

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- At Jackson Hole, **there were little clues given to market observers looking for monetary policy guidelines**, though speeches did ignite rallies in European major and pressured USD. Fed Chair Yellen avoided comments on rate hike and balance sheet reduction timelines, but **focused instead of regulatory measures that she said “have made the system safer”**. Her ECB counterpart Mario Draghi, was a little more upbeat as **he remarked that “global recovery is firming up”**, which led to EUR rallying as markets interpreted the viewpoint as a hawkish one. Even though **Draghi did note that there is still a need for monetary accommodation**.
- The macro front saw declines in US durable goods orders, though after ignoring the effects of volatile transportation figures, orders overall rose. Industrial profits recorded robust growth in China in Jul, but the figure was less impressive than a month before. Inflation in Japan steady for a fourth consecutive month in Jul, a sign that price pressures may have peaked. Industrial production growth in Singapore posted an impressive jump in Jul, boosted by electronic exports.
- **USD slumped against all G10s** while the Dollar Index plunged twice in US session to close 0.58% lower at 92.74 on the lack of policy comments from Fed Chair Yellen as well as rally in EUR. **Expect a bearish USD to prevail** on the back of improving bids in European majors. The Dollar Index losing 93.03 is prone to further losses, with scope to slide to 91.89 in the next leg lower. Climbing back above 92.91 is crucial to keep rebound hopes alive.
- **MYR advanced 0.17% to 4.2723 against a soft USD** but closed mixed against the G10s. **MYR is now bullish against a soft USD** and further supported by improved risk appetite in the markets. Gap-down at opening signals an increasingly bearish tone in USDMYR, and we set sights on a potential test at 4.2600. Note that reversion level exist at 4.2648, thus we caution that extended closings below this level could trigger a rebound going forward.
- SGD similarly retreated against 6 G10s but **strengthened 0.45% to 1.3558 against a weak USD**. **We turn bullish on SGD against a soft USD** and on improving risk appetite in the markets. USDSGD has lost 1.3600 and is now tilted towards the downsides, with scope to fall below 1.3543.

#### Overnight Economic Data

US  
Japan  
China  
Singapore



#### What's Coming Up Next

##### Major Data

- US wholesale inventories, Dallas Fed manufacturing activity
- Japan Cabinet Office monthly economic report

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1900	1.1911	1.1934	1.1965	1.1980	↗
USDJPY	109.00	109.22	109.29	109.49	109.77	↘
GBPUSD	1.2861	1.2880	1.2895	1.2913	1.2928	↗
AUDUSD	0.7892	0.7912	0.7937	0.7947	0.7982	↗
EURGBP	0.9236	0.9240	0.9253	0.9266	0.9279	↗
USDMYR	4.2620	4.2648	4.2655	4.2670	4.2691	↘
EURMYR	5.0800	5.0864	5.0877	5.0950	5.1000	↗
JPYMYR	3.8950	3.9000	3.9070	3.9110	3.9158	↘
GBPMYR	5.4935	5.4975	5.5008	5.5056	5.5100	↗
SGDMYR	3.1422	3.1452	3.1460	3.1468	3.1500	↗
AUDMYR	3.3797	3.3835	3.3845	3.3870	3.3893	↘
NZDMYR	3.0792	3.0842	3.0893	3.0920	3.0965	↘
USDSGD	1.3543	1.3550	1.3560	1.3586	1.3600	↘
EURSGD	1.6140	1.6159	1.6175	1.6200	1.6233	↗
GBPSGD	1.7446	1.7474	1.7484	1.7489	1.7500	↗
AUDSGD	1.0716	1.0738	1.0760	1.0761	1.0772	↘

\*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	1769.2	-0.4	7.8	CRB Index	177.8	0.02	-7.6
Dow Jones Ind.	21813.7	0.1	10.4	WTI oil (\$/bbl)	47.9	0.90	-11.4
S&P 500	2443.1	0.2	9.1	Brent oil (\$/bbl)	52.4	0.70	-7.1
FTSE 100	7401.5	-0.1	3.6	Gold (S/oz)	1291.4	0.40	10.8
Shanghai	3331.5	1.8	7.3	CPO (RM/tonne)	2717.0	0.87	-15.1
Hang Seng	27848.2	1.2	26.6	Copper (\$/tonne)	6666.0	-0.33	20.4
STI	3259.6	-0.4	13.1	Rubber (sen/kg)	562.0	0.99	-12.9

