

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US equity closed on a rather flattish note on Friday ahead of a long weekend as markets will be closed on Monday for Labour Day. The trade negotiation between the US and Canada did not yield a revised NAFTA agreement** as the unofficial Friday deadline has passed without any deal being announced. In an interview with Bloomberg, **President Trump threatened to leave the WTO** and remarked that the EU was "almost as bad as China" on trade, leading many to question his recent meeting with the European Commission President Jean-Claude Juncker which has ended well. Elsewhere, **emerging markets sell-off has led the peso to tumble to a new low** despite the Argentina Central Bank's move to raise interest rate to 60% while the Indonesian rupiah dipped to the lowest mark since the Asian Financial Crisis.
- **Data flow remained mixed.** US core PCE hit the Fed's target of 2% YOY in July. Personal income rose a softer 0.3% MOM but spending growth was held steady at 0.4% MOM. Initial jobless claims rose to 213k last week. Final reading of August University of Michigan Sentiment Index fell was revised upwards to 96.2. Eurozone flash HICP inflation rate eased to 2.0% YOY in August while unemployment rate edged further lower to 8.2% in July. UK consumer confidence improved but business sentiment fell. Japan flash industrial production growth rebounded to 2.3% YOY in July. July jobless rate inched up to 2.5% as the labour force shrank. **China official manufacturing and non-manufacturing PMIs rose to 51.3 and 54.2 respectively in August.**
- **USD rebounded to beat 8 G10s** while the DXY rallied through European and US sessions on the back of re-emergence of trade war concerns, closing 0.44% higher at 95.14. **We turn bullish on DXY**, supported by continued refuge demand from risk aversion in the markets stemming from fresh concerns over trade war. Strong rebound last Friday broke above 95 level and we reckon that DXY is now tilted to the upside, with scope to test 95.54 – 95.65 in the next leg higher.
- **MYR inched 0.06% higher to 4.1090 against USD** at last closing, while sliding against 7 G10s as buying interest waned heading into a shortened trading week. **Expect a bearish MYR against USD**, weighed down by re-emergence of trade war concerns. USDMYR is tilted to the upside and could test 4.1250 - 4.1280 next. But we continue to note a lack of upward momentum despite climbing higher, which suggests that bullish strength may soon fade and limit extended gains.
- **SGD weakened 0.33% to 1.3721 against a firm USD** but managed to beat 7 G10s. **Expect a bearish SGD against a firm USD.** USDSGD is now tilted to the upside after beating 1.3697, and is on track to test 1.3748 – 1.3764 in the next leg higher.

#### Overnight Economic Data

US	➔
Eurozone	➔
UK	➔
Japan	➔
China	➔
Australia	➔

#### What's Coming Up Next

##### Major Data

- Malaysia Nikkei Malaysia PMI
- Eurozone Markit Manufacturing PMI
- UK Markit Manufacturing PMI SA
- Japan Nikkei Japan Manufacturing PMI
- China Caixin Manufacturing PMI
- Singapore Purchasing Manager Index
- Vietnam Nikkei Manufacturing PMI

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1553	1.1576	1.1602	1.1616	1.1632	↘
USDJPY	110.93	111.00	111.09	111.31	111.57	↘
GBPUSD	1.3000	1.3012	1.2928	1.2945	1.2974	↘
AUDUSD	0.7158	0.7174	0.7190	0.7200	0.7219	↘
EURGBP	0.8953	0.8962	0.8972	0.8876	0.8880	↘
USDMYR	4.1185	4.1200	4.1210	4.1220	4.1250	↗
EURMYR	4.7700	4.7750	4.7785	4.7854	4.7890	↘
JPYMYR	3.7061	3.7100	3.7121	3.7172	3.7200	↗
GBPMYR	5.3200	5.3249	5.3263	5.3300	5.3350	↘
SGDMYR	2.9985	3.0000	3.0018	3.0031	3.0045	↘
AUDMYR	2.9576	2.9600	2.9615	2.9633	2.9650	↘
NZDMYR	2.7150	2.7160	2.7200	2.7232	2.7250	↘
USDSGD	1.3700	1.3711	1.3728	1.3748	1.3764	↗
EURSGD	1.5890	1.5900	1.5919	1.5935	1.5952	↘
GBPSGD	1.7700	1.7720	1.7743	1.7765	1.7795	↘
AUDSGD	0.9830	0.9850	0.9864	0.9870	0.9892	↘

\*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*	1,819.66	-0.05	1.27	CRB Index	192.96	0.08	-0.47
Dow Jones Ind.	25,964.82	-0.05	5.04	WTI oil (\$/bbl)	69.80	-0.64	15.52
S&P 500	2,901.52	0.01	8.52	Brent oil (\$/bbl)	77.42	-0.45	16.23
FTSE 100	7,432.42	-1.11	3.32	Gold (\$/oz)	1,203.62	0.30	8.10
Shanghai	2,725.25	-0.46	7.60	CPO (RM/tonne)*	2,177.50	-0.43	-8.89
Hang Seng	27,888.55	-0.98	6.79	Copper (\$/tonne)	5,975.00	-1.50	-17.55
STI	3,213.48	-0.38	5.57	Rubber (sen/kg)	402.50	-0.12	-12.97

Source: Bloomberg

\*Last price on 30 Aug (Thursday).

