

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Heightened concerns over President Trump administration** following rumoured resignation of Gary Cohn, a director of the National Economic Council, **coupled with the terror attack at Barcelona, sent markets scurrying for safety.** Global equities all ended in the red overnight while government bonds were well-bid on haven demand.
- ECB minutes turned cautious and we sensed a tinge of dovishness. Following the footsteps of RBA, **ECB expressed concerns over a strong EUR**, more so on risk of the currency overshooting its fundamentals in the future that could derail growth and inflation target in the region. **Officials remarked that it was important to ensure inflation expectations remained well-anchored, signaling any policy shift is not in the immediate horizon. There was also no further insights on QE tapering from the minutes**, other than the "post-summer" remark given by President Draghi after the previous ECB meeting.
- **Overnight data flow was mixed and offered no change to the global macro landscape.** Job market continues its steady course in the US and Australia. Manufacturing production took on a softer stance and smaller gain in leading index suggest more moderate growth ahead. CPI showed little signs up picking up in the Eurozone while slower growth in UK retail sales raised concern over the strength of domestic demand.
- **USD strengthened against 8 G10s** on the back of risk aversion in the markets, and though the Dollar Index pared early gain amid speculation of further administrative woes for President Trump, it managed to inch 0.09% higher to 93.62. **Expect a bullish USD**, supported by rising risk aversion in the markets ahead of the weekend. Caution that a close below 93.41 will alter the current positive technical landscape. Otherwise, the Dollar Index remains bullish and is likely to challenge 94.19 in the next leg higher.
- **MYR closed 0.07% firmer against USD at 4.2955** after narrowing early gains while closing mixed against the G10s. **We are now bearish on MYR against USD** pressured by risk-off in the markets ahead of the weekend. USDMYR gapped higher at opening and is likely to rely on this cushion to register a firmer close today. While above 4.2977, there is scope to test 4.3010.
- **SGD slipped 0.3% to 1.3666 against USD** but managed to advance against 6 G10s. **SGD remains bearish against USD** in anticipation of further risk aversion in the markets. Technically, 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, or possible even a break, at 1.3681.

#### Overnight Economic Data

US	→
Eurozone	↑
UK	→
Hong Kong	→
Australia	↑

#### What's Coming Up Next

##### Major Data

- Malaysia 2Q GDP
- US Uni Michigan consumer sentiments
- EU construction output

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1651	1.1701	1.1725	1.1755	1.1779	↘
USDJPY	109.00	109.20	109.40	109.65	110.10	↘
GBPUSD	1.2815	1.2848	1.2872	1.2903	1.2913	↘
AUDUSD	0.7839	0.7876	0.7887	0.7892	0.7924	↘
EURGBP	0.9075	0.9092	0.9108	0.9118	0.9132	↘
USDMYR	4.2965	4.2977	4.2987	4.2990	4.3010	↗
EURMYR	5.0168	5.0228	5.0354	5.0372	5.0465	↘
JPYMYR	3.9200	3.9250	3.9265	3.9285	3.9300	↗
GBPMYR	5.5188	5.5247	5.5292	5.5321	5.5344	↘
SGDMYR	3.1391	3.1414	3.1437	3.1452	3.1480	↘
AUDMYR	3.3797	3.3839	3.3874	3.3892	3.3958	↘
NZDMYR	3.1250	3.1279	3.1319	3.1341	3.1445	↘
USDSGD	1.3638	1.3656	1.3665	1.3681	1.3700	↗
EURSGD	1.5973	1.6007	1.6018	1.6053	1.6087	↘
GBPSGD	1.7555	1.7575	1.7590	1.7609	1.7632	↘
AUDSGD	1.0744	1.0761	1.0775	1.0788	1.0800	↘

\*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	1776.3	0.1	8.2	CRB Index	175.9	0.30	-8.6
Dow Jones Ind.	21750.7	-1.2	10.1	WTI oil (\$/bbl)	47.1	0.66	-12.3
S&P 500	2430.0	-1.5	8.5	Brent oil (\$/bbl)	51.0	1.51	-15.0
FTSE 100	7387.9	-0.6	3.4	Gold (\$/oz)	1288.1	0.40	8.1
Shanghai	3268.4	0.7	5.3	CPO (RM/tonne)	2609.5	-0.57	-18.4
Hang Seng	27344.2	-0.2	24.3	Copper (\$/tonne)	6532.0	2.40	18.0
STI	3268.9	-0.3	13.5	Rubber (sen/kg)	561.0	1.45	-13.0

