August 24, 2017

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Overnight financial markets took a beating** with risk aversion making a return, **unnerved by President Trump's threats on a government shutdown** should funding over the US-Mexican wall is not approved. Political noises have been disturbing global financial markets intermittently of late and its impact has been shortlived thus far. However, **we would like to caution against its longer term implications on Trump's policy reform and growth agenda rather than short term market volatility.**

- **Overnight data flow came in mixed** but was decent nevertheless. **PMI showed manufacturing and services diverged from each other in the US and EU, but the composites ticked higher** for both, indicating continued recovery going into 3Q. **Japan also showed better signs** evident in its uptick in Nikkei PMI manufacturing and machine tool orders.

- **Back home, CPI moderated to 3.2% YOY in July as a result of slower gains in food and transport prices,** reaffirming the case of dissipating inflationary pressure. We expect softer price gain in 2H17 even though some transitional upticks could not be avoided given the recent upward adjustment in petrol prices. **CPI averaged 4.0% YTD and we expect easier gains in the months ahead to bring full year average to 3.6%.**

- **USD** rebound was short-lived as it **fell against 7 G10s**, weighed down by President Trump's comments that he would veto a spending bill that does not include funding for the US-Mexico border wall. The Dollar Index tumbled through all sessions to end the day 0.43% lower at 93.14. **Expect USD to remain pressured** by Trump's comments that will likely continue to reverberate through the markets, as well as risk aversion going into Jackson Hole meeting. Technical outlook for the Dollar Index dimmed again after losing 93.31 overnight. It is now tilted to the downside with scope to test 93.02, below which a firmer decline is expected. Recapturing 93.31 will provide space to climb to 93.60.

- **MYR inched 0.08% firmer to 4.2790 against USD** and advanced against 6 G10s on the back of improved regional market sentiment. **Expect a mildly bullish MYR against a softer overnight USD**. Bearish bias has picked up after losing 4.2800, and we maintain that USDMYR is on track to test 4.2746.

- **SGD** was also weighed down by market risk aversion, sliding against 6 G10s but **inched 0.09% firmer to 1.3612 against USD**. **We stay bearish on SGD against USD**, anticipating pressure from rising risk aversion. Holding above 1.3600 keeps USDSGD from extended losses and sustains the scope for a potential rebound higher to 1.3681 going forward.

Overnight Economic Data

Malaysia	↓
US	→
EU	→
Japan	↑
Singapore	↑
New Zealand	↑

What's Coming Up Next

Major Data
- US initial jobless claims, existing home sales, Kansas City Fed manufacturing
- UK 2Q GDP
- Japan leading index, coincident index
- Hong Kong exports

Major Events
- Central bankers meet at Jackson Hole Symposium

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1750	1.1800	1.1813	1.1827	1.1866	↗
USDJPY	108.60	108.89	109.04	109.18	109.28	↘
GBPUSD	1.2749	1.2780	1.2799	1.2811	1.2848	↘
AUDUSD	0.7875	0.7892	0.7909	0.7918	0.7937	↘
EURGBP	0.9210	0.9220	0.9230	0.9236	0.9243	↘
USDMYR	4.2740	4.2760	4.2778	4.2785	4.2804	↘
EURMYR	5.0422	5.0466	5.0534	5.0546	5.0647	↘
JPYMYR	3.9062	3.9158	3.9220	3.9250	3.9300	↗
GBPMYR	5.4650	5.4700	5.4742	5.4803	5.4900	↘
SGDMYR	3.1400	3.1430	3.1443	3.1456	3.1486	↘
AUDMYR	3.3759	3.3797	3.3835	3.3881	3.3893	↘
NZDMYR	3.0842	3.0900	3.0929	3.1000	3.1057	↘
USDSGD	1.3586	1.3600	1.3607	1.3615	1.3626	↗
EURSGD	1.6021	1.6048	1.6074	1.6087	1.6100	↘
GBPSGD	1.7380	1.7400	1.7415	1.7425	1.7445	↘
AUDSGD	1.0730	1.0740	1.0760	1.0768	1.0780	↘

*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	1772.9	-0.1	8.0	CRB Index	177.6	0.48	-7.8
Dow Jones Ind.	21812.1	-0.4	10.4	WTI oil ($/bbl)	48.3	1.30	-10.2
S&P 500	2444.0	-0.3	9.2	Brent oil ($/bbl)	52.6	0.00	-12.4
FTSE 100	7382.7	0.0	3.4	Gold (S/oz)	1291.0	0.50	8.1
Shanghai	3287.7	-0.1	5.9	CPO (RM/tonne)	2704.0	1.81	-15.5
Hang Seng	27401.7	0.9	24.5	Copper ($/tonne)	6565.0	-0.23	18.6
STI	3260.1	-0.1	13.2	Rubber (sen/kg)	565.0	-1.22	-12.4

