

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets remained jittery amid US-North Korean tension, prompted further flight to safety** in the absence of market-moving data. Releases from the US was limited to weekly mortgage applications which rebounded to increase 3.0% WOW driven by increases from both new purchases and refinancing. **The Atlanta Fed forecasts that the US economy is on track to grow 3.5% on an annualized pace in 3Q** while **Fed Evans commented that it is quite reasonable to start balance sheet reduction in September**. In line with our view, he however cautioned that low inflation could delay the Fed's plan for further interest rate increases.
- **Reports showed inflationary pressure remained relatively subdued in China**. CPI unexpectedly moderated by 0.1ppt to 1.4% YOY in July while PPI sustained a 5.5% gain, against expectation for a higher print of 5.6%. Steady inflation implies lack of demand-pull pressure despite improvement in global commodity prices.
- **RBNZ kept its key policy rate unchanged at 1.75%. Policy statement suggested a more dovish tone** with policymakers commenting that "monetary policy will remain accommodative for a considerable period. Numerous uncertainties remain and policy may need to adjust accordingly"
- **USD dipped against 6 G10s** and the Dollar Index eased 0.11% to 93.54 amid an absence of catalyst to drive further gains. **Stay bullish on USD** as we anticipate risk-off sentiment in the markets to prevail. The Dollar Index remains technically bullish and we continue to set sights on a climb to 94.12, above which there is scope to advance to 95.16 in the coming weeks. Caution a close below 93.54 today will put current bullish bias in doubt.
- **MYR slipped 0.09% to 4.2890 against USD** and fell against 5 G10s on the back of retreating risk appetite in the markets. **We stay bearish view MYR against USD**, further weighed down by prevailing risk-off in the markets. Bullish bias continues to prevail in USDMYR, indicating that upward trajectory sustains. USDMYR has scope to climb to 4.2910, above which 4.2977 will be aimed.
- **SGD retreated against 8 G10s and dipped 0.04% to 1.3637 against USD**. **We are still bearish on SGD against USD** amid prevailing risk aversion in the markets. We maintain the view of a potential rebound to 1.3681, above which there is room for further gains to 1.3767 in the coming weeks. Losses cannot be ruled out but a drop no lower than 1.3611 will still sustain current technical outlook.

Overnight Economic Data

US	↑
Japan	→
China	→

What's Coming Up Next

Major Data

- Malaysia industrial production and manufacturing sales
- US Initial jobless claims
- Australia consumer inflation expectation

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1700	1.1712	1.1754	1.1770	1.1800	↘
USDJPY	109.85	110.00	110.16	110.28	110.45	↘
GBPUSD	1.2954	1.2996	1.3008	1.3040	1.3071	↘
AUDUSD	0.7855	0.7880	0.7894	0.7915	0.7931	↘
EURGBP	0.9059	0.9044	0.9036	0.9031	0.9020	↗
USDMYR	4.2850	4.2875	4.2890	4.2916	4.2929	↗
EURMYR	5.0320	5.0392	5.0441	5.0500	5.0609	↘
JPYMYR	3.8900	3.8925	3.8970	3.9000	3.9050	↘
GBPMYR	5.5668	5.5746	5.5826	5.5918	5.6000	↘
SGDMYR	3.1414	3.1441	3.1479	3.1493	3.1529	↘
AUDMYR	3.3729	3.3797	3.3876	3.3949	3.4000	↘
NZDMYR	3.1427	3.1484	3.1519	3.1567	3.1653	↘
USDSGD	1.3611	1.3624	1.3631	1.3648	1.3667	↗
EURSGD	1.5973	1.6008	1.6026	1.6059	1.6091	↘
GBPSGD	1.7704	1.7725	1.7733	1.7764	1.7794	↘
AUDSGD	1.0740	1.0761	1.0763	1.0770	1.0794	↘

*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	1777.9	-0.2	8.3	CRB Index	181.6	0.26	-5.7
Dow Jones Ind.	22048.7	-0.2	11.6	WTI oil (\$/bbl)	49.6	0.79	-7.7
S&P 500	2474.0	0.0	10.5	Brent oil (\$/bbl)	52.8	0.13	-7.1
FTSE 100	7498.1	-0.6	5.0	Gold (\$/oz)	1261.0	1.30	11.3
Shanghai	3275.6	-0.2	5.5	CPO (RM/tonne)	2603.0	0.79	-18.6
Hang Seng	27757.1	-0.4	26.2	Copper (\$/tonne)	6455.0	-0.39	16.6
STI	3318.1	-0.1	15.2	Rubber (sen/kg)	536.5	2.00	-16.8

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US MBA mortgage applications	Aug 4	3.0%	-2.8%	--
Japan Machine tool orders YOY	Jul	26.3%	31.1%	--
Japan Machine orders YoY	Jun	-5.2%	0.6%	-1.1%
Japan PPI YoY	Jul	2.6%	2.2%	2.3%
Japan Housing Loans YoY	2Q	3.3%	3.3%	--
China CPI YoY	Jul	1.4%	1.5%	1.5%
China PPI YoY	Jul	5.5%	5.5%	5.6%
NZ RBNZ Official Cash Rate	Aug 10	1.75%	1.75%	1.75%

