

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Stocks ended mixed overnight** at Wall Street as the tech sector continued to come under pressure weighing down by shares of Twitter and Facebook. WTI fell below \$68/barrel to settle at \$67.77/barrel despite the EIA reported a larger-than-expected draw in crude inventories as there was a considerable gain in gasoline & distillate while concerns over a lack of demand amidst US-China trade war remained. Yield on US 10Y treasuries slipped 3 bps to 2.87% on disappointing private payroll number.
- **Data from the US was rather mixed.** Services sector experienced robust expansion as the ISM Non-Manufacturing PMI rose to 58.5 in August. The private reading by Markit meanwhile fell to 54.8 in the same month. The ADP employment number came in at 163k, well below expectations of 200k. Initial jobless claims fell by 10k to 203k last week. Factory orders fell 0.8% MOM of which durable goods orders contracted 1.7% MOM. Orders of core capital goods however posted a solid 1.6% MOM increase. In Asia, Japan household spending rebounded for the first time in five months to increase 0.1% YOY in July. Wage growth however eased to 1.5% YOY in the same month due to lower bonus payout. Australia recorded lower trade surplus of A\$1.55b as exports decreased 1.0% MOM while imports posted a marginal gain of 0.1% MOM. The August AiG Construction Index fell slightly to 51.8. Last but not least, Malaysia foreign reserves ticked up to \$104.4b as at 30 August.
- **USD ended mixed against the G10s** while the DXY ended 0.17% lower at 95.02, paring gains as buying interest waned going into US afternoon. **Keep a slight bearish view on USD** in anticipation of extended retreat in buying interest amid risk aversion ahead of crucial US data tonight. Technically, DXY remains tilted to the downside with scope to slide to circa 94.84 unless it manages to recapture above 95.14 today.
- **MYR inched 0.08% firmer to 4.1445 against USD** after the greenback slipped in late Asian afternoon. MYR fell against 9 G10s that climbed on a soft USD. **We are neutral on MYR against USD**, with room for slight losses amid risk aversion ahead of the week's close and tonight's US data. USDMYR remains tilted to the upside and is poised to test 4.1450 – 4.1480 next. However, caution that continued failure to beat 4.1492 is expected to erode current upside bias, which poses a reversal risk to USDMYR.
- **SGD ended mixed against the G10s but managed to inch 0.04% firmer to 1.3751 against a soft USD.** SGD remains bearish against USD on technical reasons. Prevalence of minor bullish trend continues to suggest that USDSGD is likely to trend higher going forward. USDSGD is poised to beat 1.3762 soon.

Overnight Economic Data

Malaysia	↑
US	→
Japan	→
Australia	↓

What's Coming Up Next

Major Data

- Malaysia Industrial Production
- US Change in Nonfarm Payrolls, Unemployment Rate, Average Hourly Earnings, Labor Force Participation Rate
- Eurozone 2Q GDP
- UK Halifax House Prices
- Japan Leading Index, Coincident Index
- China Exports
- Australia Home Loans, Investment Lending

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1585	1.1600	1.1619	1.1632	1.1642	↗
USDJPY	1.2900	1.2915	1.2923	1.2950	1.2983	↗
GBPUSD	110.12	110.30	110.47	110.64	110.82	↘
AUDUSD	0.7158	0.7175	0.7187	0.7207	0.7218	↘
EURGBP	0.8980	0.8988	0.8992	0.8995	0.9002	↘
USDMYR	4.1400	4.1420	4.1435	4.1450	4.1480	→
EURMYR	4.8115	4.8130	4.8148	4.8170	4.8206	→
JPYMYR	3.7480	3.7500	3.7520	3.7550	3.7580	↗
GBPMYR	5.3475	5.3512	5.3551	5.3590	5.3620	→
SGDMYR	3.0090	3.0108	3.0137	3.0150	3.0180	→
AUDMYR	2.9730	2.9750	2.9773	2.9795	2.9840	↘
NZDMYR	2.7200	2.7230	2.7262	2.7290	2.7315	↘
USDSGD	1.3711	1.3735	1.3747	1.3763	1.3783	↗
EURSGD	1.5956	1.5967	1.5978	1.5989	1.6000	↗
GBPSGD	1.7739	1.7750	1.7768	1.7786	1.7800	↗
AUDSGD	0.9850	0.9870	0.9881	0.9892	0.9907	↘

