

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US equity started the week by posting modest gains overnight as markets focused on upbeat corporate earnings despite ongoing trade jittery.** Attention was mainly on Berkshire Hathaway's better-than-expected results which lifted financials stocks while technology and consumer discretionary shares rallied as well. Yield on 10Y US treasuries fell 1bps to 2.94%. Crude oil benefited as US sanction on Iran kicked in – Brent and WTI closed higher at \$73.75/barrel and \$69.01/barrel each. DXY spiked, ending at 95.358, the highest level since July 2017.
- **Eurozone investor sentiments improved in August** - the headline Sentix Investor Confidence Index rose to 14.7 as trade war fear seemed to have diminished following the Juncker-Trump meeting in late July. **Japan household spending extended its fifth month of consecutive decline by 1.2% YOY even though wage growth rose to a 21-year high of 3.6% YOY.** Stronger wage growth has failed to prop up household spending as underlying demand remained weak, suggesting subdued inflation ahead. Australia construction sector expanded at a faster pace as the AiG Performance of Construction Index rose to 52.0 in July.
- **USD strengthened against 9 G10s** while the DXY extended its advance, most in European morning, amid continued demand for refuge from escalation of US-China trade tensions to close 0.21% higher at 95.35. **USD is slightly bearish in our view** in anticipation of a technical pullback after recent rally. DXY is negotiating the strong 95.32 – 95.52 resistance range that has previously rejected 7 attempts to advance. Firmly breaking this range exposes a move to 95.77 – 95.80, but failure will likely trigger a drop to 95.11 or lower.
- **MYR ended 0.03% firmer at 4.0800 against USD** but saw early gains reduced as risk appetite continue to retreat amid escalation of US-China trade tensions. MYR managed to advance against 7 G10s. **Stay neutral on MYR against USD** with scope for mild losses amid waning risk appetite in the markets from escalated US-China trade tensions. We maintain that price-momentum divergence and signs of upside fatigue still prevail, both of which still suggest a reversal lower is impending for USDMYR.
- **SGD weakened 0.16% to 1.3681 against a firm USD** and eased against 6 G10s on the back of continued weakness in Asian markets. **Expect a slightly bearish SGD against USD**, pressured by continued risk-off in regional markets amid heightened US-China trade tensions. USDSGD is technically bullish but caution on rising risk of rejection approaching 1.3704 – 1.3712 range. Gains are likely to turn more modest and failure to break this range is likely to trigger a decline to circa 1.3643.

#### Overnight Economic Data

|           |   |
|-----------|---|
| Eurozone  | ↑ |
| Japan     | → |
| Australia | ↑ |

#### What's Coming Up Next

##### Major Data

- Malaysia Foreign Reserves
- UK Halifax House Prices MoM
- Japan Leading Index CI, Coincident Index

##### Major Events

- RBA Cash Rate Decision

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

|        | S2     | S1     | Indicative | R1     | R2     | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1558 | 1.1575 | 1.1558     | 1.1602 | 1.1632 | ↗       |
| USDJPY | 111.00 | 111.14 | 111.32     | 111.37 | 111.53 | ↘       |
| GBPUSD | 1.2900 | 1.2920 | 1.2941     | 1.2958 | 1.2980 | ↘       |
| AUDUSD | 0.7352 | 0.7376 | 0.7385     | 0.7397 | 0.7405 | ↘       |
| EURGBP | 0.8917 | 0.8924 | 0.8930     | 0.8936 | 0.8956 | ↗       |
| USDMYR | 4.0800 | 4.0820 | 4.0835     | 4.0840 | 4.0850 | →       |
| EURMYR | 4.7136 | 4.7165 | 4.7191     | 4.7200 | 4.7237 | ↘       |
| JPYMYR | 3.6616 | 3.6650 | 3.6671     | 3.6700 | 3.6744 | →       |
| GBPMYR | 5.2750 | 5.2800 | 5.2846     | 5.2892 | 5.2920 | ↘       |
| SGDMYR | 2.9810 | 2.9824 | 2.9829     | 2.9842 | 2.9859 | →       |
| AUDMYR | 3.0114 | 3.0137 | 3.0159     | 3.0170 | 3.0190 | ↗       |
| NZDMYR | 2.7433 | 2.7450 | 2.7470     | 2.7485 | 2.7506 | ↘       |
| USDSGD | 1.3743 | 1.3674 | 1.3690     | 1.3704 | 1.3712 | ↗       |
| EURSGD | 1.5803 | 1.5812 | 1.5821     | 1.5831 | 1.5853 | ↗       |
| GBPSGD | 1.7685 | 1.7700 | 1.7716     | 1.7723 | 1.7750 | ↘       |
| AUDSGD | 1.0090 | 1.0100 | 1.0111     | 1.0117 | 1.0129 | ↗       |

