

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks managed to retrace early losses overnight to post some minor gains** even as Asian and European equities saw broad sell-off earlier on trade fear. **China has threatened to impose counter measures should the US go ahead with higher tariffs (25%) on \$200bn worth of Chinese goods.** **Apple became the first US publicly traded company to hit \$1tn market cap**, tech shares rallied in general. **The Bank of England delivered a dovish hike**, raising interest rate from 0.5% to 0.75% as widely expected, and **upgraded growth and inflation forecasts, but markets chose to focus on Mark Carney's rather soft comment indicating that the central bank is not biased towards further tightening.**
- **US data came in mixed.** Factory orders rose 0.7% MOM while a subcomponent, the durable goods order rebounded to increase 0.8% MOM (revised from 1.0% in preliminary reading). Initial jobless claims rose to 218k last week ahead of tonight's job report. **Eurozone factory gate inflation gained 3.6% driven by surge in energy prices.** UK construction PMI rose sharply to 55.8 in July. **Australia posted higher trade surplus due to faster exports growth but services sector growth normalized.** Singapore manufacturing eased further as PMI eased to 52.3 in July.
- **USD rallied to beat 8 G10s** while the DXY climbed throughout trading to close 0.54% higher at 95.17, supported by refuge demand amid signs of intensifying US-China trade spat and expectations of solid US data to underpin policy normalization. **Expect a bearish USD** as we view risks of disappointment to be aplenty amid release of various important US data. Technically, DXY is likely to retrace the strong gains made overnight and we caution risk of rejection approaching 95.32 – 95.41 range that has previously stemmed 7 attempted advances since mid-Jun.
- **MYR weakened 0.25% to 4.0765 against USD** following weaker local and regional sentiment as US-China trade tension intensifies. MYR, however, managed to beat 7 G10s. **Stay neutral on MYR against USD** with scope for mild losses amid waning risk appetite in the markets going into crucial US data releases tonight. Despite strong rally yesterday, price-momentum divergence and signs of upside fatigue continue to prevail, both of which still suggest a reversal lower is impending for USDMYR.
- **SGD advanced against weaker 7 G10s amid a firm greenback but weakened 0.51% to 1.3687 against a strong USD.** **Stay slightly bullish on SGD in anticipation of a soft USD**, further supported by increase in refuge demand amid weak regional market sentiment. Technical viewpoint suggests USDSGD is likely to retrace sharp overnight gains, while risk of rejection is likely to increase approaching 1.3716, a level that has rejected 4 advances since mid-Jun.

#### Overnight Economic Data

US	→
EU	↑
UK	↑
Singapore	↓
Australia	→

#### What's Coming Up Next

##### Major Data

- Malaysia Trade Balance, Exports
- US Trade balance, Change in Nonfarm Payrolls, Unemployment Rate, ISM & PMI services
- Eurozone PMI services, UK Markit/CIPS PMI services, Japan Nikkei PMI Services, China Caixin PMI Services, Hong Kong Nikkei PMI, Singapore Nikkei PMI
- Eurozone, Australia Retail Sales

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1558	1.1575	1.1584	1.1602	1.1632	↗
USDJPY	111.37	111.58	111.75	111.85	112.05	↘
GBPUSD	1.2987	1.3000	1.3013	1.3050	1.3064	↘
AUDUSD	0.7320	0.7342	0.7358	0.7373	0.7397	↘
EURGBP	0.8886	0.8895	0.8902	0.8905	0.8917	↗
USDMYR	4.0785	4.0800	4.0815	4.0835	4.0850	→
EURMYR	4.7228	4.7267	4.7288	4.7320	4.7359	↘
JPYMYR	3.6458	3.6503	3.6512	3.6562	3.6625	↗
GBPMYR	5.3070	5.3086	5.3120	5.3174	5.3203	↘
SGDMYR	2.9791	2.9813	2.9821	2.9833	2.9859	↘
AUDMYR	2.9990	3.0012	3.0047	3.0069	3.0104	↘
NZDMYR	2.7410	2.7433	2.7495	2.7532	2.7596	↘
USDSGD	1.3643	1.3669	1.3688	1.3705	1.3716	↘
EURSGD	1.5840	1.5845	1.5856	1.5865	1.5884	↘
GBPSGD	1.7788	1.7800	1.7814	1.7839	1.7866	↘
AUDSGD	1.0059	1.0070	1.0075	1.0080	1.0091	↘

\* 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	1,778.13	-0.57	-1.04	CRB Index	192.65	0.53	-0.63
Dow Jones Ind.	25,326.16	-0.03	2.46	WTI oil (\$/bbl)	68.96	1.92	14.13
S&P 500	2,827.22	0.49	5.75	Brent oil (\$/bbl)	73.45	1.46	9.84
FTSE 100	7,575.93	-1.01	-1.45	Gold (S/oz)	1,207.83	-0.67	8.10
Shanghai	2,768.02	-2.00	-16.30	CPO (RM/tonne)	2,174.50	0.93	-9.02
Hang Seng	27,714.56	-2.21	-7.37	Copper (\$/tonne)	6,139.50	-0.53	-15.28
STI	3,286.32	-1.28	-3.43	Rubber (sen/kg)	405.50	0.50	-12.32

