

Global Markets Research

Daily Market Highlights

Key Takeaways

- Data releases since Friday suggest that **economic performance in major economies over Jul – Aug remained mixed at best**. US reports showed that **wholesale inventories grew more than expected** in Jul, while **consumers relied more on credit** in the same month, a sign that debt continues to be sustained at high levels. Data out from the UK suggested that **GDP estimate remains below long-term trend** despite signs of pick-up, while **trade deficit widened** and **construction output declined**, though **industrial output continued to increase, albeit at a slower pace**.
- **China's exports growth slowed in Aug** and raised eyebrows over signs of cooling global demand, more so in light of dips in manufacturing PMIs across major economies. But on the other hand, **domestic demand looks firm amid stronger imports**. In Japan, sentiment remains pessimistic over current conditions but outlook improved. Home loans in Australia picked up pace in Jul, adding to signs that housing market remains firm despite measures to cool prices.
- **USD weakened against 7 G10s** as risk aversion sustained on potential impact of Hurricane Irma on the US economy. The Dollar Index rebounded from intraday lower to narrow losses to 0.34%, settling at 91.35. **We turn slightly bullish on USD** as buying support returns on the back of ebbing concerns over Hurricane Irma and tensions with North Korea. The Dollar Index has bounced off the strong 91.00 support; we suspect a modest rebound could prevail resulting from this, with scope to test 91.60 – 91.80. Nonetheless, the Dollar Index is still technically bearish and prone to renewed weakness.
- **MYR advanced 0.36% to 4.1955 against USD** but saw sharp early gains narrowed in late Asian trade, resulting in declines against 6 G10s. **Expect a softer MYR in anticipation of rebounding USD**, but losses could be overturned if Malaysia's industrial production data outperforms. USDMYR's attempt to break lower was thwarted by 1.1825, denting its downside strength. The pair now holds slightly above 4.2000, which will prevent the bears from accelerating, but we caution that losing this level will again put 4.1800 at risk.
- **SGD slipped against 9 G10s and weakened 0.14% to 1.3418 against USD** on the back of prevailing risk-off in the markets. **SGD is likely bearish against a rebounding USD**. USDSGD recapturing above 1.3400 has discouraged the bears from raging. We caution that current signs point to another short-term weakness that could lead USDSGD to close below 1.3400 before attempting to establish a longer-term rebound.

Overnight Economic Data

US
UK
China
Japan
Australia



What's Coming Up Next

Major Data

- Malaysia industrial production
- Japan machine orders, tertiary industry index, machine tool orders

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1972	1.2000	1.2015	1.2020	1.2059	↘
USDJPY	107.80	108.00	108.38	108.71	109.00	↗
GBPUSD	1.3151	1.3166	1.3186	1.3200	1.3224	↘
AUDUSD	0.8007	0.8028	0.8046	0.8064	0.8080	↘
EURGBP	0.9180	0.9100	0.9110	0.9124	0.9134	↘
USDMYR	4.1950	4.1980	4.2000	4.2056	4.2080	↗
EURMYR	5.0277	5.0384	5.0478	5.0549	5.0620	↘
JPYMYR	3.8658	3.8728	3.8769	3.8783	3.8852	↘
GBPMYR	5.5238	5.5300	5.5409	5.5475	5.5510	↗
SGDMYR	3.1179	3.1200	3.1269	3.1298	3.1354	↘
AUDMYR	3.3657	3.3757	3.3777	3.3797	3.3857	↘
NZDMYR	3.0260	3.0317	3.0345	3.0400	3.0450	↘
USDSGD	1.3400	1.3412	1.3431	1.3450	1.3478	↗
EURSGD	1.6100	1.6126	1.6138	1.6146	1.6165	↘
GBPSGD	1.7672	1.7705	1.7715	1.7720	1.7750	↗
AUDSGD	1.0784	1.0800	1.0810	1.0820	1.0837	↘

*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	1779.9	<div></div>	-0.2	<div></div> 8.4	CRB Index	181.2	<div></div>	-0.93	<div></div> -5.9
Dow Jones Ind.	21797.8	<div></div>	0.1	<div></div> 10.3	WTI oil (\$/bbl)	47.5	<div></div>	-3.30	<div></div> -11.6
S&P 500	2461.4	<div></div>	-0.1	<div></div> 9.9	Brent oil (\$/bbl)	53.8	<div></div>	-1.30	<div></div> -5.1
FTSE 100	7377.6	<div></div>	-0.3	<div></div> 3.3	Gold (S/oz)	1346.6	<div></div>	-0.20	<div></div> 10.8
Shanghai	3365.2	<div></div>	0.0	<div></div> 8.4	CPO (RM/tonne)	2734.5	<div></div>	-0.11	<div></div> -14.5
Hang Seng	27668.5	<div></div>	0.5	<div></div> 25.8	Copper (\$/tonne)	6693.0	<div></div>	-2.98	<div></div> 20.9
STI	3228.6	<div></div>	0.0	<div></div> 12.1	Rubber (sen/kg)	590.0	<div></div>	0.94	<div></div> -8.5

