

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- No surprises from monetary policy meetings. **BNM continued to strike a neutral tone in our view although growth assessment on both the global and domestic economy has turned more upbeat.** Resilient growth, contained inflationary pressure coupled with a sound and steady financial markets, are expected to reinforce the case for BNM to keep OPR unchanged at 3.00% through 2017.
- The key takeaway from ECB would be its formal talks and readiness to unwind stimulus, and that the bulk of the decisions will be in October, in line with earlier cues of a autumn timeline. Inflation remains a key policy concern as projections for the next two years are adjusted marginally lower by 0.1ppt to 1.2% and 1.5% (2017: 1.5%). This year's GDP growth has been revised higher by 0.3ppt to 2.2% but forecasts are maintained at 1.8% and 1.7% for 2018 and 2019 respectively. Growth quickened to 0.6% QOQ in 2Q (1Q: +0.5%), a final report showed.
- USD slumped against all G10s and the Dollar Index tumbled 0.68% to 91.66, pressured by risk aversion in the greenback amid rally in EUR and potential economic impact of natural phenomenon in the US. **Bearish outlook on USD** is sustained by continued sell-off on concerns over the impact of Hurricane Irma on the US economy. The Dollar Index gapped lower at opening and is likely to remain pressured while below 91.59, with scope to test 90.65 in the next leg lower.
- MYR strengthened 0.67% to 4.2105 against USD and advanced against 5 G10s, supported by improving sentiment on the local unit amid upbeat outlook from BNM. **Expect a bullish MYR against a weak USD.** Another gap down by USDMYR today and break of 4.2000 will provide additional downside pressure that could see the pair test 4.1800. Below this, the pair will take aim at 4.1500.
- SGD closed mixed against the G10s but **surged 0.73% to 1.3399 against a weak USD.** We stay slightly bullish on SGD against a weak USD but expect modest gains on continued risk aversion in the markets. Losing the strong 1.3400 has given USDSGD additional bearish strength the push lower, with scope to test 1.3320 in the next leg lower.

#### Overnight Economic Data

US	↓
EU	→
UK	↑
Japan	↓
Australia	↓

#### What's Coming Up Next

##### Major Data

- US Wholesale inventories
- UK industrial production, visible trade balance, NIESR GDP
- Japan Eco Watcher outlook
- China exports
- Australia home loans

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1956	1.2000	1.2029	1.2049	1.2070	↗
USDJPY	108.00	108.20	108.33	108.45	108.64	↘
GBPUSD	1.3079	1.3100	1.3103	1.3116	1.3151	↗
AUDUSD	0.8000	0.8050	0.8056	0.8066	0.8080	↗
EURGBP	0.9126	0.9151	0.9181	0.9200	0.9212	↘
USDMYR	4.1800	4.1850	4.1883	4.1900	4.1980	↘
EURMYR	5.0257	5.0339	5.0406	5.0490	5.0533	↘
JPYMYR	3.8575	3.8652	3.8713	3.8783	3.8852	↘
GBPMYR	5.4749	5.4822	5.4903	5.4938	5.5000	↘
SGDMYR	3.1206	3.1251	3.1286	3.1310	3.1375	↘
AUDMYR	3.3652	3.3751	3.3778	3.3797	3.3850	↘
NZDMYR	3.0207	3.0369	3.0419	3.0500	3.0640	↘
USDSGD	1.3350	1.3380	1.3394	1.3400	1.3426	↘
EURSGD	1.6075	1.6099	1.6111	1.6126	1.6131	↘
GBPSGD	1.7530	1.7543	1.7552	1.7570	1.7606	↗
AUDSGD	1.0774	1.0784	1.0795	1.0806	1.0838	↘

\*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	1783.0	0.6	8.6	CRB Index	182.9	-0.07	-5.0
Dow Jones Ind.	21784.8	-0.1	10.2	WTI oil (\$/bbl)	49.1	-0.10	-8.6
S&P 500	2465.1	0.0	10.1	Brent oil (\$/bbl)	54.5	0.50	-4.0
FTSE 100	7397.0	0.6	3.6	Gold (\$/oz)	1349.2	1.10	10.8
Shanghai	3365.5	-0.6	8.4	CPO (RM/tonne)	2734.0	0.29	-14.5
Hang Seng	27522.9	-0.3	25.1	Copper (\$/tonne)	6898.5	-0.04	24.6
STI	3228.1	-0.1	12.1	Rubber (sen/kg)	584.5	0.00	-9.4

