

Global Markets Research

Daily Market Highlights

Key Takeaways

➤ **The Trump Administration has published a list of an additional \$200bil worth of Chinese goods to be subject to tariffs which may take effect after public consultations end on 30 August.** Overnight US equity posted gains for the fourth straight days on coming Q2 earnings results and recent upbeat economic data as investors focused on the underlying strength of the US economy and temporarily put away the strained relationship between Washington and Beijing.

➤ **At the data front, The US NFIB Small Business Optimism index slipped to 107.2 in June (May: 107.8) but remained high compared to historical trend. The ZEW Survey of Economic Sentiment for the Eurozone fell further to -18.7 in contrast with yesterday's improvement in Sentix Investors' Confidence. UK industrial production softened to increase 0.8% YOY in May while manufacturing production went up 1.1%. Construction output rebounded to increase 1.6% YOY in June. In its first ever release, the ONS announced that monthly GDP growth came in at 0.3% MOM in May.** In Asia, Japan machine tools orders placed with major Japanese manufacturer eased to increase 11.4% YOY while producer prices quickened to increase 2.8% YOY. **China consumer inflation held rather steady increasing 1.9% YOY. Australia business sentiments held up well.**

➤ **USD rebounded modestly to beat 7 G10s** while the DXY's rally in Asian-European session lost its luster by US morning and narrowed early gains to just 0.09% at 94.15. **USD remains bearish** as buying interest is likely to stay subdued as markets await US CPI data tomorrow and renewed pressure from prospects of increased US trade tariffs on China. Holding below 94.39 today will sustain DXY's minor bearish trend and likelihood of closing below 93.96 soon. Otherwise, DXY's trajectory could change and target 95.01 instead.

➤ **MYR** had early gains reduced but managed to **close 0.15% firmer at 4.0220 against USD** and advanced against all G10s as risk sentiment improved. **Turn slightly bearish on MYR against USD**, weighed down by rising risk aversion in the markets on signs of heightened US-China trade tensions. Technically, we maintain that USDMYR reversal remains intact while a retracement from recent losses is not unreasonable. We continue to set sights on a drop to 4.0147 again.

➤ **SGD** advanced against 7 G10s amid improved risk appetite in the markets but **slipped 0.03% to 1.3571 against a firmer USD. SGD is now bearish against USD**, pressured by likelihood of increased risk aversion in the markets amid rising US-China trade tensions. USDSGD has room to for further rebound after beating 1.3579 early today. However, with bearish trend still intact, we maintain that a drop to 1.3527 may be appropriate next.

Overnight Economic Data

US	↓
Eurozone	↓
UK	→
Japan	→
China	↑
Australia	↑
Vietnam	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, PPI Final Demand, Wholesale Inventories
- Japan PPI, Core Machine Orders
- Australia Home Loans, Investment Lending

Major Events

- Malaysia BNM OPR

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1712	1.1723	1.1731	1.1759	1.1774	↗
USDJPY	110.55	110.81	110.90	110.09	111.16	↘
GBPUSD	1.3220	1.3250	1.3259	1.3277	1.3302	↗
AUDUSD	0.7365	0.7405	0.7422	0.7430	0.7451	↘
EURGBP	0.8829	0.8835	0.8846	0.8850	0.8857	↘
USDMYR	4.0270	4.0300	4.0320	4.0347	4.0385	↗
EURMYR	4.7228	4.7259	4.7294	4.7318	4.7383	↗
JPYMYR	3.6265	3.6287	3.6362	3.6400	3.6440	↗
GBPMYR	5.3380	5.3409	5.3464	5.3515	5.3547	↗
SGDMYR	2.9611	2.9639	2.9657	2.9676	2.9700	→
AUDMYR	2.9864	2.9898	2.9931	2.9959	2.9974	→
NZDMYR	2.7394	2.7453	2.7484	2.7513	2.7549	↗
USDSGD	1.3563	1.3579	1.3594	1.3600	1.3629	↗
EURSGD	1.5913	1.5924	1.5946	1.5958	1.5977	↗
GBPSGD	1.7986	1.8002	1.8025	1.8032	1.8046	↗
AUDSGD	1.0069	1.0081	1.0091	1.0103	1.0125	↘

