

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US CPI turned in a tad softer than expected**, increasing 1.7% YOY in July while core CPI ex-food and energy stabilised at 1.7% YOY for a 3rd straight month, pointing to the lack of upside price pressure. **We reaffirmed our view that subdued inflation will deter the Fed from raising rates for another time this year** but shall do little to derail the Fed plans for balance sheet reduction in September.
- **In the Asia region, both Hong Kong and Singapore 2Q GDP growth surprised on the upside**, in line with better growth picture seen recently and adding to signs the global economy is on firmer footing. Singapore 2Q GDP grew at a faster than initially estimated pace of 2.9% YOY (1Q: +2.5%), driven by quicker increase in the services sector while GDP growth in Hong Kong moderated less than expected to 3.8% YOY in 2Q, still a decent performance driven by bigger increases in domestic demand. The better than expected prints have prompted upgrades in full year growth forecasts for both Singapore and Hong Kong to 2.0-3.0% and 3.0-4.0% respectively.
- **USD slipped against 9 G10s** despite lingering risk aversion, as a softer CPI print further dented hopes of another Fed rate hike this year. The Dollar Index fell 0.36% to 93.07. **Stay bullish on USD** in anticipation of rising risk-off in the markets. The Dollar Index bullish bias has turned somewhat softer with closes below 93.54 and 93.08, but there are still a chance for losses to bounce off 93.08 to re-establish an extended rebound, otherwise, there could be a re-test at 92.54.
- MYR continued to trade on a softer note Friday amid risk-off in the markets roiled by escalated geopolitical tension. **MYR closed weaker by 0.08% at 4.2952** and was mixed against the G10s. **We expect MYR to trade on a firmer footing today driven by a much lower opening in USDMYR this morning.** However, we expect gains to narrow amid lingering risk aversion in the market as the US-North Korean tension escalates. Bullish bias continues to prevail in USDMYR, indicating that upward trajectory sustains. USDMYR is now on track to hit 4.2977.
- **SGD managed to close 0.20% stronger at 1.3609 against USD** driven by USD weakness in US session. It also managed to gain against 7 G10s. **We maintain a bearish view on SGD against USD** amid prevailing risk aversion in the markets. USDSGD upward direction remains supported by 1.3620, and we continue to expect a climb to 1.3681.

Overnight Economic Data

US
Singapore
Hong Kong
New Zealand



What's Coming Up Next

Major Data

- Eurozone industrial production
- Japan 2Q GDP
- China retail sales, industrial production, fixed asset investment

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1788	1.1800	1.1824	1.1828	1.1848	↘
USDJPY	108.83	109.00	109.17	109.21	109.40	↘
GBPUSD	1.2953	1.2971	1.3004	1.3027	1.3038	↘
AUDUSD	0.7836	0.7872	0.7900	0.7916	0.7935	↘
EURGBP	0.9059	0.9071	0.9093	0.9097	0.9120	↗
USDMYR	4.2852	4.2885	4.2905	4.2950	4.2977	↘
EURMYR	5.0668	5.0688	5.0758	5.0829	5.0879	↗
JPYMYR	3.9206	3.9284	3.9292	3.9446	3.9500	↗
GBPMYR	5.5799	5.5818	5.5838	5.5856	5.5919	↗
SGDMYR	3.1519	3.1539	3.1566	3.1578	3.1592	↗
AUDMYR	3.3873	3.3885	3.3918	3.3958	3.4018	↗
NZDMYR	3.1360	3.1387	3.1400	3.1434	3.1461	↗
USDSGD	1.3547	1.3568	1.3589	1.3611	1.3643	↗
EURSGD	1.6023	1.6054	1.6088	1.6091	1.6106	↘
GBPSGD	1.7632	1.7663	1.7695	1.7712	1.7749	↘
AUDSGD	1.0676	1.0705	1.0753	1.0761	1.0777	↘

