August 8, 2018

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Trade tension is back in focus on news that the US will begin to slap tariffs on another $16b worth of Chinese goods on 23 August** and it is still in the midst of finalizing the list of 279 products to be subjected to 25% duties. Overnight, Wall Street stocks continued to rally posting modest gains, led by financials and energy sectors. US 10Y treasuries yield rose 3bps to 2.97% as investors sold longer dated bonds to make room for higher supply from the government's quarterly refunding. WTI closed marginally higher at $69.17 after API reported a larger than expected draw in US crude inventories. China July trade data are due later today.

- **The RBA left cash rate unchanged at 1.5% as widely expected while maintaining its dovish tone. The central bank noted slowdown in China but appeared more upbeat on domestic economy.** While reaffirming its GDP growth projection to average "a bit above 3%" in 2018 and 2019, it has revised unemployment rate downward from 5.5% to 5.0% for the "next couple of years". **We reaffirm our view that the RBA will leave rate unchanged for the remainder of 2018.** There were very little data releases – UK house prices rose more than expected as the Markit/Halifax House Prices Index rose 1.4% MOM but overall housing activities remained soft. Preliminary reading of Japan leading economic index fell to 105.2 in June while the coincident index dropped to 116.3. **Malaysia foreign reserves fell a mere $0.1bn to $104.5b as at 31 July.**

- **USD slipped against 8 G10s**, pulling back from recent gains while the DXY closed 0.18% lower at 95.18. **Continue to expect a slightly bearish USD** in the absence of positive catalyst to drive further gains. DXY has been rejected by the strong 95.32 – 95.52 resistance range for a third consecutive day. Caution that closing below 95.17, or worse still below 95.12, today will mark the start of a bearish trend that could see DXY sliding to circa 94.60 – 94.68 going forward.

- **MYR ended 0.09% firmer against USD at 4.0765** after overturning early losses amid greenback weakness in Asian afternoon on top of firmer regional sentiment. MYR slipped against 7 G10s. **MYR is now slightly bullish against USD**, further supported by improved risk appetite in the markets. We opine that price-momentum divergence and upside fatigue is finally pushing USDMYR lower, with scope to slide lower to 4.0625.

- **SGD** was also supported by firmer risk appetite to beat 6 G10s and **strengthened 0.27% to 1.3644 against USD**. **SGD is now bullish against a soft USD**, supported by likelihood of extended risk-on in the markets. USDSGD again failed to break the strong 1.3704 – 1.3712 range for a fourth consecutive time. We expect upside fatigue to lead USDSGD lower.

Overnight Economic Data	
Malaysia	↓
UK	↑
Japan	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications
- Japan Eco Watchers Survey
- China Exports, Foreign Direct Investment
- Australia Home Loans, Investment Lending

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1582	1.1590	1.1604	1.1620	1.1638	↗
USDJPY	111.10	111.20	111.33	111.45	111.53	↘
GBPUSD	1.2900	1.2924	1.2944	1.2958	1.2976	↘
AUDUSD	0.7404	0.7412	0.7429	0.7436	0.7451	↗
EURGBP	0.8950	0.8959	0.8965	0.8971	0.8990	↗
USDMYR	4.0705	4.0740	4.0750	4.0765	4.0790	↘
EURMYR	4.7211	4.7260	4.7283	4.7304	4.7341	↗
JPYMYR	3.6517	3.6550	3.6600	3.6633	3.6653	↘
GBPMYR	5.2678	5.2700	5.2736	5.2750	5.2785	↘
SGDMYR	2.9832	2.9855	2.9883	2.9890	2.9900	→
AUDMYR	3.0213	3.0251	3.0266	3.0280	3.0305	↘
NZDMYR	2.7414	2.7433	2.7445	2.7467	2.7485	↘
USDSGD	1.3600	1.3613	1.3636	1.3657	1.3669	↘
EURSGD	1.5814	1.5821	1.5826	1.58840	1.5846	↗
GBPSGD	1.7600	1.7620	1.7651	1.7687	1.7700	↘
AUDSGD	1.0110	1.0121	1.0130	1.0137	1.0142	↗

* at time of writing

↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1,791.09	0.64	-0.32
Dow Jones Ind.	25,628.91	0.50	3.68
S&P 500	2,858.45	0.28	6.91
FTSE 100	7,718.48	0.71	0.40
Shanghai	2,779.37	2.74	-15.96
Hang Seng	28,248.88	1.54	-5.58
STI	3,340.00	1.66	-1.85

Name	Last Price	DoD %	YTD %
CRB Index	194.49	0.29	0.33
WTI oil ($/bbl)	69.17	0.23	14.48
Brent oil ($/bbl)	74.65	1.22	11.63
Gold (S/oz)	1,210.97	0.28	8.10
CPO (RM/tonne)	2,175.50	0.69	-8.97
Copper ($/tonne)	6,175.00	0.68	-14.79
Rubber (sen/kg)	414.00	0.61	-10.49

