

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US equity posted modest gains on Friday as markets focused on upbeat corporate earnings that overshadowed subdued job reports and rising trade tensions** - the Dow, S&P500 and Nasdaq rose 0.54%, 0.46% and 0.12% respectively. The energy sector was weighed down by falling oil prices as OPEC raised production -WTI closed 0.47% lower at \$68.49/barrel. **China announced that it would impose tariffs ranging from 5-25% on \$60b worth of US goods** leading 10Y treasuries yield to slide 4bps to 2.95%.
- **US added 157k new jobs in July, less than initially expected but unemployment rate went down to 3.9% with participation rate staying at 62.9%. Wage growth remained subdued at 2.7% YOY. Trade deficit widened to \$46.3b due to lower exports. A slew of PMI readings signaled slowdown in the services sector globally.** In the US, the ISM Non-Manufacturing PMI fell to 55.7 in July while Markit Services PMI dropped to 56.0. UK services sector growth slipped to three-month low, Eurozone sector eased as well while its retail sales grew 1.2% YOY. PMI for both China, Japan and Singapore fell too, Hong Kong PMI registered a higher reading but remained below the threshold of 50, signaling continued deterioration in its private sector conditions. Meanwhile, Australia retail sales growth held steady at 0.4% MOM. **At home, Malaysia exports growth regained some grounds and grew 7.6% YOY in June, above our estimate of 5.6% while imports increased 14.9% YOY thus narrowing the trade surplus to RM6.0b.**
- **USD gained against 6 G10s** while the DXY ended marginally lower by a mere 0.01% at 95.16, as it managed to recover from intraday low in late US session after oscillating within the 95.00-95.40 ranges in the wake of mixed US data and China tariff retaliation on US\$60bn US goods. **USD may stage a mild upside bias today** in the absence of US data and as still soft risk sentiments continued to keep demand for USD supported. Technically, DXY is still subjected to risk of rejection approaching 95.32 – 95.41 range that has previously stemmed 7 attempted advances since mid-Jun.
- **MYR weakened for the 4<sup>th</sup> consecutive day, settling 0.12% weaker at 4.0813 against the USD** amid continued soft market sentiments. This marked its weakest level since end-Dec 2017 but the MYR managed to close firmer against most other G10s. **Expect MYR to exhibit a mild bearish bias against a firmer USD** following still soft sentiments in the markets but upside bias in USDMYR is expected to be mitigated by a much lower opening. However, price-momentum divergence and signs of upside fatigue continue to prevail following last week's upward move, suggesting a reversal lower is impending for USDMYR.
- **SGD advanced against 7 G10s and gained 0.20% to 1.3659 against the USD. SGD is bearish in anticipation of a firmer USD,** supported by increase in refuge demand as well as weak market sentiment. USDSGD looks set to test higher grounds again at 1.3677 or even 1.3688, but risk of rejection is likely to increase approaching 1.3716, a level that has rejected 4 advances since mid-Jun.

#### Overnight Economic Data

Malaysia	→
US	→
Eurozone	↓
UK	↓
Japan	↓
China	↓
Hong Kong	↑
Singapore	↓
Australia	→

#### What's Coming Up Next

##### Major Data

- Eurozone Sentix Investor Confidence
- Japan Household Spending
- Australia Performance of Construction Index

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1539	1.1552	1.1563	1.1582	1.1601	↘
USDJPY	110.99	111.14	111.24	111.39	111.56	↘
GBPUSD	1.2958	1.2979	1.3001	1.3023	1.3044	↘
AUDUSD	0.7368	0.7377	0.7393	0.7405	0.7423	↘
EURGBP	0.8889	0.8891	0.8894	0.8900	0.8917	↘
USDMYR	4.0714	4.0740	4.0765	4.0785	4.0797	↘
EURMYR	4.7029	4.7075	4.7133	4.7191	4.7221	↘
JPYMYR	3.6606	3.6635	3.6641	3.6696	3.6734	↘
GBPMYR	5.2880	5.2940	5.2994	5.3060	5.3090	↘
SGDMYR	2.9791	2.9813	2.9818	2.9833	2.9859	↗
AUDMYR	3.0109	3.0122	3.0147	3.0188	3.0215	↗
NZDMYR	2.7410	2.7433	2.7494	2.7532	2.7596	→
USDSGD	1.3632	1.3643	1.3669	1.3705	1.3716	↗
EURSGD	1.5789	1.5803	1.5806	1.5822	1.5837	↗
GBPSGD	1.7754	1.7760	1.7772	1.7795	1.7817	↗
AUDSGD	1.0088	1.0103	1.0110	1.0121	1.0128	→

