

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Major equity indexes in the US opened higher overnight** on news that US Treasury Secretary Mnuchin and Chinese envoy Liu He are looking to resume trade negotiations this week **but came off their sessions' high** after a report claiming that little progress was made by the Trump Administration on trade talks. **The Dow, S&P 500 and Nasdaq rose 0.43%, 0.49% and 0.55% respectively.** WTI took a hit to close at \$68.76 per barrel on higher than expected buildup in oil inventory. **Yield on 10Y US treasuries fell 1bp to 2.96%.** BOJ held interest rates unchanged earlier yesterday but made a minor tweak to its monetary policy.
- There were plenty of data releases to report overnight; **US consumer spending growth was solid** in June, driven by higher personal income as well as federal tax cut, meanwhile, core PCE price index steadied at 1.9% YOY following a revision to May's number (2.0% to 1.9%). Chicago Business Barometer Index rose in July while Conference Board Consumer Index edged up, both suggesting firm sentiment. **2Q economic growth in the Eurozone disappointed but flash HICP inflation rate firmed up** in July, driven by energy prices while services inflation drove up core inflation. Unemployment rate in the single currency region ticked lower. **Data flow was softer in China, Japan and Australia. New Zealand's labour market remained stable in 2Q;** unemployment rate went up driven by higher participation rate, employment growth moderated while the increase in minimum wages boosted wage growth.
- **USD rebounded to beat 8 G10s** while the DXY jumped on the release on some decent US data, closing 0.22% higher at 94.55. **Stay slightly bearish USD,** weighed down by risk aversion heading into US data, which if disappoints would trigger losses. Despite overnight rebound, minor bearish trend prevails and points to a potential decline below 94.22 soon. We continue to set sights on a test at 93.94 going forward.
- **MYR slipped 0.14% to 4.0650 against USD** and ended lower against all other G10s after sliding through Asian morning and heading into European session. **We turn neutral on MYR against USD,** with scope for mild gains in anticipation of a softer greenback going into European session. We continue to note prevalence of price-momentum divergence and signs of upside fatigue, both of which suggest a reversal lower is impending for USDMYR. Losing 4.0580 will expose a decline to 4.0500.
- **SGD slipped 0.04% to 1.3615 against USD,** overturning gains in late US trading but managed to beat 8 G10s. **Stay slightly bullish on SGD in anticipation of a soft USD,** further supported by improving risk appetite in the markets. Downside bias remains firm in USDSGD. Expect further losses, with scope to test 1.3600, below which a drop to 1.3579 is expected.

#### Overnight Economic Data

US	↑
Eurozone	→
Japan	↓
China	↓
Australia	↓
New Zealand	→

#### What's Coming Up Next

##### Major Data

- Malaysia Nikkei Malaysia PMI
- US MBA Mortgage Applications, ADP Employment Change, Markit US Manufacturing PMI, Construction Spending MoM, ISM Manufacturing,
- UK Markit UK PMI Manufacturing SA, China Caixin China PMI Mfg
- Hong Kong Retail Sales Value YoY

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1659	1.1682	1.1690	1.1723	1.1759	↗
USDJPY	111.43	111.60	111.83	111.92	112.05	↘
GBPUSD	1.3092	1.3104	1.3120	1.3131	1.3161	↗
AUDUSD	0.7397	0.7411	0.7420	0.7439	0.7451	↗
EURGBP	0.8890	0.8902	0.8910	0.8915	0.8927	↗
USDMYR	4.0600	4.0615	4.0635	4.0645	4.0675	→
EURMYR	4.7416	4.7460	4.7500	4.7510	4.7575	↘
JPYMYR	3.6309	3.6327	3.6340	3.6365	3.6410	↘
GBPMYR	5.3271	5.3300	5.3310	5.3341	5.3352	↘
SGDMYR	2.9816	2.9824	2.9839	2.9859	2.9872	→
AUDMYR	3.0094	3.0114	3.0149	3.0173	3.0200	↗
NZDMYR	2.7596	2.7631	2.7652	2.7666	2.7684	↘
USDSGD	1.3593	1.3604	1.3617	1.3626	1.3637	↘
EURSGD	1.5886	1.5905	1.5920	1.5925	1.5933	↗
GBPSGD	1.7850	1.7860	1.7866	1.7878	1.7889	↘
AUDSGD	1.0089	1.0098	1.0104	1.0120	1.0129	↗

