

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Trading was rather muted overnight with the US markets closed for Labour Day holiday** and the lack of headlines in the ongoing trade talk. Across Europe, equity were mixed. The pound slid further largely on the fear over a “no-deal” Brexit and lower PMI reading. Investors also await Italy’s 2019 budget plan as the country’s political leaders begin the discussion on Tuesday. Argentina announced that it will cut current ministries by half and to tax exporters to boost revenues.
- **Data releases were limited to manufacturing PMI data and most are biased towards the softer end.** Eurozone manufacturing sector eased on slower new orders while UK manufacturing sector growth softened as production rose at the slowest pace in 17 months. Japan manufacturing sector grew at a relatively softer pace driven by faster expansion in output and new orders sourced mainly at the domestic front. China unofficial PMI edged lower suggesting that small and medium manufacturing firms came under pressure. Singapore manufacturing sector growth improved on higher new orders and output while Malaysia Nikkei Manufacturing PMI crossed the 50.0 threshold for the first time in seven months. Australia retail sales meanwhile was held unchanged in July.
- **USD was firmer against 6 G10s** while the DXY closed unchanged at 95.14 after bouncing off intraday lows as buying interest prevailed amid continued concerns over trade talks. **Stay bullish on USD**, supported by refuge demand amid continued concerns over US trade relations. Caution that downside surprises in US data could trigger sharp losses. DXY remains technically bullish while above 95 and is poised to test 95.54 - 95.65 in the next leg higher. In the longer horizon however, 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.
- **MYR weakened 0.47% to 4.1285 against USD** on the back of continued softness in emerging majors but managed to advance against 6 G10s. **MYR remains bearish against USD**, weighed down by continued trade war concerns and likelihood of improved demand for the greenback ahead of re-opening of US markets. USDMYR remains tilted to the upside and is poised to test 4.1385 – 4.1400 next. But we caution the prevalence of price-momentum divergence that still poses a reversal risk going forward.
- **SGD also rebounded to climb against 6 G10s and was 0.03% firmer at 1.3717 against USD.** **SGD remains bearish against USD**, weighed down by continued risk aversion in the markets. Minor bullish trend continues to suggest that USDSGD remains on track to test 1.3748 – 1.3764 in the next leg higher. We caution on rising risk of rejection approaching 1.3764 – 1.3774.

Overnight Economic Data

Malaysia	↑
Eurozone	↓
UK	↓
Japan	↑
China	↓
Australia	→

What’s Coming Up Next

Major Data

- US Markit & ISM Manufacturing PMI, Construction Spending
- Eurozone PPI
- UK Markit/CIPS Construction PMI

Major Events

- RBA Cash Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1576	1.1600	1.1609	1.1617	1.1632	↘
USDJPY	110.80	110.92	110.98	110.09	111.18	↘
GBPUSD	1.2830	1.2844	1.2864	1.2885	1.2900	↘
AUDUSD	0.7170	0.7180	0.7199	0.7219	0.7234	↘
EURGBP	0.9005	0.9018	0.9024	0.9030	0.9035	↗
USDMYR	4.1300	4.1320	4.1340	4.1385	4.1400	↗
EURMYR	4.7920	4.7950	4.7982	4.8010	4.8050	→
JPYMYR	3.7172	3.7200	3.7241	3.7274	3.7300	↗
GBPMYR	5.3150	5.3170	5.3182	5.3200	5.3230	↘
SGDMYR	3.0088	3.0100	3.0111	3.0124	3.0154	→
AUDMYR	2.9700	2.9732	2.9755	2.9769	2.9800	↘
NZDMYR	2.7200	2.7243	2.7274	2.7297	2.7356	↘
USDSGD	1.3700	1.3711	1.3729	1.3735	1.3745	↗
EURSGD	1.5919	1.5930	1.5937	1.5947	1.5960	↘
GBPSGD	1.7600	1.7630	1.7661	1.7675	1.7690	↘
AUDSGD	0.9865	0.9875	0.9882	0.9892	0.9900	↘

