% WOW)



Source: Bloomberg

USD vs Asian Currencies (% WOW)



Source: Bloomberg

Review and Outlook

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- EUR:** EUR lost 0.41% WOW to 1.1104 as the broad USD received a mild boost. Throughout the week, EUR has been moving in sympathy with GBP alongside Brexit developments as a proxy trade. Given the ongoing drama and a lack of headlines, the EUR might continue to take cues from GBP ahead of the FOMC coming next week and ahead of November where the ECB is expected to restart its asset purchase program.
- GBP:** GBP lost 0.84% WOW to 1.2851 as the pair swung around to Brexit developments and headlines. Pair managed to touch the important 1.3000 strong resistance on PM Johnson's plan passing Parliament but got rejected and shot down as he proposed his Brexit timeline. Pair would likely continue to swing about in the short term at the mercy of Brexit headlines with the latest being a UK snap election and the EU's decision of a possible extension.
- JPY:** JPY ended flat WOW to 108.61 in an unexciting fashion as the broader market as a whole is in a consolidation theme with little headlines and a relatively light data calendar. JPY is likely to continue to trade in tight recent ranges barring any headline developments ahead of the all important FOMC next week with short term resistance coming in circa 109.10 and immediate support coming in circa 108.30.
- AUD:** AUD lost 0.71% WOW to 0.6819. AUD has been slowly losing ground vs the USD throughout the week as the broad USD slowly gained strength ahead of next week's FOMC. Slow business growth conditions due to a global slowdown and trade protection measures have led to the RBA cutting rates to support the Australian economy. Expectations of further slowdown in the medium term could spur the RBA to cut rates again which could weigh on the AUD towards 0.6700.
- SGD:** SGD weakened by 0.19% WOW against the USD at 1.3636 in line with a strengthening USD throughout the week although moves have been relatively confined between a well defined range as the broader market in general has been in a consolidation state. SGD is unlikely to make large moves either way ahead of the FOMC decision coming up next week, so we might expect the pair to continue to trade within the range defined the past week.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1103	56.9410	1.0876	1.1189	1.1024	1.1134	1.1206	Negative
GBPUSD	1.2838	64.9720	1.2001	1.3134	1.2518	1.2426	1.2713	Positive
USDJPY	108.6100	60.5460	106.6300	109.3600	107.9400	107.5500	109.0500	Positive
USDCNY	7.0690	42.7460	7.0477	7.1554	7.1023	6.9998	6.8835	Negative
USDSGD	1.3636	34.9790	1.3565	1.3900	1.3746	1.3726	1.3659	Neutral
AUDUSD	0.6815	52.9940	0.6668	0.6885	0.6784	0.6853	0.6962	Negative
NZDUSD	0.6377	54.7470	0.6208	0.6437	0.6318	0.6474	0.6603	Negative
USDMYR	4.1850	48.9480	4.1798	4.1974	4.1858	4.1683	4.1393	Neutral
EURMYR	4.6467	57.8250	4.5612	4.6810	4.6157	4.6406	4.6411	Negative
GBPMYR	5.3727	65.9560	5.0327	5.4952	5.2407	5.1787	5.2644	Positive
JPYMYR	3.8533	41.3950	3.8257	3.9313	3.8788	3.8756	3.7994	Positive
CHFMYR	4.2170	48.5980	4.1831	4.2456	4.2153	4.2209	4.1602	Negative
SGDMYR	3.0691	68.0150	3.0167	3.0837	3.0455	3.0365	3.0324	Positive
AUDMYR	2.8520	52.9680	2.7971	2.8796	2.8399	2.8561	2.8829	Negative
NZDMYR	2.6687	54.6430	2.6031	2.6928	2.6449	2.6981	2.7340	Negative

Trader's Comment:

Dollar strength remained unabated as we see dollar strengthened against most of the G-10 peer. 10-year treasury yield remained little change at 1.75% as of writing, while S&P 500 edged higher above the 3,000 level, leading by tech shares.

In the Euro zone, weak PMI data and Mario Draghi's gloomy assessment of the euro-area economy likely to lead to EURUSD trading lower. GBPUSD likely to be volatile next week amidst Brexit uncertainties as deadline approaching as well as pending vote on Mr. Johnson's request for an early election.