*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	1767.0	-0.6	7.6	CRB Index	179.6	0.39	-6.7
Dow Jones Ind.	21858.3	0.1	10.6	WTI oil (\$/bbl)	48.8	0.47	-9.1
S&P 500	2441.3	0.1	9.0	Brent oil (\$/bbl)	52.0	0.40	-13.3
FTSE 100	7310.0	-1.1	2.3	Gold (\$/oz)	1289.4	0.20	8.1
Shanghai	3208.5	-1.6	3.4	CPO (RM/tonne)	2633.0	0.59	-17.7
Hang Seng	26883.5	-2.0	22.2	Copper (\$/tonne)	6411.0	-0.19	15.8
STI	3279.7	-1.8	13.8	Rubber (sen/kg)	561.0	2.09	-13.0

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US CPI YOY	Jul	1.7%	1.6%	1.8%
HK GDP YOY	2Q	3.8%	4.3%	3.3%
SG GDP YOY	2Q F	2.9%	2.5%	2.5%
SG retail sales YOY	Jun	1.9%	0.8%	1.0%
NZ performance services index	Jul	56.0	58.3	--

Source: Bloomberg

- US CPI turned in a tad softer than expected, increasing 1.7% YOY in July while core CPI ex-food and energy stabilised at 1.7% YOY for a 3rd straight month, pointing to the lack of upside price pressure. We reaffirmed our view that subdued inflation will deter the Fed from raising rates for another time this year but shall do little to derail the Fed plans for balance sheet reduction in September.
- Singapore 2Q GDP grew at a faster than initially estimated pace of 2.9% YOY (1Q: +2.5%), its final print showed. This was driven by quicker 2.4% YOY increase in the services sector which offset slower growth in manufacturing (+8.1% vs +8.5%) and continued contraction in the construction sector (-5.7% vs -6.3%). Growth is expected to moderate somewhat going forward amid still sluggish domestic demand but YTD growth of 2.7% has prompted MTI to narrow this year's growth forecasts to 2.0-3.0%, up from 1.0-3.0% previously.
- In a separate release, Singapore retail sales gained some traction, quickening more than expected by 1.9% YOY in June. Sales ex-auto picked up even faster to grow 4.0% YOY while sales broadly improved across almost all categories led by department stores and supermarkets, soothing, but not entirely relieving concerns on sluggish domestic demand.
- Hong Kong 2Q GDP growth moderated less than expected to 3.8% YOY in 2Q, still a decent performance driven by bigger increases in domestic demand. Household consumption grew at the quickest pace since 2Q 2015, accelerating to 5.3% from 3.9% in the preceding quarter. Government expenditure inched slightly higher (2Q: +3.2% vs 1Q: 3.1%) while investments increased at a pace not seen since 4Q 2012 (2Q: +8.0% vs 1Q: +5.9%). Exports eased to 5.6% from 9.3% in 1Q, while imports moderated to 6.2% from 10.0% previously. Similar to the case of Singapore, we expect growth to turn in softer in 2H but shall remain overall supported by resilient growth in the China economy. This implies growth will likely hit the revised government forecast of 3.0-4.0% for this year (previous forecast: 2.0-3.0%).
- New Zealand performance of services index softened for the 2nd straight month, by 2.3-point to 56.0 in July (Jun: 58.3 revised), dragged by pullbacks in all categories from sales to new orders, except employment which registered a 1.0-point uptick. Severe weather conditions and election uncertainty were some of the factors cited by respondents leading to softer growth in the services sector.

Economic Calendar Release Date

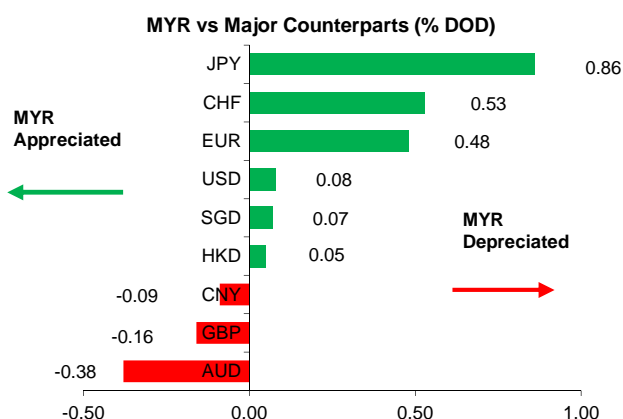
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	8/15	Empire manufacturing	Aug	10.0	9.8	--
		Retail sales MOM	Jul	0.4%	-0.2%	--
		NAHB housing market index	Aug	64	64	--
Eurozone	8/14	Industrial production MOM	Jun	-0.5%	1.3%	--
UK	8/15	CPI YOY	Jul	2.7%	2.6%	--
		RPI YOY	Jul	3.5%	3.5%	--
		PPI Output YOY	Jul	3.1%	3.3%	--
Japan	8/14	GDP QOQ	2Q P	0.6%	0.3%	--
	8/15	Industrial production MOM	Jun F	--	1.6%	--
China	8/14-8/18	FDI	Jul	--	2.3%	--
		Retail sales YOY	Jul	10.8%	11.0%	--
		Fixed assets investment YTD YOY	Jul	8.6%	8.6%	--
Australia	8/15	Industrial production YOY	Jul	7.1%	7.6%	--
		RBA minutes				