* 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	1,687.13	0.87	-6.10	CRB Index	198.29	0.03	2.28
Dow Jones Ind.	24,919.66	0.58	0.81	WTI oil (\$/bbl)	74.11	0.35	22.66
S&P 500	2,793.84	0.35	4.50	Brent oil (\$/bbl)	78.86	1.01	17.93
FTSE 100	7,692.04	0.05	0.06	Gold (\$/oz)	1,255.54	-0.17	8.10
Shanghai	2,827.63	0.44	-14.50	CPO (RM/tonne)	2,262.50	-0.57	-5.33
Hang Seng	28,682.25	-0.02	-4.13	Copper (\$/tonne)	6,332.50	-0.90	-12.62
STI	3,274.83	1.42	-3.76	Rubber (sen/kg)	408.50	-1.21	-11.68

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US NFIB Small Business Optimism	Jun	107.2	107.8	106.9
EU ZEW Survey Expectations	Jul	-18.7	-12.6	--
UK Visible Trade Balance	May	-£12,362m	-£14,035m	-£12,000m
UK Industrial Production YOY	May	0.8%	1.6% (revised)	1.9%
UK Manufacturing Production YOY	May	1.1%	0.9% (revised)	1.9%
UK Construction Output SA YOY	May	1.6%	-1.2% (revised)	-1.6%
UK Monthly GDP	Jun	0.3%	0.2%	0.3%
JP Machine Tool Orders YOY	Jun P	11.4%	14.9%	--
JP PPI YOY	Jun	2.8%	2.7%	2.8%
JP Core Machine Orders YOY	May	16.5%	9.6%	10.9%
CN PPI YOY	Jun	4.7%	4.1%	4.5%
CN CPI YOY	Jun	1.9%	1.8%	1.9%
AU NAB Business Conditions	Jun	15.0	15.0	--
AU NAB Business Confidence	Jun	6.0	7.0 (revised)	--
AU Westpac Consumer Confidence SA MOM	Jul	3.9%	0.3%	--
VN Domestic Vehicle Sales YOY	Jun	-5.2%	2.5%	--

Source: Bloomberg

➤ Macroeconomics

- US business sentiments remained high:** The NFIB Small Business Optimism index slipped to 107.2 in June (May: 107.8) but remained high compared to historical trend.
- Eurozone sentiments dampened:** The ZEW Survey of Economic Sentiment for the Eurozone fell to -18.7 in July (June: -12.6). The further deterioration came in contrast with yesterday's Sentix Investors' Confidence which indicated a rebound in investors' sentiments. ZEW President Prof. Achim Wambach attributed the fall to political uncertainty and especially the escalation of trade tension with the US.
- U.K. industrial production softened, monthly GDP growth positive:** Industrial production dropped 0.4% MOM in May (Apr: -0.8%) albeit at a slower pace led by fall in energy supply and mining & quarrying. Manufacturing production rebounded to increase 0.4% (Apr: -1.0% revised), in line with our earlier expectations that the rebound in manufacturing output wouldn't have led to a much better overall industrial output growth. On an annual basis, industrial production softened to increase 0.8% in May (Apr: +1.6% revised) while manufacturing production went up 1.1% (+0.9%). Construction output rebounded to increase 1.6% YOY in June (May: -1.2% revised). In its first ever release, the ONS announced that monthly GDP growth came in at 0.3% MOM in May driven by growth in the retail and wholesale in the services sector which we attributed to the royal wedding carried out in the same month. Meanwhile in another separate release, trade deficit in goods as measured by the visible trade balance narrowed to -£12.36b in May (Apr: -£14.03b). Overall data from the U.K. considered to be positive hence justifying a rate hike by the BOE in August.
- Japan machine tools order growth eased further:** Machine tools orders placed with major Japanese manufacturer extended its fifth consecutive months of softer gain in June rising 11.4% YOY (May: +14.9%) as orders from foreign countries continued to soften. Orders for steel & non-ferrous metals, autos, parts held up but demand for metal products, electrical & precision and shipbuilding & transport faltered. Industrial machinery orders stayed rather flat. The slowdown in orders corresponds with the recent drop in sentiments among large manufacturers as indicated by the Tankan Large Manufacturer Survey which dropped to 21 in 2Q (1Q: 24). However, in a separate release, core machine orders a measurement of orders placed with manufacturers which exclude volatile items such as ships and utilities electrical power equipment jumped 16.5% YOY in May (Apr: +9.6%) a sign of uptick of business spending. Other release includes producer prices which quickened by 2.8% YOY in June (May: +2.7%), in line with expectations but we are doubtful that higher producer cost would lead to higher consumer prices i.e. consumer inflation. The previous month jump of PPI from 2.1% to 2.7% YOY in May has failed to lead to any meaningful gain in CPI which saw only a minor improvement of 0.6 to 0.7% YOY in May, a strong sign that lower consumer spending is weighing down prices despite higher cost at the producers' end.
- China inflation remained steady:** Consumer prices remained tame despite a slight uptick in June, rising 1.9% YOY (May: +1.8%) after steadying for 2 consecutive months at 1.8%, off the spike in February. Quicker increases across major categories such as food (Jun +0.3% vs May +0.1%), transport & telecommunications (+2.4% vs +1.8%) and housing (+2.3% vs +2.2%) all lifted the headline CPI. Producer prices meanwhile rose at a quicker pace by 4.7% YOY (May: +4.1%) attributed to a broad based incline. In fact of prices of producer goods saw faster rate of increase at 6.1% (May: +5.4%) led by mining and raw materials. Prices of consumer goods rose by a slight 0.4% YOY (May: +0.3%) which explained a rather steady CPI growth.