\*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	1,784.25	0.79	0.70	CRB Index	194.53	-0.63	0.34
Dow Jones Ind.	25,415.19	0.43	2.82	WTI oil (\$/bbl)	68.76	-1.95	13.80
S&P 500	2,816.29	0.49	5.34	Brent oil (\$/bbl)	74.25	-0.96	10.98
FTSE 100	7,748.76	0.62	0.79	Gold (\$/oz)	1,224.15	0.22	8.10
Shanghai	2,876.40	0.26	-13.03	CPO (RM/tonne)	2,154.50	0.12	-9.85
Hang Seng	28,583.01	-0.52	-4.47	Copper (\$/tonne)	6,300.00	0.80	-13.07
STI	3,319.85	0.38	-2.44	Rubber (sen/kg)	401.00	-1.23	-13.30

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US PCE Core YoY	Jun	1.9%	1.9% (revised)	2.0%
US Personal Income	Jun	0.4%	0.4%	0.4%
US Personal Spending	Jun	0.4%	0.5% (revised)	0.4%
US S&P CoreLogic CS 20-City YoY NSA	May	6.51%	6.69% (revised)	6.40%
US Chicago Purchasing Manager	Jul	65.5	64.1	62.0
US Conf. Board Consumer Confidence	Jul	127.4	127.1 (revised)	126.0
EU Unemployment Rate	Jun	8.3%	8.4%	8.3%
EU CPI Estimate YoY	Jul	2.1%	2.0%	2.0%
EU CPI Core YoY	Jul A	1.1%	0.9%	1.0%
EU GDP SA QoQ	2Q A	0.3%	0.4%	0.4%
JP Construction Orders YoY	Jun	-6.5%	-18.7%	--
JP Housing Starts YoY	Jun	-7.1%	1.3%	-2.5%
JP BOJ Policy Balance Rate	31-Jul	-0.1%	-0.1%	-0.1%
CN Non-manufacturing PMI	Jul	54.0	55.0	54.9
CN Manufacturing PMI	Jul	51.2	51.5	51.3
AU Building Approvals MoM	Jun	6.4%	-2.5% (revised)	1.0%
AU AiG Perf of Mfg Index	Jul	52.0	57.4	--
NZ Building Permits MoM	Jun	-7.6%	6.9% (revised)	--
NZ ANZ Business Confidence	Jul	-44.9	-39.0	--
NZ QV House Prices YOY	Jul	5.1%	5.7%	--
NZ Unemployment Rate	2Q	4.5%	4.4%	4.4%
NZ Employment Change QOQ	2Q	0.5%	0.6%	0.4%
NZ Participation Rate	2Q	70.9%	70.8%	70.8%
NZ Pvt Labour Cost Index (Inc Overtime) QOQ	2Q	0.6%	0.3%	--