*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	1,813.58	-0.33	0.93	CRB Index	192.96	0.08	-0.47
Dow Jones Ind.*	25,964.82	-0.09	5.04	WTI oil (\$/bbl)*	69.80	-0.64	15.52
S&P 500*	2,901.52	0.01	8.52	Brent oil (\$/bbl)	78.15	0.94	16.87
FTSE 100	7,504.60	0.97	2.38	Gold (\$/oz)	1,201.27	-0.20	8.10
Shanghai	2,720.73	-0.17	-7.73	CPO (RM/tonne)	2,179.00	0.07	-8.83
Hang Seng	27,712.54	-0.63	-7.38	Copper (\$/tonne)	5,967.00	-0.13	-17.66
STI	3,207.20	-0.20	-5.75	Rubber (sen/kg)	404.50	0.50	-12.54

Source: Bloomberg

*Last price on 31 Aug (Friday).

Economic Data

	For	Actual	Last	Survey
MA Nikkei Malaysia PMI	Aug	51.2	49.7	--
EU Markit Manufacturing PMI	Aug F	54.6	55.1	54.6
UK Markit PMI Manufacturing	Aug	52.8	53.8 (revised)	53.9
JP Nikkei PMI Mfg	Aug F	52.5	52.3	--
CH Caixin PMI Mfg	Aug	50.6	50.8	50.7
SG Purchasing Managers Index	Aug	52.6	52.3	52.2
AU Retail Sales MoM	Jul	0.0%	0.40%	0.3%

Source: Bloomberg

➤ Macroeconomics

- Eurozone manufacturing sector growth eased:** The final reading of the Markit Eurozone Manufacturing PMI was unrevised at 54.6 in August (Jul: 55.1) suggesting that the manufacturing operating conditions continued to expand albeit at the slowest rate since Nov-16. At the country level, the Netherlands, Ireland, Austria, Germany, Greece, France and Spain posted robust growth whereas Italy's PMI came in at 24-month low. Output rose further in the month with dimming prospect however as new orders growth softened to the slowest rate for two years. New export orders also rose at a rate unchanged on July's near two year low with weaker gains in Germany, Italy and Spain. Input cost pressures remained elevated with cost of steel and oil-related goods reportedly went up leading firms to pass on the higher costs to clients by raising own charges. Trade tensions and the possibility of further tariff impositions weighed on expectations as business optimism was lower in August compared to July.
- UK manufacturing sector growth recorded further slowdown:** The Markit/CIPS Manufacturing PMI fell to a 25-month low of 52.8 in August (Jul: 53.8 revised) as production rose at the slowest pace in 17 months while new order eased to its weakest during its current 25-month sequence of expansion. External demand decreased for the first time since Apr-16 despite the continuous weakness in the pound. This thus led job creation to ease to near-stagnation as job cuts at large enterprises offset further increases at SMEs. Inflationary pressures remained relatively strong with both input cost and output charges rising at above survey average rate attributed to higher costs for metals, electronic components and energy. While companies maintained a positive outlook, optimism dipped to a 22-month low with some panelist noted concerns about the uncertainty surrounding Brexit.
- Japan manufacturing sector grew at relatively softer pace:** The final reading of Japan Nikkei Manufacturing PMI was unrevised at 52.5 in August (Jul: 52.3). The stronger rate of improvement in the operating conditions in the manufacturing sector was driven by faster rate of expansion in output and new orders which was sourced mainly from the domestic markets. External demand softened as new exports orders contracted. Price increase also accelerated at both input and output stages – increased shipping fees reportedly drove up operating expenses whereas cost of fuel, metals and labour went up as well which led to firms to increase selling prices in an effort to alleviate profit margin erosion. Future output expectations were positive underpinned by new product launches, Olympic Games-related work and planned production capacity improvement. That said, the degree of optimism eased to a 21-month low on geopolitical risk concerns.
- China unofficial PMI edged lower to 14-month low:** The Caixin China General Manufacturing PMI went down to 50.6 in August (Jul: 50.8), marking its lowest reading since June 2017 and this suggests that small and medium manufacturing firms continued to come under pressure. The official PMI data released on Friday which focused on large manufacturing firms increased slightly higher to 51.3 in August (Jul: 51.2). The Caixin PMI shows that output expanded at a faster pace but demand conditions seemed to soften as total new business rose at the slowest pace in 15 months. Similar to the official data, external demand weakened as export sales declined for the fifth consecutive month. Concerns over the ongoing China-US trade war and softer demand weighed on overall sentiment.