- **Australia business and consumer sentiments held up:** The NAB Business Conditions Index remained at 15.0 in June (May: 15.0) while Business Confidence Index slid to 6.0 (May: 7.0 revised) following an upward revision to preceding month's reading. Trading rose to 23 (May: 20) while profitability edged substantially higher to 17 (May: 12). Capacity utilization rate went up to 82.4% (May: 82.0%). Overall the indexes are painting a brighter picture of the Australian economy. Consumer sentiments improved tremendously – the Westpac Consumer Confidence Index rose 3.9% MOM in July (June: +0.3%) to 106.1 (June: 102.1).
- **Vietnam domestic vehicle sales fell:** Sales of motor vehicle dropped 5.2% YOY in June (May: +2.5%). Passenger cars is the only category registering growth albeit at a softer pace (June +8.8% vs. May +19.7%) while all the other categories recorded fall in sales.

Economic Calendar

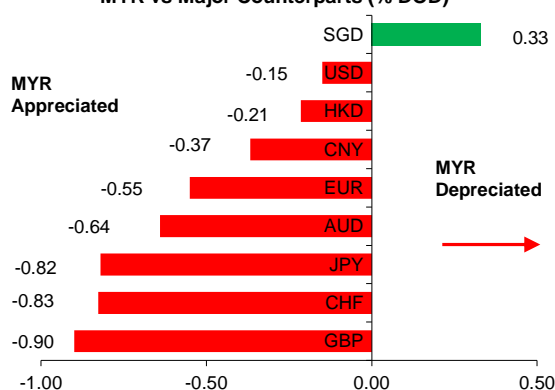
Date	Country	Events	Reporting Period	Survey	Prior	Revised
11/07	Malaysia	BNM Overnight Policy Rate	11 Jul	3.25%	3.25%	--
12/07		IPI YOY	May	3.0%	4.6%	--
11/07	US	MBA Mortgage Applications	06 Jul	--	-0.5%	--
		PPI Final Demand MOM	Jun	0.2%	0.5%	--
		PPI Final Demand YOY	Jun	3.1%	3.1%	--
		Wholesale Inventories MOM	May F	0.5%	0.1%	--
12/07		Initial Jobless Claims	07 Jul	225k	231k	--
		CPI MoM	Jun	0.2%	0.2%	--
		CPI YoY	Jun	2.9%	2.8%	--
12/07	Eurozone	Industrial Production SA MoM	May	1.2%	-0.9%	--
12/07	UK	RICS House Price Balance	Jun	-4.0%	-3.0%	--
11-18/07/18	China	Foreign Direct Investment YOY CNY	Jun	--	7.6%	--
12/07	Singapore	Retail Sales YoY	May	0.5%	0.4%	--
		Electronic Exports YoY	Jun	--	-7.8%	--
		Non-oil Domestic Exports YoY	Jun	--	15.5%	--
11/07	Australia	Home Loans MOM	May	-2.0%	-1.4%	--
		Investment Lending	May	--	-0.9%	--
11- 14/07	New Zealand	REINZ House Sales YOY	Jun	--	1.3%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1744	-0.06	1.1763	1.1690	-2.3
USDJPY	111.00	0.14	111.35	110.80	-1.6
GBPUSD	1.3276	0.12	1.3301	1.3224	-1.9
AUDUSD	0.7459	-0.11	0.7484	0.7430	-5.7
EURGBP	0.8846	-0.19	0.8875	0.8820	-0.4
USDMYR	4.0220	-0.15	4.0297	4.0083	-0.6
EURMYR	4.7143	-0.56	4.7384	4.7063	-2.3
JPYMYR	3.6198	-0.82	3.6326	3.6063	0.7
GBPMYR	5.3308	-0.90	5.3442	5.3045	-2.4
SGDMYR	2.9662	-0.40	2.9750	2.9591	-2.1
AUDMYR	2.9945	-0.64	3.0127	2.9906	-5.3
NZDMYR	2.7431	-0.54	2.7613	2.7418	-4.7