Source: Bloomberg

**➤ Macroeconomics**

- US consumer spending on solid footing, inflation steadied:** US personal consumption expenditure (PCE) price index rose 2.2% YOY in June (May: +2.2% revised) while core PCE price index, the Fed's preferred measure rose 1.9% YOY in June (May: +1.9% revised). Personal income rose 0.4% MOM (May: +0.4%) and personal spending matched expectations to increase 0.4% MOM (May: +0.5% revised) while growth for May was revised higher. The higher personal spending echoes Friday' 2Q GDP growth which saw a jump in personal consumption thanks to the federal tax cut introduced by the government earlier of the year as well as higher personal income but looking ahead, the effect of tax cut on consumption is likely to fade as the economy heads into the third quarter. June core PCE and the simultaneous downward revision of May number show that inflation steadied but missed the Fed's target of 2%, suggesting that the central bank is still set to raise rates gradually. Wage growth remained subdued as the Employment Cost Index rose 0.6% QOQ in 1Q (1Q: +0.8%), missing expectations of 0.7% despite a tightening labour market. There will unlikely be move by the Fed in Thursday meeting and as of writing, markets are pricing in a 76.0% chance of a 25bps rate hike in September. Other data overnight include the release of the Chicago Business Barometer Index, which rose to 65.5 in June (May: 64.1), indicating improved sentiment among purchasing managers. Consumer sentiments improved as the Conference Board Consumer Confidence edged higher to 127.4 in July (Jun: 127.1 revised). Meanwhile, house prices in 20 major cities in the US rose by a solid 6.5% YOY in May (Apr: 6.7% revised) on strong demand and limited supply.
- Eurozone GDP growth missed estimates; inflation quickened:** The advance reading of the 2Q seasonally adjusted real GDP growth clocked in at 0.3% QOQ (1Q: +0.4%), missing consensus estimates and slower than the previous quarter as the Euro Area economy continued to be on a soft patch following the rather quick growth in 2017. Contrary to the slower growth, inflation rose more than expected. The flash estimates of the HICP inflation rate increased to 2.1% YOY in Jun (May: +2.0%) led mainly by the higher prices of energy which saw a jump of 9.4% YOY (May: +8.0%). Prices of food, alcohol and tobacco eased to gain 2.5% YOY (May: +2.7%). Core CPI, which excludes the above two categories, quickened to increase 1.1% YOY (May: +0.9%) as services inflation rebounded as we have expected earlier. Unemployment rate went down to 8.3% (May: 8.4%) as the labour market tightened further. The slower GDP growth suggests that the ECB will tread cautiously in withdrawing its bond buying program even as inflation made relatively good progress.
- China manufacturing and services sector experienced slowdown:** The official PMIs released by the National Bureau of Statistic for both manufacturing and services sector came in 51.2 (Jun: 51.5) and 54.0 (Jun: 55.0) respectively in July, softer than expected. Within the manufacturing sector, both output and new orders growth were seen slowing down. In the services sector, the improvement in new orders, input and selling prices and employment was offset by business activity expectations. July PMIs reaffirmed the continuous slowdown of the Chinese economy attributed to ongoing deleveraging efforts by the Chinese government and slower credit growth. Effect of trade tensions appeared to be quite miniscule for now – the contraction in new exports orders for the second month does suggest that tariffs are starting to bite into external demand for Chinese goods.

