

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equity extended further losses while treasuries rallied** as investors sold off financials, industrial and energy shares with focus remained on trade war, and the newly announced US sanctions on Russia. The Dow, S&P 500 fell 0.29% and 0.14% respectively while NASDAQ posted tiny gain of 0.04%. US 10Y treasuries yield fell 3bps to 2.93%. Similarly WTI continued to be weighed down by trade headlines and could barely hold up to a small boost in earlier session as US sanction on Iran kicked in closing the day below \$67/barrel.
- US initial jobless claims fell to 213k last week. Producer prices for final demand softened increasing 3.3% YOY in July while wholesale inventories investment slowed clocking in at a 0.1% MOM growth. Japan 2Q GDP growth clocked in at a higher-than-expected 0.5% QOQ following a 0.2% contraction in the previous quarter as private consumption growth rebounded. Producer prices quickened to increase 3.1% YOY in July. June core machine orders dipped 8.8% MOM (slowed to increase 0.3% YOY) raising concerns on capex while machine tools order rose 13.0% YOY. China consumer prices ticked up 2.1% YOY on higher energy prices while producer prices growth eased less than expected to 4.6%. New Zealand manufacturing PMI fell to 51.2, the lowest since last December signalling softer growth ahead.
- **USD rebounded to beat all G10s** while the DXY rallied through Asian afternoon and US morning to close 0.43% higher at 95.50 on renewed refuge demand ahead of US CPI tonight and concerns over escalating trade disputes. **Stay slightly bearish on USD** in anticipation of softer buying interest ahead of the much-watched US CPI data; a disappointing figure is expected to trigger sharp losses. DXY has nullified the bearish trend but we suspect potential rejection at the upper Bollinger that could trigger the onset of another bearish trend going forward.
- **MYR closed unchanged at 4.0745 against USD** after erasing early gains while advancing against 7 G10s that were soft amid a rebounding greenback. **MYR remains neutral against USD** as we expect a softer greenback heading into European trade to narrow MYR losses from risk aversion going into the week's close. Given continued increase in downside momentum, we maintain that USDMYR is headed lower going forward, with scope to slide lower to 4.0645. Below this, expect a test at 4.0560.
- **SGD managed to advance against 7 G10s** amid support from refuge demand but **weakened 0.34% to 1.3677 against a firm USD**. **SGD remains bullish against USD**, supported by refuge demand on continued retreat in risk appetite in regional markets. Despite overnight rebound, we maintain the view of an upside fatigue in USDSGD that would it lower. We set sights on a drop to 1.3644, below which USDSGD would test 1.3614.

Overnight Economic Data

US	→
Japan	→
China	→
New Zealand	↓

What's Coming Up Next

Major Data

- Malaysia Industrial Production YOY
- US CPI
- UK 2Q GDP QOQ, Industrial Production YOY, Visible Trade Balance
- Hong Kong 2Q GDP YOY
- Singapore Retail Sales

Major Events

- RBA Statement on Monetary Policy

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1509	1.1517	1.1526	1.1541	1.1550	↗
USDJPY	110.60	110.76	110.92	110.95	111.27	↘
GBPUSD	1.2800	1.2820	1.2830	1.2854	1.2882	↗
AUDUSD	0.7320	0.7350	0.7368	0.7375	0.7397	↗
EURGBP	0.8966	0.8980	0.8983	0.9000	0.9015	↗
USDMYR	4.0705	4.0760	4.0785	4.0805	4.0835	→
EURMYR	4.6982	4.7000	4.7021	4.7053	4.7085	↘
JPYMYR	3.6705	3.6750	3.6762	3.6805	3.6820	↗
GBPMYR	5.2285	5.2300	5.2345	5.2384	5.2443	↘
SGDMYR	2.9800	2.9824	2.9843	2.9865	2.9893	↘
AUDMYR	2.9968	3.0010	3.0066	3.0079	3.0129	↘
NZDMYR	2.6885	2.6900	2.6920	2.6950	2.6980	↘
USDSGD	1.3644	1.3657	1.3669	1.3673	1.3690	↘
EURSGD	1.5730	1.5750	1.5756	1.5780	1.5800	↘
GBPSGD	1.7500	1.7520	1.7538	1.7544	1.7556	↘
AUDSGD	1.0053	1.0070	1.0075	1.0080	1.0090	↘