Source: Bloomberg

## ➤ Macroeconomics

### Economic Data

	For	Actual	Last	Survey
MY BNM OPR	Sept 7	3.00%	3.00%	3.00%
US initial jobless claims	Sept 2	295k	236k	245k
EU GDP QOQ	2Q F	0.6%	0.6%	0.6%
EU ECB main refinancing rate	Sept 7	0.00%	0.00%	0.00%
UK Halifax house prices	Aug	2.6%	2.1%	2.1%
JP GDP SA QOQ	2Q F	0.6%	1.0%	0.7%
JP leading index	Jul P	105.0	105.7	105.1
AU retail sales	Jul	0.0%	0.2%	0.2%
AU trade balance	Jul	A\$460m	A\$888m	A\$1000m

Source: Bloomberg

- BNM kept OPR unchanged at 3.00% and policy tone neutral as expected. Assessment on the global economy continues to turn a tad more upbeat with more entrenched and synchronized growth across countries. The domestic economy is also expected to turn in stronger than earlier expected, benefiting from the stronger spillovers from the external sector. The Malaysian economy expanded by 5.7% YOY in 1H17, way above the official forecast of 4.3-4.8% for the full year. We expect this to be revised upwards to 5.0-5.5% (ours 5.4%) when MOF tables 2018 Budget on 27-October. Resilient growth, contained inflationary pressure coupled with a sound and steady financial markets, are expected to reinforce the case for BNM to keep OPR unchanged at 3.00% through 2017.
- ECB also kept its rates and asset purchase target unchanged as expected at yesterday's meeting but conveyed that it has started formal talks on tapering plans. President Draghi said the decisions are "many, complex, and involved risks and the bulk of them would likely be taken in October". ECB has also revised up their 2017 growth forecast to 2.2% (previous 1.9%) but kept 2018 and 2019 growth forecasts unchanged at 1.8% and 1.7%. In addition, it has tweaked its inflation forecasts for 2018 and 2019 marginally lower to 1.2% and 1.5% respectively (previous: 1.3% and 1.6%) while keeping 2017 forecast unchanged at 1.5%.
- Moving on to data, 2Q GDP grew 0.6% QOQ in the Eurozone as initially estimated, quickening from an 0.5% QOQ increase in 1Q, thanks to more robust gains in both domestic demand which offset smaller contribution from net exports.
- Back to the US, initial jobless claims spiked up more than expected by 62k to 298k for the week ended Sept-2, but continuing claims moderated to 1940k nonetheless. This marked its highest level since Mar-15, no thanks to Hurricane Harvey which significantly shored up the number of filings in Texas.
- In the UK, contrary to the moderation in house prices as reported by Nationwide, Halifax house prices surprisingly gained pace to increase at a faster pace of 2.6% YOY in the three months to August but we are not convinced that this signaled the end of a softening housing market.
- Leading index in Japan moderated to 105.0 in July while coincident index also tapered off to 115.6, somewhat clouding prospects of sustained recovery momentum in the Japanese economy. This implied the Japanese economy is still far from solid footing and would continue to rely on accommodative monetary policy to sustain growth. In a release this morning, final print of 2Q GDP showed a more moderate than initially estimated growth of 0.6% QOQ due to downward revisions in private consumption (from 0.9% to 0.8%) and business spending (from 2.4% to 0.5%).
- Down under, retail sales stagnated in July, softening for the 3<sup>rd</sup> straight month from a revised 0.2% MOM gain in June. Declines in household goods and departmental store sales offset a rebound in food sales and underscored sustainability of consumer spending going into 3Q. In a separate release, trade surplus unexpectedly narrowed to A\$460m in July, as exports fell 2.2% MOM, outpacing the 0.9% MOM decline in imports. A stronger Aussie could continue to undermine Australian exports, keeping a lid on overall growth going forward.

**Economic Calendar Release Date**

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	9/11	Industrial production	Jul	--	4.0%	--
		Manufacturing sales	Jul	--	11.5%	--
US	9/8	Wholesale inventories MOM	Jul F	0.4%	0.4%	--
	9/9	Consumer credit	Jul	\$15.0b	\$12.40b	--
UK	9/8	Industrial production MOM	Jul	0.2%	0.5%	--
		Construction output MOM	Jul	-0.2%	-0.1%	--
		Visible trade balance	Jul	-£12000m	-£12722m	--
		NIESR GDP estimate	Aug	--	0.2%	--
Japan	9/8	Eco Watcher current	Aug	49.5	49.7	--
		Eco Watcher outlook	Aug	50.1	50.3	--
		Machine orders MOM	Jul	5.0%	-1.9%	--
	9/11	Tertiary industry index MOM	Jul	0.1%	0.0%	--
		Machine tool orders YOY	Aug P	--	28.0%	--
China	9/8	Exports YOY	Aug	6.0%	7.2%	--
	9/9	CPI YOY	Aug	1.7%	1.4%	--
		PPI YOY	Aug	5.7%	5.5%	--
Australia	9/8	Home loans	Jul	1.0%	0.5%	--