\*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	1,780.09	0.11	-0.93	CRB Index	193.23	0.30	-0.33
Dow Jones Ind.	25,462.58	0.54	3.01	WTI oil (\$/bbl)	68.49	-0.68	13.36
S&P 500	2,840.35	0.46	6.24	Brent oil (\$/bbl)	73.21	-0.33	9.45
FTSE 100	7,659.10	1.10	-0.37	Gold (S/oz)	1,214.90	0.59	8.10
Shanghai	2,740.44	-1.00	-17.14	CPO (RM/tonne)	2,176.00	0.07	-8.95
Hang Seng	27,676.32	-0.14	-7.50	Copper (\$/tonne)	6,206.00	1.08	-14.36
STI	3,265.73	-0.63	-4.03	Rubber (sen/kg)	409.00	0.74	-11.57

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
MA Trade Balance MYR	Jun	6.0b	8.12b	9.40b
MA Imports YOY	Jun	14.9%	0.1%	15.3%
MA Exports YOY	Jun	7.6%	3.4%	10.3%
US Trade Balance	Jun	-46.3b	-\$43.2b (revised)	-\$46.5b
US Change in Nonfarm Payrolls	Jul	157k	248k (revised)	193k
US Unemployment Rate	Jul	3.9%	4.0%	3.9%
US Average Hourly Earnings YOY	Jul	2.7%	2.7%	2.7%
US Labor Force Participation Rate	Jul	62.9%	62.9%	--
US Markit Services PMI	Jul F	56.0	56.5	56.2
US ISM Non-Manf. Composite	Jul	55.7	59.1	58.6
EU Markit Services PMI	Jul F	54.2	55.2	54.4
EU Retail Sales YOY	Jun	1.2%	1.6% (revised)	1.4%
UK Markit/CIPS Services PMI	Jul	53.5	55.1	54.7
JP Nikkei PMI Services	Jul	51.3	51.4	--
CN Caixin PMI Services	Jul	52.8	53.9	53.5
HK Nikkei PMI	Jul	48.2	47.7	--
SG Nikkei PMI	Jul	53.0	56.0	--
AU Retail Sales MOM	Jun	0.4%	0.4%	0.3%

