

Global Markets Research

Daily Market Highlights

Key Takeaways

- Wall Street stocks fell following FOMC statement and news that the Trump Administration planned to impose a 25% instead of 10% tariff on \$200bn worth of Chinese goods. **The Fed kept interest rate unchanged as widely expected, upgrading the assessment of the US economy from “solid” to “strong”.** Yield on 10Y US treasuries closed above 3%, the first time since mid-May on announcement that the US Treasury will issue more 5-year notes than expected. Crude oil dropped on unexpected jump in US oil stockpiles as reported by the API - the Brent and WTI dropped 2.5% and 1.6% respectively. **All eyes are on the BOE today as the central bank is expected to deliver its first rate hike of the year from 0.50% to 0.75%.**
- Data from the US were mixed overnight - The ISM Manufacturing PMI** fell to 58.1 in July but remained at a high level. Similarly **Markit Manufacturing PMI inched slightly lower** to 55.3, confirming that the activities in the sector expanded at a slower pace in the month. **ADP job report surprised to the upside** as the private sector added 219k jobs in July. Construction spending fell 1.1% MOM, MBA mortgage applications dropped 2.6% last week as cost of mortgages went up generally. **We have a slew of manufacturing PMIs that skewed to the softer side as well** – Eurozone PMI manufacturing remained subdued, UK posted slowest gain in three months, Japan slowed to an 11-month low. China Markit PMI went down, in line with the official reading. Vietnam saw its manufacturing sector growing at a robust pace. Malaysia manufacturing conditions were in broad stabilization as PMI rose to a five-month high of 49.7.
- USD advanced against 7 G10s**, while the DXY that initially fell after FOMC policy decision quickly rebounded to close 0.11% higher at 94.66, supported by signs of worsening US-China trade dispute. **Stay slightly bearish USD** as buying interest ebbs heading into another round of US data tonight and tomorrow. Despite extended rebound, minor bearish trend prevails and requires a close above 94.66 today to nullify it. Success exposes a passage to 94.89 in the next leg higher, otherwise, expect a drop to 94.28.
- MYR slipped 0.03% to 4.0665 against USD** after overturning early gains amid risk aversion heading in FOMC meeting, but managed to beat all other G10s. **Stay 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.
- SGD** was supported by refuge demand to beat 7 G10s but **slipped 0.02% to 1.3618 against USD. Stay slightly bullish on SGD in anticipation of a soft USD.** 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.

Overnight Economic Data

Malaysia	↑
US	→
UK	↓
Japan	↓
China	↓
Hong Kong	↓

What's Coming Up Next

Major Data

- US Initial Jobless Claims, Factory Orders, Durable Goods Orders, Cap Goods Orders Nondef Ex Air
- Eurozone PPI YoY
- UK Markit/CIPS UK Construction PMI
- Singapore Purchasing Managers Index
- Australia Trade Balance

Major Events

- Bank of England Bank Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1647	1.1654	1.1662	1.1686	1.1691	↗
USDJPY	111.37	111.57	111.69	111.80	112.05	↘
GBPUSD	1.3089	1.3100	1.3124	1.3142	1.3161	↗
AUDUSD	0.7382	0.7397	0.7404	0.7412	0.7439	↗
EURGBP	0.8878	0.8882	0.8887	0.8891	0.8906	↘
USDMYR	4.0610	4.0660	4.0675	4.0685	4.0700	→
EURMYR	4.7364	4.7400	4.7438	4.7460	4.7519	↘
JPYMYR	3.6371	3.6400	3.6423	3.6503	3.6555	↗
GBPMYR	5.3300	5.3346	5.3376	5.3430	5.3459	→
SGDMYR	2.9824	2.9830	2.9858	2.9872	2.9882	→
AUDMYR	3.0068	3.0096	3.0108	3.0121	3.0139	↘
NZDMYR	2.7578	2.7606	2.7631	2.7645	2.7662	↘
USDSGD	1.3600	1.3616	1.3622	1.3625	1.3637	↘
EURSGD	1.5865	1.5872	1.5889	1.5895	1.5905	↘
GBPSGD	1.7843	1.7856	1.7878	1.7889	1.7901	↗
AUDSGD	1.0074	1.0080	1.0087	1.0091	1.0100	↗

* 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	1,788.31	0.23	-0.47	CRB Index	191.64	-1.49	-1.15
Dow Jones Ind.	25,333.82	-0.32	2.49	WTI oil (\$/bbl)	67.66	-1.60	11.98
S&P 500	2,813.36	-0.10	5.23	Brent oil (\$/bbl)	72.39	-2.51	8.25
FTSE 100	7,652.91	-1.24	-0.45	Gold (S/oz)	1,215.96	-0.67	8.10
Shanghai	2,824.53	-1.60	-14.59	CPO (RM/tonne)	2,154.50	0.12	-9.85
Hang Seng	28,340.74	-0.65	-5.28	Copper (\$/tonne)	6,172.00	-2.03	-14.83
STI	3,328.95	0.27	-2.17	Rubber (sen/kg)	401.50	0.00	-13.19