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
US initial jobless claims	Aug 12	232k	244k	240k
US Philly Fed biz outlook	Aug	18.9	19.5	18.0
US industrial production MOM	Jul	0.2%	0.4%	0.3%
US leading index	Jul	0.3%	0.4%	0.3%
EU trade balance	Jun	€22.3bn	€19.0bn	€20.3bn
EU CPI YOY	Jul	1.3%	1.3%	1.3%
UK retail sales ex-auto fuel YOY	Jul	1.5%	2.8%	1.2%
HK unemployment rate	Jul	3.1%	3.1%	3.2%
AU employment change	Jul	27.9k	20.0k	20.0k
AU unemployment rate	Jul	5.6%	5.7%	5.6%

Source: Bloomberg

## ➤ Macroeconomics

- ECB minutes turned cautious and we sensed a tinge of dovishness. Following the footsteps of RBA, ECB expressed concerns over a strong EUR, more so on risk of the currency overshooting its fundamentals in the future that could derail growth and inflation target in the region. Officials remarked that there was a lack of conclusive evidence of sustained uptrend in underlying inflation, and that it was important to ensure inflation expectations remained well-anchored, signaling any policy shift in the immediate horizon. There was also no further insights on QE tapering from the minutes, other than the “post-summer” remark given by President Draghi after the previous ECB meeting.
- Final reading of Eurozone CPI stabilized at this year’s low of 1.3% YOY in July but core CPI showed a slight uptick to 1.2% YOY, all as initially estimated. We maintain our view that lack of inflationary pressure will tie the hands of ECB in policy tightening. In a separate release, trade surplus widened more than expected to €22.3bn in June, its highest in six months as imports (-4.1%) contracted at a faster pace than exports (-1.9% MOM). Bigger surplus in manufactured goods offset steeper shortfall in primary products mainly from energy.
- In the US, overnight releases were largely neutral. Initial jobless claims fell more than expected to 232k for the week ended Aug-12 while Philly Fed business outlook also moderated less than expected to 18.9 in August. Industrial production continued to grow albeit at a slower pace of 0.2% MOM in July dragged by a surprised 0.1% MOM decline in manufacturing production, in line with recent softness seen in other manufacturing indicators. This offset gains in utilities and mining. Smaller gain in leading index in July (+0.3% vs +0.6%) was dragged by softer average workweek, new orders, stock prices and a decline in building permits, pointing to more moderate growth ahead.
- UK retail sales ex-auto fuel grew at a slower pace of 1.5% YOY in July, underscoring soft domestic spending even though the better than expected MOM gain of 0.5% MOM offered some comfort consumer spending is not as weak as expected.
- Hong Kong jobless rate stabilized at 3.1% for the 2<sup>nd</sup> straight month in the three months to July, matching its lowest since Feb-14, as the increase in the number of unemployed was more than offset by the increase in employed persons, suggesting a still stable job market.
- Down under, yesterday’s job reports were neutral. Job addition was bigger than expected at 27.9k in July and June employment change was revised up by 6k to 20.0k. The only setback was the job gains were driven by gains in part time employment while full time employment fell. Jobless rate also reaffirmed continuous recovery in the job market, improving to 5.6% in July from an upwardly revised 5.7% a month ago due to an increase in participation rate from 65.0% to 65.1%.

