

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Overnight focus was all on the FOMC minutes until President Trump's announcement on dissolving his two business advisory councils** following the third resignation of CEOs which is seen as a potential derail to his reform plans.
- **FOMC minutes revealed that decision to keep rates unchanged at the July meeting was unanimous**, as expected. **Policy makers were however divided on the timing to announce balance sheet reduction**, with some intended to announce it at the last meeting while some preferred to wait. **While the minutes continued to reiterate concerns over the below target inflation**, we believe this **will only push back the case for further rate hike this year but tapering plans are still intact**, with an announcement expected at the upcoming **September FOMC meeting**. Housing market data turned in on the soft side, adding to signs of a softening US housing market.
- On the contrary, **data flow was more upbeat in Europe. Eurozone 2Q GDP sustained a 0.6% QOQ growth but YOY basis, growth staged a surprised pick-up to 2.2% YOY**, thanks to continued growth in Germany, and a pick-up in Spain. While growth outlook is improving, below target inflation will continue to keep a lid on ECB policy moves in the near term. **In the UK, job reports were positive** bolstering hopes of improvement in the labour market that would eventually help support consumer spending in the UK.
- **USD fell against 9 G10s** while the Dollar Index closed 0.33% lower at 93.54, slumping on the back of reduced expectations of a near-term rate hike after FOMC minutes revealed members' acknowledgment of low inflation and after President Trump disbanded two advisory councils. **Stay slightly bullish on USD** on the back of bullish potential in US data that could spark a rally. The Dollar Index sustains a bullish bias despite overnight decline and remains well-supported while above 93.06. We set sights on a break above 93.85 in the next couple of days
- **MYR eased 0.07% to 4.2985 against USD** but managed to advance against 5 G10s that were on the retreat in early Asian session. **We now turn bullish on MYR against a soft USD** and on the back of firmer market risk appetite. **USDMYR** expectedly closed above 4.2977, a reversion level that very quickly rejected the pair to lower levels. After the rejection, expect **USDMYR** to stay subdued though do not rule out a rebound closer to 4.2950.
- **SGD retreated against 6 G10s** that rallied on firmer commodities but managed to **advance 0.32% to 1.3625 against a weak USD**. **SGD remains bearish against USD** on the back of bullish potential in US data supporting the greenback. Despite overnight decline, **USDSGD** remains well-supported by 1.3600, above which the pair still carries a mild bullish bias. We continue to set sights on another test at 1.3681.

Overnight Economic Data

US	↓
Eurozone	→
UK	↑
Japan	↑
Singapore	→

What's Coming Up Next

Major Data

- US initial jobless claims, Philly Fed biz outlook, industrial production, leading index
- EU CPI, trade balance
- UK retail sales
- HK unemployment rate
- Australia unemployment rate

Major Events

- ECB meeting minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1728	1.1760	1.1767	1.1788	1.1800	↘
USDJPY	109.40	109.79	109.87	110.10	110.46	↗
GBPUSD	1.2848	1.2864	1.2887	1.2903	1.2928	↘
AUDUSD	0.7900	0.7928	0.7935	0.7949	0.7975	↘
EURGBP	0.9100	0.9118	0.9133	0.9143	0.9155	↘
USDMYR	4.2861	4.2896	4.2920	4.2924	4.2945	↘
EURMYR	5.0393	5.0465	5.0541	5.0588	5.0668	↗
JPYMYR	3.9000	3.9046	3.9074	3.9116	3.9200	↗
GBPMYR	5.5300	5.5321	5.5336	5.5412	5.5531	↘
SGDMYR	3.1481	3.1500	3.1504	3.1528	3.1558	↗
AUDMYR	3.3924	3.3962	3.4067	3.4102	3.4127	↗
NZDMYR	3.1259	3.1342	3.1389	3.1435	3.1503	↗
USDSGD	1.3600	1.3611	1.3631	1.3665	1.3681	↗
EURSGD	1.6006	1.6028	1.6040	1.6055	1.6087	↘
GBPSGD	1.7533	1.7550	1.7563	1.7575	1.7600	↘
AUDSGD	1.0761	1.0790	1.0806	1.0835	1.0880	↘

*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	1773.8	0.1	8.0	CRB Index	175.4	-0.54	-8.9
Dow Jones Ind.	22024.9	0.1	11.4	WTI oil (\$/bbl)	46.8	-1.62	-12.9
S&P 500	2468.1	0.1	10.2	Brent oil (\$/bbl)	50.4	0.18	-16.1
FTSE 100	7433.0	0.7	4.1	Gold (\$/oz)	1283.3	0.90	8.1
Shanghai	3246.5	-0.1	4.6	CPO (RM/tonne)	2624.5	-0.66	-18.0
Hang Seng	27409.1	0.9	24.6	Copper (\$/tonne)	6532.0	2.40	18.0
STI	3279.0	-0.5	13.8	Rubber (sen/kg)	553.0	-0.18	-14.3