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
US durable goods orders	Jul P	-6.8%	6.4%	-6.0%
JP national CPI YOY	Jul	0.4%	0.4%	0.4%
CH industrial profits YOY	Jul	16.5%	19.1%	–
SG IPI YOY	Jul	21.0%	12.7%	12.9%

Source: Bloomberg

## ➤ Macroeconomics

- Markets were disappointed by the absence of comments from Fed Chair Yellen at the Jackson Hole meeting. Her speech slanted towards financial regulation, that reforms in the events of the crisis have been implemented, and “these reforms have made the system safer”. She also touched on “risks of excessive optimism, leverage and maturity transformation re-emerging in new ways that require policy response”. This could be a very minor hint that rate adjustment may still be required, but the subtlety slipped through markets and USD tumbled.
- On the other hand, ECB President’s remark that “the global recovery is firming up” alerted the markets, which may have interpreted it as a sign that tighter policy from the ECB is on the horizon. This, and that he did not mention anything about EUR’s strength like he did previously, sent EUR soaring. This is despite that fact that Draghi said “the consolidation of the recovery is at an earlier stage” compared to the US, and that there is still a need for significant monetary accommodation.
- On the macro front, the US durable goods orders fell in Jul early print, sliding 6.8% MOM after rising 6.4% in Jun. But after discounting the volatile orders for transportation, orders actually performed better, gaining 0.5% in Jul and up from a soft 0.1% in Jun.
- Japan’s inflation rose 0.4% YOY in Jul, steady for a third consecutive month and likely a signal that upsides may have peaked. Cost of food eased in Jul (Jul: +0.6% vs Jun: +0.8%), while cost of housing (Jul: -0.2% vs Jun: -0.2%) and household goods (Jul: -0.4% vs Jun: -0.8%) continue to decline. Meanwhile, there were acceleration in cost of utilities (Jul: +4.3% vs Jun: +3.5%) and cost of transportation & communication (Jul: +0.1% vs Jun: -0.1%).
- China’s industrial profits surged 16.5% YOY in Jul but was still slower than the 19.1% increase recorded in Jun.
- In Singapore, industrial production soared 21.0% YOY in Jul, countering expectations of a more moderate growth and rising from 12.7% increase in Jun. The strongest growth in 7 months was led by a surge in electronics exports, gaining 49.1% in Jul from 25.5% in Jun.

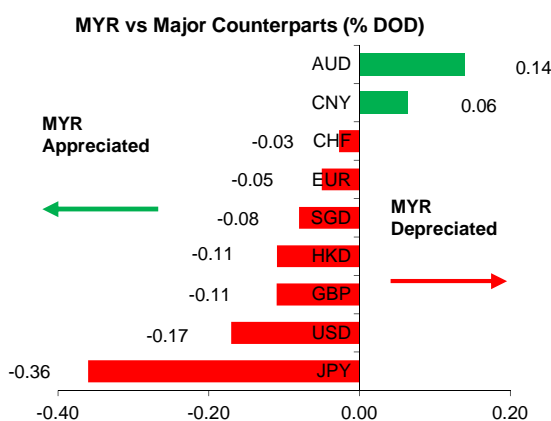
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	8/28	Wholesale inventories MOM	Jul P	0.3%	0.7%	--
		Dallas Fed manufacturing activity	Aug	16.8	16.8	--
	8/29	S&P CoreLogic CS house prices YOY	Jun	5.60%	5.69%	--
UK	8/29	Conference Board consumer confidence	Aug	120.4	121.1	--
		Nationwide house prices YOY	Aug	2.5%	2.9%	--
Japan	8/28	Cabinet Office monthly economic report	Aug	--	--	--
China	8/29	Jobless rate	Jul	2.8%	2.8%	--
		FDI YOY	Jul	--	2.3%	--
Hong Kong	8/29	Retail sales value YOY	Jul	1.1%	0.1%	--
Vietnam	8/28 - 31	CPI YOY	Aug	2.50%	2.52%	--
		Retail sales YTD YOY	Aug	--	10.0%	--
		Industrial production YOY	Aug	--	8.1%	--
		Exports YTD YOY	Aug	18.4%	18.7%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1924	1.06	1.1941	1.1774	13.7
USDJPY	109.36	-0.18	109.84	109.12	-6.6
GBPUSD	1.2882	0.63	1.2889	1.2794	4.6
AUDUSD	0.7932	0.34	0.7954	0.7885	10.2
EURGBP	0.9255	0.40	0.9270	0.9196	8.5
USDMYR	4.2723	-0.17	4.2780	4.2717	-4.8
EURMYR	5.0432	-0.05	5.0477	5.0339	6.8
JPYMYR	3.8993	-0.36	3.9065	3.8950	1.8
GBPMYR	5.4822	-0.11	5.4822	5.4696	-0.6
SGDMYR	3.1411	-0.08	3.1443	3.1393	1.3
AUDMYR	3.3819	0.14	3.3840	3.3731	4.4
NZDMYR	3.0873	0.01	3.0887	3.0775	-1.0