\* 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           | 1,779.75   | -0.02 | -0.95  | CRB Index          | 193.93     | 0.36  | 0.03   |
| Dow Jones Ind. | 25,502.18  | 0.16  | 3.17   | WTI oil (\$/bbl)   | 69.01      | 0.76  | 14.22  |
| S&P 500        | 2,850.40   | 0.35  | 6.61   | Brent oil (\$/bbl) | 73.75      | 0.74  | 10.29  |
| FTSE 100       | 7,663.78   | 0.06  | -0.31  | Gold (\$/oz)       | 1,207.64   | -0.60 | 8.10   |
| Shanghai       | 2,705.16   | -1.29 | -16.20 | CPO (RM/tonne)     | 2,160.50   | -0.71 | -9.60  |
| Hang Seng      | 27,819.56  | 0.52  | -7.02  | Copper (\$/tonne)  | 6,133.00   | -1.18 | -15.37 |
| STI            | 3,285.34   | 0.60  | -3.46  | Rubber (sen/kg)    | 410.50     | 0.37  | -11.24 |

Source: Bloomberg

**Economic Data**

|                                   | For | Actual | Last  | Survey |
|-----------------------------------|-----|--------|-------|--------|
| EU Sentix Investor Confidence     | Aug | 14.7   | 12.1  | 13.4   |
| JP Household Spending YoY         | Jun | -1.2%  | -3.9% | -1.4%  |
| JP Labor Cash Earnings YoY        | Jun | 3.6%   | 2.1%  | 1.7%   |
| AU AiG Perf of Construction Index | Jul | 52.0   | 50.6  | --     |

Source: Bloomberg

## ➤ Macroeconomics

- Eurozone investor sentiments improved as trade war fear diminished:** The headline Sentix Investor Confidence Index for the overall Euro Area rose by 2.6 pts to 14.7 in August (Jul: 12.1). The index for current situation rose to 37.3 (Jul: 36.8) while the index for expectations went up to -5.8 (Jul: -10.0). The improvement in sentiments was due to the late July meeting between the European Commission President Jean-Claude Juncker and President Trump in Washington as both parties agreed to work towards solving trade issues thus leading investors to view the threat of an escalation in trade dispute to be less acute.
- Japan household spending contracted for fifth month; wage growth at 21-year high:** Data released this morning shows that household spending fell less-than-expected by 1.2% YOY in June (May: -3.9%), marking its fifth month of consecutive decline. Consensus estimates have earlier expected a 1.4% YOY drop in spending. Meanwhile, labour cash earnings, a measure of wage growth rose a whopping 3.6% YOY in the same month (May: +2.1%), the highest since Jan-97. The accelerating growth was driven by faster gain in contracted earnings (Jun +1.5% vs May +1.4%) while special payout or bonus posted a modest growth (+7.0% vs +18.2%) following a surge in the previous month. Within contracted earnings, regular pay growth held steady at a solid 1.3% YOY (May: +1.3%) suggesting that companies did increase employees' pay. Overtime pay, the barometer of corporate activities edged up substantially by 3.5% YOY (May: +2.0%). The stronger wage growth in recent months came in tandem with the tightening labour market where jobless rate stayed low and job-to-applicant ratio was high, yet it has failed to drive household spending as underlying demand remained weak. Our take is that inflation is likely subdued for the coming months. June headline inflation rate has been at 0.7% YOY, well below the BOJ's target of 2%. The central bank has recently made some minor tweaks to its monetary policy while maintaining its inflation target, a goal that it admitted, will take "more time than expected" to achieve.
- Australia construction sector expanded at a faster pace:** The AiG Performance of Construction Index rose to 52.0 in July (Jun: 50.6) as new orders, employment and wages rose at a faster pace compared to the previous month. Input prices soared yet that did not translate into higher selling prices. Housing activity rose modestly whereas apartments and commercial activities faltered.