* 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	1,798.57	0.17	0.10	CRB Index	189.78	-0.64	-2.11
Dow Jones Ind.	25,995.87	0.08	5.16	WTI oil (\$/bbl)	67.77	-1.38	12.16
S&P 500	2,878.05	-0.37	7.65	Brent oil (\$/bbl)	76.50	-1.00	14.40
FTSE 100	7,318.96	-0.37	4.80	Gold (S/oz)	1,199.98	0.27	8.10
Shanghai	2,691.59	-0.47	13.61	CPO (RM/tonne)	2,223.00	0.09	-6.99
Hang Seng	26,974.82	-0.99	9.84	Copper (\$/tonne)	5,927.50	0.96	-18.21
STI	3,147.69	-0.27	7.50	Rubber (sen/kg)	408.00	-0.24	-11.78

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Foreign Reserves	Aug-30	\$104.4b	\$104.2b	--
US ADP Employment Change	Aug	163K	217k	200k
US Initial Jobless Claims	Sep-01	203k	213k	213k
US Markit Services PMI	Aug F	54.8	56.0	55.2
US ISM Services	Aug	58.5	55.7	56.8
US Factory Orders	Jul	-0.8%	0.6%	-0.6%
US Durable Goods Orders	Jul F	-1.7%	0.9%	-1.7%
US Cap Goods Orders Nondef Ex Air	Jul F	1.6%	0.8%	--
JP Household Spending YOY	Jul	0.1%	-1.2%	-0.9%
JP Labor Cash Earnings YOY	Jul	1.5%	3.6%	2.4%
AU Trade Balance	Jul	A\$1,551	A\$1,937m (revised)	A\$1,450 M
AU AiG Perf of Construction Index	Aug	51.8	52.0	--