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY CPI YOY	Jul	3.2%	3.6%	3.4%
US MBA mortgage applications	Aug 18	-0.5%	0.1%	--
US PMI manufacturing	Aug P	52.5	53.3	53.4
US PMI services	Aug P	56.9	54.7	54.9
US new home sales MOM	Jul	-9.4%	1.9%	0.0%
EU PMI manufacturing	Aug P	57.4	56.6	56.3
EU PMI services	Aug P	54.9	55.4	55.4
EU consumer confidence	Aug A	-1.5	-1.7	-1.8
JP Nikkei PMI manufacturing	Aug P	52.8	52.1	--
JP machine tool orders YOY	Jul F	28.0%	26.3%	--
SG CPI YOY	Jul	0.6%	0.5%	0.7%
NZ trade balance NZD	Jul	85m	246m	-200m

Source: Bloomberg

Macroeconomics

- US data remained mixed, manufacturing softened vis-à-vis a pick-up in services while housing numbers continued to disappoint. PMI manufacturing index hit a two-month low at 52.5 in August as production and new orders slowed, against expectations for a slight uptick. On the contrary, the services PMI jumped more than expected to 56.9 from 54.7, its highest since Apr-15. The composite PMI, which combines manufacturing and services, edged up to 56.0 from 54.6, indicating continued recovery in the US economy in 3Q.

- In a separate release, new homes sales staged a surprised decline of 9.4% MOM to a seven-month low level of 571k in July while MBA mortgage applications fell 0.5% WOW in the week ended 18 August, underscoring renewed weakness in the US housing market amid low supply and a higher interest rate environment.

- In the Eurozone, PMI manufacturing surprisingly expanded at a faster pace while the services sector decelerated in August, indicating the Eurozone economy will continue to recover in 3Q. The PMI manufacturing index climbed to 57.4, matching a record high seen in June while the services index softened to 54.9, its lowest in seven months. Consumer confidence also turned in less pessimistic, ticking up slightly to -1.5 in August, bolstering hopes improving consumer spending will help spur growth in the region.

- In line with more robust manufacturing activities in the EU, Nikkei PMI also showed the manufacturing sector picking up steam to 52.8 in August, its best in three months. Equally upbeat was the final print of machine tool orders that came in higher than initially estimated, at 28.0% YOY in July. This marked its 5th straight month of hefty double-digit gains reflecting improving business spending mainly from the foreigners.

- Adding to signs of subdued global inflation, Singapore CPI picked up at a less than expected pace of 0.6% YOY in July. However, the uptick was rather broad-based led by quicker increases from healthcare, and transport as well as sustained increase in food prices. YTD, CPI averaged 0.7% YOY, still at the lower end of the official forecast range of 0.5-1.5%.

- Back home, CPI moderated to 3.2% YOY in July as a result of slower gains in food and transport prices, reaffirming the case of dissipating inflationary pressure. We expect softer price gain in 2H17 even though some transitional upticks could not be avoided given the recent upward adjustment in petrol prices. CPI averaged 4.0% YTD and we expect easier gains in the months ahead to bring full year average to 3.6%.