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MA Foreign Reserves	Jul-31	$104.5b	$104.6b	--
UK Halifax House Prices MoM	Jul	1.4%	0.9% (revised)	0.2%
JP Leading Index CI	Jun P	105.2	106.9	105.3
JP Coincident Index	Jun P	116.3	116.8	116.2
AU RBA Cash Rate Target	07-Aug	1.5%	1.5%	1.5%

Source: Bloomberg

➢ Macroeconomics

- ***RBA left cash rate unchanged, upbeat on domestic economy but maintained dovish tone:*** RBA held cash rate steady at 1.5% as widely expected while maintaining its dovish tone on monetary policy. Some changes were noted especially in the central bank's outlook on global and domestic economy. It acknowledged the slowdown of growth in China compared to the last statement where it had said that the Chinese economy had continued to grow solidly. At the domestic front, tone appeared somewhat upbeat, while reaffirming its GDP growth projection to average "a bit above 3%" in 2018 and 2019, it has revised unemployment rate downward from 5.5% to 5.0% for the "next couple of years" citing that employment growth was faster than growth in working age population. Wage growth however remained low and is expected to stay so for a while. On inflation, latest CPI were in line with the central bank's expectations and is projected to be higher than the current level in 2019 and 2020. However, a once-off declines in some administered prices in September will result in headline inflation in 2018 being a little lower than expected at 1.75%. In the financial markets, it mentioned the decline in money markets rate since end-June after surging in earlier of the year while the Australian dollar remained within the range that it has been over the past two years. On the housing markets, RBA noted the easing conditions in Sydney and Melbourne, credit growth has declined due to the reduced investors demand adding that the housing market dynamics have changed. We expect that the RBA to leave the cash rate unchanged for the remainder of 2018.

- ***UK house prices rose more than expected:*** The Markit/Halifax House Price Index rose 1.4% MOM in July (Jun: +0.9% revised) to 745.3 (Jun: 734.8). House prices grew 3.3% YOY in the three months to July (Jun: +1.8%), the largest increase since Nov-17. Average house price stood at £230,280 (Jun: £227,027). Despite that the pick-up in house prices and mortgage approvals recently, housing activity remained soft as demand remained weak with new buyer enquiries flat or falling for 18 consecutive months while agreed sales deteriorated between May and June.

- ***Japan economic indexes fell:*** Preliminary reading of Japan leading economic index fell to 105.2 in June (May: 106.9) while the coincident index dropped to 116.3 (May: 116.8).

- ***Malaysian foreign reserves extended further decline***: Foreign reserves fell to $104.5b as at 31 July (previous: $104.6b), sufficient to finance 7.5 months of retained imports and is 1.1 times short term external debt.

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Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
08/08	**US**	**MBA Mortgage Applications**	**03-Aug**	**--**	**-2.6%**	**--**
09/08		Initial Jobless Claims	04-Aug	220k	218k	--
		PPI Final Demand MoM	Jul	0.2%	0.3%	--
		PPI Final Demand YoY	Jul	3.4%	3.4%	--
		Wholesale Inventories MoM	Jun F	0.0%	0.4%	--
09/08	UK	RICS House Price Balance	Jul	4.0%	2.0%	--
08/08	**Japan**	**Eco Watchers Survey Current SA**	**Jul**	**48.0**	**48.1**	**--**
		Eco Watchers Survey Outlook SA	**Jul**	**49.9**	**50.0**	**--**
09/08		Core Machine Orders YoY	Jun	10.5%	16.5%	--
		Machine Tool Orders YoY	Jul P	--	11.4%	--
08/08	**China**	**Trade Balance**	**Jul**	**$38.92b**	**$41.61b**	**$41.47b**
		Imports YoY	**Jul**	**16.5%**	**14.1%**	**14.1%**
		Exports YoY	**Jul**	**10.0%**	**11.3%**	**11.2%**
		Foreign Direct Investment YoY CNY	**Jul**	**--**	**0.3%**	**--**
09/08		PPI YoY	Jul	4.5%	4.7%	--
		CPI YoY	Jul	2.0%	1.9%	--
08/08	**Australia**	**Home Loans MoM**	**Jun**	**0.0%**	**1.1%**	**--**
		Investment Lending	**Jun**	**--**	**-0.1%**	**--**
09/08	New Zealand	RBNZ Official Cash Rate	09-Aug	1.75%	1.75%	--

