

Global Markets Research

Daily Market Highlights

Key Takeaways

- **RBA left its cash rate target unchanged at 1.50% as expected and offered no clues on a near term move, remaining wary over low inflation and a strong Aussie.** RBA governor remarked that a strong AUD "is expected to contribute to subdued price pressures". On top of that, even when the economy continues to generate gains in full-time employment, wage growth stays at record low, which also puts a lid on inflation.
- **Manufacturing PMIs that were released yesterday indicate uneven growth pace globally** with firmer growth in China and the UK, while expansion moderated in the US, Eurozone, Japan and Vietnam, and contraction softened in Malaysia.
- **Other releases were mixed.** In the US, personal spending softened amid stagnant income while PCE core held steady at an upwardly revised level of 1.5% YOY in June. Advance estimate showed growth in the Eurozone quickened to 2.1% YOY and 0.6% QOQ in 2Q (1Q: +1.9% YOY and +0.5% QOQ), reinforcing market expectations that ECB is on track to discuss tapering plans.
- **USD advanced against 9 G10s** while the Dollar Index rose 0.19% to 93.04 as short positions were covered amid risk aversion ahead of US employment data tonight. **USD is slightly bullish today** in anticipation of further rebound amid bullish potential in US data. Technically, bearish bias prevails in the Dollar Index and it remains inclined to further losses despite potential to rebound today. Only closing above 93.86 would alter this view, otherwise, the Dollar Index remains exposed to a drop below 92.86 in the coming days.
- **MYR weakened 0.11% to 4.2860 against USD** and retreated against 6 G10s on the back of retreating risk appetite ahead of US data. **MYR is now bearish on the back of a rebounding USD.** Yesterday's close above 4.2815 has tilted USDMYR towards the upsides and further climbs are expected, potentially testing 4.2948.
- **SGD slipped 0.19% to 1.3579 against USD** but advanced against 7 G10s. **Stay bearish on SGD against USD** as risk appetite in the markets remain soft ahead of US data. We continue to set sights on USDSGD rebound going forward, with scope to rise to as high as 1.3681 in the coming weeks. Closing above 1.3609 will be a bullish boost to USDSGD's attempt.

Overnight Economic Data

Malaysia	↑
US	↓
EU	→
UK	→
Japan	→
China	↑
New Zealand	
Vietnam	↓

What's Coming Up Next

Major Data

- US ADP employment change
- EU PPI
- UK PMI construction
- Japan consumer confidence
- Australia building approvals

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1777	1.1800	1.1814	1.1846	1.1884	↘
USDJPY	110.00	110.22	110.44	110.59	110.84	↗
GBPUSD	1.3159	1.3200	1.3215	1.3245	1.3292	↗
AUDUSD	0.7937	0.7946	0.7965	0.7970	0.7996	↘
EURGBP	0.8921	0.8932	0.8940	0.8943	0.8957	↘
USDMYR	4.2815	4.2841	4.2872	4.2881	4.2914	↗
EURMYR	5.0547	5.0589	5.0660	5.0681	5.0720	↗
JPYMYR	3.8732	3.8791	3.8825	3.8896	3.8958	↗
GBPMYR	5.6500	5.6592	5.6663	5.6680	5.6720	↗
SGDMYR	3.1503	3.1536	3.1558	3.1568	3.1583	↘
AUDMYR	3.4009	3.4122	3.4163	3.4197	3.4228	↘
NZDMYR	3.1752	3.1812	3.1865	3.1948	3.2003	↘
USDSGD	1.3561	1.3580	1.3588	1.3609	1.3618	↗
EURSGD	1.6000	1.6021	1.6050	1.6057	1.6070	↗
GBPSGD	1.7900	1.7937	1.7956	1.7965	1.7980	↗
AUDSGD	1.0800	1.0821	1.0825	1.0840	1.0869	↘

*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	1765.1	0.3	7.5	CRB Index	180.8	-1.03	-6.1
Dow Jones Ind.	21963.9	0.3	11.1	WTI oil (\$/bbl)	49.2	-2.00	-8.5
S&P 500	2476.4	0.2	10.6	Brent oil (\$/bbl)	51.8	-1.70	-9.3
FTSE 100	7423.7	0.7	3.9	Gold (\$/oz)	1268.8	-0.10	9.9
Shanghai	3292.6	0.6	6.1	CPO (RM/tonne)	2642.5	-0.88	-17.4
Hang Seng	27540.2	0.8	25.2	Copper (\$/tonne)	6345.0	-0.38	14.6
STI	3338.2	0.3	15.9	Rubber (sen/kg)	500.0	-0.30	-22.5

