

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equity closed on a mixed note overnight despite news that the US is looking to carry out another round of trade talk with China** prior to the third round of tariff imposition which is set to affect \$200b worth of Chinese imports. Crude oil rallied as the WTI broke above the \$70 mark to close at \$70.37/barrel after EIA reported a larger than expected draw in US crude inventories. Yield of 10Y treasuries yield was little changed, falling 1bp to 2.96% ahead of tonight's CPI data. **Central bank meetings are the key focus of the day as the ECB and BOE are set to announce their rate decisions.**
- **US producer prices growth fell 0.1% MOM and eased to 2.8% YOY in August suggesting lower headline consumer inflation.** Mortgage applications fell for the third week by 1.8% due to higher interest rates. **Eurozone industrial production fell 0.8% MOM in July pointing to a slower start to 3Q18 whereas UK housing markets remained in a slump** as the RICS House Prices Balance fell to +2.0 in August. Singapore retail sales posted a decline of 2.6% YOY in July. Australia Westpac Consumer Confidence Index weakened to 100.5 in September.
- **USD weakened against all G10s** with the DXY losing 0.47% to 94.80 amid reemerging talks that the US is reinitiating trade talks with China, and as the first decline in US producer prices sparked concerns that inflation is poised to moderate ahead. **We are now bearish on USD.** Even though the greenback may attempt to rebound, trade talk optimism will keep haven flows into USD at bay, at least for now. Technically, yesterday's close below 95.14 has also dented bullishness in DXY. We now expect the Dollar Index to nudge lower to test 94.72. DXY need to close above 95.14 again to reestablish the case for further upward move.
- **MYR pared early session losses to close only marginally weaker by 0.02% against the USD at 4.1470.** MYR also weakened against all other G10s amid risk-off sentiments in regional markets. **USDMYR is slightly bullish** today as we expect the pair to regain its losses from the sharply lower opening. Technically, USDMYR remains tilted to the upside after breaking 4.1492 and is poised to test 4.1632 next. A close below 4.1406 could potentially negate this bullish move but this may only be a brief reprieve in our view before the pair resumes its upward climb.
- **SGD gained against 5 G10s including the battered down USD, by 0.25% to 1.3720. SGD remains bearish against USD** on technical reasons despite softening positive momentum. 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, provided it does not close below 1.3718.

Overnight Economic Data

US	↓
Eurozone	↓
UK	↓
Japan	→
Singapore	↓
Australia	↓

What's Coming Up Next

Major Data

- US CPI, Initial Jobless Claims
- Australia Employment Change, Unemployment Rate, Participation Rate

Major Events

- ECB Rate Decision
- BOE Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1584	1.1607	1.1632	1.1649	1.1662	↗
GBPUSD	1.3008	1.3024	1.3046	1.3072	1.3101	↗
USDJPY	111.13	111.25	111.36	111.53	111.67	↗
AUDUSD	0.7118	0.7158	0.7169	0.7180	0.7203	↗
EURGBP	0.8899	0.8905	0.8916	0.8924	0.8935	↗
USDMYR	4.1315	4.1382	4.1392	4.1407	4.1456	↗
EURMYR	4.8087	4.8149	4.8153	4.8211	4.8260	↗
JPYMYR	3.7042	3.7132	3.7181	3.7245	3.7311	↘
GBPMYR	5.3909	5.3959	5.4021	5.4102	5.4144	↗
SGDMYR	3.0076	3.0119	3.0173	3.0189	3.0209	↗
AUDMYR	2.9643	2.9678	2.9690	2.9742	2.9785	↗
NZDMYR	2.7033	2.7106	2.7148	2.7210	2.7260	↗
USDSGD	1.3694	1.3706	1.3721	1.3733	1.3753	↗
EURSGD	1.5956	1.5950	1.5960	1.5989	1.6000	→
GBPSGD	1.7879	1.7888	1.7898	1.7920	1.7935	→
AUDSGD	0.9811	0.9834	0.9837	0.9852	0.9865	→