*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	1,804.95	0.01	0.45	CRB Index	192.43	-0.32	-0.74
Dow Jones Ind.	25,509.23	-0.29	3.20	WTI oil (\$/bbl)	66.81	-0.19	10.58
S&P 500	2,853.58	-0.14	6.73	Brent oil (\$/bbl)	72.07	-0.29	7.78
FTSE 100	7,741.77	-0.45	0.70	Gold (\$/oz)	1,212.47	-0.12	8.10
Shanghai	2,794.38	1.83	-15.51	CPO (RM/tonne)	2,197.50	0.57	-8.05
Hang Seng	28,607.30	0.88	-4.38	Copper (\$/tonne)	6,225.00	0.84	-14.10
STI	3,326.74	-0.40	-2.24	Rubber (sen/kg)	406.50	0.37	-12.11

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Initial Jobless Claims	04-Aug	213k	219k (revised)	220k
US PPI Final Demand MOM	Jul	0.0%	0.3%	0.2%
US PPI Final Demand YOY	Jul	3.3%	3.4%	3.4%
US Wholesale Inventories MOM	Jun F	0.1%	0.3%	0.0%
JP Core Machine Orders MOM	Jun	-8.8%	-3.7%	-1.0%
JP Core Machine Orders YOY	Jun	0.3%	16.5%	10.5%
JP Machine Tool Orders YOY	Jul P	13.0%	11.4%	11.4%
JP PPI YOY	Jul	3.1%	2.8%	2.9%
JP GDP SA QOQ	2Q P	0.5%	-0.2%	0.3%
CN PPI YOY	Jul	4.6%	4.7%	4.5%
CN CPI YOY	Jul	2.1%	1.9%	2.0%
NZ BusinessNZ Manufacturing PMI	Jul	51.2	52.7 (revised)	--