We expect the overall market risk sentiment continued to be under jittery mood, awaiting for future directions from trade negotiations and political uncertainties resolutions. Next week's key events to watch are interest rate decisions from US Fed and Bank of Canada; market is currently pricing in around 90% probability of US rate cut end of the month.

Locally, USDMYR traded within 4.1800-4.1945 for the week. We expect USDMYR to trade in the range 4.1650-4.2050 range for the week ahead.

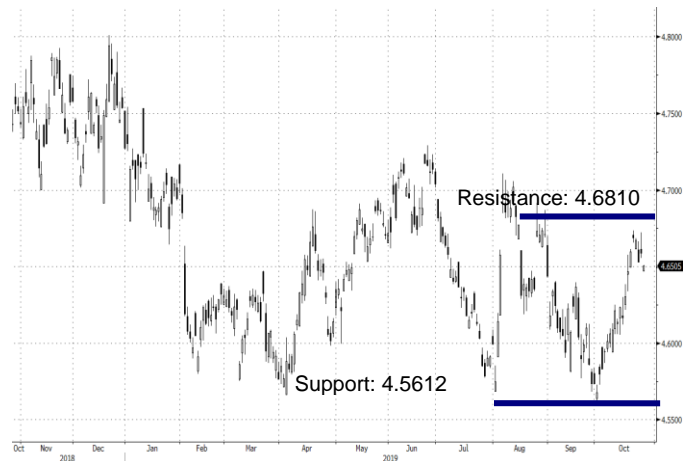
Technical Charts

USDMYR



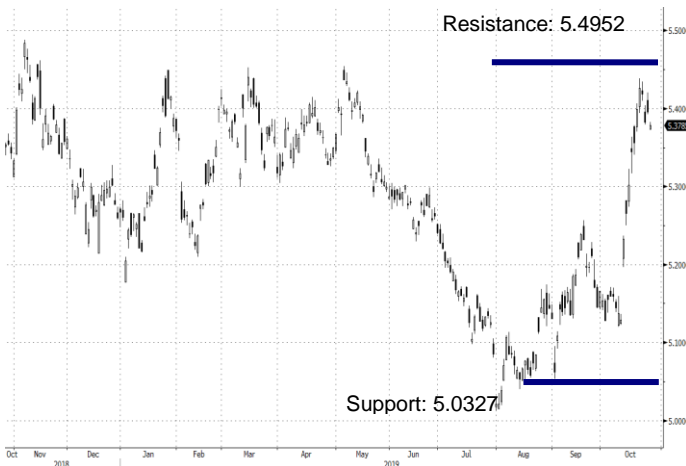
Source: Bloomberg

EURMYR



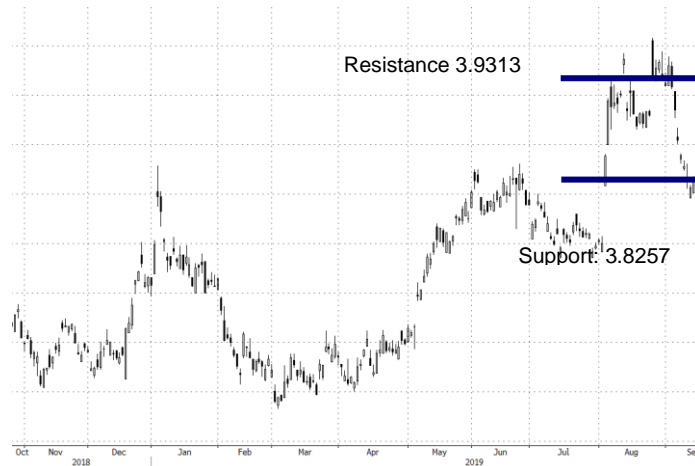
Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