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US wholesale inventories MOM	Jul F	0.6%	0.4%	0.4%
US consumer credit	Jul	\$18.4b	\$11.8b	\$15.0b
UK industrial production MOM	Jul	0.2%	0.5%	0.2%
UK construction output MOM	Jul	-0.9%	-0.1%	-0.3%
UK visible trade balance	Jul	-£11580m	-£11530m	-£12000m
UK NIESR GDP estimate	Aug	0.4%	0.2%	--
JP Eco Watcher current	Aug	49.7	49.7	49.5
JP Eco Watcher outlook	Aug	51.1	50.3	50.3
CH exports YOY	Aug	5.5%	7.2%	5.1%
CH CPI YOY	Aug	1.8%	1.4%	1.6%
CH PPI YOY	Aug	6.3%	5.7%	5.5%
AU home loans	Jul	2.9%	0.5%	1.0%

Source: Bloomberg

- Friday saw less important data coming out from the US and the macro focus was on China and the UK. Reports revealed that wholesale inventories in the US grew 0.6% MOM in Jul, upwardly revised from 0.4% in the first print but a dip from 0.7% recorded in Jun. Meanwhile, US consumer credit surged \$18.4b in Jul, up sharply from \$11.8b in the preceding month.
- Indicators from the UK were mixed; industrial output slowed on a monthly basis, rising 0.2% MOM in Jul from 0.5% in Jun, but picked up slightly to 0.4% YOY from 0.3%. Output was driven by acceleration in manufacturing production (Jul: +1.9% vs Jun: +0.6%) amid firm production in textiles & leather products, electrical equipment as well as transport equipment. This more than offset the decline in mining & quarrying (Jul: -6.5% vs Jun: +1.2%).
- The NIESR estimated that UK GDP grew 0.4% in the 3 months ending Aug, accelerating from 0.2% in the quarter ending Jul. However, the Institute noted that growth remains below long-term average of 0.6%. On the other hand, construction output fell 0.9% MOM in Jul, extending the recent 0.1% dip in Jun. In terms of trade, the trade deficit widened slightly to £11580m from £11530m.
- Eco Watcher's sentiment surveys revealed that the Japanese remains a little pessimistic on current conditions, but are more optimistic about outlook. The current index stayed unchanged at 49.7 in Aug, while the outlook index rose to 51.1 in Aug, up from 50.3 in Jul.
- Concerns of China's pace of growth persisted after exports slowed in Aug, rising 5.5% YOY compared to 7.2% in Jul. Shipments to the US gained 10.7%, but was slower than the 12.3% achieved in Jul. Exports to major markets such as Hong Kong and Japan also slowed, but accelerated in South Korea. Domestic demand remained firm as imports jumped 13.3% in Aug, up from 11.0% in Jul and continues to support the nation's structural reform towards a consumption-based economy. Trade surplus narrowed to \$41.99b from \$46.74b.
- Reports on price development in China were released over the weekend, and both surprised to the upside. Consumer prices rose quicker in Aug, gaining 1.8% YOY from 1.4% in Jul. The first uptick in 3 months was driven by softer decline in cost of food (Aug: -0.2% vs Jul: -1.1%) as well as pick-up in non-food prices (Aug: +2.3% vs +2.0%). Producer prices grew 6.3% in Aug versus 5.5% in Jul; the quickest increase in 4 months was led by costlier prices of coal, oil & gas, steel and other metals.
- Growth of home loans in Australia picked up in Jul with a 2.9% MOM increase compared to 0.5% gain in Jun. Loans growth were expected to rise 1.0%, and the stronger than expected figure underlines a firm housing market that has continued to signal caution amid rising property prices.

