

Global Markets Research

Daily Market Highlights

Key Takeaways

- On the policy front, **Fed official Lael Brainard further dented expectations of a near-term rate hike with dovish remarks**, warning policymakers to be more cautious in terms of policy tightening given that current US inflation has yet to show signs of climbing towards the Fed's target.
- **RBA kept its cash rate target unchanged yesterday**, while the governor stepped up warnings on the impact of a strong AUD, stating that it could "result in a slower pick-up in economic activity and inflation".
- On the macro front, **major economies churned out softer data save for China**, which saw a firmer services PMI. Elsewhere such as Eurozone, the UK and Japan recorded lower services PMI, indicating that growth is slower, with mixed performance within sub-categories. Factory and durable goods orders in the US contracted, but discounting effects of volatility, orders picked up pace in July.
- **USD tumbled against 9 G10s** while the Dollar Index fell through European and US sessions to settle 0.41% lower at 92.25 after a relatively dovish comment from Fed official Brainard further dented expectations of a near-term rate hike. **We turn bearish on USD** on the back of recent dovish Fed comments. The Dollar Index has lost 92.53 and a mild bearish bias has emerged, suggesting more losses going forward. The 92.00 is soon to be tested, below which a drop to 91.59 is expected.
- **MYR strengthened 0.26% to 4.2600 against USD** after rallying in European trade and bested 7 G10s. **Expect a bullish MYR against a weak overnight USD**; expect further gains on a strong Malaysia trade data. Technically, downsides in USDMYR prevails and likely to push the pair lower after losing 4.2500. There is scope to test 4.2400 going forward.
- SGD on the other hand, remains weighed down by retreating risk appetite, sliding against 7 G10s but **managed to advance 0.29% to 1.3532 against USD**. **We turn slightly bullish on SGD against a soft USD** but expect modest gains given prevailing pressure from risk aversion in the markets. Technically, bearish bias has picked up, tilting USDSGD towards the downside and potentially heading for a break at 1.3500. Below this, there is room for further losses.

Overnight Economic Data

US	↓
EU	↓
UK	↓
Japan	↓
China	↑
Hong Kong	↓
Australia	→

What's Coming Up Next

Major Data

- US PMI and ISM services, trade balance
- Australia GDP
- Malaysia external trade and foreign reserves

Major Events

- Fed Beige Book

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1900	1.1918	1.1923	1.1941	1.1980	↗
USDJPY	108.27	108.45	108.58	108.85	109.01	↘
GBPUSD	1.3000	1.3020	1.3038	1.3050	1.3062	↗
AUDUSD	0.7980	0.8000	0.8005	0.8012	0.8028	↗
EURGBP	0.9100	0.9115	0.9144	0.9167	0.9185	↘
USDMYR	4.2400	4.2450	4.2475	4.2500	4.2551	↘
EURMYR	5.0550	5.0572	5.0625	5.0662	5.0766	↘
JPYMYR	3.9005	3.9057	3.9088	3.9095	3.9179	↗
GBPMYR	5.5266	5.5340	5.5368	5.5388	5.5475	↗
SGDMYR	3.1350	3.1377	3.1402	3.1417	3.1450	↘
AUDMYR	3.3910	3.3976	3.3990	3.4016	3.4077	↗
NZDMYR	3.0700	3.0750	3.0780	3.0848	3.0884	↗
USDSGD	1.3500	1.3511	1.3523	1.3553	1.3564	↘
EURSGD	1.6050	1.6097	1.6125	1.6157	1.6165	↘
GBPSGD	1.7559	1.7600	1.7634	1.7656	1.7692	↗
AUDSGD	1.0784	1.0805	1.0826	1.0840	1.0857	↗

*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	1769.6	-0.2	7.8	CRB Index	182.3	0.77	-5.3
Dow Jones Ind.	21753.3	-1.1	10.1	WTI oil (\$/bbl)	48.7	2.90	-9.4
S&P 500	2457.9	-0.8	9.8	Brent oil (\$/bbl)	53.4	2.00	-6.1
FTSE 100	7372.9	-0.5	3.2	Gold (\$/oz)	1339.7	0.40	10.8
Shanghai	3384.3	0.1	9.0	CPO (RM/tonne)	2680.0	-1.09	-16.2
Hang Seng	27741.4	0.0	26.1	Copper (\$/tonne)	6900.0	-0.25	24.6
STI	3251.3	0.6	12.9	Rubber (sen/kg)	560.0	2.47	-13.2