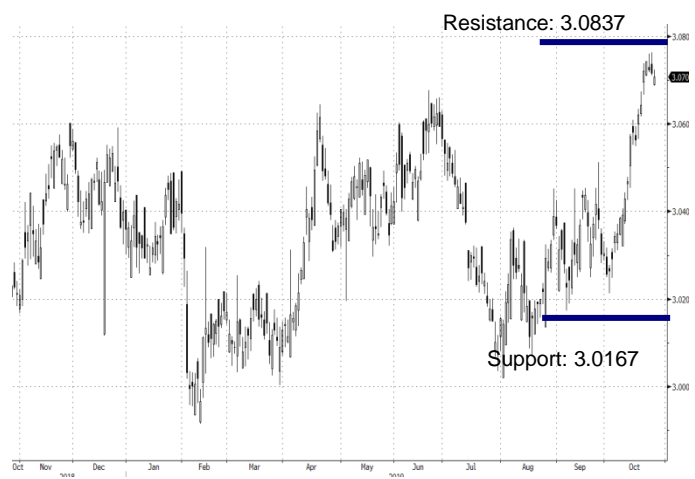
Source: Bloomberg

AUDMYR



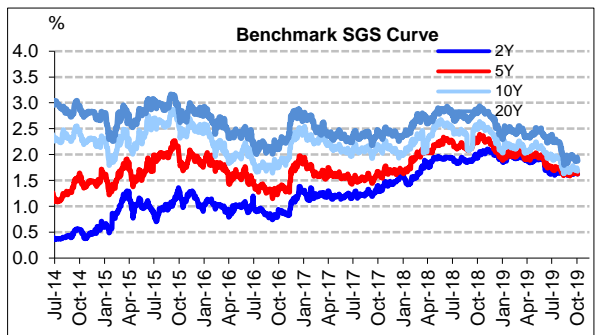
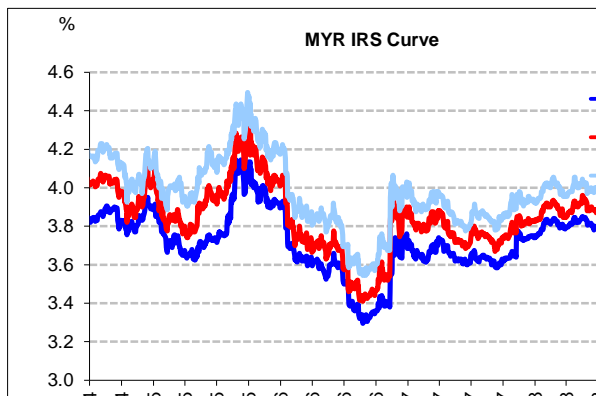
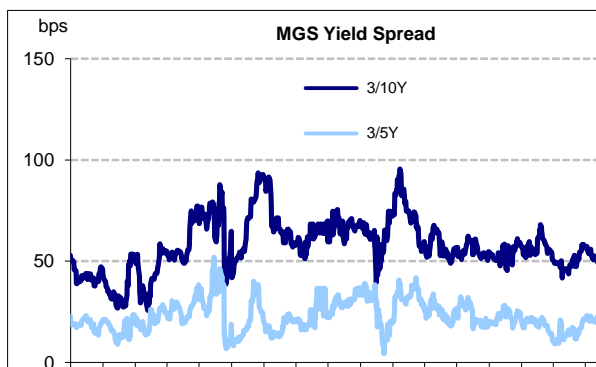
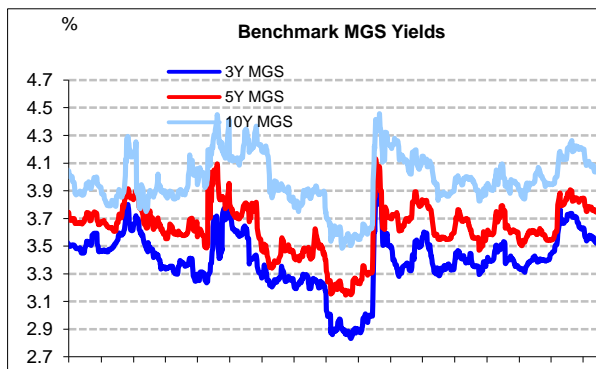
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