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US MBA mortgage applications	Aug 11	0.1%	3.0%	--
US housing starts MOM	Jul	-4.8%	7.4%	0.4%
US building permits MOM	Jul	-4.1%	9.2%	-2.0%
EU GDP QOQ	2Q P	0.6%	0.6%	0.6%
UK jobless claims change	Jul	-4.2k	3.5k	--
UK ILO unemployment rate	Jun	4.4%	4.5%	4.5%
UK employment change	Jun	125k	175k	97k
JP trade balance	Jul	¥418.8b	¥439.8b	¥327.1b
SG NODX	Jul	8.5%	8.8%	9.1%

Source: Bloomberg

- Fed officials engaged in a debate about inflation while keeping the option open for a September announcement on the timing of balance-sheet reductions, according to minutes from July FOMC meeting. The minutes showed a majority of Federal Open Market Committee participants sticking with a forecast that inflation would gradually rise to their 2 percent target over the medium term. However, “many” saw some “likelihood that inflation might remain below 2 percent for longer than they currently expected,” according to the minutes. “Several indicated that the risks to the inflation outlook could be tilted to the downside,” the minutes said. We maintain that prospects for September announcement for plans on Fed balance sheet tapering remains on the cards.
- Meanwhile data flow disappointed in the US. Housing starts unexpectedly declined by 4.8% MOM to 1.115m units in July, back to the lower levels of March and April. Adding to concerns was the bigger than expected fall in forward looking building permits, that fell 4.1% MOM during the month which added to signs the housing market is softening. MBA mortgage applications also weakened to just a 0.1% WOW gain, dragged by decline in new purchases and smaller increase in loans for refinancing.
- On the contrary, Eurozone 2Q GDP sustained a 0.6% QOQ growth but YOY basis, growth staged a surprised pick-up to 2.2% YOY, thanks to continued growth in Germany, and a pick-up in Spain. While growth outlook is improving, below target inflation will continue to keep a lid on ECB policy moves in the near term.
- In the UK, job reports were positive bolstering hopes of improvement in the labour market that would eventually help support consumer spending in the UK. ILO jobless rate fell 0.1ppt to 4.4% while the labour market added 125k jobs in June, more than expected. Jobless claims also declined 4.2k in July and wage growth picked up to print a 2.1% YOY increase.
- Japan trade surplus narrowed less than expected to ¥418.8bn in July, as exports rose 2.8% MOM while imports fell 1.2% MOM. Exports to China, US and the Asian regions continued to take the lead stemming from improving global demand.
- Down south in neighbouring Singapore, NODX continued to expand albeit at a slightly softer pace of 8.5% YOY in July, but this was somewhat neutralized by the upwardly revised gain of 8.8% YOY in June (previous: +8.2% YOY). Electronics exports that grew at a quicker pace of 16.3% YOY driven by broad-based growth across all sub-categories was the key growth engine. However, steeper decline in pharmaceuticals (-53.6% vs -34.2% YOY) exerted a drag on exports of non-electronics exports, which saw its gain halving to 5.2% from 10.1% YOY a month ago.

