

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US equity closed the first trading day of the week in the red after the long weekend as investors continued to focus on the NAFTA negotiation between the US and Canada.** The tech sector was weighed down by the plunge of Facebook shares despite Amazon's briefly hitting \$1trn market cap. Nike stocks erased 3.2% following its announcement of a new campaign ad featuring NFL quarterback Colin Kaepernick. **US data was solid with the ISM manufacturing index rose to a 14-year high** leading the yield on 10Y treasuries to climb 4bps to 2.90%. **RBA left cash rate unchanged at 1.5%.**
- The ISM Manufacturing PMI rose to 61.3 in August, the highest reading since May 2004 on broad-based improvement. The prices paid sub-index softened to 72.1 suggesting slower inflationary pressure buildup. Market Manufacturing PMI was revised upwards from 54.5 to 54.7 in August in the final reading. Construction spending rebounded to increase a mere 0.1% MOM in July. **Eurozone factory gate inflation topped estimates to increase 4.0% YOY in July in line with the higher HICP inflation rate** in the same month. **UK construction sector growth eased** as the IHS Markit/CIPS UK Construction PMI came off from July's 14-month peak to 52.9 in August. **Australia services sector growth softened to 8-month low** as the AIG Performance of Services Index fell to 52.2 in August.
- **USD** extended its advance on refuge demand and firmer US data, **beating 9 G10s** while the DXY advanced 0.31% to 95.43 but not before narrowing gains made in late Asian afternoon. **Stay bullish on USD**, supported by refuge demand amid continued concerns over US trade relations and extended weakness in emerging majors. DXY remains technically bullish but appears to find difficulty in break the said 95.54 – 95.65 resistance range. Expect DXY to test this range again; success opens up passage to 96.25 in the next leg higher, otherwise a drop to 94.90 – 95.08 is expected.
- **MYR weakened 0.25% to 4.1390 against USD** on the back of continued softness in emerging majors but managed to advance against 8 G10s. **MYR remains bearish against USD**, weighed down by continued of trade war concerns and downside pressure on emerging majors. USDMYR remains tilted to the upside and is poised to test 4.1450 – 4.1480 next. Still, USDMYR appears stretched and caution on rising risk of rejection approaching 4.1500 – 4.1555.
- **SGD** ended mixed against the G10s but **weakened 0.33% to 1.3762 against USD. SGD remains bearish against USD**, weighed down by continued risk aversion in the markets. Minor bullish trend continues to suggest that USDSGD is likely to trend higher going forward. USDSGD is poised to soon test 1.3783 – 1.3790 next.

#### Overnight Economic Data

US	↑
Eurozone	↑
UK	↓
Australia	↓

#### What's Coming Up Next

##### Major Data

- Malaysia Trade Balance, Exports
- US MBA Mortgage Applications, Trade Balance
- Eurozone Markit Services PMI, Retail Sales
- UK Markit/CIPS Services PMI
- China Caixin PMI Services
- Japan, HK, Singapore Nikkei PMI Services
- Australia 2Q GDP

##### Major Events

- BNM Overnight Policy Rate

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1550	1.1570	1.1586	1.1600	1.1612	↘
GBPUSD	1.2830	1.2844	1.2857	1.2885	1.2900	↘
USDJPY	111.26	111.35	111.47	111.52	111.66	↗
AUDUSD	0.7130	0.7158	0.7178	0.7190	0.7221	↘
EURGBP	0.8988	0.9000	0.9010	0.9018	0.9029	↗
USDMYR	4.1400	4.1420	4.1435	4.1450	4.1480	↗
EURMYR	4.7900	4.7927	4.7996	4.8010	4.8050	↗
JPYMYR	3.7111	3.7150	3.7168	3.7180	3.7200	↗
GBPMYR	5.3170	5.3220	5.3268	5.3286	5.3300	→
SGDMYR	3.0052	3.0070	3.0100	3.0110	3.0132	→
AUDMYR	2.9700	2.9720	2.9744	2.9768	2.9800	↘
NZDMYR	2.7065	2.7097	2.7117	2.7144	2.7197	↘
USDSGD	1.3745	1.3759	1.3765	1.3774	1.3785	↗
EURSGD	1.5927	1.5940	1.5946	1.5952	1.5960	↘
GBPSGD	1.7666	1.7675	1.7696	1.7700	1.7726	↘
AUDSGD	0.9850	0.9860	0.9881	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	1,812.76	-0.05	0.89	CRB Index	192.12	-0.43	-0.90
Dow Jones Ind.	25,952.48	-0.05	4.99	WTI oil (\$/bbl)	69.87	0.10	15.64
S&P 500	2,896.72	-0.17	8.34	Brent oil (\$/bbl)	78.17	0.03	16.90
FTSE 100	7,457.86	-0.62	2.99	Gold (S/oz)	1,191.52	-0.81	8.10
Shanghai	2,750.58	1.10	-6.83	CPO (RM/tonne)	2,197.50	0.85	-8.05
Hang Seng	27,973.34	0.94	-6.50	Copper (\$/tonne)	5,815.00	-2.55	-19.76
STI	3,210.51	0.10	-5.65	Rubber (sen/kg)	405.00	0.12	-12.43