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US Initial Jobless Claims	28-Jul	218k	217k	220k
US Factory Orders MOM	Jun	0.7%	0.4%	0.7%
US Durable Goods Orders MOM	Jun F	0.8%	-0.3%	--
US Cap Goods Orders Nondef Ex Air MOM	Jun F	0.2%	0.6%	--
EU PPI YOY	Jun	3.6%	3.0%	3.5%
UK Markit/CIPS Construction PMI	Jul	55.8	53.1	52.8
UK Bank of England Bank Rate	02-Aug	0.75%	0.50%	0.75%
SG PMI	Jul	52.3	52.5	--
AU Trade Balance	Jun	A\$1,873m	A\$725m (revised)	A\$900m
AU AiG Perf of Services Index	Jul	53.6	63.0	--

Source: Bloomberg

## ➤ Macroeconomics

- BOE delivered a dovish rate hike:** The Bank of England voted unanimously (9-0 vote) to raise interest rate from 0.50% to 0.75% as widely expected. In its monetary policy statement, BOE judged that recent data confirmed that the softer growth in 1Q was temporary with momentum recovering in 2Q. Labour market has tightened while inflation remained above 2.0% driven by the pound's past depreciation and higher energy prices. The central bank also revised its inflation projection from 2.4% to 2.5% as well as GDP growth from 1.4% to 1.5% respectively for the four quarters ending 3Q18. Inflation is expected to return to its 2% target in 3Q21 as interest rate rises to 1.1% over the similar period. The pound surged initially but plunged following Mark Carney's rather soft comment indicating that the central bank is not biased towards further tightening.
- US factory orders rose, initial jobless claims edged up marginally:** Factory orders which measure the new orders received by US manufacturers rose 0.7% MOM in June (May: +0.4%) while its subcomponent, durable goods order rebounded to increase 0.8% MOM (May: -0.3%). Advance reading had earlier put the growth of durable goods orders at 1.0% MOM. Meanwhile growth in non-defense capital goods order ex-air crafts, a gauge of capital expenditure increased 0.2% MOM (May: +0.7%). Initial jobless claims rose by 1k to 218k for the week ended 28 July (previous: 217k) bringing the four-week moving average to 215k (previous: 218k) as the labour market continued to tighten. All eyes are on tonight's job report.
- Eurozone factory gate inflation quickened:** Industrial producer prices posted a faster gain of 3.6% YOY in June (May: +3.0%) driven by higher growth in energy prices (Jun 9.5% vs May +7.7%) and intermediate goods (+3.0% vs +2.4%). Gains in cost of both capital goods and durable consumer goods were held steady at 1.0% and 1.1% respectively. Producers passed the higher cost to consumers – the flash estimate of the HICP inflation rate, a gauge of consumer inflation rose 2.1% YOY in June.
- UK Construction sector post fastest rise in output since May 2017:** The Markit/CIPS UK Construction PMI rose sharply to 55.8 in July (Jun: 53.1) signaling a robust and accelerated rise in construction activity for the month. The stronger expansion was underpinned by the fastest increase in residential work while new business growth gained momentum as well contributing to the largest rise in employment since Dec-15.
- Australia posted higher trade surplus; services sector growth normalized:** Trade surplus rose to an 11-month high of A\$1.87b in June (May: A\$725m revised) mainly driven by the 2.5% MOM increase in exports (May: +3.7%). Imports meanwhile fell 0.7% MOM (May: +3.4%). The AiG Performance of Services Index fell sharply to 53.6 in July (Jun: 63.0) after five months of above average reading, but remained at a comfortably high level. Growth in the sector normalized as respective index for sales, new orders and employment all fell but remained above the threshold of 50, indicating a healthy expansion still.
- Singapore manufacturing sector growth eased further:** The Singapore Purchasing Manager Index extended its fourth month of consecutive decline to register a reading of 52.3 in July (Jun: 52.5) on slower new orders, new exports order, output and inventory. Electronics PMI continued to fall, in line with the 7 month decline in the country's electronic exports growth as external demand for Singaporean electronics softened.