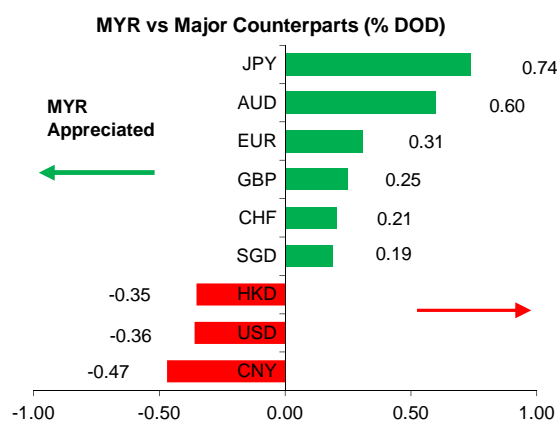
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	9/11	Industrial production YOY	Jul	5.1%	4.0%	--
US	9/12	NFIB small biz optimism	Aug	--	105.2	--
UK	9/12	CPI YOY	Aug	2.7%	2.6%	--
		RPI YOY	Aug	--	3.6%	--
		PPI output YOY	Aug	--	3.2%	--
Japan	9/11	Machine orders MOM	Jul	5.0%	-1.9%	--
		Tertiary industry index MOM	Jul	0.1%	0.0%	--
		Machine tool orders YOY	Aug P	--	28.0%	--
Singapore	9/12	Retail sales	Jul	--	1.9%	--
Australia	9/12	NAB biz conditions	Aug	--	15	--
		NAB biz confidence	Sept	--	12	--
Vietnam	9/12 – 13	Domestic vehicle sales YOY	Aug	--	-21.3%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2036	0.11	1.2092	1.2015	14.2
USDJPY	107.84	-0.56	108.49	107.32	-7.4
GBPUSD	1.3200	0.76	1.3224	1.3094	6.9
AUDUSD	0.8060	0.16	0.8125	0.8043	11.7
EURGBP	0.9119	-0.63	0.9203	0.9110	6.7
USDMYR	4.1955	-0.36	4.2060	4.1825	-6.5
EURMYR	5.0600	0.31	5.0650	5.0380	7.1
JPYMYR	3.8957	0.74	3.8972	3.8636	1.7
GBPMYR	5.5181	0.25	5.5227	5.4871	0.1
SGDMYR	3.1371	0.19	3.1434	3.1253	1.2
AUDMYR	3.3948	0.60	3.3999	3.3737	4.8
NZDMYR	3.0617	1.00	3.0714	3.0393	-1.8

Source: Bloomberg



Forex

MYR

- **MYR advanced 0.36% to 4.1955 against USD** but saw sharp early gains narrowed in late Asian trade, resulting in declines against 6 G10s.
- **Expect a softer MYR in anticipation of rebounding USD**, but losses could be overturned if Malaysia's industrial production data outperforms. USDMYR's attempt to break lower was thwarted by 1.1825, denting its downside strength. The pair now holds slightly above 4.2000, which will prevent the bears from accelerating, but we caution that losing this level will again put 4.1800 at risk.

USD

- **USD weakened against 7 G10s** as risk aversion sustained on potential impact of Hurricane Irma on the US economy. The Dollar Index rebounded from intraday lower to narrow losses to 0.34%, settling at 91.35.
- **We turn slightly bullish on USD** as buying support returns on the back of ebbing concerns over Hurricane Irma and tensions with North Korea. The Dollar Index has bounced off the strong 91.00 support; we suspect a modest rebound could prevail resulting from this, with scope to test 91.60 – 91.80. Nonetheless, the Dollar Index is still technically bearish and prone to renewed weakness.

EUR

- **EUR closed just 0.11% firmer at 1.2036 against USD** after erasing strong gains and slipped against 5 G10s.
- **We are now slightly bearish on EUR in anticipation of a USD rebound.** We reckon that upside strength in EURUSD is gradually diminishing and caution that risk of rejection increases approaching 1.2092 – 1.2100.

GBP

- **GBP jumped 0.76% to 1.3200 against USD** and beat all G10s, supported by continually firm refuge demand in the markets.
- **Turn slightly bearish on GBP against USD** as we anticipate refuge demand to wane. Even though GBPUSD is technically bullish, it has broken through reversion level at 1.3164. We caution that extended closings above this level will result in a rejection to below it going forward.

JPY

- **JPY** also held firm on refuge demand, climbing against 7 G10s and **strengthening 0.56% to 107.84 against USD**.
- **Expect a bearish JPY against USD** on the back of waning refuge demand as geopolitical tensions ease. USDJPY appears to be attempting a rebound, and we opine that there is scope to test 109. Nonetheless, current signs point to the rebound being brief, and USDJPY is still headed to a close below 107.84 in the coming days.

AUD

- **AUD climbed 0.16% to 0.8060 against a soft USD** and rose against 5 G10s, outperforming the relatively weaker European majors.
- **AUD is likely to turn softer on the back of a rebounding USD.** AUDUSD was firmly rejected after piercing through 0.8100, a sign that the pair failed to sustain its upside strength. We expect a retreat to result from this, but based on current technical signals, a close above 0.8060 may still materialize in the coming days.

SGD

- **SGD slipped against 9 G10s and weakened 0.14% to 1.3418 against USD** on the back of prevailing risk-off in the markets.
- **SGD is likely bearish against a rebounding USD.** USDSGD recapturing above 1.3400 has discouraged the bears from raging. We caution that current signs point to another short-term weakness that could lead USDSGD to close below 1.3400 before attempting to establish a longer-term rebound.

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