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Nikkei PMI	Jul	48.3	46.9	--
US Personal income	Jun	0.0%	0.3%	0.4%
US Personal spending	Jun	0.1%	0.2%	0.1%
US PCE core YOY	Jun	1.5%	1.5%	1.4%
US Markit PMI manufacturing	Jul F	53.3	53.2	53.2
US ISM manufacturing	Jul	56.3	57.8	56.4
EU Markit PMI manufacturing	Jul F	56.6	56.8	56.8
EU GDP YOY	2Q A	2.1%	1.9%	2.1%
UK PMI Manufacturing	Jul	55.1	54.2	54.5
UK Nationwide house prices YoY	Jul	2.9%	3.1%	2.7%
JP Nikkei PMI manufacturing	Jul F	52.1	52.2	--
CN Caixin PMI manufacturing	Jul	51.1	50.4	50.4
AU RBA Cash Rate Target	Aug 1	1.50%	1.50%	1.50%
NZ Unemployment Rate	2Q	4.8%	4.9%	4.8%
NZ Participation Rate	2Q	70.0%	70.6%	70.6%
VN Nikkei PMI Manufacturing	Jul	51.7	52.5	-

Source: Bloomberg

➤ Macroeconomics

- US data releases were somewhat mixed and skewed to the downside. ISM manufacturing dipped lower to 56.3 versus a prior reading of 57.8, although still on expansionary mode. The readings released yesterday suggest that factory expansion is expected to extend into the second half. Meanwhile the PMI manufacturing reading came in little changed, with a 53.3 print versus a prior level of 53.2. Core PCE steadied at 1.5% YOY in June, unchanged from an upwardly revised May figure which we opine will provide some comfort to the Fed who had always been believing that recent easing in price pressure maybe transitory. Consumer-related data were soft, with personal spending tapered off to a 0.1% MOM increase as income stagnated in June, raising concerns the main pillar of the US economy is moderating.
- Over in the Eurozone, the European economy grew at a faster pace of 2.1% YOY in 2Q (1Q: +1.9% YOY). This, coupled with recent positive data flow and recovery in the labour market, are expected to reinforce market expectations that ECB is on track to discuss tapering plans. Meanwhile PMI manufacturing for the European region, moderated to 56.6 versus initial estimate of 56.8 and was lower than the record high reading of 57.4 in June.
- In the UK, PMI readings expanded more than forecast, at 55.1, picking up from 54.2 in June. Nationwide house price grew at a softer pace of 2.9% YOY in July, above estimates but was a tad lower compared to prior print of 3.1%. Pace of growth remains on a downtrend since Sept last year as demand is dampened by UK's economic outlook and already high prices.
- Over in Asia, China's Caixin PMI manufacturing expanded more than forecast with an upbeat 51.1 reading versus a prior level of 50.4. The positive reading suggest that China's growth momentum remains solid going into the 2H2017.
- Other PMI readings in the Asian region was mixed. In Japan, manufacturing PMI eased to 52.1 in the final Jul reading, lowest in 8 months, from 52.4 in Jun. Malaysia's manufacturing sector contracted at a softer pace in Jul, with the PMI registering 48.3, rising from 46.9 previously. This represents a third consecutive month of contracting factory activities. Meanwhile, Vietnam's PMI slipped to 51.7 in Jul, down from 52.5 in Jun.
- On the monetary policy front, RBA maintained its cash rate target unchanged at 1.50%. The RBA's cautioned that a rising currency is expected to dampen inflation and weigh on the outlook for growth and employment. It added that wage growth remains low and will likely be so for the time being.