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR** had early gains reduced but managed to **close 0.15% firmer at 4.0220 against USD** and advanced against all G10s as risk sentiment improved.
- **Turn slightly bearish on MYR against USD**, weighed down by rising risk aversion in the markets on signs of heightened US-China trade tensions. Technically, we maintain that USDMYR reversal remains intact while a retracement from recent losses is not unreasonable. We continue to set sights on a drop to 4.0147 again.

USD

- **USD rebounded modestly to beat 7 G10s** while the DXY's rally in Asian-European session lost its luster by US morning and narrowed early gains to just 0.09% at 94.15.
- **USD remains bearish** as buying interest is likely to stay subdued as markets await US CPI data tomorrow and renewed pressure from prospects of increased US trade tariffs on China. Holding below 94.39 today will sustain DXY's minor bearish trend and likelihood of closing below 93.96 soon. Otherwise, DXY's trajectory could change and target 95.01 instead.

EUR

- **EUR** fumbled in European session on much weaker Eurozone data but recovered in US morning to **pare losses to just 0.06% at 1.1744 against USD** while sliding modestly against 6 G10s.
- **Stay slightly bullish on EUR in anticipation of a soft USD**. Unless EURUSD closes below 1.1691 today, a minor bullish trend sustains and suggests a close above 1.1751 soon. Breaking above 1.1751 will set a course for 1.1855.

GBP

- **GBP** climbed **0.12% to 1.3276 against USD** and advanced against all G10s, supported by risk aversion in European majors and receding political risks in the UK, both trumping downsides from softer than expected UK data.
- **Expect a slightly bullish GBP in line with a soft USD view**. Unless GBPUSD closes below 1.3222 today, we reckon that a bullish trend remains intact and hints at a close above 1.3283 in the coming days. However, price action development suggests upsides are likely to be limited unless GBPUSD beats 1.3363.

JPY

- **JPY** slipped against 8 G10s and **weakened 0.14% to 111.00 against USD** as demand for refuge retreated further.
- **We are now bullish on JPY against USD** as demand for refuge is likely to climb following rising prospects of increased US trade tariffs on China. USDJPY remains in a minor bullish trend that will be nullified by a close below 110.64 today. Technically, the pair tested but failed to beat 111.19, which raises doubts over the sustainability of further gains going forward.

AUD

- **AUD** eased **0.11% to 0.7459 against a firmer USD** and retreated against 7 G10s despite firmer risk appetite in the markets.
- **We turn bearish on AUD against USD**, pressured by heightened risk of escalation in US-China trade war and likely risk aversion in the markets. Despite early tumble, minor bullish trend prevails unless AUDUSD closes below 0.7387 today. Until a bearish trend emerges, we set sights on a close above 0.7467 soon, with room to challenge 0.7494.

SGD

- **SGD** advanced against 7 G10s amid improved risk appetite in the markets but **slipped 0.03% to 1.3571 against a firmer USD**.
- **SGD is now bearish against USD**, pressured by likelihood of increased risk aversion in the markets amid rising US-China trade tensions. USDSGD has room to for further rebound after beating 1.3579 early today. However, with bearish trend still intact, we maintain that a drop to 1.3527 may be appropriate next.

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