HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street y tumbled on Friday as investors fled to safety amidst ongoing political tensions between the US and Turkey** which saw the lira plunged nearly 16% against the greenback. **The CBOE Volatility Index surged more than 16%** while the Dow, S&P500 and Nasdaq fell 0.7-0.8%. Yields on US 10Y treasuries dropped 5bps to 2.87%. Crude oil rose slightly but continued to be held down by concerns over trade war as well as US sanction on Iran - WTI closed at $67.63/barrel, Brent at $72.81/barrel.

- At the macro front, the RBA revised upwards its 2018 GDP growth forecast from 3.0% to 3.25% but cut inflation outlook from 2.2%% to 1.75% in its newly released quarterly Statement on Monetary Policy. Key data highlights for Friday include **US July CPI growth** which was **held steady at 2.9% YOY but core inflation rose at a faster pace by 2.4% YOY. UK preliminary 2Q GDP growth rose 0.4% QOQ matching expectations** while June industrial production registered 1.1% YOY growth. Meanwhile **Hong Kong 2Q GDP growth slowed more than expected at 3.5% YOY** following an upbeat first quarter. New Zealand Performance of Services PMI went up to 55.1 in July indicating faster expansion. **Singapore 2Q GDP growth slowed more than expected increasing 3.9% YOY** while its June retail sales rebounded to increase 2.0% YOY as sales of motor vehicles surged. **Malaysia industrial production growth moderated further increasing 1.1% YOY in June.**

- **USD advanced against 9 G10s** while the DXY surged in Asian afternoon and advanced further before closing 0.89% higher at 96.35, supported by demand for refuge as US-Turkey relations worsened. **We turn bullish on USD** on continued build-up in risk aversion in emerging markets. Technically, DXY has reinstated its bullish trend and is now at risk of breaking above 96.53 and head to 96.80 – 97.00.

- **MYR ended 0.28% weaker at 4.0860 against USD** that rallied in Asian afternoon on spike in refuge demand. MYR ended firmer against 8 G10s that also tumbled to USD strength. **MYR remains neutral against USD** with inclination to mild losses given risk-off in the markets. Technically, USDMYR is now biased to the upside after breaking above 4.0800. Some correction to today's sharply higher opening may be in the works but overall, USDMYR is still inclined to the upside.

- **SGD** was supported by refuge demand to beat 7 G10s but **tumbled 0.42% to 1.3734 against USD**. **We turn bearish on SGD against a well-supported USD**. Technical landscape of USDSGD has changed after breaking above 1.3700. There is scope for a test at 1.3785, but we also caution the emergence of price-momentum divergence, which hints at a potential reversal going forward.

Overnight Economic Data	
Malaysia	↓
US	→
UK	→
HK	↓
Singapore	→
New Zealand	↑

What's Coming Up Next

Major Data

- New Zealand REINZ House Sales YOY

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1369	1.1380	1.1390	1.1412	1.1438	↘
USDJPY	110.24	110.50	110.64	110.85	111.00	↘
GBPUSD	1.2800	1.2820	1.2754	1.2765	1.2785	↗
AUDUSD	0.7250	0.7267	0.7279	0.7300	0.7310	↘
EURGBP	0.8904	0.8920	0.8931	0.8942	0.8954	↘
USDMYR	4.0905	4.0920	4.0935	4.0950	4.0960	→
EURMYR	4.6515	4.6577	4.6629	4.6681	4.6743	↘
JPYMYR	3.7000	3.7016	3.7041	3.7060	3.7080	↗
GBPMYR	5.2185	5.2200	5.2221	5.2270	5.2333	↗
SGDMYR	2.9741	2.9751	2.9769	2.9787	2.9800	↘
AUDMYR	2.9752	2.9782	2.9814	2.9857	2.9888	↘
NZDMYR	2.6876	2.6918	2.6956	2.6997	2.7037	↘
USDSGD	1.3720	1.3738	1.3758	1.3770	1.3785	↗
EURSGD	1.5611	1.5637	1.5669	1.5694	1.5700	↘
GBPSGD	1.7500	1.7510	1.7544	1.7556	1.7593	↗
AUDSGD	0.9980	1.0000	1.0015	1.0031	1.0046	↘

* 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	1,805.75	0.04	0.50	CRB Index	191.69	-0.38	-1.12
Dow Jones Ind.	25,313.14	-0.77	2.40	WTI oil ($/bbl)	67.63	1.23	11.93
S&P 500	2,833.28	-0.71	5.97	Brent oil ($/bbl)	72.81	1.03	9.15
FTSE 100	7,667.01	-0.97	-0.27	Gold (S/oz)	1,210.57	-0.16	8.10
Shanghai	2,795.31	0.03	-15.48	CPO (RM/tonne)	2,205.50	0.36	-7.72
Hang Seng	28,366.62	-0.84	-5.19	Copper ($/tonne)	6,190.00	-0.56	-14.59
STI	3,284.78	-1.26	-3.47	Rubber (sen/kg)	409.00	0.37	-11.57