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Nikkei PMI	Jul	49.7	49.5	--
US FOMC Rate Decision	01-Aug	1.75%- 2.00%	1.75%- 2.00%	1.75%- 2.00%
US MBA Mortgage Applications	27-Jul	-2.6%	-0.2%	--
US ADP Employment Change	Jul	219k	181k (revised)	186k
US Markit Manufacturing PMI	Jul F	55.3	55.5	55.5
US Construction Spending MoM	Jun	-1.1%	1.3% (revised)	0.3%
US ISM Manufacturing	Jul	58.1	60.2	59.3
EU Markit Manufacturing PMI	Jul F	55.1	54.9	55.1
UK Markit/CIPS PMI Manufacturing SA	Jul	54.0	54.3	54.2
JP Nikkei PMI Mfg	Jul F	52.3	53.0	--
CN Caixin PMI Mfg	Jul	50.8	51.0	50.9
HK Retail Sales Value YoY	Jun	12.0%	12.9%	13.0%
VN Nikkei Manufacturing PMI	Jul	54.9	55.7	--

Source: Bloomberg

➤ Macroeconomics

- Fed set to hike rate in September:** The Fed kept interest rate unchanged as widely expected, offering some minor tweak to its statement by upgrading the assessment of the US economy from “solid” to “strong”, stating that the labour market continued to strengthen as job gains have been strong, both headline and core inflation remained near 2.0% and reiterating that the stance of monetary policy remained accommodative. There was no accompanying press conference nor any upgrade to its economic projection. Recent US economic data have been generally upbeat – advance 2QGDP growth clocked in at an annualized 4.1% QOQ fueled by higher consumption while core PCE, the Fed’s preferred inflation measure grew 1.9% YOY in Jun. As of writing markets are pricing in a 92% chance of a 25bps hike in its September meeting and the Fed is on track for a total of four rate hikes this year in our view.
- US manufacturing activities continued expanding, private sector job gains surprised to the upside:** The ISM Manufacturing PMI fell to 58.1 in July (Jun: 60.2) but remained at a high level, indicating the manufacturing sector continued to expand albeit at an easing pace in July compared to the previous month. New orders, production, inventories as well as new export orders rose at a slower rate while employment grew at a faster pace. The Prices Paid Index fell to 73.2 (Jun: 76.8) as the pressure on elevating input cost was seen taken off. Meanwhile, the final reading of the Markit US Manufacturing PMI fell as well to 55.3 in July (Jun: 55.5), confirming softer growth momentum in the US manufacturing activities in that particular month. Other key releases of the night include the ADP job report where the private sector was seen adding a total of 219k in July (Jun: 177k), beating analysts’ estimates of 186k. The upturn signaled a potentially strong NFP number for Friday’s job report but nonetheless both data could be at huge variance sometimes. Construction spending fell 1.1% MOM in June (May: +1.3% revised) as both spending on residential and nonresidential construction dropped. MBA mortgage applications extended further decline, dropping 2.6% for the week ended 27 July (previous: -0.2%) as cost of mortgages generally went up. The average rate for a 30Y fixed rate loan climbed to 4.84% (previous: 4.77%) after staying flat for two consecutive weeks.
- Eurozone manufacturing sector growth remained subdued:** The final reading of the Markit Eurozone Manufacturing PMI came in unchanged at 55.1 in July (Jun: 54.9), higher than the previous month but was a minor recovery of June’s 18-month low. Growth of both output and new orders remained subdued while new export orders growth slowed to a two-year low on concerns over tariffs and trade war, signaling that the slowdown in 2Q GDP growth could extend into 3Q. Price pressure remained elevated as input cost and output charges rose above survey average rates, echoing the upturn in inflation as the flash reading of July HICP inflation rate came in higher at 2.1% YOY.
- UK manufacturing sector posted slowest gain in three months:** The Markit/CIPS PMI fell to a three-month low of 54.0 in July (Jun: 54.3) but remained above its long-run average of 51.8 due to the weaker increases in both output and new orders, suggesting that the softer growth patch continued as the economy heads into 3Q. Price pressures remained high as average input costs increased leading to a steepest rise in selling prices since February. Employment rose with job creation sustained across consumer, intermediate and investment goods industries. The level of positive sentiment dipped to a 21-month low over uncertainty regarding Brexit and the exchange rate.