Source: Bloomberg



## Forex

### MYR

- **MYR advanced 0.17% to 4.2723 against a soft USD** but closed mixed against the G10s.
- **MYR is now bullish against a soft USD** and further supported by improved risk appetite in the markets. Gap-down at opening signals an increasingly bearish tone in USDMYR, and we set sights on a potential test at 4.2600. Note that reversion level exist at 4.2648, thus we caution that extended closings below this level could trigger a rebound going forward.

### USD

- **USD slumped against all G10s** while the Dollar Index plunged twice in US session to close 0.58% lower at 92.74 on the lack of policy comments from Fed Chair Yellen as well as rally in EUR.
- **Expect a bearish USD to prevail** on the back of improving bids in European majors. The Dollar Index losing 93.03 is prone to further losses, with scope to slide to 91.89 in the next leg lower. Climbing back above 92.91 is crucial to keep rebound hopes alive.

### EUR

- **EUR surged 1.06% to 1.1924 against USD** and beat 7 G10s, bolstered by ECB President Draghi's speech at Jackson Hole.
- **We turn bullish on EUR against USD** supported by rising expectations that ECB QE tapering is drawing near. A mild bullish bias has emerged in EURUSD and upside strength is likely firm while above 1.1900. A test at 1.1980 – 1.2000 is next, but rejection here could cause sharp decline.

### GBP

- **GBP slipped against 5 G10s but jumped 0.63% to 1.2882 against a weak USD.**
- **Stay bearish on GBP against USD** amid rising uncertainties concerning Brexit negotiations. Bearish bias continues to pick up in GBPUSD and we opine that the pair will continue to struggle to beat the firm 1.2800 level. We maintain that GBPUSD is aiming at 1.2749 in the next leg lower, below which 1.2636 will be targeted.

### JPY

- **JPY fell against all G10s** after risk sentiment in the markets improved as Jackson Hole convened, but **managed to advance 0.18% to 109.36 against a weak USD.**
- **JPY is now slightly bullish in anticipation of further weakness in USD.** USDJPY remains inclined to the downsides after failing to beat 109.84 and is now on the defensive from breaking below 109.22, which will increase the pair's chance of sliding lower to 108.60.

### AUD

- **AUD climbed 0.34% to 0.7932 against a weak USD** but slipped against 7 G10s that rallied on firmer risk appetite.
- **We turn bullish on AUD against a soft USD** and further supported by improving risk appetite. AUDUSD is now likely to target 0.7963 – 0.7980 after breaking above 0.7912. However, prevailing bias suggests gains will be soft before facing risk of rejection approaching 0.8000.

### SGD

- **SGD similarly retreated against 6 G10s but strengthened 0.45% to 1.3558 against a weak USD.**
- **We turn bullish on SGD against a soft USD** and on improving risk appetite in the markets. USDSGD has lost 1.3600 and is now tilted towards the downsides, with scope to fall below 1.3543.

**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)

**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.