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MA Industrial Production YOY	Jun	1.1%	3.0%	3.4%
US CPI YOY	Jul	2.9%	2.9%	2.9%
UK Visible Trade Balance GBP/Mn	Jun	-£11.383.0	-£12,526.0 (revised)	-£11,950.0
UK Industrial Production YOY	Jun	1.1%	1.2% (revised)	0.7%
UK Manufacturing Production YOY	Jun	1.5%	1.5% (revised)	1.0%
UK Construction Output SA YOY	Jun	2.2%	1.5% (revised)	0.7%
UK GDP MOM	Jun	0.1%	0.3%	0.2%
UK GDP QOQ	2Q P	0.4%	0.2%	0.4%
UK GDP YOY	2Q P	1.3%	1.2%	1.3%
HK GDP YOY	2Q	3.5%	4.6% (revised)	3.9%
SG GDP YOY	2Q	3.9%	4.5%	4.1%
SG Retail Sales YoY	Jun	2.0%	0.1%	1.2%
NZ Performance of Services Index	Jul	55.1	52.7 (revised)	--

Source: Bloomberg

➢ Macroeconomics

- ***US headline CPI held steady, reaffirming two more rate hikes this year:*** Consumer prices in the US were held steady in July as the headline CPI for all items rose 2.9% YOY in the month (Jun: +2.9%) on an un-adjusted basis. Prices of food were generally unchanged (July +1.4% vs Jun +1.4%) whereas energy saw a minuscule increase (+12.1% vs 12.0%). Stripping out both food and energy, inflation rose at a faster pace of 2.4% YOY (Jun: +2.3%) attributed to the higher owners' equivalent rent (OER) of residences and partly to the rebound in cost of new vehicles as well as used cars and trucks. On a seasonally adjusted basis, headline CPI for all items rose 0.2% MOM in July (Jun: +0.1%) where prices of energy were seen decreasing 0.5% MOM (Jun: -0.3%). Within energy, gasoline prices dropped 0.6% MOM (Jun: +0.5%) signalling softer retail sales growth in July. With inflation firming at current level, and the continuous tightening of the labour market, the Fed is expected to raise rate two more times this year. As of writing, markets are pricing in a 96% chance of a 25bps hike in the Fed's upcoming September meeting.

- ***UK preliminary 2Q GDP growth matched expectations:*** The seasonally adjusted GDP growth clocked in at 0.4% QOQ in the second quarter (1Q: +0.2%) while on a yearly basis the economy grew 1.3% YOY (1Q: +1.2%). The faster growth was widely expected following a rather dismal first quarter as household consumptions grew faster (2Q +0.3% vs 1Q +0.2%) while investments rebounded (+0.8% vs -1.3%). Exports fell 3.6% QOQ (1Q: +0.0%) as demand for UK goods and services softened in the quarter. In a separate release, industrial production rose 1.1% YOY in June (May: +1.2% revised) while the number for May was revised higher from 0.8% to 1.2%. Manufacturing production growth was held steady at 1.5% YOY (May: +1.5% revised) following an upward revision to growth in the previous month. Construction output gained at a faster pace of 2.2% YOY (May: +1.5% revised). June goods trade deficit meanwhile narrowed to -£11.4b in June (May: --£12,5b). Overall the upbeat production numbers matched GDP growth and reduced concerns about BOE's recent interest rate hike as the economy is seen strengthening.

- ***Hong Kong 2Q GDP growth slowed more than expected:*** Hong Kong real GDP growth fell to 3.5% YOY in the second quarter (1Q: +4.6% revised) following an upbeat first quarter. Household spending softened (2Q +6.1% vs 1Q +8.8%) while government spending grew faster (+4.4% vs +3.9%). Investment slowed substantially growing a mere 0.4% YOY (1Q: +4.2%). Exports of goods and services grew slower by 4.4% (1Q: +5.2%) and 6.1% (1Q: +7.9%) respectively as demand weakened. The slower growth came in tandem with a slowdown in China as Hong Kong relied heavily on demand from the country as the former continued its deleveraging campaign while simultaneously engaging in an ongoing trade spat with the US.

- ***Singapore final 2Q GDP grew more than initially expected:*** The final reading of Singapore real GDP growth was revised upwards from 3.8% YOY in 3.9% YOY in 2Q (1Q: +4.5%) but remained slower than the stronger growth in the previous quarter. The number missed estimates as a Bloomberg survey has been projecting a faster growth of 4.1% YOY. On the seasonally adjusted annualized basis, the economy grew 0.6% QOQ (1Q: +2.2%). Nearly all sub-sectors observed an easing in growth. Within the goods producing industries, the manufacturing sector remained robust gaining 10.2% YOY (1Q: +10.8%) while the construction sector continued to contract by 4.6% YOY (1Q: -5.2%). Within the services producing sector, all categories slowed except for accommodation & communications. Growth in finance & insurance eased notably from the higher gain in the preceding quarter. The Ministry of Trade and Industry (MTI) maintained its 2018 GDP growth forecast at 2.5% to 3.5% YOY.