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- Local govies saw the curve steepen and shift higher on a generally weaker tone w-o-w with the longer-end slightly pressured. **Overall benchmark yields ended mostly higher between 2-10bps** with activity seen mainly in the off-the-run 19-21's, 25's, 37's and also benchmark 3Y, 7Y, 10Y bonds. The 5Y MGS 6/24 edged 2bps higher at 3.25% whilst the 10Y benchmark MGS 8/29 moved within a tight 3.40-3.46% band; ending 3bps up at 3.44%. Weekly volume rose to RM16.75b from prior week's RM13.44b with GII bond trades forming one-third of overall trades. Local govies may however find support following the recently-announced expansionary budget and muted inflation data for September. Risks on Malaysia being excluded from FTSE Russell's WGBI have eased at least until March 2020 with BNM taking initiatives to address concerns.
- Corporate bonds/sukuk (including Govt-guaranteed bonds) also saw weaker traction in the secondary market w-o-w with investor interest seen along the GG and AA-part of the curve as yields closed mostly mixed-to-higher. Total weekly market volume eased slightly to RM1.97b versus prior week's RM2.02b. Topping the weekly volume were both LPPSA 10/38 (GG) and Maybank 31NC26 (AA1) which closed 4bps lower and unchanged respectively compared to previous-done levels at 4.05% and 3.95% respectively. The third highest volume was generated by the long-end PTPTN 7/41 (GG) which rose 3bps at 3.99%. The prominent new issuance for the week under review was CAGAMAS Bhd's RM600m of AAA-rated 1-5Y bonds at coupons between 3.30-3.60%.
- The SGS (govies) curve shifted lower w-o-w as overall benchmark yields closed between 2-4bps lower as the front-end mirrored the movement in UST's. The 2Y rallied 2bps lower at 1.56% levels whilst the 5Y and 10Y however moved again within a narrow 2-4bps range; closing at 1.57% and 1.69% respectively. Meanwhile SGD stays strong; driven by MAS decision that was not as dovish as expected along with progress talks in both Brexit and US-China trade talks. The continuing hunt for yield may see stronger demand for the upcoming \$1.4b 7Y SGS auction next week as potentially steepening of the curve may encourage more interest in the belly instead. Also cheaper funding costs for offshore investors may encourage the above as well. Separately Moody's affirms Ascott REIT's and the senior unsecured SGD1.0b multicurrency MTN programme issued by Ascott REIT MTN Pte Ltd with a Baa3 rating.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Widad Capital Sdn Bhd	Sukuk Murabahah Programme of up to RM110.0 mil in Nominal Value	AA2/From Stable to Positive	Reaffirmed
Dar Al Arkan Real Estate Development Company	Corporate Credit Rating	Group's A3/P2/From Stable to positive	Revised
Zamarad Assets Berhad	Tranche 3 RM100 mil Class A Sukuk RM20 mil Class B Sukuk	AAA/Stable AA2/Stable	Assigned
Sarawak Energy Berhad	RM15 bil Sukuk Musyarakah Programme (2011/2036)	From AA1/positive to AAA/Stable	Upgraded
Halpro Engineering Sdn Bhd	ASEAN Green SRI Sukuk (2019/2038) (the Proposed Sukuk).	AA3/Stable	Assigned

Source: RAM; MARC

Economic Calendar						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
01/11	Malaysia	Markit Malaysia PMI Mfg	Oct	--	47.9	--
04/11		Exports YOY	Sep	--	-0.8%	--
05/11		BNM Overnight Policy Rate	Nov-05	--	3.0%	--
07/11		Foreign Reserves	Oct-31	--	\$103.3b	--
28/10	US	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	--
29/10		S&P CoreLogic CS 20-City YOY NSA	Aug	2.0%	2.0%	--
		Pending Home Sales MOM	Sep	1.0%	1.6%	--
		Conf. Board Consumer Confidence	Oct	127.8	125.1	--
30/10		MBA Mortgage Applications	Oct-25	--	-11.9%	--
		ADP Employment Change	Oct	132k	135k	--
		GDP Annualized QOQ	3Q A	1.6%	2.0%	--
31/10	FOMC Rate Decision	Oct-30	1.75-2%	1.75-2%	--	
	Personal Income	Sep	0.3%	0.4%	--	
	Personal Spending	Sep	--	0.1%	--	
	PCE Core Deflator YOY	Sep	1.7%	1.8%	--	
	Initial Jobless Claims	Oct-26	--	--	--	
	MNI Chicago PMI	Oct	49.0	47.1	--	
01/11	Change in Nonfarm Payrolls	Oct	95k	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	--	
	ISM Manufacturing	Oct	49.0	47.8	--	
	Construction Spending MOM	Sep	0.2%	0.1%	--	
04/11	Factory Orders	Sep	--	-0.1%	--	
	Cap Goods Orders Nondef Ex Air	Sep F	--	--	--	
05/11	Trade Balance	Sep	-\$55.6b	-\$54.9b	--	
	Markit US Services PMI	Oct F	--	51.0	--	
	ISM Non-Manufacturing Index	Oct	53.8	52.6	--	
06/11	MBA Mortgage Applications	Nov-01	--	--	--	
07/11	Initial Jobless Claims	Nov-02	--	--	--	
08/11	Wholesale Inventories MOM	Sep F	--	--	--	
	U. of Mich. Sentiment	Nov P	--	--	--	
30/10	Eurozone	Economic Confidence	Oct	101.3	101.7	--
		Consumer Confidence	Oct F	-7.6	-7.6	--
31/10		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%	--	
04/11	Markit Eurozone Manufacturing PMI	Oct F	--	45.7	--	
	Sentix Investor Confidence	Nov	--	-16.8	--	
05/11	PPI YOY	Sep	--	-0.8%	--	
06/11	Markit Eurozone Services PMI	Oct F	--	51.8	--	