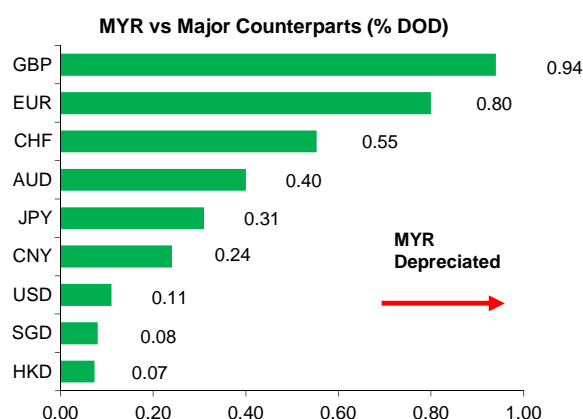
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	8/02	MBA mortgage applications	Jul 28	-	0.4%	--
		ADP employment change	Jul	185K	158K	--
	8/03	Initial jobless claims	Jul 29	242k	244k	--
		Markit services PMI	Jul F	54.2	54.2	--
		ISM non-manufacturing	Jul	56.9	57.4	--
		Factory orders	Jun	3.0%	-0.8%	--
EU	8/02	Durable goods orders	Jun F	0.0%	6.5%	--
		PPI YOY	Jun	2.5%	3.3%	--
	8/03	ECB economic bulletin	Jul	--	--	--
		Markit services PMI	Jul F	55.4	55.4	--
UK	8/02	Retail sales YOY	Jun	2.5%	2.6%	--
		Markit / CIPS construction PMI	Jul	54.0	54.8	--
	8/03	Markit / CIPS services PMI	Jul	53.6	53.4	--
		BOE bank rate	Aug 3	0.25%	0.25%	--
Japan	8/02	BOE asset purchase target	Aug	435b	435b	--
		BOE inflation report		--	--	--
	8/03	Consumer confidence	Jul	43.5	43.3	--
		Nikkei PMI services	Jul	--	53.3	--
China	8/03	Caixin PMI services	Jul	--	51.6	--
Hong Kong	8/02	Retail sales YOY	Jun	2.3%	0.5%	--
	8/03	Nikkei PMI	Jul	--	51.1	--
Singapore	8/02	PMI	Jul	--	50.9	--
	8/03	Nikkei PMI	Jul	--	50.7	--
Australia	8/02	Building Approvals YoY	Jun	-11%	-19.7%	--
	8/03	AiG performance of services index	Jul	--	54.8	--
		Trade balance	Jun	A\$1800m	A\$2471m	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1802	-0.34	1.1844	1.1785	12.3
USDJPY	110.36	0.09	110.59	109.93	-5.6
GBPUSD	1.3203	-0.09	1.3245	1.3191	7.1
AUDUSD	0.7969	-0.42	0.8043	0.7961	10.4
EURGBP	0.8939	-0.24	0.8966	0.8923	4.7
USDMYR	4.2860	0.11	4.2860	4.2760	-4.5
EURMYR	5.0637	0.80	5.0681	5.0547	7.2
JPYMYR	3.8846	0.31	3.8896	3.8732	1.3
GBPMYR	5.6680	0.94	5.6720	5.6437	2.7
SGDMYR	3.1578	0.08	3.1583	3.1536	1.7
AUDMYR	3.4279	0.40	3.4193	3.4228	5.3
NZDMYR	3.2078	0.12	3.2121	3.1958	2.0

Source: Bloomberg



Forex

MYR

- **MYR weakened 0.11% to 4.2860 against USD** and retreated against 6 G10s on the back of retreating risk appetite ahead of US data.
- **MYR is now bearish on the back of a rebounding USD.** Yesterday's close above 4.2815 has tilted USDMYR towards the upsides and further climbs are expected, potentially testing 4.2948.

USD

- **USD advanced against 9 G10s** while the Dollar Index rose 0.19% to 93.04 as short positions were covered amid risk aversion ahead of US employment data tonight.
- **USD is slightly bullish today** in anticipation of further rebound amid bullish potential in US data. Technically, bearish bias prevails in the Dollar Index and it remains inclined to further losses despite potential to rebound today. Only closing above 93.86 would alter this view, otherwise, the Dollar Index remains exposed to a drop below 92.86 in the coming days.

EUR

- **EUR fell 0.34% to 1.1802 against USD** and slipped against 5 G10s as markets turned risk averse entering into a 3-day US data flow.
- **Expect a slightly bearish EUR today amid potential rebound in USD.** Sign of softer upside momentum limits the scope of EURUSD gains, but current bullish bias still points EURUSD overall higher. Losing 1.1735 would tilt this pair lower, otherwise, 1.1884 remains under threat.

GBP

- **GBP eased 0.09% to 1.3203 against USD** but climbed against 7 G10s, supported by slightly firmer UK data.
- **Expect a bullish GBP against USD,** supported by firmer bids amid hawkish expectations ahead of BOE meeting and refuge demand within the European market. Holding above 1.3200 is a bullish case for GBPUSD, and current signs point to a test at 1.3292 going forward.

JPY

- **JPY slipped 0.09% to 110.36 against USD** but managed to advance against 7 G10s as FX space turned risk averse.
- **We turn bearish on JPY against a rebounding USD.** Technically, USDJPY appears to have bottomed and may be starting to rebound. We are yet to confirm this move; a close above 110.83 will strength this rebound attempt.

AUD

- **AUD fell 0.42% to 0.7969 against USD** and fell against 5 G10s, pressured by RBA hinting that a strong currency would hamper growth and by risk aversion in the markets.
- **AUD remains bearish against USD** on the back of risk-off sentiment. Technical viewpoint suggests that a breakdown from reversal pattern has occurred, titling AUDUSD further to the downside. We continue to set sights on a drop to 0.7914 before moving lower to 0.7818.

SGD

- **SGD slipped 0.19% to 1.3579 against USD** but advanced against 7 G10s.
- **Stay bearish on SGD against USD** as risk appetite in the markets remain soft ahead of US data. We continue to set sights on USDSGD rebound going forward, with scope to rise to as high as 1.3681 in the coming weeks. Closing above 1.3609 will be a bullish boost to USDSGD's attempt.

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