- ***Singapore retail sales rebounded as motor vehicle sales surged:*** In a separate release on Friday, retail sale rose 2.0% YOY in June (May: +0.1%) driven mainly by a rebound in motor vehicle sales (Jun +9.7% vs May -8.4%). Stripping out motor vehicles, sales rose a mere 0.2% YOY (May: +2.3%). Sales in department and supermarkets dropped 1.9% YOY (May: +2.7%) and 1.1% (May: -0.8%) respectively while sales in food and services grew at a faster pace (+2.9% vs +1.4%).

- ***RBA expected faster GDP growth, but cut inflation outlook:*** In the newly released quarterly Statement on Monetary Policy on Friday, the RBA revised its GDP growth for 2018 from 3.0% to 3.25%, expecting public investment and solid non-mining business investment to continue driving growth while the labour market tightened further. However, inflation was projected to be lower as headline CPI for Dec 2018 was revised from 2.25% to 1.75% while underlying inflation from 2% to 1.75% citing the one-off cut in government administered prices. Wage growth remained subdued but is expected to be boosted slightly in the near term due to the increase of award and minimum wages from 1 July. The RBA has held rate steady at 1.5% earlier of last week. We remained assured that the central bank will leave rate unchanged for the remainder of 2018.

- ***New Zealand services sector expanded at a faster pace:*** The Performance of Services Index rose to 55.1 in July (Jun: 52.7 revised) as four of the five sub-indexes namely activity/sales, new orders, stocks and supplier deliveries saw faster gains in growth. The category of employment stood in exception as the sub-index dropped below the threshold of 50 indicating that hiring activity contracted in the month. Overall the services sector is deemed in good health with faster growth in new orders and activity suggesting brighter outlook ahead.

- ***Malaysia industrial output moderated further:*** Industrial production growth eased for a second consecutive month to 1.1% YOY in Jun (May: +3.0%), dragged by a quicker decline in mining output that offset quicker gains in electricity and manufacturing output. Output growth from the manufacturing sector picked up to 4.5% YOY in Jun from 4.1% in May, lifted by stronger expansion in most major subsectors. Contraction in mining output accelerated to 9.4% YOY in Jun from a dip of 0.5% in May, weighed down by heftier drop in natural gas production (Jun: -15.7% vs May: -4.8%) and a decline in production of crude oil. Moving into 3Q, July PMI readings signaled further moderation in manufacturing activities globally, dragged by lower new orders and new export orders in the face of ongoing trade tension. Hence the slower IPI growth of 2.9% in 2Q (1Q: +3.8%) continues to support our view for softer real GDP growth of 5.2% YOY in 2Q (1Q: +5.4%). Slower domestic demand aside, smaller contribution from net exports is also expected to contribute to the anticipated more subdued growth in 2Q. Moving forward, we remain less sanguine over growth prospects in 2H of the year in anticipation of a less favourable external environment in the wake of protracted trade spats between the US and China with the kicking-in of higher tariffs since early July. Meanwhile on the domestic front, tax holidays could keep private consumption supported in 3Q, somewhat cushioning the impact from lower investment, but sustaining private consumption and hence overall economic growth could be a challenging task going into 4Q and even next year.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
14/08	US	NFIB Small Business Optimism	Jul	106.8	107.2	--
14/08	Eurozone	Industrial Production SA MOM	Jun	-0.4%	1.3%	--
		GDP SA QOQ	2Q P	0.3%	0.4%	--
		ZEW Survey Expectations	Aug	--	-18.7	--
14/08	UK	Claimant Count Rate	Jul	--	2.5%	--
		Jobless Claims Change	Jul	--	7.8k	--
		Average Weekly Earnings 3M/YOY	Jun	2.5%	2.5%	--
		ILO Unemployment Rate 3Mths	Jun	4.2%	4.2%	--
		Employment Change 3M/3M	Jun	93l	137k	--
14/08	Japan	Industrial Production YOY	Jun F	--	-1.2%	--
14/08	China	Retail Sales YOY	Jul	9.1%	9.0%	--
		Industrial Production YOY	Jul	6.3%	6.0%	--
		Fixed Assets Ex Rural YTD YOY	Jul	6.0%	6.0%	--
14/08	Australia	NAB Business Conditions	Jul	--	15.0	--
		NAB Business Confidence	Jul	--	6.0	--
13//08	**New Zealand**	**REINZ House Sales YOY**	**Jul**	**--**	**-1.6%**	**--**

