

Global Markets Research

Daily Market Highlights

Key Takeaways

- **The focus was on BOE Inflation Report which downgraded GDP growth forecasts, as BOE voted 6-2 to keep rates and asset purchase target unchanged** at 0.25% and £435bn as expected. **BOE struck a “somewhat dovish” tone**, saying economic expansion was “sluggish” and Brexit uncertainties is the biggest drag on growth prospects, **further reinforcing our expectations of no near term policy move by the BOE**. In addition, market also hanged on to the fact that two voters (Ian McCafferty and Michael Saunders) voted for a hike, down from 3 in the previous meeting after Kirsten Forbes left in June. The GBP plunged over 100pips from an 11-month high post-BOE, but managed to claw back some losses to 1.3138 at close.
- **Overnight data flow remained a mixed bag. Readings showed the services sector expanded at varying speed in July**, steady in the EU, faster in the UK but slower in China and Japan. Again, PMI and ISM prints in the US diverged again, with the former showing an uptick for the 4th straight month while the ISM reported a deceleration in July. There was also little to cheer on other US releases. **Reports showed business spending remained lackluster even when labour market is steadily recovering in the US.**
- **USD closed mixed against the G10s** but the Dollar Index was hardly changed at 92.83 as the early gap-up helped to offset a drop in US session on risk aversion ahead of crucial US data tonight. **Stay bearish on USD** amid bearish potential in US data. Signs of rebound persist, but we reckon that the Dollar Index will still be weighed down by bearish bias for several more days. Rebounds are likely limited by 93.04 before sliding back below 92.83.
- **MYR strengthened 0.16% to 4.2788 against a weakened USD** ahead of US data and advanced against 9 G10s. **We keep a slightly bearish view on MYR against USD**, weighed down by risk aversion ahead of US data and the week's close; a strong performance in Malaysia's trade data will likely overturn losses. USDMYR has lost 4.2807 and bearish bias is building. We do not rule out a temporary dip but caution that a strong bounce may take place near 4.2730, which has previously rejected attempt to fall lower.
- **SGD closed mixed against the G10s and was relatively unchanged against USD at 1.3587** after paring early losses. **Stay bearish on SGD against USD** as risk appetite in the markets remain soft ahead of US data. Overnight rejection by 1.3618 failed to dampen technical outlook. Downside momentum remains thin and support at 1.3565 appears strong, thus we maintain the view of a potential rebound to 1.3681 in the coming weeks.

Overnight Economic Data

US	➔
EU	➡
UK	➡
Japan	➡
China	➡

What's Coming Up Next

Major Data

- Malaysia exports
- US nonfarm payroll, jobless rate
- Australia retail sales

Major Events

- RBA statement on monetary policy

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1846	1.1860	1.1885	1.1893	1.1910	➔
USDJPY	109.50	109.80	109.92	110.05	110.48	➡
GBPUSD	1.3113	1.3133	1.3143	1.3160	1.3191	➡
AUDUSD	0.7915	0.7942	0.7960	0.7972	0.8008	➡
EURGBP	0.9020	0.9033	0.9040	0.9048	0.9059	➔
USDMYR	4.2700	4.2730	4.2750	4.2794	4.2807	➔
EURMYR	5.0700	5.0750	5.0799	5.0800	5.0851	➔
JPYMYR	3.8791	3.8844	3.8897	3.8935	3.8980	➔
GBPMYR	5.6082	5.6153	5.6195	5.6247	5.6327	➡
SGDMYR	3.1458	3.1488	3.1497	3.1502	3.1526	➡
AUDMYR	3.3953	3.4000	3.4032	3.4053	3.4100	➡
NZDMYR	3.1700	3.1772	3.1825	3.1848	3.1881	➡
USDSGD	1.3556	1.3570	1.3574	1.3593	1.3618	➔
EURSGD	1.6100	1.6120	1.6130	1.6140	1.6163	➔
GBPSGD	1.7800	1.7820	1.7842	1.7877	1.7901	➡
AUDSGD	1.0761	1.0790	1.0804	1.0821	1.0840	➡

*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	1771.9	0.1	7.9	CRB Index	180.6	-0.73	-6.2
Dow Jones Ind.	22026.1	0.0	11.5	WTI oil (\$/bbl)	49.0	-1.13	-8.7
S&P 500	2472.2	-0.2	10.4	Brent oil (\$/bbl)	52.0	-0.67	-13.3
FTSE 100	7474.8	0.9	4.6	Gold (\$/oz)	1268.5	0.10	8.1
Shanghai	3272.9	-0.4	5.5	CPO (RM/tonne)	2624.0	-1.06	-18.0
Hang Seng	27531.0	-0.3	25.1	Copper (\$/tonne)	6352.0	0.00	14.8
STI	3342.9	-0.2	16.0	Rubber (sen/kg)	499.0	-0.10	-22.6