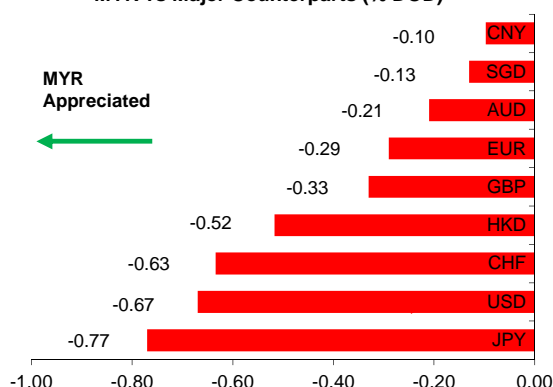
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2023	0.89	1.2059	1.1914	14.4
USDJPY	108.45	-0.71	109.27	108.05	-7.3
GBPUSD	1.3101	0.44	1.3116	1.3033	6.2
AUDUSD	0.8047	0.59	0.8049	0.7975	11.8
EURGBP	0.9177	0.43	0.9203	0.9119	7.6
USDMYR	4.2105	-0.67	4.2262	4.2102	-6.3
EURMYR	5.0444	-0.29	5.0553	5.0217	7.0
JPYMYR	3.8672	-0.77	3.8832	3.8618	1.2
GBPMYR	5.5046	-0.33	5.5299	5.4890	-0.1
SGDMYR	3.1312	-0.13	3.1406	3.1251	1.2
AUDMYR	3.3747	-0.21	3.3963	3.3618	4.5
NZDMYR	3.0314	-1.01	3.0551	3.0207	-2.3

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



## Forex

### MYR

- **MYR strengthened 0.67% to 4.2105 against USD** and advanced against 5 G10s, supported by improving sentiment on the local unit amid upbeat outlook from BNM.
- **Expect a bullish MYR against a weak USD.** Another gap down by USDMYR today and break of 4.2000 will provide additional downside pressure that could see the pair test 4.1800. Below this, the pair will take aim at 4.1500.

### USD

- **USD slumped against all G10s** and the Dollar Index tumbled 0.68% to 91.66, pressured by risk aversion in the greenback amid rally in EUR and potential economic impact of natural phenomenon in the US.
- **Bearish outlook on USD** is sustained by continued sell-off on concerns over the impact of Hurricane Irma on the US economy. The Dollar Index gapped lower at opening and is likely to remain pressured while below 91.59, with scope to test 90.65 in the next leg lower.

### EUR

- **EUR** surged on the ECB's mention of a QE decision in Oct but pared some gains later to **settle 0.89% higher at 1.2023 against USD** and against 7 G10s.
- **Stay bullish on EUR against USD**, supported by firming market view of imminent ECB QE tapering as well as sell-off in the greenback. Closing above 1.2000 has given EURUSD additional room for advances, potentially testing 1.2070 – 1.2090 next.

### GBP

- **GBP strengthened 0.44% to 1.3101 against a weak USD** but weakened against 9 G10s on outflows towards rallying European majors.
- **Stay bullish on GBP against USD**, supported by refuge demand within the European region as markets head into ECB policy announcement. GBPUSD remains exposed to further gains while above 1.3020, 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 0.71% to 108.45 against a weak USD** but slipped against 5 G10s that consisted mostly of European majors.
- **JPY remains bullish against USD**, supported by refuge demand amid risk aversion in the greenback. USDJPY has broken 108.59 and now has scope to test 108, below which chances of a longer-term decline to 105 will increase.

### AUD

- **AUD strengthened 0.59% to 0.8047 against a weak USD** but retreated against 7 G10s, pressured by lingering risk-off in the markets.
- **Expect bullish bias in AUD to prevail against a weak USD.** AUDUSD is now poised to test 0.8100 in the next leg higher. However, we still caution that protracted closings above 0.7980 reversion level is likely to trigger a reversal to below the said level.

### SGD

- **SGD** closed mixed against the G10s but **surged 0.73% to 1.3399 against a weak USD.**
- **We stay slightly bullish on SGD against a weak USD** but expect modest gains on continued risk aversion in the markets. Losing the strong 1.3400 has given USDSGD additional bearish strength the push lower, with scope to test 1.3320 in the next leg lower.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.