Source: Bloomberg

➤ Macroeconomics

- US factory gate inflation softened, labour market stayed firm:** Labour market continued to tighten in the US as the initial jobless claims fell by 6k to 213k for the week ended 4 Aug (previous: 219k revised). Producer prices for final demand was unchanged in July i.e registering a 0% MOM growth (Jun: +0.3%) as growth in prices for goods steadied (Jun +0.1% vs May +0.1%) while that of services slipped (-0.1% vs +0.4%). Within goods, prices of energy fell 0.5% MOM (Jun: +0.8%). On a yearly basis, PPI slowed to increase 3.3% YOY (Jun: +3.4%) suggesting that CPI growth could be held steady at 2.9% YOY in the same month. Meanwhile, wholesale inventories rose 0.1% MOM in June (May: +0.3%) as the faster gain in durable goods inventories was offset by a decline in nondurable goods.
- Japan preliminary 2Q GDP growth rebounded on consumption revival:** The preliminary reading of the seasonally adjusted real GDP growth rebounded more than expected to 0.5% QOQ in 2Q (1Q: -0.2%) bringing the annualized growth to 1.9% QOQ (1Q: -0.9% revised). Private consumption rebounded more than expected (1Q +0.7% vs -0.2%) while capital investment grew at faster pace of (+1.3% vs +0.5%). Residential investment meanwhile continued to be weighed down (-2.7% vs -2.3%) while exports slowed further (+0.2% vs +0.6%). The rebound in 2Q growth was largely expected following a contraction in the previous quarter. The economy is likely to hold steady ahead but not at the high growth recorded in the previous years. The tightening labour market means more capacity constraints as firms faced difficulties in filling up positions while at the same time, inflation remained very much subdued. The higher producer prices growth of 3.1% YOY in July (Jun: +2.8%) released at the same time earlier might lead to higher consumer prices but we believe its effect was generally muted.
- Japan machine orders dipped raising concerns on capex:** Core machine orders, which exclude that of ships and electrical equipment, a popular gauge of capex, dipped 8.8% MOM in June (May: -3.7%), raising concerns over business investment. On a yearly basis, orders slowed substantially growing 0.3% YOY (May: +16.5%). Orders fell as manufacturers reduced output following a 6.1 magnitude earthquake in Osaka in June. In a separate release, preliminary reading of machine tool orders which measured the orders placed with Japanese manufacturers rose 13.0% YOY in June (May: +11.4%) on strong domestic demand (Jun 22.1% vs May 15.1%) while foreign demand slowed (+6.7% vs +9.1%).
- China consumer prices ticked up on higher energy prices:** CPI rose 2.1% YOY in July (Jun: +1.9%) more than the estimated 2.0% YOY as prices of food and non-food increased at a faster pace at 0.5% YOY (Jun: +0.3%) and 2.4% YOY (Jun: +2.2%) respectively. Fuel prices contributed to the overall faster gain surging 22.2% YOY (Jun: +17.8%). Stripping out the volatile food and energy, inflation was held steady for the third month at 1.9% YOY (Jun: +1.9%). Producer prices growth meanwhile eased less than expected by 4.6% YOY (Jun: +4.7%). Inflation in China remained subdued and below the PBOC's ceiling of 3% but is expected to rise as effect of tariffs as well as depreciation of CNY kicked in leading to more expensive goods.
- New Zealand manufacturing sector growth softened:** BusinessNZ Manufacturing PMI fell for the third consecutive month to 51.2 in July (Jun: 52.7), the lowest since last December. The softer growth was mainly attributed to the contraction in production that fell below the threshold of 50 while new orders slowed. Employment increased after faltering for two months while finished stocks and deliveries quickened.

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
10/08	Malaysia	Industrial Production YOY	Jun	3.4%	3.0%	--
10/08	US	CPI YOY	Jul	2.9%	2.9%	--
10/08	UK	Visible Trade Balance GBP/Mn	Jun	-£11,950.0	-£12,362.0	--
		Industrial Production YOY	Jun	0.7%	0.8%	--
		Manufacturing Production YOY	Jun	1.0%	1.1%	--
		Construction Output SA YOY	Jun	0.7%	1.6%	--
		GDP (MOM)	Jun	0.2%	0.3%	--
		GDP QOQ	2Q P	0.4%	0.2%	--
		GDP YOY	2Q P	1.3%	1.2%	--
10/08	Hong Kong	GDP YOY	2Q	3.9%	4.7%	--
10/08	Singapore	Retail Sales YoY	Jun	1.2%	0.1%	--
10/08	Australia	RBA Statement on Monetary Policy				
13-17/08	New Zealand	REINZ House Sales YOY	Jul	--	-1.6%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1527	-0.7%	1.1619	1.1526	-4.0
USDJPY	111.08	0.0%	111.18	110.71	-1.5
GBPUSD	1.2824	-0.4%	1.2912	1.2820	-5.1
AUDUSD	0.7373	-0.7%	0.7453	0.7373	-5.6
EURGBP	0.8988	-0.2%	0.9031	0.8981	1.2
USDMYR	4.0745	0.0%	4.0790	4.0680	0.7
EURMYR	4.7239	-0.0%	4.7344	4.7172	-3.1
JPYMYR	3.6653	-0.2%	3.6804	3.6642	2.0
GBPMYR	5.2480	-0.2%	5.2523	5.2333	-4.3
SGDMYR	2.9889	0.0%	2.9923	2.9854	-1.7
AUDMYR	3.0254	0.1%	3.0339	3.0210	-5.0
NZDMYR	2.7104	-1.3%	2.7288	2.7069	-6.6

Source: Bloomberg

Forex

MYR

- **MYR closed unchanged at 4.0745 against USD** after erasing early gains while advancing against 7 G10s that were soft amid a rebounding greenback.
- **MYR remains neutral against USD** as we expect a softer greenback heading into European trade to narrow MYR losses from risk aversion going into the week's close. Given continued increase in downside momentum, we maintain that USDMYR is headed lower going forward, with scope to slide lower to 4.0645. Below this, expect a test at 4.0560.