- **Singapore manufacturing index extended climb:** PMI released by the Singapore Institute of Purchasing & Materials Management increased to 52.6 in August (Jul: 52.3) on higher new orders (54.4 vs 53.9) as well as output (53.7 vs 53.5). Within the new orders category, new exports expanded at a faster pace as well (53.2 vs 52.6) signaling better external demand ahead. The electronic sector index also recorded faster gain (52.0 vs 51.6) led by higher output as new orders slowed for the month.
- **Malaysia manufacturing conditions expanded for the first time since January:** The Nikkei Malaysia Manufacturing PMI rose to 51.2 in August (Jul: 49.7), its first time registering a reading above 50.0 since January, indicating a modest improvement in the country's manufacturing conditions following six months of deteriorations. The upward movement in PMI was driven by a rise in new orders attributed to strong market demand with some respondents mentioning that customers placed orders before the Sales and Services Tax (SST) take effect in September. New export orders meanwhile broadly stagnated after a marginal rise in the July. Input cost increased in the month but the rate of inflation was marginal easing to the slowest since Feb-15. Business sentiment was the strongest in four months due to positive forecasts of sales and improvement in demand conditions.
- **Australia retail sales held unchanged in July:** Retail sales remained unchanged, clocking in a 0.0% growth rate in July (Jun: +0.4%). The slower growth in sales of food (+0.3% vs +0.4%) and cafes & restaurant (+0.6% vs +0.8%) was offset by the contraction in sales of household goods (-1.2% vs +0.2%), apparel (-2.0% vs +1.9%) and department stores (-1.9% vs -1.3%).

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
05/09	Malaysia	Trade Balance MYR	Jul	6.70b	6.05b	--
		Exports YOY	Jul	4.3%	7.6%	
		BNM Overnight Policy Rate	Sep-05	3.25%	3.25%	--
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	--
05/09		MBA Mortgage Applications	Aug-31	--	--	--
		Trade Balance	Jul	-\$50.0b	-\$46.3b	--
04/09	Eurozone	PPI YOY	Jul	3.9%	3.6%	--
05/09		Markit Eurozone Services PMI	Aug F	54.4	54.2	--
		Retail Sales MoM	Jul	-0.1%	0.3%	--
04/09	UK	Markit/CIPS UK Construction PMI	Aug	54.9	55.8	--
05/09		Markit/CIPS UK Services PMI	Aug	53.9	53.5	--
05/09	Japan	Nikkei Japan PMI Services	Aug	--	51.3	--
05/09	China	Caixin China PMI Services	Aug	52.6	52.8	--
05/09	Hong Kong	Nikkei Hong Kong PMI	Aug	--	48.2	--
05/09	Singapore	Nikkei Singapore PMI	Aug	--	53.0	--
04/09	Australia	RBA Cash Rate Target	Sep-04	1.5%	1.5%	--
05/09		AiG Perf of Services Index	Aug	--	53.6	--
		GDP SA QoQ	2Q	0.7%	1.0%	--
06/09	New Zealand	QV House Prices YoY	Aug	--	5.1%	--
04/09	Vietnam	Nikkei Vietnam PMI Mfg	Aug	--	54.9	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1619	0.15	1.1628	1.1588	3.3
USDJPY	111.07	0.04	111.19	110.85	1.5
GBPUSD	1.2870	-0.69	1.2967	1.2855	4.8
AUDUSD	0.7214	0.35	0.7224	0.7166	7.8
EURGBP	0.9028	0.81	0.9033	0.8949	11.6
USDMYR	4.1285	0.47	4.1313	4.1150	2.1
EURMYR	4.7887	-0.38	4.7995	4.7656	1.0
JPYMYR	3.7193	0.97	3.7237	3.6969	3.6
GBPMYR	5.3234	-0.40	5.3372	5.3094	2.7
SGDMYR	3.0124	0.17	3.0150	2.9936	0.6
AUDMYR	2.9779	-0.58	2.9802	2.9537	5.9
NZDMYR	2.7304	-0.18	2.7343	2.7146	5.3