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US Markit Manufacturing PMI	Aug F	54.7	55.3	54.5
US Construction Spending MOM	Jul	0.1%	-0.8% (revised)	0.4%
US ISM Manufacturing	Aug	61.3	58.1	57.6
EU PPI YOY	Jul	4.0%	3.6%	3.9%
UK Markit/CIPS Construction PMI	Aug	52.9	55.8	54.9
AU RBA Cash Rate Target	Sep-04	1.5%	1.5%	1.5%
AU AiG Perf of Services Index	Aug	52.2	53.6	--

Source: Bloomberg

**➤ Macroeconomics**

- RBA left cash rate unchanged, offering no fresh take on the economy:** The RBA left the cash rate unchanged at 1.5% yesterday and kept the assessment of the economy largely the same in the monetary statement. The central bank continued to expect growth to average “a bit above 3% in 2018 and 2019 stressing the uncertainty over the outlook for household consumption as income has been growing slowly and debt levels are high. Unemployment rate is expected to fall to around 5% over the next couple of years and wage growth remained low despite a slight pick-up recently. Inflation is 2% and is projected to be higher in 2019 and 2020. The one-off declines in some administered prices in September quarter likely to result in lower headline inflation in 2018 at 1.75%. On the Aussie dollar, it added that the currency has depreciated against the USD along with most other currencies. The focus will be on Australia 2Q GDP growth which is set to be released today at 9.30am.
- US manufacturing sector strengthened further as factory gauge surged to 14-year high:** The ISM Manufacturing PMI rose to 61.3 in August (Jul: 58.1), the highest reading since May 2004 on broad-based improvement across the subcomponents. New orders jumped to 65.1 (Jul: 60.2) suggesting robust demand in the near term whereas production rose to 63.3 (Jul: 58.5) leading firms to higher employment of 58.5 (Jul: 56.5). Outlook for trade was mixed as new exports orders slowed slightly to 55.2 (Jul: 55.3) while the imports fell to 53.9 (Jul: 54.7). The prices paid sub-index, an effective gauge of inflation meanwhile softened to 72.1 (Jul: 73.2) suggesting slower buildup in inflationary pressure with majority of the firms citing high cost of raw materials still although some did mention that prices of steel appeared to level off. Uncertainty over trade policies remained a major concern amongst firms with great potentials to weigh down business sentiments should the proposed tariff on \$200b Chinese goods take effect. A separate Markit Manufacturing PMI meanwhile was revised upwards from 54.5 to 54.7 in August (Jul: 55.3) in the final reading, broadly in line with the official ISM data. Other release was construction spending which rebounded to increase a mere 0.1% MOM in July (Jun: -0.8% revised) as the gain in residential spending (+0.6% vs -1.0%) was offset by the drop in nonresidential spending (-0.3% vs -0.6%). The rebound in residential spending came after two consecutive months of decline and was in line with the rebound in housing starts in the same month suggesting more homebuilding activities ahead.
- Eurozone factory gate inflation grew at a faster pace:** Producer prices topped estimates (+3.9% YOY) to increase 4.0% YOY in July (Jun: +3.6%) led mainly by faster growth in prices of energy (+10.7% vs +9.5%). Excluding energy, prices rose 1.7% YOY (Jun: +1.6%) due to the increase in cost of intermediate goods (+3.2% vs +3.0%) as well as durable consumer goods (+1.3% vs +1.1%). Prices of capital goods grew steadily (+1.1% vs +1.1%) whereas prices of non-durable goods stayed unchanged for the month (+0.0% vs +0.1%). Firms passed the higher cost to consumers as seen in the higher consumer inflation in July – the final HICP inflation rate quickened to 2.1% YOY, similarly core inflation rose to 1.1% in July. The latest flash HICP estimate for August meanwhile eased to 2.0% YOY as gains in prices of energy and services slowed. We foresee that the gain in energy prices will eventually normalize as the base effect wears off over the time and inflation will fall back to a softer level nearing the ECB’s target.