USD

- **USD rebounded to beat all G10s** while the DXY rallied through Asian afternoon and US morning to close 0.43% higher at 95.50 on renewed refuge demand ahead of US CPI tonight and concerns over escalating trade disputes.
- **Stay slightly bearish on USD** in anticipation of softer buying interest ahead of the much-watched US CPI data; a disappointing figure is expected to trigger sharp losses. DXY has nullified the bearish trend but we suspect potential rejection at the upper Bollinger that could trigger the onset of another bearish trend going forward. The resulting decline could test 95.27.

EUR

- **EUR slumped 0.71% to 1.1527 against USD** and ended lower against 5 G10s amid risk-off sentiment in European markets.
- **We maintain a slightly bullish view on EUR against USD.** Expect a technical rebound in EURUSD after yesterday's sharp decline. EURUSD is again tilted to the downside and is likely to test 1.1509; we opine that this strong support is likely to bounce EURUSD higher, possibly testing 1.1579 going forward.

GBP

- **GBP tumbled 0.45% to 1.2824 against USD** but was supported by refuge demand within European markets to beat 6 G10s.
- **We turn slightly bullish on GBP against USD;** strong showing in UK data is expected to support modest advance today. GBPUUSD remains in a bearish trend but we reckon that a technical rebound is on the horizon after recent losses. But even so, GBPUUSD is still likely to be capped by 1.2900, otherwise a minor bullish trend could emerge.

JPY

- **JPY strengthened against 8 G10s** on the back of rising refuge demand but **slipped 0.09% to 111.08 against a rebounding USD.**
- **Keep a bullish view on JPY against a soft USD** that is likely weighed down by risk aversion ahead of US CPI data. USDJPY remains in a bearish trend. A drop to 110.68 is still on track, below which 110 will be targeted.

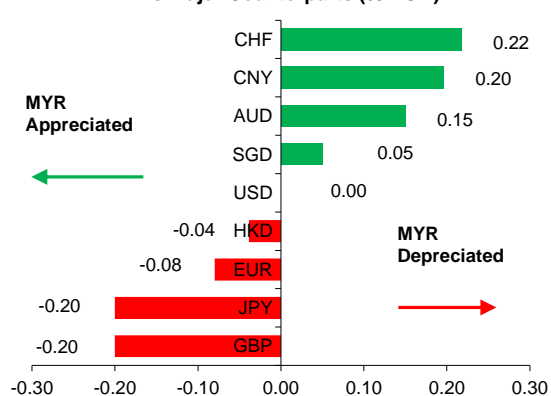
AUD

- **AUD slumped 0.78% to 0.7373 against USD** and weakened against 7 G10s amid softer risk sentiment in the markets and risk aversion ahead of RBA policy statement today.
- **Expect a slightly bullish AUD against USD** as part of rebound after overnight sharp decline, but expect gains to be mild amid soft risk appetite in the markets. Technically, AUDUSD is now biased to the downside after losing 0.7397 overnight. Rebounds cannot be ruled out but staying below this level tilts AUDUSD towards a decline to circa 0.7320 – 0.7340.

SGD

- **SGD managed to advance against 7 G10s** amid support from refuge demand but **weakened 0.34% to 1.3677 against a firm USD.**
- **SGD remains bullish against USD,** supported by refuge demand on continued retreat in risk appetite in regional markets. Despite overnight rebound, we maintain the view of an upside fatigue in USDSGD that would it lower. We set sights on a drop to 1.3644, below which USDSGD would test 1.3614.

MYR vs Major Counterparts (% DOD)



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