Source: Bloomberg

**➤ Macroeconomics**

- US labour market remained in broad strength:** Nonfarm payroll came in much lower than expected at 157k in July (Jun: 248k revised) but we took comfort in the 35k addition in June number which was revised from 213k to 248k. Newly added jobs came mostly in the manufacturing sector (Jul 52k vs Jun 52k), professional & business services (51k vs 43k) and leisure & hospitality (40k vs 34k). Construction saw minor rebound (19k vs 13k) while education & health services added fewer jobs (22k vs 69k) -its subsector healthcare & social assistance had fewer job gains as well (33.5k vs 37.2k). The Household Survey meanwhile shows that unemployment rate fell to 3.9% (Jun: 4.0%) while participation rate remained unchanged at 62.9% (Jun: 62.9%) suggesting that the additional workers available in June managed to secure employments. Recall that the unemployment rate ticked up from 3.8% in May to 4.0% in June as participation rate went up from 62.8% to 62.9%. Wage growth remained subdued at 2.7% YOY as expected taking cue from the slower growth in 2Q Employment Cost Index. Further breakdown shows that wage growth slowed in both goods and services sector- goods increased 2.1% YOY (Jun: +2.3% while services gained 2.8% YOY (Jun: +2.9%). Within the goods sector, construction wages bounced back following the softer gains in previous month (+3.2% vs 2.9%) suggesting that home builders suffered higher cost in July. Interestingly, manufacturing sector wages increased a mere 1.3% YOY (Jun: +1.7%) despite ubiquitous reports on firms having to pay higher salaries to employees. Within the services sector, the faster gain of wages in financial activities (+4.8% vs +4.6%) and professional & business services (+2.9% vs +2.7%) were offset by slower growth in information (+2.4% vs +3.1%) and education & health services (+2.5% vs +2.9%). The US labour market remained in continuous tightening, yet a subdued wage growth reaffirmed our stance that the Fed will not hike interest rate more than four times this year as consumer inflation rate surpassed that of wage growth effectively eroding purchasing power.
- US trade deficit widened on lower exports, services sector in solid health:** The seasonally adjusted trade deficit widened to -\$46.3b in June (May: -\$43.2b revised) as exports faltered 0.7% MOM (May: +1.9%) while imports rose 0.6% MOM (May: +0.5%). On a yearly basis, exports rose at a slower pace of 9.8% YOY (May: +11.7%) while imports corresponded with the monthly growth to increase 8.6% YOY (May: +8.4%). Exports growth normalized in June following a sharp increase in May as exporters raced to ship goods out of the countries prior to the imposition of tariffs. Shipment of soybeans, a key product subject to Chinese tariff continued to surge in June while that of sorghum, barley & oats slowed. Trade deficit with China increased to \$32.5b (May: \$32.0b). In a separate release, the ISM Non-manufacturing Index fell to 55.7 in July (Jun: 59.1) on slower new orders and productions. Employment increased considerably, in line with July job report, while prices paid increased as at a faster pace as well. Outlook for trade was less positive as new export orders eased in the month. Similarly, the IHS US Markit Services Business Activity Index dropped to 56.0 in July (Jun: 56.5). Generally, the services sector remained in a solid health but is expected to ease as the economy heads into 3Q.
- UK services sector growth slipped to three-month low:** The Markit/CIPS UK Services PMI fell to 53.5 in July (Jun: 55.2) marking the slowest expansion of the services sector since April, highlighting a disappointing start to the third quarter of 2018. Business activities and incoming new work eased, while the rise in payroll numbers was the weakest since Aug-16 with respondents reporting difficulties in filling staff vacancies. Input prices eased but average prices charged by services provider increased at a solid pace.

- ***Eurozone services sector eased signaling softer 3Q, retail sales missed estimates:*** The final reading of the Eurozone Services Business Activity Index was revised from 54.4 to 54.2 in July (Jun: 55.2) as growth in the services sector eased from June's four-month high primarily due to the easing in new order intakes as well as a decrease in the level of business confidence to its lowest since Nov-16. Nonetheless, the rate of job creation remained robust with staffing level raised in all of the countries covered. Input price inflation remained elevated attributed to higher cost of fuel and staff with part of the increase in prices passes on to clients, leading to higher output charges. Meanwhile, data released by the Eurostat shows that retail sales in the Euro Area grew 0.3% MOM in June (May: +0.3% revised) while on a yearly basis, sales grew slower by 1.2% YOY (May: +1.6% revised). Annual growth in retail sales eased due to the slower growth of food, drinks & tobacco (Jun +1.7% vs +1.9%), electrical goods & furniture (+1.6% vs +1.9%) and computer equipment, books & other (+1.9% vs +2.6%). Sales of textile, clothing & footwear fell for the second consecutive month albeit at a slower pace (-1.0% vs -2.4%) while sales of automotive fuel dropped for the first time in four months (-0.6% vs +0.0%). June print came to be in line with the lower 2Q GDP growth released last week (2Q +0.3% QOQ vs 1Q +0.4% QOQ) reaffirming a softer consumer demand in the Eurozone, the soft patch is likely to be carried on well into 3Q as PMI readings suggest growth to remain rather subdued in July. The slower expansion in the services sector signaled a slower start to the third quarter of 2018 suggesting further moderation in the Euro Area economic growth.
- ***China services sector slowed at the start of the third quarter:*** The Caixin China General Services Business Activity Index fell to 52.8 in July (Jun: 53.9), the slowest rate in four months. New orders expanded at the weakest rate for over two and a half years on relatively subdued market conditions. The rate of job creation softened while average input costs continued to rise. Business optimism experienced marked deterioration as well. The reading was in line with the official services PMI released by the National Bureau of Statistics confirming a softer patch in the growth of the services sector in the months ahead.
- ***Japan services sector growth remained mild:*** The Nikkei Japan Services PMI posted a miniscule fall to 51.3 in July (Jun: 51.4) suggesting that growth in the services sector was at a broadly similar pace compared to the previous month. The expansion was supported by a continuous growth in new business and rising order book volumes which then led to greater capacity pressures. Firms thus hired additional staff in order to keep up with demand – the rate of employment growth was the fastest in four months. Labour costs were reported to have risen due to higher salaries paid while prices of food and fuel were said to increase as well leading input cost inflation to quicken to a six-month high.
- ***Hong Kong private sector conditions continued deterioration:*** The Nikkei Hong Kong Purchasing Manager Index rose to 48.2 in July (Jun: 47.7), below the threshold of 50.0 indicating further deterioration of business conditions albeit at a slower pace. Both output and new orders declined while number of staff reduced again, demand from China fell for the third straight month, business sentiment was negative as well with rising trade tensions a major concern among firms.
- ***Singapore business conditions improve at slower rate:*** The Nikkei Singapore Purchasing Manager Index dropped to 53.0 in July (Jun: 56.0), marking the weakest pace of improvement in the private sector this year. The slower expansion was attributed to the easing growth in both output and new business. Order book slowed partially on slower export orders. Employment gains were marginal while inflationary pressures eased, nonetheless firms remained positive regarding output in the year ahead.