Source: Bloomberg

➤ Macroeconomics

- US private payroll disappointed:** US private sector added 163k jobs in August (Jul: 217k revised) according to the latest ADP employment report. The number was below a Bloomberg consensus estimate of 200k and came ahead of tonight official jobs report. A separate weekly release meanwhile shows that initial jobless claims fell by 10k to 203k for the week ended 1 Sept (previous: 213k), a sign that the US labour market continued to tighten further.
- US services sector experienced robust expansion:** The ISM Non-Manufacturing PMI rose to 58.5 in August (Jul: 55.7) suggesting that the services sector continued to grow at a faster rate driven by higher output (60.7 vs 56.5) as well as new orders (60.4 vs 57.0) which in turn led firms to hire more as seen in the employment sub-index (56.7vs 56.1). Similar to the manufacturing reading, input prices appeared to ease as prices fell to 62.8 (Jul: 63.4) but higher input cost remained a very general narrative. Contrary to the manufacturing sector, new exports order expanded at a faster rate (60.5 vs 58.0) while imports slowed (52.0 vs 52.5). Meanwhile, the private reading was less upbeat as the final reading of Markit Services PMI fell to 54.8 in August (Jul: 56.0) due to softer output and new business growth. The Census Bureau announced that factory orders which measures new orders for US manufactured goods fell 0.8% MOM in July (Jun: +0.6%) of which durable goods orders saw a 1.7% MOM contraction (Jun: +0.9%). Order of core capital goods i.e nondefense capital goods excluding aircrafts posted a solid 1.6% MOM increase (Jun: +0.8%) suggesting higher business capex. All data generally pointed to a solid US economy hence reaffirming a third rate hike in September.
- Japan household spending rebounded for the first time in five month;; wage growth eased:** Data released this morning shows that household spending rose 0.1% YOY in July (Jun: -1.2%), marking its first time of increase since January as spending have contracted for the preceding five months. The number came as a surprise as a Bloomberg survey placed consensus estimate at -0.9% YOY. A separate release shows that wage growth slowly normalized, easing to 1.5% YOY in July (Jun: +3.3%) mainly due to the lower bonus payment to employees which had fuelled the substantial jumps in the previous months. Growth in contracted earnings softened as well, increasing 1.1% YOY (Jun: +1.3%) attributed to lower overtime payment (a barometer of corporate activities) which saw a milder rise of 1.9% YOY (Jun: +3.5%). Regular earnings grew a modest 1.0% YOY (Jun: +1.1%) raising concerns that the faster gain in base pay to employees in the months before would not hold up for long despite a tightening labour market. Jobless rate was reported to have increased to 2.5% in July (Jun: 2.4%) as the labour force shrank in the month leading to a lower participation rate.
- Australia recorded lower trade surplus:** Trade surplus went down to A\$1.55b in July (Jun: A\$1.94b revised) as exports decreased 1.0% MOM (Jun: +2.5%) while imports rose 0.1% MOM (Jun: -0.8%). On a yearly basis, exports gained 13.7% YOY (Jun: +12.8%) while imports rose 9.8% YOY (Jun: +10.3%). July number highlights the softening trend in exports since the beginning of 2018- exports grew a modest 1.1% QOQ in yesterday's 2Q GDP report compared to the 3.3% QOQ growth in the first quarter). Shipment to China, its largest trading partner fell in the month by 12.2% MOM (Jun: +2.6%), in line with the drop in sales revenue of coal, iron ore and gold. China is a major destination/market for these commodities. Other release include the AiG Performance of Construction Index which fell slightly to 51.8 in August (Jul: 52.0) driven by a contraction in construction activities, employment as well as selling prices.
- Malaysia foreign reserves ticked upwards:** Foreign reserves increased to \$104.4b as at 30 August (Previous: \$104.2b) sufficient to finance 7.5 months of retained imports and is 0.9 times short term external debt.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
07/09	Malaysia	Industrial Production YOY	Jul	1.4%	1.1%	1.5%
07/09	US	Change in Nonfarm Payrolls	Aug	191k	157k	--
		Unemployment Rate	Aug	3.8%	3.9%	--
		Average Hourly Earnings YOY	Aug	2.7%	2.7%	--
		Labor Force Participation Rate	Aug	--	62.9%	--
07/09	Eurozone	GDP SA QOQ	2Q F	0.4%	0.4%	--
10/09		Sentix Investor Confidence	Sep	15.0	14.7	--
07/09	UK	Halifax House Prices MOM	Aug	0.1%	1.4%	--
10/09		Visible Trade Balance GBP/Mn	Jul	-Â£11700	-£11383	--
07/09	Japan	Leading Index CI	Jul P	103.5	104.7	--
		Coincident Index	Jul P	115.7	116.4	--
10/09		GDP SA QOQ	2Q F	0.7%	0.5%	--
		Eco Watchers Survey Current SA	Aug	--	46.6	--
		Eco Watchers Survey Outlook SA	Aug	--	49.0	--
08/09	China	Exports YOY	Aug	10.0%	12.2%	--
		Imports YOY	Aug	18.5%	27.3%	--
		Trade Balance	Aug	\$31.00b	\$28.05b	--
10/09		PPI YOY	Aug	4.0%	4.6%	--
		CPI YOY	Aug	2.1%	2.1%	--
07/09	Australia	Home Loans MOM	Jul	0.1%	-1.1%	--
		Investment Lending	Jul	--	-2.7%	--
10-14/09	New Zealand	REINZ House Sales YOY	Aug	--	0.70%	--
6-13/09		Domestic Vehicle Sales YOY	Aug	--	3.6%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1623	-0.06	1.1659	1.1606	-3.23
GBPUSD	1.2930	0.19	1.2962	1.2897	-4.37
USDJPY	110.75	-0.70	111.53	110.52	-2.01
AUDUSD	0.7200	0.10	0.7211	0.7166	-6.05
EURGBP	0.8990	-0.24	0.9019	0.8974	1.23
USDMYR	4.1445	-0.08	4.1480	4.1390	2.37
EURMYR	4.8172	0.34	4.8316	4.8163	-0.73
JPYMYR	3.7217	0.06	3.7283	3.7160	4.37
GBPMYR	5.3644	0.89	5.3673	5.3474	-2.03
SGDMYR	3.0150	0.23	3.0173	3.0085	-0.58
AUDMYR	2.9829	0.27	2.9899	2.9720	-5.92
NZDMYR	2.7345	0.60	2.7415	2.7257	-5.43
CHFMYR	4.2759	0.47	4.2801	4.2639	3.43
CNYMYR	0.6067	0.02	0.6076	0.6064	-2.43
HKDMYR	0.5281	-0.04	0.5285	0.5274	1.91
USDSGD	1.3751	-0.04	1.3785	1.3740	2.97
EURSGD	1.5983	-0.11	1.6028	1.5967	-0.44
GBPSGD	1.7780	0.15	1.7823	1.7749	-1.64
AUDSGD	0.9902	0.07	0.9912	0.9874	-5.40