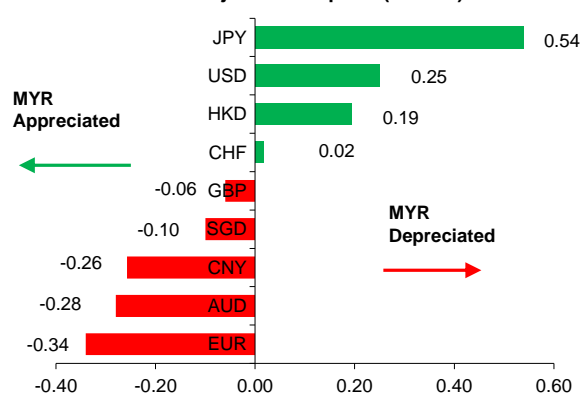
Economic Calendar								
Date	Country	Events	Reporting Period	Survey	Prior	Revised		
03/08	Malaysia	Trade Balance MYR	Jun	9.40b	8.12b	--		
		Imports YOY	Jun	15.3%	0.1%	--		
		Exports YOY	Jun	10.3%	3.4%	--		
03/08	US	Trade Balance	Jun	-\$46.5b	-\$43.1b	--		
		Change in Nonfarm Payrolls	Jul	193k	213k	--		
		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	--		
		03/08	Eurozone	Markit Eurozone Services PMI	Jul F	54.4	55.2	--
				Retail Sales YOY	Jun	1.4%	1.4%	--
06/08		Sentix Investor Confidence	Aug	14.0	12.1	--		
03/08	UK	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	--		
03/08	Singapore	Nikkei Singapore PMI	Jul	--	56.0	--		
03/08	Australia	Retail Sales MOM	Jun	0.3%	0.4%	--		

Source: Bloomberg

**FX Table**

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1585	-0.64	1.1668	1.1582	-3.5
USDJPY	111.66	-0.06	111.74	111.32	-0.9
GBPUSD	1.3017	-0.84	1.3129	1.3015	-3.7
AUDUSD	0.7360	-0.59	0.7411	0.7355	-5.8
EURGBP	0.8901	0.20	0.8925	0.8855	0.2
USDMYR	4.0765	0.25	4.0765	4.0650	0.9
EURMYR	4.7345	-0.34	4.7480	4.7320	-2.5
JPYMYR	3.6502	0.54	3.6517	3.6409	1.7
GBPMYR	5.3301	-0.06	5.3404	5.3231	-2.8
SGDMYR	2.9826	-0.10	2.9864	2.9820	-1.6
AUDMYR	3.0038	-0.28	3.0136	3.0038	-5.0
NZDMYR	2.7560	-0.30	2.7650	2.7556	-4.6

Source: Bloomberg

**MYR vs Major Counterparts (% DOD)**

**Forex**
**MYR**

- **MYR weakened 0.25% to 4.0765 against USD** following weaker local and regional sentiment as US-China trade tension intensifies. MYR, however, managed to beat 7 G10s.
- **Stay neutral on MYR against USD** with scope for mild losses amid waning risk appetite in the markets going into crucial US data releases tonight. Despite strong rally yesterday, price-momentum divergence and signs of upside fatigue continue to prevail, both of which still suggest a reversal lower is impending for USDMYR.

**USD**

- **USD rallied to beat 8 G10s** while the DXY climbed throughout trading to close 0.54% higher at 95.17, supported by refuge demand amid signs of intensifying US-China trade spat and expectations of solid US data to underpin policy normalization.
- **Expect a bearish USD** as we view risks of disappointment to be aplenty amid release of various important US data. Technically, DXY is likely to retrace the strong gains made overnight and we caution risk of rejection approaching 95.32 – 95.41 range that has previously stemmed 7 attempted advances since mid-Jun.

**EUR**

- **EUR tumbled 0.64% to 1.1585 against a strong USD** and fell against 5 G10s following increased risk-off sentiment in European markets.
- **We stay bullish on EUR in line with our view of a potentially softer USD.** Upside surprise in Eurozone data would support further rebound. EURUSD has lost the recent bullish trend but given sharp overnight losses, we expect a modest rebound. But unless 1.1632 – 1.1647 is broken, we are skeptical EURUSD can see further rebounds.

**GBP**

- **GBP slumped 0.84% to 1.3017 against a strong USD** and weakened against 8 G10s on falling expectations on the BOE to stay on a policy tightening path amid lingering Brexit uncertainties.
- **We now turn bearish on GBP against USD** amid softer buying interest from waning rate hike expectations. GBPUSD losing 1.3100 and even 1.3089 overnight are signs of increased bearish bias. It is now inclined to a test at 1.2988.

**JPY**

- **JPY** remains buoyed by risk-off in the markets, beating all G10s and **inching 0.06% firmer to 111.66 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 still appears technically fragile from a rejection near 112 and we maintain that downside momentum could still push it lower, possibly testing 111.37.

**AUD**

- **AUD** managed to beat 5 European majors but **tumbled 0.59% to 0.7360 against a strong USD** as demand was weighed down by risk aversion in the markets.
- **Expect a bearish AUD against USD** amid rising risk aversion in the markets ahead of important US data as well as on linger US-China trade dispute. AUDUSD has lost 0.7397 and is now tilted to the downside. Expect a test at 0.7342 next, below which AUDUSD would draw closer to 0.7311.

**SGD**

- **SGD** advanced against weaker 7 G10s amid a firm greenback but **weakened 0.51% to 1.3687 against a strong USD.**
- **Stay slightly bullish on SGD in anticipation of a soft USD,** further supported by increase in refuge demand amid weak regional market sentiment. Technical viewpoint suggests USDSGD is likely to retrace sharp overnight gains, while risk of rejection is likely to increase approaching 1.3716, a level that has rejected 4 advances since mid-Jun.

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