- UK construction sector growth eases:** The Markit/CIPS UK Construction PMI came off from July's 14-month peak to 52.9 in August (Jul: 55.8) indicating a modest rise in construction output. The expansion was led by the construction of commercial building followed by residential work while work on civil engineering projects decreased for the first time in five months. Higher workloads encouraged firms to hire more staff but respondents noted the tight labour market conditions and shortage of skilled workers. UK construction firms remained optimistic but the degree of confidence eased to the weakest since May with Brexit uncertainty being the main factor cited as holding back sentiment.
- Australia services sector growth softened to 8-month low:** The AiG Performance of Services Index fell to 52.2 in August (Jul: 53.6), the slowest since Dec-17. Sales fell substantially (52.9 vs 55.2) whereas growth in new orders continued to soften as well (52.0 vs 53.3) suggesting weakening demand and this led firms to slow down their hiring/employment plan considerably (50.6 vs 53.4). As opposed to the faster gain in wages in the manufacturing sector, wages in the services sector saw only a modest rise (59.0 vs 62.8) despite the newly imposed higher minimum wage effective 1 July, suggesting lesser work for employees in the month. The surge in the input cost sub-index was in line with that of the manufacturing sector but the higher cost wasn't passed on by firms as selling prices contracted (49.6 vs 50.6) suggesting more margin compression. The lack of demand in a very competitive retailing space means that firms were not able to impose price increases at all.

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	4.7%	7.6%	--
		BNM Overnight Policy Rate	Sep-05	3.25%	3.25%	--
06/09		Foreign Reserves	Aug-30	--	\$104.2b	--
05/09	US	MBA Mortgage Applications	Aug-31	--	-1.7%	--
		Trade Balance	Jul	-\$50.2b	-\$46.3b	--
06/09		ADP Employment Change	Aug	200k	219k	--
		Initial Jobless Claims	Sep-01	213k	213k	--
		Markit US Services PMI	Aug F	55.2	56.0	--
		ISM Non-Manufacturing Index	Aug	56.8	55.7	--
		Factory Orders	Jul	-0.6%	0.7%	--
		Durable Goods Orders	Jul F	-1.7%	0.7%	--
		Cap Goods Orders Nondef Ex Air	Jul F	--	0.9%	--
05/09	Eurozone	Markit Eurozone Services PMI	Aug F	54.4	54.2	--
		Retail Sales MoM	Jul	-0.1%	0.3%	--
05/09	UK	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	--
05/09	Australia	AiG Perf of Services Index	Aug	--	53.6	--
		GDP SA QoQ	2Q	--	1.0%	--
06/09		Trade Balance	Jul	-A\$1,450M	A\$1,873m	--
06/09	New Zealand	QV House Prices YoY	Aug	--	5.1%	--
6-13/09/18		Domestic Vehicle Sales YoY	Aug	--	3.6%	--

