August 28, 2017

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 steadying 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 %
KLCI	1769.2	-0.4	7.8
Dow Jones Ind.	21813.7	0.1	10.4
S&P 500	2443.1	0.2	9.1
FTSE 100	7401.5	-0.1	3.6
Shanghai	3331.5	1.8	7.3
Hang Seng	27848.2	1.2	26.6
STI	3259.6	-0.4	13.1

Name	Last Price	DoD %	YTD %
CRB Index	177.8	0.02	-7.6
WTI oil ($/bbl)	47.9	0.90	-11.4
Brent oil ($/bbl)	52.4	0.70	-7.1
Gold (S/oz)	1291.4	0.40	10.8
CPO (RM/tonne)	2717.0	0.87	-15.1
Copper ($/tonne)	6666.0	-0.33	20.4
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, steadying 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%	--
		Conference Board consumer confidence	Aug	120.4	121.1	--
UK	8/29	Nationwide house prices YOY	Aug	2.5%	2.9%	--
Japan	8/28	Cabinet Office monthly economic report	Aug	--	--	--
	8/29	Jobless rate	Jul	2.8%	2.8%	--
China	8/28 – 31	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

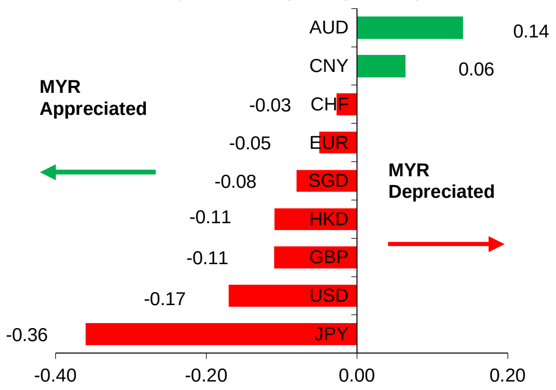
➢Forex

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

MYR vs Major Counterparts (% DOD)



MYR

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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.

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