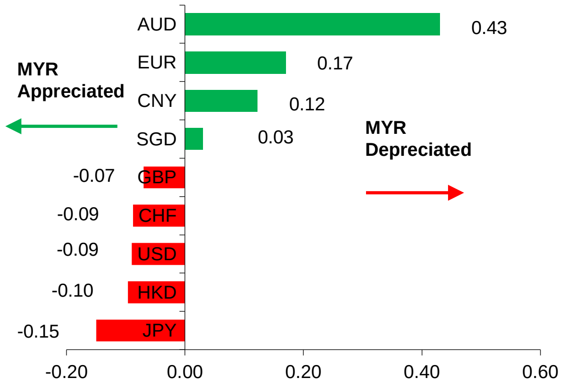
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1599	0.39	1.1608	1.1551	-3.3
USDJPY	111.38	-0.02	111.48	110.99	-1.2
GBPUSD	1.2939	-0.04	1.2974	1.2924	-4.2
AUDUSD	0.7421	0.46	0.744	0.7382	-4.9
EURGBP	0.8963	0.42	0.8966	0.8923	0.9
USDMYR	4.0765	-0.09	4.0860	4.0760	0.7
EURMYR	4.7249	0.17	4.7260	4.7150	-2.5
JPYMYR	3.6628	-0.15	3.6710	3.6605	1.9
GBPMYR	5.2856	-0.07	5.2925	5.2802	-3.3
SGDMYR	2.9851	0.03	2.9873	2.9809	-1.4
AUDMYR	3.0299	0.43	3.0310	3.0133	-4.2
NZDMYR	2.7527	0.12	2.7536	2.7454	-4.4

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR ended 0.09% firmer against USD at 4.0765** after overturning early losses amid greenback weakness in Asian afternoon on top of firmer regional sentiment. MYR slipped against 7 G10s.
- **MYR is now slightly bullish against USD**, further supported by improved risk appetite in the markets. We opine that price-momentum divergence and upside fatigue is finally pushing USDMYR lower, with scope to slide lower to 4.0625. Bearish bias is still fragile, and a close above 4.0765 today will likely invigorate the bulls to attempt another test at 4.0840.

USD

- **USD slipped against 8 G10s**, pulling back from recent gains while the DXY declined through Asian afternoon / European morning before paring losses to close 0.18% lower at 95.18.
- **Continue to expect a slightly bearish USD** in the absence of positive catalyst to drive further gains. DXY has been rejected by the strong 95.32 – 95.52 resistance range for a third consecutive day. Caution that closing below 95.17, or worse still below 95.12, today will mark the start of a bearish trend that could see DXY sliding to circa 94.60 – 94.68 going forward.

EUR

- **EUR advanced 0.39% to 1.1599 against a soft USD** and climbed against 7 G10s on improved risk appetite within the region.
- **EUR is slightly bullish in line with our view on USD**. Rebound off the lower Bollinger appears rather strong, therefore we suspect residual upside momentum to still prevail and lead EURUSD higher. A challenge at 1.1638 may be next.

GBP

- **GBP** remains pressured by Brexit jitters, sliding against 8 G10s and **dipping 0.04% to 1.2939 even against a soft USD**.
- **GBP remains bearish against USD** as Brexit jitters continue to prevail. Bearish trend still prevails in GBPUSD and is still poised to test 1.2900, a strong support that we opine could halt current losses and perhaps even trigger a mild rebound.

JPY

- **JPY** remains unfavoured, falling against 7 G10s as risk appetite continues to improve, but **managed to inch 0.02% firmer to 111.38 against a soft USD**.
- **Keep a bullish view on JPY against a soft USD** though gains may be minor given improving risk appetite in the markets. USDJPY remains weighed down by rising downside momentum that could push it to test 111.00 again. Breaking below this exposes a move to 110.68.

AUD

- **AUD** rebounded to beat 8 G10s and **jumped 0.46% to 0.7421 against USD**, supported by firmer risk appetite and as RBA raised its inflation outlook for next year, spurring market expectations that the central bank may be closer to hiking rates next year.
- **We turn bullish on AUD against a soft USD**, further supported by improving risk appetite as markets look beyond US-China trade tensions. Break of several firm resistances has tilted AUDUSD towards the upside. It is now taking aim at 0.7451, above which 0.7494 will be targeted. Caution that AUDUSD remains fragile in our view and losing 0.7404 will again revive a bearish scenario.

SGD

- **SGD** was also supported by firmer risk appetite to beat 6 G10s and **strengthened 0.27% to 1.3644 against USD**.
- **SGD is now bullish against a soft USD**, supported by likelihood of extended risk-on in the markets. USDSGD again failed to break the strong 1.3704 – 1.3712 range for a fourth consecutive time. We expect upside fatigue to lead USDSGD lower, possibly testing 1.3613 before sliding lower to circa 1.3585.

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