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1821	0.42	1.1847	1.1749	12.4
USDJPY	109.19	-0.01	109.4	108.74	-6.7
GBPUSD	1.3014	0.29	1.3031	1.2940	5.4
AUDUSD	0.7894	0.24	0.7910	0.7839	9.4
EURGBP	0.9085	0.15	0.91189	0.9051	6.5
USDMYR	4.2952	0.08	4.2963	4.2820	-4.3
EURMYR	5.0504	0.48	4.9042	4.8877	6.9
JPYMYR	3.9393	0.86	3.7940	3.7789	2.8
GBPMYR	5.5673	-0.16	5.5687	5.5505	1.0
SGDMYR	3.1481	0.07	3.1267	3.1181	1.5
AUDMYR	3.3694	-0.38	3.3323	3.3182	4.0
NZDMYR	3.1263	0.18	3.1506	3.1392	0.2

Source: Bloomberg



Forex

MYR

- MYR continued to trade on a softer note Friday amid risk-off in the markets roiled by escalated geopolitical tension. **MYR closed weaker by 0.08% at 4.2952** and was mixed against the G10s.
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USD

- USD slipped against 9 G10s** despite lingering risk aversion, as a softer CPI print further dented hopes of another Fed rate hike this year. The Dollar Index fell 0.36% to 93.07.
- Stay bullish on USD** in anticipation of rising risk-off in the markets. The Dollar Index bullish bias has turned somewhat softer with closes below 93.54 and 93.08, but there are still a chance for losses to bounce off 93.08 to re-establish an extended rebound, otherwise, there could be a re-test at 92.54.

EUR

- EUR advanced 0.42% to 1.1821 against USD** spurred by USD weakness after the release of softer US CPI dented prospects of Fed rate hike. EUR was mixed against G10s.
- EUR is slightly bearish against USD**, likely weighed down by prevailing risk aversion in the markets. Despite Friday's close above 1.1800, momentum indicator remains bearish. We maintain that there is scope to slide below 1.1700 and potentially set off a drop to 1.1583 in the coming weeks.

GBP

- GBP gained 0.29% to 1.3014 against a pullback in the USD** and strengthened against 8 G10s.
- Expect a bearish GBP against USD** that is supported by continued refuge demand. GBPUSD rebound on Friday has only slightly dented negative momentum in the pair. Hence, we continue to expect a drop to 1.2928 in the next leg lower.

JPY

- JPY** continued to strengthen against the USD for a 4th consecutive day, albeit with narrower gains of 0.01% to 109.19. The JPY also strengthened against 7 G10s amid prevailing risk-off in the markets from geopolitical concerns.
- JPY remains slightly bullish against USD** as markets likely remain in favour of relatively safer assets. USDJPY has broken below 109.43 and is likely heading for a test at 108.80. Below this, USDJPY will be on a longer-term decline to 105.00.

AUD

- AUD strengthened 0.24% to 0.7894 against USD** but was weaker against 7 G10s, pressured by prevailing risk-off in the markets.
- AUD is expected to remain under pressure 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 managed to close 0.20% stronger at 1.3609 against USD** driven by USD weakness in US session. It also managed to gain against 7 G10s.
- We maintain a bearish view on SGD against USD** amid prevailing risk aversion in the markets. USDSGD upward direction remains supported by 1.3620, and we continue to expect a climb to 1.3681.

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