Source: Bloomberg

Forex

MYR

- **MYR weakened 0.47% to 4.1285 against USD** on the back of continued softness in emerging majors but managed to advance against 6 G10s.
- **MYR remains bearish against USD**, weighed down by continued trade war concerns and likelihood of improved demand for the greenback ahead of re-opening of US markets. USDMYR remains tilted to the upside and is poised to test 4.1385 – 4.1400 next. But we caution the prevalence of price-momentum divergence that still poses a reversal risk going forward.

USD

- **USD was firmer against 6 G10s** while the DXY closed unchanged at 95.14 after bouncing off intraday lows as buying interest prevailed amid continued concerns over trade talks.
- **Stay bullish on USD**, supported by refuge demand amid continued concerns over US trade relations. Caution that downside surprises in US data could trigger sharp losses. DXY remains technically bullish while above 95 and is poised to test 95.54 - 95.65 in the next leg higher. In the longer horizon however, 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 climbed 0.15% to 1.1619 against USD** and beat 6 G10s as risk-off sentiment in Europe dissipated amid a lack of participation with US markets closed.
- **Continue to view bearish EUR against USD** in anticipation of continued risk aversion in the markets amid concerns over trade relations. Bearish trend prevails and EURUSD is likely slip lower. Losing 1.1600 will expose a drop to circa 1.1520 – 1.1540 next.

GBP

- **GBP tumbled 0.69% to 1.2870 against USD** and fell against all G10s, continued to be pressured by Brexit concerns as talks have yet to yield positive development.
- **Expect GBP to stay bearish against USD** on rising jitters over a lack of progress in Brexit talks. Downside break at 1.2900 has altered the technical landscape and tilted GBPUSD downward. Expect a test at 1.2844 next, below which a drop to 1.2800 will be exposed.

JPY

- **JPY advanced against 5 G10s** on refuge demand but **slipped 0.04% to 111.07 against a firmer USD**.
- **Maintain a bullish view on JPY against USD**, supported by extended demand for refuge. USDJPY remains technically bearish, with room to slide to 110.85 soon, below which 110.64 will be targeted.

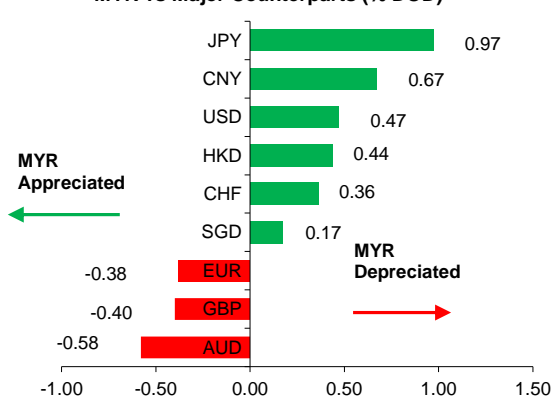
AUD

- **AUD rebounded to beat 8 G10s and climbed 0.35% to 0.7214 against USD**, supported by firmer Australian manufacturing data.
- **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 also rebounded to climb against 6 G10s and was 0.03% firmer at 1.3717 against USD**.
- **SGD remains bearish against USD**, weighed down by continued risk aversion in the markets. Minor bullish trend continues to suggest that USDSGD remains on track to test 1.3748 – 1.3764 in the next leg higher. We caution on rising risk of rejection approaching 1.3764 – 1.3774.

MYR vs Major Counterparts (% DOD)



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