		Retail Sales MoM	Sep	--	0.3%	--
28/10	UK	Nationwide House Px NSA YOY	Oct	--	0.2%	--
29/10		Mortgage Approvals	Sep	65.1k	65.5k	--
31/10		GfK Consumer Confidence	Oct	-13	-12	--
01/11		Markit UK PMI Manufacturing SA	Oct	48.6	48.3	--
05/11		Markit/CIPS UK Services PMI	Oct	--	49.5	--
07/11		Bank of England Bank Rate	Nov-07	--	0.75%	--
30/10	Japan	Retail Sales YOY	Sep	6.1%	2.0%	1.8%
31/10		Industrial Production YOY	Sep P	-0.1%	-4.7%	--
		BOJ Policy Balance Rate	Oct-31	--	-0.1%	--
01/11		Jobless Rate	Sep	2.2%	2.2%	--
		Jibun Bank Japan PMI Mfg	Oct F	--	48.5	--
06/11		Jibun Bank Japan PMI Services	Oct F	--	50.3	--
08/11		Labor Cash Earnings YOY	Sep	--	-0.2%	-0.1%
		Household Spending YOY	Sep	--	1.0%	--
		Leading Index CI	Sep P	--	--	--
09/11		Machine Tool Orders YOY	Oct P	--	--	--
31/10	Hong Kong	GDP YoY	3QA	-0.3%	0.5%	--
01/11		Retail Sales Value YOY	Sep	--	-23.0%	--
05/11		Markit Hong Kong PMI	Oct	--	41.5	--
31/10	China	Manufacturing PMI	Oct	49.8	49.8	--
		Non-manufacturing PMI	Oct	53.8	53.7	--
01/11		Caixin China PMI Mfg	Oct	51.0	51.4	--
05/11		Caixin China PMI Services	Oct	--	51.3	--
08/11		Exports YOY	Oct	--	-3.2%	--
09/11		CPI YOY	Oct	--	3.0%	--
		PPI YOY	Oct	--	-1.2%	--
04/11	Singapore	Purchasing Managers Index	Oct	--	49.5	--
05/11		Markit Singapore PMI	Oct	--	48.3	--
30/10	Australia	CPI YOY	3Q	1.7%	1.6%	--
01/11		AiG Perf of Mfg Index	Oct	--	54.7	--
04/11		Retail Sales MOM	Sep	0.4%	0.4%	--
05/11		AiG Perf of Services Index	Oct	--	51.5	--
		RBA Cash Rate Target	Nov-05	0.75%	0.75%	--
07/11		Trade Balance	Sep	--	A\$5926m	--
08/11		RBA Statement on Monetary Policy				
		Home Loans MOM	Sep	--	0.7%	--
30/10	New Zealand	ANZ Business Confidence	Oct	--	-53.5	--
01/11		ANZ Consumer Confidence Index	Oct	--	113.9	--
06/11		Employment Change QOQ	3Q	--	0.8%	0.7%
		Unemployment Rate	3Q	--	3.9%	--
25-31/10	Vietnam	Industrial Production YOY	Oct	--	10.2%	--
		CPI YOY	Oct	2.05%	1.98%	--
		Exports YOY	Oct	9.9%	9.0%	--
		Retail Sales YTD YOY	Oct	--	11.6%	--
01/11		Markit Vietnam PMI Mfg	Oct	--	50.5	--

Source: Bloomberg

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