Source: Bloomberg

Forex

MYR

- **MYR inched 0.08% firmer to 4.1445 against USD** after the greenback slipped in late Asian afternoon. MYR fell against 9 G10s that climbed on a soft USD.
- **We are neutral on MYR against USD**, with room for slight losses amid risk aversion ahead of the week's close and tonight's US data. Technically, USDMYR remains tilted to the upside and is poised to test 4.1450 – 4.1480 next. However, caution that continued failure to beat 4.1492 is expected to erode current upside bias, which poses a reversal risk to USDMYR.

USD

- **USD ended mixed against the G10s** while the DXY ended 0.17% lower at 95.02, paring gains as buying interest waned going into US afternoon.
- **Keep a slight bearish view on USD** in anticipation of extended retreat in buying interest amid risk aversion ahead of crucial US data tonight. While prevailing risk-off sentiment from trade war concerns could still support USD, we opine that the downsides from US data could trigger sharp losses as the greenback is more reactive to negative headlines. Technically, DXY remains tilted to the downside with scope to slide to circa 94.84 unless it manages to recapture above 95.14 today.

EUR

- **EUR slipped 0.06% to 1.1623 against USD** and retreated against 6 G10s, weighed down by soft risk appetite in European markets.
- **Stay slightly bullish on EUR against USD** that is showing signs of softness but note that today's direction will rely on the outcome of Eurozone and US data. A minor bullish trend still prevails but will be lost if EURUSD closes below 1.1619. While bullish trend still holds, EURUSD is poised to test 1.1662, then 1.1680, next. We maintain that rebound short of 1.1790 will be viewed as corrective in nature.

GBP

- **GBP** was supported by risk aversion in European markets and firmer Brexit sentiment, climbing against 6 G10s and **rising 0.19% to 1.2930 against USD**.
- **Continue to expect a bullish GBP against USD**, supported by firmer Brexit sentiment but we caution that amid lingering uncertainties, the return of negative headlines would quickly overturn gains. A bullish trend has emerged and GBPUSD is tilted to the upside, with scope to beat 1.2950 and challenge 1.2983 – 1.3000.

JPY

- **JPY** rallied to beat all G10s and **strengthened 0.7% to 110.75 against USD**, buoyed by rising concerns that trade war landscape could shift to Japan.
- **We turn bullish on JPY against USD** amid speculation that US would target Japan as the next front of the on-going trade war. Strong decline overnight has tilted USDJPY into a bearish trend. Early downside break of 110.64 today hints at further losses going forward, with scope to test 110.12 next.

AUD

- **AUD climbed 0.1% to 0.7200 against a soft USD** and managed to beat 5 G10s, likely an extension of its bounce from recent losses.
- **We now expect a slightly bearish AUD against USD**, weighed down by risk aversion heading into US data tonight and by rising concerns over potential escalation of trade war. Closing below 0.7178 today could push AUDUSD lower to 0.7158 next. Otherwise, there is still chance for AUDUSD to break 0.7207 and challenge 0.7254.

SGD

- **SGD** ended mixed against the G10s **but managed to inch 0.04% firmer to 1.3751 against a soft USD**.
- **SGD remains bearish against USD** on technical reasons. Prevalence of minor bullish trend continues to suggest that USDSGD is likely to trend higher going forward. USDSGD is poised to beat 1.3762 soon.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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