**Economic Data**

	For	Actual	Last	Survey
US PCE Core YOY	Jul	2.0%	1.9%	2.0%
US PCE YOY	Jul	2.3%	2.2%	2.3%
US Personal Income	Jul	0.3%	0.4%	0.4%
US Personal Spending	Jul	0.4%	0.4%	0.4%
US Initial Jobless Claims	Aug-25	213k	210k	212k
US Chicago Purchasing Manager	Aug	63.6	65.5	63.0
US U. of Mich. Sentiment	Aug F	96.2	97.9	95.5
EU Unemployment Rate	Jul	8.2%	8.3%	8.2%
EU CPI Core YOY	Aug A	1.0%	1.1%	1.1%
EU CPI Estimate YOY	Aug	2.0%	2.1%	2.1%
UK Nationwide House PX MoM	Aug	-0.5%	0.7% (revised)	--
UK GfK Consumer Confidence	Aug	-7	-10.0	-10.0
UK Lloyds Business Barometer	Aug	23.0	29.0	--
JP Job-To-Applicant Ratio	Jul	1.63	1.62	1.63
JP Jobless Rate	Jul	2.5%	2.4%	2.4%
JP Industrial Production YOY	Jul P	2.3%	-0.9%	2.7%
JP Construction Orders YOY	Jul	-9.3%	-6.5%	--
JP Housing Starts YOY	Jul	-0.7%	-7.1%	-4.1%
CN Non-manufacturing PMI	Aug	54.2	54.0	53.8
CN Manufacturing PMI	Aug	51.3	51.2	51.0
AU AiG Perf of Mfg Index	Aug	56.7	52.0	--

Source: Bloomberg

**➤ Macroeconomics**

- US inflation hit Fed's target, shows no imminent sign of overshooting:** The price index for personal consumption expenditure (PCE) rose 2.3% YOY in July (Jun: +2.2%). The core PCE, the Fed's preferred measure of inflation which excludes the volatile food and energy increased to 2.0% YOY (Jun: +1.9%) to meet the central bank's target. July preliminary reading shrugged off earlier concerns over an overheating inflation in the economy reaffirming what Fed Chair Jay Powell said at Jackson Hole that the Fed did not see any "clear sign of an acceleration above 2%". In the similar release, personal income softened to increase 0.3% MOM (Jun: +0.4%) but that did not seem to hinder consumption as personal spending grew steadily at 0.4% MOM (Jun: +0.4%). Consumer spending is expected to continue driving the economy as the labour market strengthens further – initial jobless remained low, rising by 3k to 213k for the week ended 25 August (previous: 210k). Meanwhile, Chicago Purchasing Manager Index fell to 63.6 in August (Jul: 65.5) on softer supplier deliveries, unemployment and order backlogs. The final reading of University of Michigan Sentiment Index was revised higher from 95.3 to 96.2 in August (July: 97.9) but remained at its lowest level since January mainly on consumers' higher expectation of inflation due to robust economic growth but they did not yet judge inflation as a significant source of erosion in living standards.
- Eurozone inflation eased on slower gains in prices of energy and services:** The flash estimate of the HICP inflation rate came in a tad softer at 2.0% YOY in August (July: 2.1%) as we have expected earlier. The increase in prices of energy softened to 9.2% YOY (July: +9.5%) while gain in prices of food, alcohol and tobacco were held steady at 2.5% (Jul: +2.5%). Excluding energy and food, alcohol & tobacco, underlying inflation went down to 1.0% YOY, below consensus estimate of 1.1% YOY as services inflation eased to 1.3% YOY (Jul: +1.4%). Inflation has shot up above the ECB's target of below 2% in recent months mainly on faster energy inflation as prices of Brent crude in euro term are relatively high compared to a year ago. This gain in energy prices will eventually normalise as the base effect wears off over time and inflation will fall back to a softer level nearing the ECB's target. We do not foresee any changes in the central bank's current plan to end its APP program in December 2018 as the euro area economy continued to grow at a decent rate with the labour market tightening further- the latest data shows that unemployment rate has gone down to 8.2% in July (Jun: 8.3%).
- UK consumer confidence improved, business sentiments weakened:** Consumer sentiment bucked the trend despite uncertainties over Brexit as the GfK Consumer Confidence Index rose by 3 points to -7 in August (Jul: -10). Four of the five sub-indexes recorded increase whereas one was held steady leading GfK to suggest that consumers were showing sign of immunity against the Brexit chatter. This uncertainty did not bode well for businesses confidence as the Lloyds Business Barometer fell by 6 points to 23.0 in August (Jul: 29.0) led by a decline in trading prospects for the year ahead as well as business optimism. In a separate release, annual house price growth saw a slight softening according to Nationwide as its House Price Index eased to increase 2.0% YOY in August (Jul: +2.5%) while on a monthly basis, prices fell by 0.5% MOM (Jul: +0.7% revised) due to subdued economic activity and ongoing pressure on household budgets which are likely to exert a modest drag on house prices growth this year.