- **China manufacturing sector expanded at the slowest rate in eight month:** The Caixin China General Manufacturing PMI fell to 50.8 in July (Jun: 51.8), the slowest in eight months with output and new business expanding at softer pace. New exports orders fell at the steepest pace in 25 months as external demand went lower. Input prices rose solidly attributed to higher raw material prices. The reading was broadly in line with the official PMI released by the National Bureau of Statistics yesterday reaffirming that the Chinese economy is on track to moderate in the months ahead.
- **Japan manufacturing sector growth slowed to 11-month low:** The final reading of the Nikkei Japan Manufacturing PMI fell to 52.3 in July (Jun: 53.0) as new orders rose at the slowest pace since Oct-16 as both domestic and international demand weakened while delivery times lengthened at the sharpest pace in more than seven years. That said, both output growth and job creation stayed robust albeit softening. Input prices rose and firms passed on part of the cost to clients via greater selling charges. Overall firms were optimistic towards future output even as the level of positive sentiment fell to a four-month low.
- **Vietnam manufacturing sector extended robust growth:** The Nikkei Vietnam Manufacturing PMI fell marginally to 54.9 in July (Jun: 55.7) but remained at a high level as new orders increased at a substantial pace due to strong client demand while new exports orders continue to increase as well. Output rose across all three broad sectors while higher workloads led firms to increase their staffing levels. The rate of input cost inflation remained elevated attributed to shortage in raw materials. Business optimism picked up as more than half of respondents predicted an increase in production.
- **Malaysia manufacturing conditions in broad stabilization:** The Nikkei Malaysia Manufacturing PMI rose to a five-month high of 49.7 in July (Jun: 49.5) as output grew for the first time in five months. However, new orders contracted further for the sixth consecutive month attributed to weak underlying demand. In contrast, new exports orders rose for the first time in six months but the increase was only marginal. Firms raised their payroll numbers in order to meet higher output requirements but the rate of job creations was minimal. Input prices rose only moderately due to the abolition of the Goods and Services Tax, despite some reports on currency weakness leading to higher cost of imports. The level of positive sentiment strengthened with expected improvements in client demand and new projects were the key factors underpinning business confidence.
- **Hong Kong retail sales posted modest gains:** Retail sales value rose 12.0% YOY in Jun (May: 12.9%) as the faster gains in food, alcohol & tobacco (Jun +8.9% vs May 5.9%) and jewelry, watches & clocks (+27.8% vs +23.8%) was offset by the slower growth in supermarkets (+1.1% vs +2.8%), fuels (+13.9% vs +17.5%), clothing & footwear (+6.3% vs +6.7%), consumer durable goods (+4.5% vs +9.1%) and department stores (+15.0% vs 16.6%).

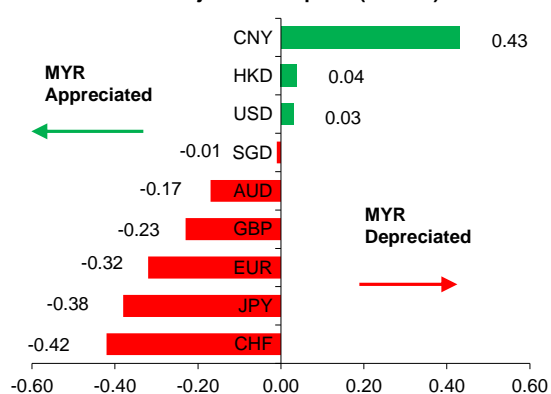
Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
03/08	Malaysia	Trade Balance MYR	Jun	9.40b	8.12b	--
		Imports YoY	Jun	15.2%	0.1%	--
		Exports YoY	Jun	11.5%	3.4%	--
02/08	US	Initial Jobless Claims	28-Jul	220k	217k	--
		Factory Orders	Jun	0.7%	0.4%	--
		Durable Goods Orders	Jun F	--	-0.3%	--
		Cap Goods Orders Nondef Ex Air	Jun F	--	0.7%	--
03/08		Trade Balance	Jun	-\$46.5b	-\$43.1b	--
		Change in Nonfarm Payrolls	Jul	192k	213k	--
		Unemployment Rate	Jul	3.9%	4.0%	--
		Average Hourly Earnings YoY	Jul	2.7%	2.7%	--
		Labor Force Participation Rate	Jul	--	62.9%	--
		Markit US Services PMI	Jul F	56.2	56.2	--
		ISM Non-Manf. Composite	Jul	58.6	59.1	--
02/08	Eurozone	PPI YoY	Jun	3.5%	3.0%	--
03/08		Markit Eurozone Services PMI	Jul F	54.4	55.2	--
		Retail Sales YoY	Jun	1.4%	1.4%	--
02/08	UK	Markit/CIPS UK Construction PMI	Jul	52.8	53.1	--
		Bank of England Bank Rate	02-Aug	0.75%	0.50%	--
03/08		Markit/CIPS UK Services PMI	Jul	54.7	55.1	--
03/08	Japan	Nikkei Japan PMI Services	Jul	--	51.4	--
03/08	China	Caixin China PMI Services	Jul	53.5	53.9	--
03/08	Hong Kong	Nikkei Hong Kong PMI	Jul	--	47.7	--
02/08	Singapore	Purchasing Managers Index	Jul	--	52.5	--
03/08		Nikkei Singapore PMI	Jul	--	56.0	--
02/08	Australia	Trade Balance	Jun	A\$900m	A\$827m	--
03/08		AiG Perf of Services Index	Jul	--	63.0	--
		Retail Sales MoM	Jun	0.3%	0.4%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1660	-0.27	1.17	1.1657	-2.9
USDJPY	111.73	-0.12	112.15	111.39	-0.9
GBPUSD	1.3127	0.02	1.3144	1.3096	-2.9
AUDUSD	0.7404	-0.27	0.7429	0.7390	-5.2
EURGBP	0.8884	-0.29	0.8917	0.8883	0.1
USDMYR	4.0665	0.03	4.0685	4.0610	0.5
EURMYR	4.7507	-0.32	4.7557	4.7446	-2.2
JPYMYR	3.6306	-0.36	3.6371	3.6262	1.3
GBPMYR	5.3333	-0.23	5.3377	5.3245	-2.3
SGDMYR	2.9857	-0.01	2.9882	2.9821	-1.4
AUDMYR	3.0122	-0.17	3.0170	3.0096	-4.7
NZDMYR	2.7642	-0.24	2.7670	2.7601	-4.0