- Trade surplus narrowed to NZD85m in July, but bested expectations for a slip into deficit. Exports fell 1.3% MOM while imports rose 2.2% MOM, exerting downward pressure on the surplus position. YOY, exports jumped16.8%, led by a hefty 51% jump in dairy exports.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
US	8/24	Initial jobless claims	Aug 19	238k	232k	--
		Kansas City Fed manufacturing index	Aug	11	10	--
		Existing home sales MOM	Jul	0.5%	-1.8%	--
	8/25	Durable goods orders	Jul P	-6.0%	6.4%	--
UK	8/24	GDP QOQ	2Q P	0.3%	0.3%	--
Japan	8/24	Leading index	Jun F	--	106.3	--
		Coincident index	Jun F	--	117.2	--
	8/25	National CPI YOY	Jul	0.4%	0.4%	--
China	8/23 – 24	FDI YOY	Jul	--	2.3%	--
Hong Kong	8/24	Exports YOY	Jul	9.2%	11.1%	--
Singapore	8/25	Industrial production YOY	Jul	12.6%	13.1%	--
Vietnam	8/24-31	CPI YOY	Aug	2.50%	2.52%	--
	8/25-31	Retail sales YTD YOY	Aug	--	10.0%	--
		Industrial production YOY	Aug	--	8.1%	--
		Exports YTD YOY	Aug	18.4%	18.7%	--
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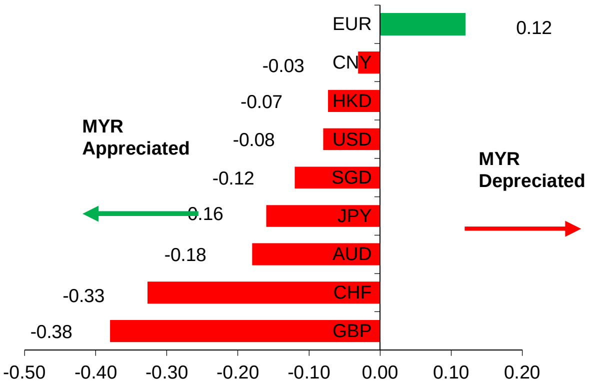
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1807	0.38	1.1823	1.1740	12.3
USDJPY	109.04	-0.48	109.83	108.92	-6.8
GBPUSD	1.2800	-0.19	1.2834	1.2780	3.7
AUDUSD	0.7904	-0.09	0.7918	0.7882	9.8
EURGBP	0.9224	0.57	0.92364	0.9161	8.1
USDMYR	4.2790	-0.08	4.2850	4.2785	-4.6
EURMYR	5.0405	0.12	5.0490	5.0252	7.0
JPYMYR	3.9121	-0.16	3.9158	3.9007	2.5
GBPMYR	5.4767	-0.38	5.4935	5.4749	-0.7
SGDMYR	3.1394	-0.12	3.1451	3.1382	1.4
AUDMYR	3.3785	-0.18	3.3881	3.3735	4.5
NZDMYR	3.0888	-0.99	3.1144	3.0842	-0.8

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR inched 0.08% firmer to 4.2790 against USD** and advanced against 6 G10s on the back of improved regional market sentiment.
- **Expect a mildly bullish MYR against a softer overnight USD**. Bearish bias has picked up after losing 4.2800, and we maintain that USDMYR is on track to test 4.2746.

USD

- **USD** rebound was short-lived as it **fell against 7 G10s**, weighed down by President Trump's comments that he would veto a spending bill that does not include funding for the US-Mexico border wall. The Dollar Index tumbled through all sessions to end the day 0.43% lower at 93.14.
- **Expect USD to remain pressured** by Trump's comments that will likely continue to reverberate through the markets, as well as risk aversion going into Jackson Hole meeting. Technical outlook for the Dollar Index dimmed again after losing 93.31 overnight. It is now tilted to the downside with scope to test 93.02, below which a firmer decline is expected. Recapturing 93.31 will provide space to climb to 93.60.

EUR

- **EUR climbed 0.38% to 1.1807 against a sliding USD** and rose against 5 G10s, partially supported by better than expected Eurozone data.
- **EUR is slightly bullish on the back of a soft USD**. EURUSD edged back into a mild bullish tone after recapturing 1.1800. Above this, there is scope to climb to 1.1865, but losing 1.1800 again will tilt the pair lower to test 1.1749.

GBP

- **GBP slipped 0.19% to 1.2800 against USD** and fell against 8 G10s on speculation that the UK is compromising its stance in negotiating a separation with the EU.
- **Stay bearish on GBP against USD** amid rising uncertainties concerning Brexit negotiations; misses in UK data will accelerate the downsides. We maintain that GBPUSD is aiming at 1.2749 in the next leg lower, below which 1.2636 will be targeted.

JPY

- **JPY** was buoyed by improved demand for refuge after markets were spooked by Trump's comments, climbing against 8 G10s and **beating USD by 0.48% to settle at 109.04**.
- **Expect a bullish JPY against USD** now that risk aversion is gradually seeping back into the markets. A close above 109.18 will alter the currently bearish outlook of USDJPY. Otherwise, expect downsides to prevail with scope to slide to 108.60.

AUD

- **AUD dipped 0.09% to 0.7904 against USD** and tumbled against 7 G10s, weighed down by risk aversion in the markets.
- **Keep a bearish view on AUD against USD**, weighed down by risk aversion in the markets that is likely to firm up ahead of Jackson Hole. Bearish bias has picked up in AUDUSD; rebounds are likely restricted by 0.7937, and losing 0.7892 will increase the current downside momentum that could see the pair testing 0.7831 in the next leg lower.

SGD

- **SGD** was also weighed down by market risk aversion, sliding against 6 G10s but **inched 0.09% firmer to 1.3612 against USD**.
- **We stay bearish on SGD against USD**, anticipating pressure from rising risk aversion. Holding above 1.3600 keeps USDSGD from extended losses and sustains the scope for a potential rebound higher to 1.3681 going forward.

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