Source: Bloomberg

- A rather light day yesterday, with only key releases from US, China and Japan. In the US, MBA mortgage applications rebounded with a 3.0% gain after contracting 2.8% previously. The stronger print was supported by increase in both purchases and refinancing activities.
- In China, CPI moderated to 1.4% YOY in July from 1.5% seen in June. CPI is still below the Chinese government's ceiling of 3.0%. Meanwhile PPI sustained a 5.5% increase in July versus estimates for a 5.6% gain. Producer prices in China have remained steady on the back of improving commodity prices i.e. coal, steel and cement.
- In Japan, machine orders contracted more than expected by 5.2% YOY in June. On the contrary, machine tool orders continued to expand albeit at a more moderate pace of 26.3% YOY in July versus a prior print of 31.1%. Housing loans meanwhile held steady with a 3.3% increase in 2Q.
- On the monetary policy front, RBNZ kept its key policy rate unchanged at 1.75%. Policy statement suggested a more dovish tone with policymakers commenting that "monetary policy will remain accommodative for a considerable period. Numerous uncertainties remain and policy may need to adjust accordingly"

Economic Calendar Release Date

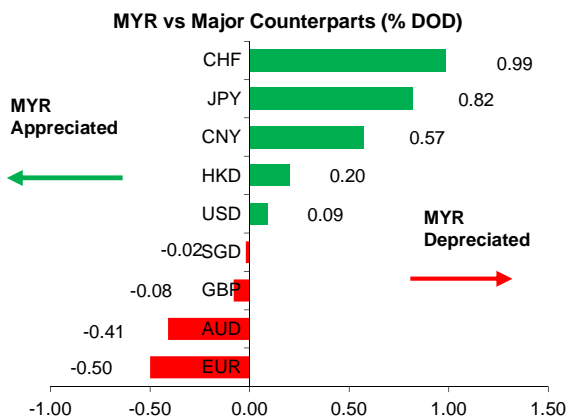
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	8/10	Industrial Production YoY	Jun	3.0%	4.6%	
		Manufacturing Sales YoY	Jun	-	19.5%	-
US	8/10	Initial jobless claims	Aug 5	240K	240K	-
	8/11	CPI YoY	Jul	1.8%	1.6%	
China	8/10-8/18	FDI YoY	Jul	-	2.3%	--
HK	8/11	GDP YoY	2Q	3.3%	4.3%	-
Singapore	8/11	GDP YoY	2Q	2.5%	2.5%	
Australia	8/10	Consumer Inflation Expectation	Aug	-	4.4%	-

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1759	0.06	1.1764	1.1689	11.8
USDJPY	110.07	-0.23	110.36	109.56	-5.9
GBPUSD	1.3004	0.09	1.3028	1.2969	5.4
AUDUSD	0.7888	-0.33	0.7915	0.7855	9.5
EURGBP	0.9043	-0.04	0.90566	0.9009	5.9
USDMYR	4.2890	0.09	4.3910	4.2840	-4.4
EURMYR	5.0355	-0.50	5.1579	5.0255	6.7
JPYMYR	3.9078	0.82	3.9898	3.8898	1.6
GBPMYR	5.5802	-0.08	5.6967	5.5596	1.2
SGDMYR	3.1477	-0.02	3.2188	3.1414	1.4
AUDMYR	3.3834	-0.41	3.4599	3.3684	4.4
NZDMYR	3.1427	-0.37	3.2136	3.1337	1.0

Source: Bloomberg



Forex

MYR

- **MYR slipped 0.09% to 4.2890 against USD** and fell against 5 G10s on the back of retreating risk appetite in the markets.
- **We stay bearish view MYR against USD**, further weighed down by prevailing risk-off in the markets. Bullish bias continues to prevail in USDMYR, indicating that upward trajectory sustains. USDMYR has scope to climb to 4.2910, above which 4.2977 will be aimed.

USD

- **USD dipped against 6 G10s** and the Dollar Index eased 0.11% to 93.54 amid an absence of catalyst to drive further gains.
- **Stay bullish on USD** as we anticipate risk-off sentiment in the markets to prevail. The Dollar Index remains technically bullish and we continue to set sights on a climb to 94.12, above which there is scope to advance to 95.16 in the coming weeks. Caution a close below 93.54 today will put current bullish bias in doubt.

EUR

- **EUR inched 0.06% higher to 1.1759 against USD** but dipped against 5 G10s amid subdued risk appetite.
- **EUR remains bearish against USD**, likely weighed down by prevailing risk aversion in the markets. EURUSD remains pressured while below 1.1800, with scope to slide below 1.1700 and potentially set off a drop to 1.1583 in the coming weeks.

GBP

- **GBP inched 0.09% higher to 1.3004 against USD** and rose marginally against 6 G10s, supported by softer sentiment in European markets.
- **Expect a bearish GBP against USD**, with scope for strong downsides if UK data disappoints. GBPUSD remains prone to further losses, and only a close above 1.3040 to arrest current bears. Otherwise, there is still scope for a drop to 1.2928.

JPY

- **JPY** remained supported by refuge demand as it advanced against 8 G10s and **strengthened 0.23% to 110.07 against USD**.
- **JPY remains slightly bullish against USD** as markets likely remain in favour of relatively safer assets. USDJPY is still vulnerable to the downsides and a test at 109.43 cannot be ruled out.

AUD

- **AUD weakened 0.33% to 0.7888 against USD** and fell against all G10s amid risk-off sentiment in the markets.
- **Expect a bearish AUD against USD** as risk appetite in the markets remains soft. AUDUSD remains on track towards 0.7818 in the next leg lower. A drop to circa 0.7784 is expected from this reversal, but do not rule out further losses beyond this.

SGD

- **SGD** retreated against 8 G10s and **dipped 0.04% to 1.3637 against USD**.
- **We are still bearish on SGD against USD** amid prevailing risk aversion in the markets. We maintain the view of a potential rebound to 1.3681, above which there is room for further gains to 1.3767 in the coming weeks. Losses cannot be ruled out but a drop no lower than 1.3611 will still sustain current technical outlook.

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

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.