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US initial jobless claims	Jul 29	240k	245k	243k
US Markit PMI services	Jul F	54.7	54.2	54.2
US ISM services	Jul	53.9	57.4	56.9
US factory orders	Jun	3.0%	-0.3%	3.0%
US durable goods orders	Jun F	6.4%	6.5%	0.0%
EU retail sales YOY	Jun	3.1%	2.4%	2.5%
EU PMI services	Jul F	55.4	55.4	55.4
UK PMI services	Jul	53.8	53.4	53.6
UK BOE bank rate	Aug 3	0.25%	0.25%	0.25%
UK BOE asset purchase target	Aug 3	£435bn	£435bn	£435bn
JP Nikkei PMI services	Jul	52.0	53.3	--
CH Caixin PMI services	Jul	51.5	51.6	--

Source: Bloomberg

➤ Macroeconomics

- The focus was on BOE Inflation Report which downgraded GDP growth forecasts, as BOE voted 6-2 to keep rates and asset purchase target unchanged at 0.25% and £435bn as expected. BOE struck a “somewhat dovish” tone, saying economic expansion was “sluggish” and Brexit uncertainties is the biggest drag on growth prospects, further reinforcing our expectations of no near term policy move by the BOE. In addition, market also hanged on to the fact that two voters (Ian McCafferty and Michael Saunders) voted for a hike, down from 3 in the previous meeting after Kirsten Forbes left in June.
- This year's GDP growth forecast has been cut by 0.2ppt to 1.7%, marking its 2nd straight downgrades since the February quarterly report while growth forecast for 2018 has been cut by 0.1ppt to 1.6%, back to the February forecast level and undoing the upgrade in May. 2019 growth forecast was kept unchanged at 1.8%. Inflation forecast has been lifted slightly for 2017 to 2.7% (previous 2.6%) while 2018 and 2019 forecasts were left unchanged at 2.6% and 2.2% respectively. The GBP plunged over 100pips from an 11-month high post-BOE, but managed to claw back some losses to 1.3138 at close.
- On the data front, contrary to weaker economic releases recently, and tracking the uptick in PMI manufacturing, UK PMI services inched up more than expected to 53.8 in July, pointing to faster than expected expansion in the services sector.
- US data remained a mixed bag. Initial jobless claims fell more than expected to 240k for the week ended 29-July reaffirming continuous recovery in the labour market. Services readings diverged again, PMI gauge showed a pick-up for the 4th straight month to 54.7 in July but ISM print showed a bigger than expected deceleration to a 9-month low at 53.9. Factory orders rebounded to increase 3.0% MOM in Jun boosted by transport. Ex-transport, orders continued to decline 0.2% MOM. On a similar note, transport also spurred the 6.4% MOM increase in durable goods orders in June. Ex-transport, orders grew a meager 0.1% MOM, signaling subdued capital spending.
- Over in the Eurozone, in tandem with improvement in recent data flow, retail sales accelerated to grow more than expected by 3.1% YOY in June, its best in eight months driven by broad-based gains from food to non-food sales suggesting a pick-up in consumption. Final print of PMI showed the services sector sustained its expansion, with the reading coming in stable at 55.4 in July.
- In the Asian sphere, services PMI moderated in Japan and China. The Nikkei reading for Japan eased to a 5-month low at 52.0 while the Caixin PMI services for China slipped slightly to 51.5, matching a low in April and tracking a lower reading in the official PMI services released earlier in the week.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	8/04	Exports YoY	Jun	18.3%	32.5%	-
		Imports YoY	Jun	19.8%	30.4%	-
US	8/04	Non-farm payrolls	Jul	180K	222K	-
		Unemployment Rate	Jul	4.3%	4.4%	-
		Trade balance	Jun	-\$44.5b	-\$46.5b	-
		Sentix investor confidence	Aug	--	28.3	-
UK	8/07	Halifax house prices YOY	Jul	--	2.6%	-
Japan	8/07	Leading index	Jun P	--	104.6	-
		Coincident index	Jun p	--	115.8	-
Australia	8/04	Retail sales MOM	Jun	0.2%	0.6%	-
		RBA statement on monetary policy				
	8/07	AiG construction index	Jul	--	56.0	-