* 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	1,785.25	-0.77	-0.64	CRB Index	193.36	0.88	-0.26
Dow Jones Ind.	25,998.92	0.11	5.18	WTI oil (\$/bbl)	70.37	1.62	16.47
S&P 500	2,888.92	0.04	8.05	Brent oil (\$/bbl)	79.74	0.86	19.25
FTSE 100	7,313.36	0.55	-4.87	Gold (\$/oz)	1,206.24	0.64	8.10
Shanghai	2,656.11	-0.33	-19.69	CPO (RM/tonne)*	2,211.00	-0.27	-7.49
Hang Seng	26,345.04	-0.29	-11.95	Copper (\$/tonne)	5,997.00	2.36	-17.25
STI	3,124.65	0.47	-8.18	Rubber (sen/kg)	410.50	0.24	-11.24

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Sep-07	-1.8%	-0.1%	--
US PPI Final Demand MOM	Aug	-0.1%	0.0%	0.2%
US PPI Final Demand YOY	Aug	2.8%	3.3%	3.2%
EU Industrial Production SA MOM	Jul	-0.8%	-0.8% (revised)	-0.5%
UK RICS House Price Balance	Aug	+2.0	+4.0	--
JP PPI YOY	Aug	3.0%	3.0% (revised)	3.1%
JP Core Machine Orders MOM	Jul	11.0%	-8.8%	5.5%
SG Retail Sales YOY	Jul	-2.6%	2.0%	0.7%
AU Westpac Consumer Conf Index	Sep	100.5	103.6	--

Source: Bloomberg

Macroeconomics

- US factory gate inflation eased signaling lower CPI tonight:** Producer prices for final demand fell for the first time in 18 months by 0.1% MOM in August (Jul: 0.0%) as the rebound in energy prices (+0.4% vs -0.5%) was more than offset by the decline in prices of food (-0.6% vs -0.1%), trade (-0.9% vs -0.8%) as well as transportations and warehousing (-0.6% vs +0.3%). Excluding energy and food, core PPI fell 0.1% MOM (Jul: +0.1%). On a yearly basis, growth in producer prices eased to 2.8% YOY (Jul: +3.3%) while the core prices rose by a relatively modest 2.3% YOY (Jul: +2.7%). The lower producer prices in August is in line with the weaker ISM prices paid index in the same month as cost of raw materials levelled off, in fact this could be observed in the broad-based decline in prices for key processed and unprocessed goods at the intermediate stage. Given the above, the growth in headline CPI (due tonight) is expected to ease from the 2.9% YOY growth in July to 2.8% YOY in August. Other data for the US is the MBA mortgage applications which extended its third week of consecutive decline by 1.8% for the week ended 7 Sep (previous: -0.1%) driven by a further drop in the applications to refinance a house (-5.9% vs -1.4%). This more than erased the faster growth in the applications to purchase a house (+0.9% vs +0.6%). The average interest rate for a 30Y fixed rate mortgage loan rose to 4.84% compared to 4.80% in the previous week hence explaining the fall in the rate sensitive refinancing segment.
- Fed Beige Book highlighted districts' tariffs concerns:** The Fed released its sixth Beige Book of the year. The report summarized that the economy expanded at a modest rate through the end of August. The labour market continued to be labelled as tight across the country with widespread shortages while prices of final goods and services continued to rise at a modest to moderate pace with some signs of a deceleration as well as reports on recent hike in tariffs leading to higher input cost. Housing markets across districts were mixed but on balance softer since the last report. Businesses in most districts reported concerns over tariffs with some scaling back or postponing capital investments.
- Eurozone industrial production decline points to softer 3Q:** Industrial production fell 0.8% MOM in July (Jun: -0.8% revised) while the growth in the previous month was revised lower from -0.7% to -0.8% YOY as the rebound in energy output (+0.7% vs -0.2%) and capital goods (+0.8% vs -1.9%) failed to offset the further decline in intermediate goods (-0.8% vs -0.5%), durable consumer goods (-1.9% vs -0.1%) and non-durable consumer goods (-1.3% vs -1.1%). On a yearly basis, output fell 0.1% YOY (Jun: +2.3% revised) for the first time since Jan-17. At the country level, Germany (-1.8% vs -0.6%), Spain (-0.3% vs -0.7%) and Italy (-1.8% vs +0.3%) saw a decline in output whereas output growth in France was held steady at 0.7%. Production in Portugal meanwhile increased at a slower pace (+0.8% vs +1.8%). July print marked a slow start to 3Q18 reaffirming view that growth in the Eurozone would not be as spectacular in the last two quarters of 2017. The ECB Governing Council kicks off its meeting today and the central bank is set to reiterate its plan to end its Asset Purchase Program in December 2018.
- UK housing market remained in a slump:** The RICS House Price Balance fell to +2.0 in August (Jul: +4.0) suggesting a lack of activity in the housing market as buyers were deterred away from the market due to concerns over Brexit, warm weather as well as unhelpful headlines/speculation in the media. Home prices in London continued to take a beating with the regional price balance for London fell to -52, the lowest since April.