- **BOJ held interest rates unchanged, introduced forward guidance and tweaked ETF purchases:** After much speculations, the BOJ held interest rate unchanged and announced some tweaks in its monetary policy which include reducing the amount of bank reserves subject to negative interest rate and the introduction of forward guidance for policy rates adding that it intends to leave the current extremely low levels of short and long term interest rates for an extended period of time. In addition, it will revise the purchase amount for each ETF and increase the scope of purchase to include ETF which tracks the TOPIX. On inflation outlook, the central bank mentioned the relatively weak development in inflation and that it is likely to take more time than expected to achieve its target of 2%. It has also revised CPI projection for fiscal 2018 from 1.3% YOY to 1.1% YOY while forecast on GDP growth for 2018 was cut from 1.6% YOY to 1.5% YOY. The Yen plunged following the announcement while yields on 10Y JGB fell following the announcement. In a separate release, housing starts resumed its annual decline by 7.1% YOY in June (May: +1.3%) after eking out two consecutive months of growth. Construction orders extended decline from the substantial fall in the previous month, dropping 6.5% YOY in June (May: -18.7%).
- **Australia manufacturing sector slowed, building approvals rebounded:** The AiG Performance of Manufacturing Index fell to 52.0 in July (Jun: 57.4) due to a considerable slowdown in production (Jul 50.3 vs Jun 58.9), new orders (51.1 vs 57.6) and employment (50.3 vs 58.1). Meanwhile, building approvals bounced back to a monthly growth of 6.4% MOM in June (May: -2.5% revised) following two straight months of decline as permits to build both public and private houses increased. On a yearly basis, approvals slowed, increasing a mere 1.6% YOY (May: +4.1%) as the property sector continued to cool in Australia.
- **New Zealand 2Q unemployment rate went up, wage growth boosted by higher minimum wages:** Data released this morning shows that unemployment rate went up to 4.5% in 2Q (1Q:4.4%) due to a higher participation rate which rose to 70.9% (1Q: 70.8%). Employment growth moderated, posting a gain of 0.5% QOQ (1Q: +0.6%) but quickened to increase 3.7% YOY (1Q: +3.1%), suggesting resilience in hiring. The increase in minimum wages effective 1 April this year lifted wage growth as the private sector Labour Cost Index (inclusive of overtime pay) rose 0.6% QOQ (1Q: +0.3%). Despite a tightening labour market, 2Q inflation rate was 1.5% YOY, within the RBNZ target range of 1-3%, we expect the central bank to kept interest rate unchanged for the rest of 2018. In a separate release yesterday, business confidence was seen deteriorating as the ANZ Business Confidence dropped for the ninth consecutive month to a 10-year low of -44.9 in July (Jun:-39.0) which according to ANZ increases the risk that firms will delay investment and hiring decisions. Activity outlook gauge fell to 3.8 (Jun: 9.4). Other data include building approvals which dropped 7.6% MOM in June (May: +6.9% revised) as home building activities slowed in the month. House prices released today moderated as well, increasing 5.1% YOY in July (Jun: +5.7%).

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
01/08	Malaysia	Nikkei Malaysia PMI	Jul	--	49.5	--
01/08	US	MBA Mortgage Applications	27-Jul	--	-0.2%	--
		ADP Employment Change	Jul	186k	177k	--
		Markit US Manufacturing PMI	Jul F	55.5	55.4	--
		Construction Spending MoM	Jun	0.3%	0.4%	--
		ISM Manufacturing	Jul	59.3	60.2	--
02/08		FOMC Rate Decision	01-Aug	1.75%- 2.00%	1.75%- 2.00%	--
		Initial Jobless Claims	28-Jul	220k	217k	--
		Factory Orders	Jun	0.7%	0.4%	--
		Durable Goods Orders	Jun F	--	-0.3%	--
		Cap Goods Orders Nondef Ex Air	Jun F	--	0.7%	--
01/08	Eurozone	Markit Eurozone Manufacturing PMI	Jul F	55.1	54.9	--
02/08		PPI YoY	Jun	3.5%	3.0%	--
01/08	UK	Markit UK PMI Manufacturing SA	Jul	54.2	54.4	--
02/08		Markit/CIPS UK Construction PMI	Jul	52.8	53.1	--
		Bank of England Bank Rate	02-Aug	0.75%	0.50%	--
01/08		Nikkei Japan PMI Mfg	Jul F	--	53.0	--
01/08	China	Caixin China PMI Mfg	Jul	50.9	51.0	--
01/08	Hong Kong	Retail Sales Value YoY	Jun	13.0%	12.9%	--
02/08	Singapore	Purchasing Managers Index	Jul	--	52.5	--
02/08	Australia	Trade Balance	Jun	A\$900m	A\$827m	--

Source: Bloomberg

**FX Table**

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1691	-0.13	1.1746	1.1685	-2.6
USDJPY	111.86	0.74	111.96	110.75	-0.8
GBPUSD	1.3124	-0.07	1.3173	1.3090	-2.9
AUDUSD	0.7424	0.23	0.7441	0.7404	-5.0
EURGBP	0.8909	-0.05	0.8936	0.8905	0.3
USDMYR	4.0650	0.14	4.0675	4.0580	0.5
EURMYR	4.7659	0.46	4.7693	4.7484	-1.7
JPYMYR	3.6446	-0.37	3.6653	3.6446	1.4
GBPMYR	5.3454	0.21	5.3514	5.3246	-2.2
SGDMYR	2.9860	0.09	2.9872	2.9793	-1.4
AUDMYR	3.0174	0.40	3.0195	3.0041	-4.6
NZDMYR	2.7709	0.31	2.7754	2.7650	-3.8