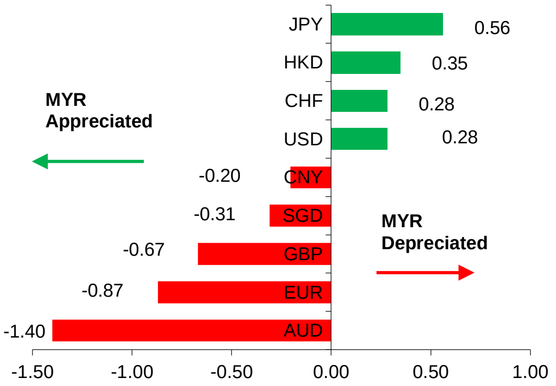
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1413	-0.99	1.1536	1.1388	-5.1
USDJPY	110.83	-0.23	111.17	110.51	-1.8
GBPUSD	1.2758	-0.51	1.2837	1.2723	-5.6
AUDUSD	0.7302	-0.96	0.738	0.7281	-6.7
EURGBP	0.8936	-0.59	0.8992	0.8926	0.6
USDMYR	4.0860	0.28	4.0878	4.0772	1.0
EURMYR	4.6828	-0.87	4.7055	4.6681	-3.9
JPYMYR	3.6859	0.56	3.6937	3.6677	2.7
GBPMYR	5.2130	-0.67	5.2382	5.2052	-4.6
SGDMYR	2.9797	-0.31	2.9859	2.9754	-1.9
AUDMYR	2.9831	-1.40	3.0094	2.9735	-5.8
NZDMYR	2.6934	-0.63	2.6997	2.6840	-5.6

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR ended 0.28% weaker at 4.0860 against USD** that rallied in Asian afternoon on spike in refuge demand following worsening US-Turkey relations that sparked contagion fears on exposure of European banks in Turkey. MYR ended firmer against 8 G10s that also tumbled to USD strength.
- **MYR remains neutral against USD** with inclination to mild losses given risk-off in the markets. Technically, USDMYR is now biased to the upside after breaking above 4.0800. Some correction to today's sharply higher opening may be in the works but unless USDMYR reverses below 4.0840, it is still inclined to the upside.

USD

- **USD advanced against 9 G10s** while the DXY surged in Asian afternoon and advanced further before closing 0.89% higher at 96.35, supported by demand for refuge as US-Turkey relations worsened.
- **We turn bullish on USD** on continued build-up in risk aversion in emerging markets, stemming from sell-off in Turkey that could risk further weakness in European markets. Such bad turn of events usually spark drastic reactions (USD jumps, equity sell-off, Treasuries rallied) but we note that the reverse may be equally strong when conditions improve. Technically, DXY has reinstated its bullish trend and is now at risk of breaking above 96.53 and head to 96.80 – 97.00.

EUR

- **EUR slumped 0.99% to 1.1413 against USD** and tumbled against 8 G10s on contagion fears from the sell-off in Turkey following the nation's diplomatic stand-off with the US.
- **We are now bearish on EUR against USD** amid growing contagion fears stemming from sell-off in Turkey. EURUSD has broken the strong 1.1509 and is likely to face further weakness. However, we continue to note the prevalence of price-momentum divergence that still suggests a potential reversal higher.

GBP

- **GBP tumbled 0.51% to 1.2758 against a strong USD** but advanced against 5 G10s, supported by refuge demand from within European markets.
- **GBP is still slightly bullish against USD** as we opine that markets are likely to look past Brexit uncertainties and focus on escalating risk-off in Turkey (and Europe), seeking refuge in other regional majors. GBPUSD remains in a bearish trend but we continue to view that a technical rebound could be on the horizon.

JPY

- **JPY** rallied to beat all G10s and **strengthened 0.23% to 110.83 against USD** on refuge demand.
- **Keep a bullish view on JPY against USD** amid rising risk-off sentiment in the markets. USDJPY remains in a bearish trend and is likely targeting a drop to 110 in the next leg lower.

AUD

- **AUD plunged 0.96% to 0.7302 against USD** and weakened against 6 G10s on risk-off sentiment in the markets.
- **AUD is now bearish against USD** in our view given likelihood of extended risk aversion in the markets. AUDUSD remains biased to the downside after losing 0.7300 overnight and is now eyeing a drop to 0.7223. Technically, we note the emergence of price-momentum divergence, which hints at a potential rebound.

SGD

- **SGD** was supported by refuge demand to beat 7 G10s but **tumbled 0.42% to 1.3734 against USD**.
- **We turn bearish on SGD against a well-supported USD**. Technical landscape of USDSGD has changed after breaking above 1.3700. There is scope for a test at 1.3785, but we also caution the emergence of price-momentum divergence, which hints at a potential reversal going forward.

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