- Australia retail sales growth held steady:** Retail sales rose 0.4% MOM in June (May: +0.4%) as growth in sales of food retained its 0.4% growth MOM (May: +0.4%) for the third consecutive month. Sales of household goods was faster (Jun: +0.4% vs May +0.1%) while sales of apparel saw slower traction (+1.7% vs +2.3%). Sales in department store faltered (-1.2% vs +3.6%) while sales in café and restaurants rebounded (+0.9% vs -0.7%).
- Malaysia saw modest pick-up in exports growth:** Exports growth regained some grounds and grew 7.6% YOY in June (May: +3.4% YOY), above our estimate of 5.6% YOY but below market consensus forecast of 10.3% YOY. The faster exports growth in June was driven by quicker growth in manufacturing exports, which offset the decline in commodity exports. In tandem, imports also registered faster gain, indeed far outweighing that of exports, increasing 14.9% YOY in June (May: +0.1%), marking its best monthly increase since Nov-17 and outperforming the growth pace in exports for the first time in six months thus narrowing the trade surplus to RM6.0bn (May: RM8.1bn). While the reversal in imports is a welcoming relief, we are skeptical of the sustainability of such momentum in the wake of potential pullback in demand amid domestic and external headwind. We are maintaining our 2Q GDP growth forecast at 5.2% (1Q: +5.4%). Exports expanded 8.3% YOY in 2Q, marking a pick-up from the 6.0% YOY increase in 1Q but much faster imports gain (+8.1% vs -0.3%) and the resultant smaller trade surplus of RM27.2bn in 2Q (1Q: RM33.4bn) point to more moderate real GDP growth in 2Q. Moving forward, exports outlook is expected to take on a softer stance taking cue from moderating growth momentum among the majors, more so amid ongoing trade spat between the US and China, which would inevitably have negative implications on the world economy.

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
07/08	Malaysia	Foreign Reserves	Jul-31	--	\$104.6b	--
<b>06/08</b>	<b>Eurozone</b>	<b>Sentix Investor Confidence</b>	<b>Aug</b>	<b>13.4</b>	<b>12.1</b>	--
07/08	UK	Halifax House Prices MoM	Jul	0.2%	0.3%	--
<b>07/08</b>	<b>Japan</b>	<b>Household Spending YoY</b>	<b>Jun</b>	<b>-1.4%</b>	<b>-3.9%</b>	--
		<b>Labor Cash Earnings YoY</b>	<b>Jun</b>	<b>1.7%</b>	<b>2.1%</b>	--
		Leading Index CI	Jun P	105.3	106.9	--
		Coincident Index	Jun P	116.2	116.8	--
<b>07/08</b>	<b>Australia</b>	<b>AiG Perf of Construction Index</b>	<b>Jul</b>	<b>--</b>	<b>50.6</b>	--
		RBA Cash Rate Target	07-Aug	1.5%	1.5%	--