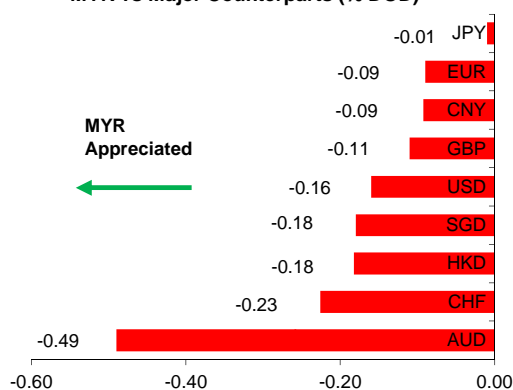
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1870	0.12	1.1893	1.1831	13.0
USDJPY	110.05	-0.61	110.83	109.86	-6.0
GBPUSD	1.3138	-0.64	1.3267	1.3113	6.5
AUDUSD	0.7950	-0.23	0.7969	0.7915	10.4
EURGBP	0.9035	0.77	0.90487	0.8924	5.9
USDMYR	4.2788	-0.16	4.2865	4.2783	-4.6
EURMYR	5.0684	-0.09	5.0806	5.0667	7.3
JPYMYR	3.8684	-0.01	3.8763	3.8656	1.0
GBPMYR	5.6635	-0.11	5.6789	5.6610	2.7
SGDMYR	3.1469	-0.18	3.1515	3.1461	1.5
AUDMYR	3.3934	-0.49	3.4096	3.3923	4.7
NZDMYR	3.1708	-0.32	3.1772	3.1673	1.7

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



Forex

MYR

- **MYR strengthened 0.16% to 4.2788 against a weakened USD** ahead of US data and advanced against 9 G10s.
- **We keep a slightly bearish view on MYR against USD**, weighed down by risk aversion ahead of US data and the week's close; a strong performance in Malaysia's trade data will likely overturn losses. USDMYR has lost 4.2807 and bearish bias is building. We do not rule out a temporary dip but caution that a strong bounce may take place near 4.2730, which has previously rejected attempt to fall lower.

USD

- **USD closed mixed against the G10s** but the Dollar Index was hardly changed at 92.83 as the early gap-up helped to offset a drop in US session on risk aversion ahead of crucial US data tonight.
- **Stay bearish on USD** amid bearish potential in US data. Signs of rebound persist, but we reckon that the Dollar Index will still be weighed down by bearish bias for several more days. Rebounds are likely limited by 93.04 before sliding back below 92.83.

EUR

- **EUR climbed 0.12% to 1.1870 against a soft USD** and advanced against 7 G10s, supported by relatively firmer Eurozone data and weakness in GBP.
- **EUR is likely to extend its gains on the back of a soft USD**, more so if US data deteriorates. Technical outlook has deteriorated; while bullish bias could still push EURUSD higher in the coming days, we reckon that gains will likely be tepid. Caution that upside strength could falter before 1.1920.

GBP

- **GBP tumbled against all G10s and weakened 0.64% to 1.3138 against USD** after markets' hawkish expectations on BOE was dampened by the central bank's reduced economic outlook.
- **We are now bearish on GBP against USD**, pressured by reduced expectations on a near-term BOE rate hike. Upside momentum has greatly reduced, limiting GBPUSD's gains going forward. A test 1.3107 is expected soon, and losing this will accelerate a decline to 1.3008.

JPY

- **JPY** was lifted by intensified risk aversion in the FX space, beating all G10s and **strengthening 0.61% to 110.05 against USD**.
- **We now turn bullish on JPY against USD** amid risk aversion in the FX space ahead of US data. Bearish bias picked up after losing 110 and USDJPY is now inclined to further losses. Rebounds, if any, will likely be limited by 110.72 before downsides again take hold and lead USDJPY lower.

AUD

- **AUD slipped 0.23% to 0.7950 against USD** and fell against 8 G10s as risk aversion heightened against of US data.
- **AUD remains bearish against USD** on the back of risk-off sentiment. Bearish bias has picked up in AUDUSD, tilting the pair further downwards. We expect AUDUSD to soon break below 0.7914 and initiate a path towards 0.7818.

SGD

- **SGD** closed mixed against the G10s and **was relatively unchanged against USD at 1.3587** after paring early losses.
- **Stay bearish on SGD against USD** as risk appetite in the markets remain soft ahead of US data. Overnight rejection by 1.3618 failed to dampen technical outlook. Downside momentum remains thin and support at 1.3565 appears strong, thus we maintain the view of a potential rebound to 1.3681 in the coming weeks.

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