- Japan industrial output rebounded, jobless rate increased:** The preliminary industrial production rebounded to 2.3% YOY in July (Jun: -0.9%) following a contraction in the previous month. Manufacturing output increased 2.4% YOY (Jun: -0.9%) as many sub categories saw a rebound in productions. Housing starts extended further decline albeit at a slower rate of 0.7% YOY (Jun: -7.1%) while construction orders dipped further by 9.3% YOY (Jun: -6.5%). Jobless rate rose to 2.5% in July (Jun: 2.4%) as the labour force shrank in the month leading to a lower participation rate of 61.5% (Jun: 61.7%). Jobs remained aplenty as the job-to-applicant ratio rose to 1.63 in the same month (Jun: 1.62).
- China manufacturing and services sector expanded:** The official manufacturing PMI released by the National Bureau of Statistics increased to 51.3 in August (Jul: 51.2) indicating a slightly faster expansion in the sector spurred by faster gain in production (53.3 vs 53.0). New orders softened (52.2 vs 52.3) while external demand for Chinese goods seemed to weakened as well as the new export sub-index registered a lower reading (49.4 vs 49.8). A reading below 50 indicates contraction. Non-manufacturing PMI meanwhile increased to 54.2 (Jul: 54.0) but new orders weakened as well. While the full impact of the newly imposed US tariffs on exports is yet to be assessed, this tit-for-tat trade war initiated by the US if persisted on a larger scale will most certainly take a toll on the already slowing Chinese economy (President Trump reportedly wants to impose a fresh round of tariffs on another \$200b worth of Chinese goods). For now, we expect the economy to slow continuously with full year GDP growth at 6.5% YOY.
- Australia manufacturing sector recorded faster growth:** The AiG Performance of Manufacturing Index bounced back higher to 56.7 in August (Jul: 52.0) indicating that the sector grew at a faster pace after a significant slowdown in the previous month. Production rebounded higher and further away from the 50.0 threshold (57.2 vs 50.3) but remained lower than its 6-month average. New orders increased considerably as well (59.6 vs 51.1) signalling higher factory output in the near term. Employment meanwhile posted a modest increase (53.3 vs 50.3). Input prices shot up substantially (77.4 vs 68.1) attributed to higher prices for raw agricultural inputs in August while prices for other materials remained high due to high energy input cost and relatively elevated global commodity prices. This led firms to pass the cost via higher selling prices (58.1 vs 53.0). Another area which shows significant improvement was average wages (64.7 vs 60.6) reflecting the effect of minimum wage increase effective 1 July 2018.

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
03/09	Malaysia	Nikkei Malaysia PMI	Aug	--	49.7	--
04/09	US	Markit US Manufacturing PMI	Aug F	54.5	55.3	--
		Construction Spending MOM	Jul	0.4%	-1.1%	--
		ISM Manufacturing	Aug	57.6	58.1	--
03/09	Eurozone	Markit Eurozone Manufacturing PMI	Aug F	54.6	55.1	--
04/09		PPI YOY	Jul	3.9%	3.6%	--
03/09	UK	Markit UK PMI Manufacturing SA	Aug	53.9	54.0	--
04/09		Markit/CIPS UK Construction PMI	Aug	54.9	55.8	--
03/09	Japan	Nikkei Japan PMI Mfg	Aug F	--	52.5	--
03/09	China	Caixin China PMI Mfg	Aug	50.7	50.8	--
03/09	Singapore	Purchasing Managers Index	Aug	52.2	52.3	--
03/09	Australia	Retail Sales MoM	Jul	0.3%	0.40%	--
04/09		RBA Cash Rate Target	Sep-04	1.5%	1.5%	--
03/09	Vietnam	Nikkei Vietnam PMI Mfg	Aug	--	54.9	--