Source: Bloomberg

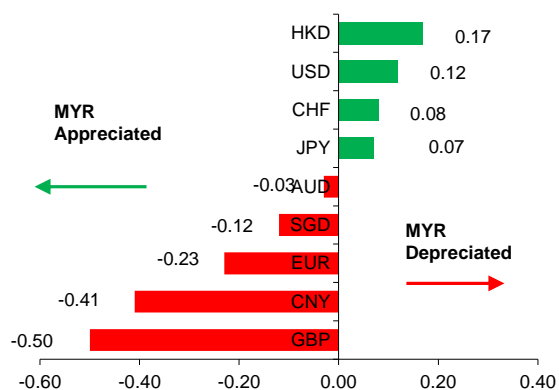
## Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1568	-0.15	1.1611	1.1560	-3.7
USDJPY	111.25	-0.37	111.87	111.1000	-1.3
GBPUSD	1.3001	-0.12	1.3043	1.2976	-3.8
AUDUSD	0.7404	0.60	0.7412	0.7348	-5.3
EURGBP	0.8898	-0.03	0.89192	0.8893	0.1
USDMYR	4.0813	0.12	4.0835	4.0790	0.9
EURMYR	4.7238	-0.23	4.7334	4.7205	-2.6
JPYMYR	3.6526	0.07	3.6734	3.6490	1.6
GBPMYR	5.3034	-0.50	5.3172	5.2981	-2.9
SGDMYR	2.9791	-0.12	2.984	2.9770	-1.6
AUDMYR	3.0030	-0.03	3.0093	2.9996	-5.0
NZDMYR	2.7501	-0.21	2.7503	2.7439	-4.5

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



### MYR

- **MYR weakened for the 4<sup>th</sup> consecutive day, settling 0.12% weaker at 4.0813 against the USD** amid continued soft market sentiments. This marked its weakest level since end-Dec 2017 but the MYR managed to close firmer against most other G10s.
- **Expect MYR to exhibit a mild bearish bias against a firmer USD** following still soft sentiments in the markets but upside bias in USDMYR is expected to be mitigated by a much lower opening. However, price-momentum divergence and signs of upside fatigue continue to prevail following last week's upward move, suggesting a reversal lower is impending for USDMYR.

### USD

- **USD gained against 6 G10s** while the DXY ended marginally lower by a mere 0.01% at 95.16, as it managed to recover from intraday low in late US session after oscillating within the 95.00-95.40 ranges in the wake of mixed US data and China tariff retaliation on US\$60bn US goods.
- **USD may stage a mild upside bias today** in the absence of US data and as still soft risk sentiments continued to keep demand for USD supported. Technically, DXY is still subjected to risk of rejection approaching 95.32 – 95.41 range that has previously stemmed 7 attempted advances since mid-Jun.

### EUR

- **EUR fell 0.15% to 1.1568 against the USD** and weakened against 7 G10s, dampened by softer than expected Eurozone data.
- **EUR is slightly bearish on the back of a potentially firmer USD.** Friday's losses has strengthened negative momentum in the pair, which could pave the way for EURUSD to head towards 1.1552, followed by 1.1539.

### GBP

- **GBP slumped 0.12% to 1.3001 against a firmer USD** but traded mixed against G10s as weaker than expected PMI services data continued to dampen expectations of further BOE rate hike.
- **We remain bearish on GBP against USD** amid softer buying interest from waning rate hike expectations. Consecutive lower close in GBPUSD has increased bearish bias in the pair, keeping it on track to test 1.2988.

### JPY

- **JPY advanced 0.37% to 111.25 against USD,** driven by continuous demand for refuge. JPY also outperformed all G10s save for the AUD.
- **Expect JPY to remain slightly bullish against USD,** supported by still soft sentiments in the markets amid trade war concerns. USDJPY still appears technically fragile and we maintain that downside momentum could still push it lower, possibly testing 111.07.

### AUD

- **AUD outperformed all G10s and strengthened 0.60% to 0.7404 against the USD** spurred by gains in commodities and short coverings in anticipation of an RBA pause at this week's policy meeting.
- **Expect AUD to turn bearish against USD** on the back of returning risk-off in the markets on lingering US-China trade tariff concerns. Expect AUDUSD to test 0.7342 next, below which AUDUSD could head towards 0.7311.

### SGD

- **SGD advanced against 7 G10s and gained 0.20% to 1.3659 against the USD.**
- **SGD is bearish in anticipation of a firmer USD,** supported by increase in refuge demand as well as weak market sentiment. USDSGD looks set to test higher grounds again at 1.3677 or even 1.3688, but risk of rejection is likely to increase approaching 1.3716, a level that has rejected 4 advances since mid-Jun.

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