Source: Bloomberg

## Forex

### MYR

- **MYR slipped 0.14% to 4.0650 against USD** and ended lower against all other G10s after sliding through Asian morning and heading into European session.
- **We turn neutral on MYR against USD**, with scope for mild gains in anticipation of a softer greenback going into European session. We continue to note prevalence of price-momentum divergence and signs of upside fatigue, both of which suggest a reversal lower is impending for USDMYR. Losing 4.0580 will expose a decline to 4.0500 in the next leg lower.

### USD

- **USD rebounded to beat 8 G10s** while the DXY jumped on the release on some decent US data, closing 0.22% higher at 94.55.
- **Stay slightly bearish USD**, weighed down by risk aversion heading into US data, which if disappoints would trigger losses. Despite overnight rebound, minor bearish trend prevails and points to a potential decline below 94.22 soon. We continue to set sights on a test at 93.94 going forward.

### EUR

- **EUR managed to beat 5 G10s** following improved Eurozone inflation and unemployment data but **fell 0.13% to 1.1691 against a firmer USD**.
- **Continue to expect a slightly bullish EUR in line with our view of a soft USD**; firm Eurozone data will provide support for extended advance. EURUSD once again failed at 1.1723, but even so, upside momentum appears to have firmed up. We expect EURUSD to test 1.1723 again; a break here exposes a move to 1.1791, otherwise, expect a decline back to 1.1662 or lower.

### GBP

- **GBP eased 0.07% to 1.3124 against a firmer USD** but advanced against 6 G10s, supported by softer demand in European majors.
- **Stay slightly bullish on GBP in line with our view of a soft USD**, with room for further gains if UK data improves. Technically, holding above 1.3100 continues to allow GBPUSD to attempt a rebound that could potentially test 1.3161 – 1.3171. Beating this exposes a move to 1.3241.

### JPY

- **JPY slumped 0.74% to 111.86 against USD** and weakened against all G10s as BOJ policy decision continues to support sustained low rates and bond purchases.
- **Expect risk aversion heading into US data to keep JPY firm against USD**. USDJPY is likely to lose upside strength after a strong rally overnight. There is scope for a retracement to circa 111.43, with scope to drop lower thereafter.

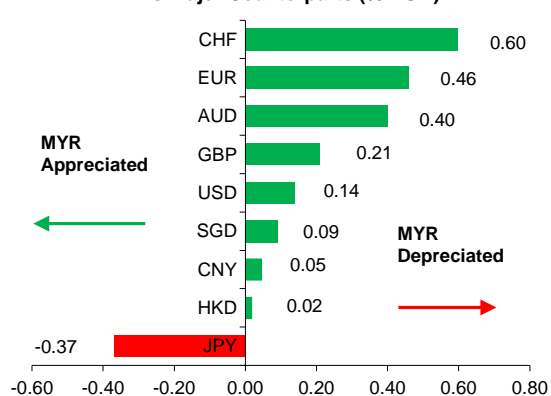
### AUD

- **AUD rallied to beat all G10s and advanced 0.23% to 0.7424 against USD**, supported by improved risk appetite in the markets.
- **We maintain a slight bullish view on AUD against USD**, supported by continued recovery in market sentiment. Holding above 0.7397 allows further rebound in AUDUSD. We set sights on a climb to 0.7415 next, above which there is scope to test 0.7436.

### SGD

- **SGD slipped 0.04% to 1.3615 against USD**, overturning gains in late US trading but managed to beat 8 G10s.
- **Stay slightly bullish on SGD in anticipation of a soft USD**, further supported by improving risk appetite in the markets. Downside bias remains firm in USDSGD. Expect further losses going forward, with scope to test 1.3600, below which a drop to 1.3579 is expected.

MYR vs Major Counterparts (% DOD)



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