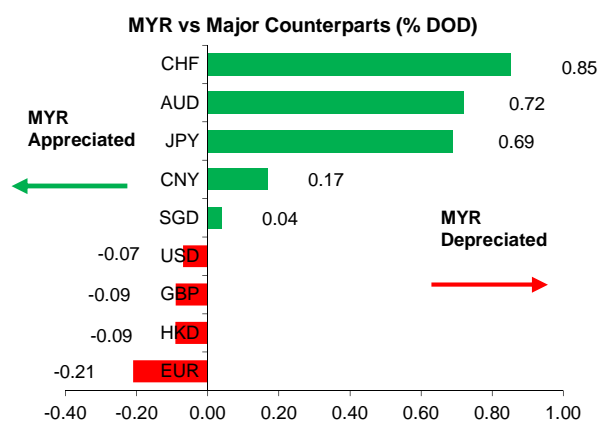
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	8/18	GDP YOY	2Q	5.4%	5.6%	--
US	8/18	Uni Michigan consumer sentiments	Aug P	94.0	93.4	--
	8/21	Chicago Fed national activity index	Jul	--	0.13	--
Eurozone	8/18	Construction output MOM	Jun	--	-0.7%	--
UK	08/21	Rightmove house prices YOY	Aug	--	2.8%	--
		PSNCR	Jul	--	18.3b	--
Japan	08/21	All industry activity index MOM	Jun	0.4%	-0.9%	--
		Nationwide dept store sales YOY	Jul	--	1.4%	--
China	8/18-8/19	FDI YOY	Jul	--	2.3%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1723	-0.37	1.179	1.1662	11.4
USDJPY	109.57	-0.56	110.37	109.45	-6.5
GBPUSD	1.2868	-0.18	1.2909	1.2853	4.3
AUDUSD	0.7885	-0.50	0.7963	0.7881	9.3
EURGBP	0.9111	-0.19	0.9137	0.9063	6.7
USDMYR	4.2955	-0.07	4.2955	4.2900	-4.3
EURMYR	5.0286	-0.21	5.0614	5.0276	6.5
JPYMYR	3.9034	0.69	3.9133	3.8989	2.5
GBPMYR	5.5332	-0.09	5.5413	5.5286	0.3
SGDMYR	3.1447	0.04	3.1521	3.1442	1.4
AUDMYR	3.4053	0.72	3.4179	3.4012	4.4
NZDMYR	3.1394	0.83	3.1477	3.1341	0.3

Source: Bloomberg



## Forex

### MYR

- **MYR closed 0.07% firmer against USD at 4.2955** after narrowing early gains while closing mixed against the G10s.
- **We are now bearish on MYR against USD** pressured by risk-off in the markets ahead of the weekend. USDMYR gapped higher at opening and is likely to rely on this cushion to register a firmer close today. While above 4.2977, there is scope to test 4.3010.

### USD

- **USD strengthened against 8 G10s** on the back of risk aversion in the markets, and though the Dollar Index pared early gain amid speculation of further administrative woes for President Trump, it managed to inch 0.09% higher to 93.62.
- **Expect a bullish USD**, supported by rising risk aversion in the markets ahead of the weekend. Caution that a close below 93.41 will alter the current positive technical landscape. Otherwise, the Dollar Index remains bullish and is likely to challenge 94.19 in the next leg higher.

### EUR

- **EUR tumbled sharply** on ECB expressing concern over an overvalued currency but pared losses thereafter to **settle 0.37% lower at 1.1723 against USD** and managed to pip higher against 5 G10s.
- **EUR remains on the defensive against a firm USD**, likely to still be weighed down by ECB's views on the currency. EURUSD expectedly dropped to and below 1.1683 overnight. While below 1.1779 EURUSD remains fragile and prone to further losses that will probably re-test 1.1683. Caution that 1.1586 will be within target if 1.1683 is broken.

### GBP

- **GBP slipped 0.18% to 1.2868 against a firmer USD** but advanced against 7 G10s, supported by an increase in refuge demand.
- **A slight bearish bias in GBP is likely against a firm USD**. Key levels have changed for GBPUSD; while below 1.2903, the pair is expected to be inclined towards the downside but it will not be until a break below 1.2848 that bears will rush in.

### JPY

- **JPY overturned early losses** to beat all G10 and **strengthened 0.56% to 109.57 against USD** after refuge demand jumped.
- **We turn bullish on JPY against USD** as refuge demand re-emerges. Technical outlook has changed after USDJPY plunged through 109.85. Expect the pair to be tilted to the downside and possibly test 108.95 in the next leg lower.

### AUD

- **AUD tumbled against 7 G10s and weakened 0.5% to 0.7885 against USD** after reversing early gains on risk aversion in the markets.
- **Stay bearish on AUD against USD** amid prevailing risk aversion in the markets. As mentioned yesterday, AUDUSD upsides are fragile and prone to a breakdown. While below 0.7892, AUDUSD is likely pressured into further losses, possibly taking aim at 0.7827.

### SGD

- **SGD slipped 0.3% to 1.3666 against USD** but managed to advance against 6 G10s.
- **SGD remains bearish against USD** in anticipation of further risk aversion in the markets. Technically, 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, or possible even a break, 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](mailto:HLMarkets@hlbb.hongleong.com.my)

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