| Economic Calendar |                  |                                   |                  |              |                 |          |
|-------------------|------------------|-----------------------------------|------------------|--------------|-----------------|----------|
| Date              | Country          | Events                            | Reporting Period | Survey       | Prior           | Revised  |
| <b>07/08</b>      | <b>Malaysia</b>  | <b>Foreign Reserves</b>           | <b>Jul-31</b>    | --           | <b>\$104.6b</b> | --       |
| 08/08             | US               | MBA Mortgage Applications         | 03-Aug           | --           | -2.6%           | --       |
| <b>07/08</b>      | <b>UK</b>        | <b>Halifax House Prices MoM</b>   | <b>Jul</b>       | <b>0.2%</b>  | <b>0.3%</b>     | --       |
| <b>07/08</b>      | <b>Japan</b>     | <b>Leading Index CI</b>           | <b>Jun P</b>     | <b>105.3</b> | <b>106.9</b>    | --       |
|                   |                  | <b>Coincident Index</b>           | <b>Jun P</b>     | <b>116.2</b> | <b>116.8</b>    | --       |
| 08/08             |                  | Eco Watchers Survey Current SA    | Jul              | 48.0         | 48.1            | --       |
|                   |                  | Eco Watchers Survey Outlook SA    | Jul              | 49.9         | 50.0            | --       |
| 08/08             | China            | Trade Balance                     | Jul              | \$38.90b     | \$41.61b        | \$41.47b |
|                   |                  | Imports YoY                       | Jul              | 16.9%        | 14.1%           | 14.1%    |
|                   |                  | Exports YoY                       | Jul              | 10.0%        | 11.3%           | 11.2%    |
|                   |                  | Foreign Direct Investment YoY CNY | Jul              | --           | 0.3%            | --       |
| <b>07/08</b>      | <b>Australia</b> | <b>RBA Cash Rate Target</b>       | <b>07-Aug</b>    | <b>1.5%</b>  | <b>1.5%</b>     | --       |
| 08/08             |                  | Home Loans MoM                    | Jun              | 0.0%         | 1.1%            | --       |
|                   |                  | Investment Lending                | Jun              | --           | -0.1%           | --       |

Source: Bloomberg

**FX Table**

| Name   | Last Price | DoD % | High   | Low    | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1554     | -0.12 | 1.1574 | 1.1530 | -3.7  |
| USDJPY | 111.40     | -0.13 | 111.53 | 111.15 | -2.2  |
| GBPUSD | 1.2944     | -0.44 | 1.3021 | 1.2920 | -4.2  |
| AUDUSD | 0.7387     | -0.23 | 0.7408 | 0.7374 | -5.4  |
| EURGBP | 0.8926     | -0.31 | 0.8937 | 0.8890 | -0.6  |
| USDMYR | 4.0800     | -0.03 | 4.0805 | 4.0750 | -0.8  |
| EURMYR | 4.7169     | -0.15 | 4.7199 | 4.7103 | -2.7  |
| JPYMYR | 3.6684     | -0.43 | 3.6697 | 3.6613 | -2.0  |
| GBPMYR | 5.2892     | -0.27 | 5.3065 | 5.2846 | -3.3  |
| SGDMYR | 2.9843     | -0.17 | 2.9864 | 2.9809 | -1.6  |
| AUDMYR | 3.0168     | -0.46 | 3.0190 | 3.0120 | -4.7  |
| NZDMYR | 2.7493     | -0.03 | 2.7541 | 2.7467 | -4.6  |

Source: Bloomberg

## Forex

### MYR

- **MYR ended 0.03% firmer at 4.0800 against USD** but saw early gains reduced as risk appetite continue to retreat amid escalation of US-China trade tensions. MYR managed to advance against 7 G10s.
- **Stay neutral on MYR against USD** with scope for mild losses amid waning risk appetite in the markets from escalated US-China trade tensions. We maintain that price-momentum divergence and signs of upside fatigue still prevail amid failure to break the upper Bollinger, both of which still suggest a reversal lower is impending for USDMYR.