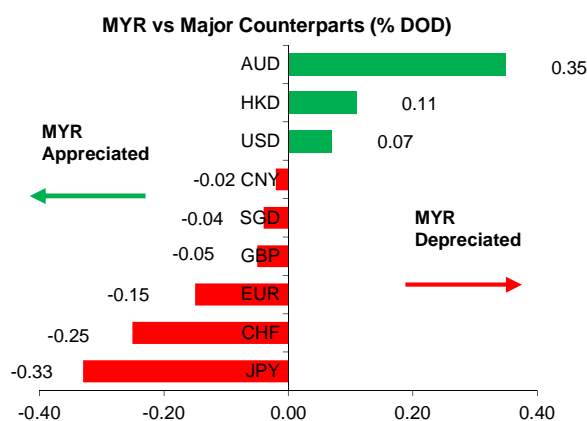
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	8/18	GDP YOY	2Q	5.4%	5.6%	--
US	8/17	Initial jobless claims	Aug 12	240k	244k	
		Philly Fed biz outlook	Aug	18.0	19.5	
		Industrial production MOM	Jul	0.3%	0.4%	--
		Leading index	Jul	0.3%	0.6%	
		Uni Michigan consumer sentiments	Aug P	94.0	93.4	--
Eurozone	8/17	CPI YOY	Jul	1.3%	1.3%	1.3%
		Trade balance SA	Jun	€20.3bn	€19.7bn	--
		ECB minutes				
	8/18	Construction output MOM	Jun	--	-0.7%	--
UK	8/17	Retail Sales ex-auto fuel YOY	Jul	1.2%	3.0%	
China	8/17-8/18	FDI YOY	Jul	--	2.3%	
Hong Kong	8/17	Unemployment rate	Jul	3.2%	3.1%	--
Australia	8/17	Employment change	Jul	20.0k	14.0k	--
		Unemployment rate	Jul	5.6%	5.6%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1767	0.27	1.1779	1.1682	11.9
USDJPY	110.19	-0.43	110.95	110.03	-5.9
GBPUSD	1.2891	0.17	1.2903	1.2842	4.4
AUDUSD	0.7925	1.33	0.7934	0.7817	10.0
EURGBP	0.9128	0.10	0.9143	0.9083	7.0
USDMYR	4.2985	0.07	4.2990	4.2957	-4.3
EURMYR	5.0393	-0.15	5.0516	5.0252	6.9
JPYMYR	3.8765	-0.33	3.8853	3.8728	1.8
GBPMYR	5.5380	-0.05	5.5450	5.5188	0.3
SGDMYR	3.1435	-0.04	3.1452	3.1400	1.5
AUDMYR	3.3810	0.35	3.3812	3.3606	5.1
NZDMYR	3.1136	-0.47	3.1168	3.1042	0.6

Source: Bloomberg



Forex

MYR

- **MYR eased 0.07% to 4.2985 against USD** but managed to advance against 5 G10s that were on the retreat in early Asian session.
- **We now turn bullish on MYR against a soft USD** and on the back of firmer market risk appetite. USDMYR expectedly closed above 4.2977, a reversion level that very quickly rejected the pair to lower levels. After the rejection, expect USDMYR to stay subdued though do not rule out a rebound closer to 4.2950.

USD

- **USD fell against 9 G10s** while the Dollar Index closed 0.33% lower at 93.54, slumping on the back of reduced expectations of a near-term rate hike after FOMC minutes revealed members' acknowledgment of low inflation and President Trump disbanded two advisory councils.
- **Stay slightly bullish on USD** on the back of bullish potential in US data that could spark a rally. The Dollar Index sustains a bullish bias despite overnight decline and remains well-supported while above 93.06. We set sights on a break above 93.85 in the next couple of days.

EUR

- **EUR climbed 0.27% to 1.1767 against a weak USD** but nonetheless retreated against 6 G10s.
- **EUR is expected to be defensive against USD**, ahead of Eurozone data and ECB meeting minutes; downside surprises will push EUR sharply lower. Signs of weakness continue to prevail despite overnight rebound, thus we continue to set sights on a drop to 1.1683 in the next leg lower. Losing this exposes a move to below 1.1586.

GBP

- **GBP rose 0.17% to 1.2891 against a weak USD** but retreated against 7 G10s as markets turned risk-on.
- **Continue to expect a soft GBP against USD** in anticipation of disappointment in UK data. GBPUSD is now at a fragile position; losing 1.2864, and worse still 1.2848, will likely trigger a deeper drop to 1.2749. Holding above at least 1.2864 gives some room to climb to 1.2928.

JPY

- **JPY strengthened 0.43% to 110.19 against a weak USD** but was mixed against the G10s.
- **We maintain a bearish view on JPY against USD** as refuge demand retreats further. A mild bullish bias has emerged in USDJPY and we therefore expect a climb above 110.67 soon, above which it would target to break 110.98.

AUD

- **AUD surged 1.33% to 0.7925 against a weak USD** and rallied to beat all G10s, lifted by firmer risk appetite in the markets and stronger commodities.
- **Keep a bearish outlook on AUD against likelihood of a rebound in USD**, as well as bearish potential in Australia data. Overnight surge to bypass 0.7900 has rejuvenated AUDUSD. While above this, the pair is technically inclined to gains but current upside strength is fragile and could easily fall apart. A close above 0.7928 will solidify a passage to 0.8000.

SGD

- **SGD retreated against 6 G10s** that rallied on firmer commodities but managed to **advance 0.32% to 1.3625 against a weak USD**.
- **SGD remains bearish against USD** on the back of bullish potential in US data supporting the greenback. Despite overnight decline, USDSGD remains well-supported by 1.3600, above which the pair still carries a mild bullish bias. We continue to set sights on another test at 1.3681.

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.