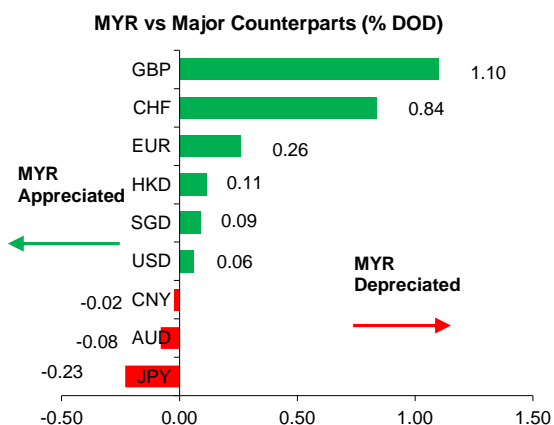
Source: Bloomberg

**FX Table**

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1602	-0.59	1.169	1.1585	-3.4
USDJPY	111.03	0.05	111.13	110.69	-1.4
GBPUSD	1.2960	-0.38	1.3029	1.2946	-4.4
AUDUSD	0.7189	-1.02	0.7268	0.7176	-8.0
EURGBP	0.8955	-0.18	0.8988	0.8938	1.0
USDMYR	4.1090	0.06	4.1120	4.1000	1.8
EURMYR	4.8071	0.26	4.8134	4.7976	-1.4
JPYMYR	3.6834	-0.23	3.6845	3.6693	3.2
GBPMYR	5.3449	1.10	5.3579	5.3383	-2.5
SGDMYR	3.0074	0.09	3.0110	3.0045	-0.9
AUDMYR	2.9954	-0.08	3.0026	2.9890	-6.4
NZDMYR	2.7352	-0.60	2.7552	2.7303	-5.5

Source: Bloomberg

\* MYR pairs last closed on 30 Aug 2018



## Forex

### MYR

- **MYR inched 0.06% higher to 4.1090 against USD** at last closing, while sliding against 7 G10s as buying interest waned heading into a shortened trading week.
- **Expect a bearish MYR against USD**, weighed down by re-emergence of trade war concerns. USDMYR is tilted to the upside and could test 4.1250 - 4.1280 next. But we continue to note a lack of upward momentum despite climbing higher, which suggests that bullish strength may soon fade and limit extended gains.

### USD

- **USD rebounded to beat 8 G10s** while the DXY rallied through European and US sessions on the back of re-emergence of trade war concerns, closing 0.44% higher at 95.14.
- **We turn bullish on DXY**, supported by continued refuge demand from risk aversion in the markets stemming from fresh concerns over trade war. Strong rebound last Friday broke above 95 level and we reckon that DXY is now tilted to the upside, with scope to test 95.54 – 95.65 in the next leg higher. But we caution that unless 96.24 is subsequently broken, DXY remains at risk of completing a reversal pattern that hints at a drop to 93.40 – 93.50.

### EUR

- **EUR weakened 0.59% to 1.1602 against a rebounding USD** and fell against 8 G10s on fresh concerns of the US re-opening its EU front of the trade dispute.
- **Expect a bearish EUR on the back of a rebounding USD** and rising risk aversion in European markets from trade war concerns. EURUSD has returned to a bearish trend after losing 1.1661 last Friday. Further losses are likely to prevail if EURUSD losses 1.1600, with scope to drop to circa 1.1520 – 1.1540 next.

### GBP

- **GBP** was supported by refuge demand within the European markets to beat 6 G10s but **nonetheless fell 0.38% to 1.2960 against a firm USD**.
- **We turn slightly bearish on GBP against a rebounding USD**, but caution that upside surprise in UK data could overturn losses into gains. Despite extended losses, technical landscape of GBPUSD continues to hint at a rebound soon, with potential to beat 1.3026. Failure to do so will end current bullish trend.

### JPY

- **JPY** demand increased on trade war concerns, rising against 7 G10s but **slipped 0.05% to 111.03 against a firmer USD**.
- **JPY is now bullish against USD**, supported renewed demand for refuge. USDJPY is now technically bearish, with room to slide to 110.93 soon, below which 110.64 will be targeted.

### AUD

- **AUD** tumbled against all G10s and **plunged 1.02% to 0.7189 against USD**, weighed down by risk aversion in the markets, on top of prevailing concerns over slowing domestic growth.
- **Stay slightly bearish on AUD against a firm USD** as domestic and external growth concerns continue to hamper demand. Technical outlook has worsened after breaking below 0.7200. Further losses to 0.7158 is likely eyed, while a rebound must beat 0.7240 for extended gains to be sustainable.

### SGD

- **SGD** weakened 0.33% to 1.3721 against a firm USD but managed to beat 7 G10s.
- **Expect a bearish SGD against a firm USD**. USDSGD is now tilted to the upside after beating 1.3697, and is on track to test 1.3748 – 1.3764 in the next leg higher.

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