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US factory orders	Jul	-3.3%	3.2%	-3.3%
US durable goods orders	Jul F	-6.8%	-6.8%	-2.9%
EU PMI services	Aug F	54.7	54.9	54.9
EU retail sales MOM	Jul	-0.3%	0.6%	-0.3%
UK PMI services	Aug	53.2	53.8	53.5
JP Nikkei PMI services	Aug	51.6	52.0	--
CH Caixin PMI services	Aug	52.7	51.5	--
HK Nikkei PMI	Aug	49.7	51.3	--
AU RBA cash rate target	Sept 5	1.50%	1.50%	1.50%

Source: Bloomberg

- Fed official Lael Brainard cautioned that current US inflation is “well short” of the Fed’s 2% target and said that policymakers should be “cautious about tightening policy further” until price pressures are able to meet the target. The rather dovish statement sent USD sliding through European and US sessions.
- The RBA kept its cash rate target unchanged at 1.50% yesterday, and warned that it is “not in the public interest to encourage an already highly-indebted household sector to borrow even more”, which markets likely interpreted as no rate cut in the immediate term, judging by how AUD rallied. Governor Philip Lowe also cautioned on the strong AUD, stating that “it is also weighing on the outlook for output and employment” and would “result in a slower pick-up in economic activity and inflation”.
- PMI releases for performance of services sector in Aug were mostly lower, indicating slower expansions in Japan, the UK and Eurozone, while China’s Caixin gauge advanced.
- Eurozone PMI services was downwardly revised to 54.7 in the final Aug print from 54.9, and was lower compared to Jul’s figure of 55.4. The figure remains firm nonetheless if viewed over the course of several years, supported by growth of new business even though jobs growth slowed. In the UK, services sector growth also eased in Aug as indicated by the PMI that dipped to 53.2 from 53.8. The bigger than expected drop to the 11-month low was fueled by slower expansions in business activity and new business, but the bright spot was that employment sub-index rose to a 19-month high.
- Japan’s Nikkei measure of the services sector dipped to 51.6 in Aug from 52.0. While the sector sustained an expansionary mode, growth was the weakest in 6 months amid slower gains in new business and business sentiment. The only uptick in services PMI from a major economy was in China, with the Caixin PMI rising to 6-month high of 52.7 in Aug from 51.5 previously. The increase was lifted by firmer business activity, new business and employment.
- Other data releases include US factory orders, durable goods orders and Eurozone retail sales. US factory orders declined 3.3% MOM in Jul, overturning the 3.2% growth in Jun. However, discounting the usually volatile figures from transportation sector, orders rose 0.5%, ticking higher from 0.1% in Jun. Similarly, durable goods orders fell 6.8% MOM in Jul as initially expected, down from 6.4% increase in Jun, but ignoring contributions from transportation, orders were up 0.6% from 0.5%.
- Spending in the Eurozone contracted 0.3% MOM in Jul after growing 0.6% in Jun, while annually, sales growth slowed to 2.6% YOY after rising 3.3% in Jun.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	9/6	Exports YOY	Jul	24.8%	10.0%	--
		Foreign reserves	Aug 30	--	\$100.4bn	--
US	9/7	BNM OPR	Sept 7	3.00%	3.00%	--
	9/6	MBA mortgage applications	Sept 1	--	-2.3%	--
		Trade balance	Jul	-\$44.6bn	-\$43.6bn	--
		PMI services	Aug F	56.9	56.9	--
		ISM services	Aug	55.5	53.9	--
	9/7	US Fed Beige Book				
		Initial jobless claims	Sept 2	242k	236k	--
EU	9/7	GDP QOQ	2Q F	0.6%	0.6%	--
		ECB main refinancing rate	Sept 7	0.00%	0.00%	--
UK	9/7	Halifax house prices 3MoY	Aug	2.1%	2.1%	--
Japan	9/7	Leading index	Jul P	105.1	105.9	
Singapore	9/6	Nikkei PMI	Aug	--	51.3	--
Australia	9/6	GDP QOQ	2Q	--	0.3%	--
	9/7	AiG performance of construction index	Aug	--	60.5	--
		Retail sales MOM	Jul	0.2%	0.3%	--