Source: Bloomberg

**FX Table**

Name	Last Price	DoD%	High	Low	YTD%
EURUSD	1.1582	-0.32	1.1621	1.1530	-3.52
GBPUSD	1.2855	-0.12	1.2876	1.2811	-4.86
USDJPY	111.41	0.31	111.53	110.90	-1.08
AUDUSD	0.7178	-0.50	0.7235	0.7157	-8.04
EURGBP	0.9010	-0.19	0.9030	0.8989	1.45
USDMYR	4.1390	0.25	4.1420	4.1305	2.38
EURMYR	4.7831	-0.12	4.8005	4.7829	-1.02
JPYMYR	3.7142	-0.14	3.7269	3.7112	3.38
GBPMYR	5.3116	-0.22	5.3221	5.3062	-2.52
SGDMYR	3.0087	-0.12	3.0132	3.0071	-0.64
AUDMYR	2.9695	-0.28	2.9914	2.9625	-5.91
NZDMYR	2.7108	-0.72	2.7313	2.7074	-5.79
CHFMYR	4.2555	0.04	4.2653	4.2490	2.52
CNYMYR	0.6059	0.09	0.6073	0.6056	-2.55
HKDMYR	0.5274	0.29	0.5274	0.5259	1.93
USDSGD	1.3762	0.33	1.3783	1.3713	3.03
EURSGD	1.5940	0.01	1.5943	1.5885	-0.66
GBPSGD	1.7691	0.21	1.7703	1.7630	-2.08
AUDSGD	0.9879	-0.16	0.9929	0.9852	-5.33

Source: Bloomberg

## Forex

### MYR

- **MYR weakened 0.25% to 4.1390 against USD** on the back of continued softness in emerging majors but managed to advance against 8 G10s.
- **MYR remains bearish against USD**, weighed down by continued of trade war concerns and downside pressure on emerging majors. USDMYR remains tilted to the upside and is poised to test 4.1450 – 4.1480 next. Still, USDMYR appears stretched and caution on rising risk of rejection approaching 4.1500 – 4.1555.

### USD

- **USD** extended its advance on refuge demand and firmer US data, **beating 9 G10s** while the DXY advanced 0.31% to 95.43 but not before narrowing gains made in late Asian afternoon.
- **Stay bullish on USD**, supported by refuge demand amid continued concerns over US trade relations and extended weakness in emerging majors. DXY remains technically bullish but appears to find difficulty in break the said 95.54 – 95.65 resistance range. Expect DXY to test this range again; success opens up passage to 96.25 in the next leg higher, otherwise a drop to 94.90 – 95.08 is expected.

### EUR

- **EUR closed 0.32% lower at 1.1582 against a firm USD** after bouncing off its intraday low to narrow early losses, though managing to beat 6 G10s.
- **Expect a bearish EUR in line with our view for a firm USD**; upside surprise in Eurozone data could overturn losses into gains. Bearish trend prevails and tilts EURUSD downward. EURUSD is likely to test 1.1520 – 1.1540 again, though at this juncture, there are signs that this support range could prevent further declines.

### GBP

- **GBP slipped 0.12% to 1.2855 against USD** but managed to strengthen against 8 G10s after reports that the EU may be flexible towards UK's Brexit plan, injecting improved sentiment into the markets.
- **GBP is slightly bearish against USD** in our view, but further improvement in Brexit sentiment could very well overturn losses into gains. GBPUUSD remains technically bearish and is likely to break below 1.2842 going forward, which will then set a course for 1.2752 in the next leg lower.

### JPY

- **JPY** remains supported by refuge demand in the markets, beating 7 G10s but **fell 0.31% to 111.41 against a firm USD**.
- **We turn slightly bearish on JPY against a firmer USD** that is supported by refuge demand. USDJPY has turned technically bullish after breaking through several resistances and amid improved upside momentum. Expect USDJPY to soon break above 111.52 and target 111.74.

### AUD

- **AUD weakened 0.5% to 0.7178 against USD** and fell against 6 G10s, pressured by risk-off sentiment in the markets while buying interest also receded ahead of Australia 2Q GDP report today.
- **Stay slightly bearish on AUD against a firm USD** and risk aversion in the markets. Downside surprise in Australia 2Q GDP will add further pressure on AUD. Technical outlook remains bearish; AUDUSD is expected to soon test 0.7158, below which a drop to 0.7100 – 0.7120 will be eyed.

### SGD

- **SGD** ended mixed against the G10s but **weakened 0.33% to 1.3762 against USD**.
- **SGD remains bearish against USD**, weighed down by continued risk aversion in the markets. Minor bullish trend continues to suggest that USDSGD is likely to trend higher going forward. USDSGD is poised to soon test 1.3783 – 1.3790 next.

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