### USD

- **USD strengthened against 9 G10s** while the DXY extended its advance, most in European morning, amid continued demand for refuge from escalation of US-China trade tensions to close 0.21% higher at 95.35.
- **USD is slightly bearish in our view** in anticipation of a technical pullback after recent rally. DXY is negotiating the strong 95.32 – 95.52 resistance range that has previously rejected 7 attempts to advance. Firmly breaking this range exposes a move to 95.77 – 95.80, but failure will likely trigger a drop to 95.11 or lower.

### EUR

- **EUR slipped 0.12% to 1.1554 against a firm USD** but managed to close higher against 5 G10s on the back of slightly better Eurozone data.
- **EUR is slightly bullish in line with our view on USD.** Expect rebound in EURUSD after recent sharp declines. But with downside momentum advancing, gains are likely modest and stemmed by 1.1582 – 1.1591 before resuming a bearish trend.

### GBP

- **GBP fell against all G10s and weakened 0.44% to 1.2944 against USD** as it remains weighed down by prospects of the UK exiting the EU without agreements that allow operational continuity in crucial areas such as immigration and trade.
- **Stay bearish on GBP against USD** as Brexit jitters continue to prevail. GBPUSD remains technically bearish and is now poised to test 1.2900, a strong support that we opine could halt current losses and perhaps even trigger a mild rebound.

### JPY

- **JPY slipped against 5 G10s and weakened 0.13% to 111.40 against USD** as demand for refuge eased amid extended rebound in equities.
- **Keep a bullish view on JPY against USD,** supported by refuge demand amid heightened US-China trade tensions. USDJPY remains weighed down by rising downside momentum that could push it to test 111.14 next. Breaking below this exposes a move to 110.68.

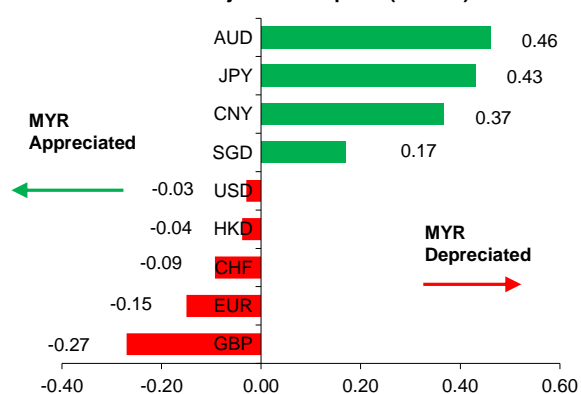
### AUD

- **AUD fell 0.23% to 0.7387 against USD** and retreated against 7 G10s, weighed down by soft commodities and risk aversion ahead of today's RBA policy decision.
- **Continue to expect a bearish AUD against USD** on the back of sliding sentiment in the markets amid heightened US-China trade tensions and ahead of RBA policy decision. AUDUSD remains weak while below 0.7397 and poised to close below 0.7360 soon if current bearish trend sustains. Next leg lower will threaten 0.7311.

### SGD

- **SGD weakened 0.16% to 1.3681 against a firm USD** and eased against 6 G10s on the back of continued weakness in Asian markets.
- **Expect a slightly bearish SGD against USD,** pressured by continued risk-off in regional markets amid heightened US-China trade tensions. USDSGD is technically bullish but caution on rising risk of rejection approaching 1.3704 – 1.3712 range. Gains are likely to turn more modest and failure to break this range is likely to trigger a decline to circa 1.3643.

MYR vs Major Counterparts (% DOD)



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