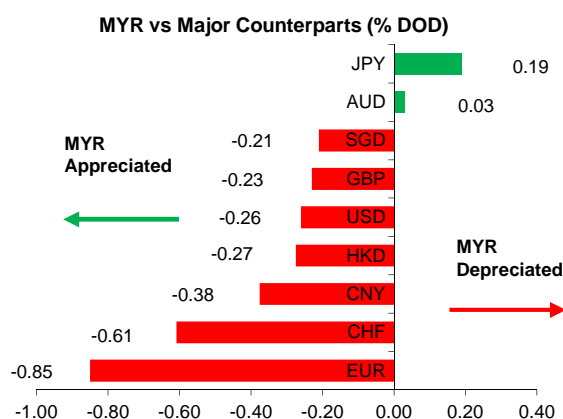
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1914	0.15	1.1941	1.1868	13.4
USDJPY	108.81	-0.83	109.83	108.63	-7.2
GBPUSD	1.3033	0.79	1.3042	1.2909	5.7
AUDUSD	0.7996	0.65	0.8028	0.7942	11.1
EURGBP	0.9141	-0.66	0.9213	0.9133	7.1
USDMYR	4.2600	-0.26	4.2695	4.2600	-5.0
EURMYR	5.0617	-0.85	5.0833	5.0594	7.2
JPYMYR	3.8949	0.19	3.9064	3.8884	1.7
GBPMYR	5.5079	-0.23	5.5214	5.5049	-0.1
SGDMYR	3.1435	-0.21	3.1505	3.1424	1.4
AUDMYR	3.3988	0.03	3.4080	3.3906	4.9
NZDMYR	3.0606	-1.06	3.0649	3.0565	-1.9

Source: Bloomberg

MYR pairs DoD% change vs closing on 30 Aug 2017



Forex

MYR

- **MYR strengthened 0.26% to 4.2600 against USD** after rallying in European trade and bested 7 G10s.
- **Expect a bullish MYR against a weak overnight USD**; expect further gains on a strong Malaysia trade data. Technically, downsides in USDMYR prevails and likely to push the pair lower after losing 4.2500. There is scope to test 4.2400 going forward.

USD

- **USD tumbled against 9 G10s** while the Dollar Index fell through European and US sessions to settle 0.41% lower at 92.25 after a relatively dovish comment from Fed official Brainard further dented expectations of a near-term rate hike.
- **We turn bearish on USD** on the back recent dovish Fed comments. The Dollar Index has lost 92.53 and a mild bearish bias has emerged, suggesting more losses going forward. The 92.00 is soon to be tested, below which a drop to 91.59 is expected.

EUR

- **EUR advanced 0.15% to 1.1914 against a soft USD** but retreated against 6 G10s amid risk-aversion in the markets.
- **Expect a firmer EUR against a soft USD** though we reckon that gains are likely contained amid risk aversion ahead of ECB meeting. Even as EURUSD pushes higher, we caution that upside strength is fragile given prevailing bearish bias. Gains are likely, but the pair is prone to rejection approaching 1.1980 – 1.2000.

GBP

- **GBP** was supported by inflows from declines in European majors, beating 7 G10s and **jumping 0.79% to 1.3033 against USD**.
- **We turn bullish on GBP against USD**, supported by refuge demand within the European region. Strong breaks at 1.2932 and 1.3020 resistances have exposed GBPUSD to further gains, potentially testing 1.3079 in the next leg higher. We caution that 1.3079 is a strong level and a test here could result in a rejection.

JPY

- **JPY** advanced against 8 G10s and **strengthened 0.83% to 108.81 against USD** amid prevailing risk-off in the markets.
- **Stay bullish on JPY against USD**, supported by increased refuge demand amid lingering geopolitical tensions. Bearish bias has picked up, pushing USDJPY further towards the downside. The strong 108 level is now exposed, but we reckon that a test here is likely to result in a rebound.

AUD

- **AUD strengthened 0.65% to 0.7996 against a soft USD** and climbed against 6 G10s, boosted by relative weakness in European majors.
- **Expect a slightly bullish AUD against a soft USD**, though gains are likely contained given lingering risk-off in the markets. AUDUSD has cleared 0.8000 hurdle and there is room for further gains, possibly to circa 0.8050. However, we caution that protracted closings above 0.7980 reversion level is likely to trigger a reversal to below the said level.

SGD

- **SGD** on the other hand, remains weighed down by retreating risk appetite, sliding against 7 G10s **but managed to advance 0.29% to 1.3532 against USD**.
- **We turn slightly bullish on SGD against a soft USD** but expect modest gains given prevailing pressure from risk aversion in the markets. Technically, bearish bias has picked up, tilting USDSGD towards the downside and potentially heading for a break at 1.3500. Below this, there is room for further losses.

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