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR slipped 0.03% to 4.0665 against USD** after overturning early gains amid risk aversion heading in FOMC meeting, but managed to beat all other G10s.
- **Stay 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. We set sights on a drop to 4.0530.

USD

- **USD advanced against 7 G10s**, while the DXY that initially fell after FOMC policy decision quickly rebounded to close 0.11% higher at 94.66, supported by signs of worsening US-China trade dispute.
- **Stay slightly bearish USD** as buying interest ebbs heading into another round of US data tonight and tomorrow. DXY was notably softer post FOMC announcement, suggesting that upside effect from rate hike expectations have waned despite a relatively optimistic outlook on the economy. Thus, downside surprises in data could trigger sharp losses going forward. Despite extended rebound, minor bearish trend prevails and requires a close above 94.66 today to nullify it. Success exposes a passage to 94.89 in the next leg higher, otherwise, expect a drop to 94.28.

EUR

- **EUR fell 0.27% to 1.1660 against a firmer USD** and retreated against 6 G10s, driven down by escalation of trade spat that weighed down on sentiment.
- **Continue to expect a slightly bullish EUR in line with our view of a soft USD.** EURUSD is now at risk of losing this minor bullish trend; closing below 1.1657 today confirms this and will likely trigger a drop to 1.1619. Otherwise, EURUSD will take aim at another test at 1.1723.

GBP

- **GBP** was supported by increased refuge demand within European markets, climbing against 8 G10s and **inching 0.02% higher to 1.3127 against USD.**
- **Stay slightly bullish on GBP in line with our view of a soft USD**, though gains may be soft ahead of BOE policy decision today; expect losses to emerge if BOE signals a stop to current hawkish bias. Technically, holding above 1.3100 continues to allow GBPUSD to attempt a rebound that could potentially test 1.3161 – 1.3171. Losing 1.3100 exposes a drop to below 1.3089.

JPY

- **JPY** was also buoyed by rising concerns over US-China trade spat, advancing against all G10s and **strengthening 0.12% to 111.73 against USD.**
- **Stay bullish on JPY against USD**, supported by risk aversion in the markets amid trade war concerns and heading into US data releases. USDJPY is likely to further retrace gains from 2 days ago. There is scope for a retracement to circa 111.43, with scope to drop lower thereafter.

AUD

- **AUD weakened 0.27% to 0.7404 against USD** and fell against 6 G10s as risk sentiment retreated to signs of escalation in US-China trade spat.
- **We maintain a slight bullish view on AUD against USD** but gains will likely be soft given renewed risk aversion in the markets. Despite overnight losses, we maintain that holding above 0.7397 allows further rebound in AUDUSD. We set sights on a climb to 0.7412 next, above which there is scope to test 0.7451.

SGD

- **SGD** was supported by refuge demand to beat 7 G10s but **slipped 0.02% to 1.3618 against USD.**
- **Stay slightly bullish on SGD in anticipation of a soft USD.** 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.

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