- Japan producer prices growth held steady, core machine orders rebounded:** Producer prices rose 3.0% YOY in August (Jul: +3.0% revised) as the faster growth in agricultural product prices was offset by the slower growth in manufacturing prices. Within manufacturing, growth in prices of most goods were seen easing suggesting a fall in the cost of raw materials. The 3.0% YOY gain in PPI in July had led inflation to climb to a four-month high of 0.9% YOY mainly because of higher producer prices at the manufacturing (Jul +2.5% vs Jun +2.5%). With manufacturing prices eased from the high in the previous month (Aug +2.7% vs Jul +2.8%), we suspect inflation will gain much traction this month and most likely hold at a steady pace from July. A separate release meanwhile shows that core machine orders, which exclude ships and electrical equipment, a popular gauge of capex rebounded to increase 11.0% MOM in July (Jun: -8.8%) following a decrease in orders in June due to 6.1 magnitude earthquake.
- Singapore retail sales posted decline:** Retail sales fell 2.6% YOY in July (Aug: +2.2%) marking its first decline in 3 months. Sales in department stores (-4.6% vs -1.8%) and supermarkets (-3.05% vs -1.1%) dropped further while those of foods and beverages (-5.4% vs +0.5%) and motor vehicles (-15.2% vs +9.7%) recorded decline as well. The rebound in motor vehicle sales in the previous month had helped push up total sales in June. Excluding motor vehicle sales, retail sales increased a mere 0.2% YOY (Jun: +0.3% revised). Sales in petrol service stations (10.1% vs +9.3%) and furniture & household equipment (+2.8% vs -0.1%) rose at faster pace whereas that of medical goods/toiletries (+2.6% vs +5.7%), wearing apparel & footwear (+2.1% vs +2.9%) eased.
- Australia consumer confidence weakened:** The Westpac Consumer Confidence Index fell to 100.5 in September (Aug: 103.6) due to a weakening in both consumers' view of current condition (102.5 vs 105.4) and expectations (99.2 vs 102.5).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
13/09	US	CPI YOY	Aug	2.8%	2.9%	--
		CPI Ex Food and Energy YOY	Aug	2.4%	2.4%	--
		Initial Jobless Claims	Sep-08	210k	203k	--
14/09		Retail Sales Advance MOM	Aug	0.4%	0.5%	--
		Import Price Index MOM	Aug	-0.2%	0.0%	--
		Industrial Production MOM	Aug	0.3%	0.1%	--
		U. of Mich. Sentiment	Sep P	96.6	96.2	--
13/09	Eurozone	ECB Main Refinancing Rate	Sep-13	0.0%	0.0%	--
14/09		Trade Balance SA	Jul	16.2b	16.7b	--
13/09	UK	BOE Bank Rate	Sep-13	0.75%	0.75%	--
14/09	Japan	Industrial Production YOY	Jul F	--	2.3%	--
14/09	China	Retail Sales YOY	Aug	8.8%	8.8%	--
		Industrial Production YOY	Aug	6.1%	6.0%	--
		Fixed Assets Ex Rural YTD YOY	Aug	5.6%	5.50%	--
13/09	Australia	Employment Change	Aug	18.0k	-3.9k	--
		Unemployment Rate	Aug	5.3%	5.3%	--
		Participation Rate	Aug	65.6%	65.5%	--
14/09	New Zealand	BusinessNZ Manufacturing PMI	Aug	--	51.2	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1626	0.17	1.165	1.1570	-3.12
GBPUSD	1.3045	0.09	1.3079	1.2980	-3.43
USDJPY	111.26	0.33	111.65	111.12	-1.29
AUDUSD	0.7169	0.70	0.7182	0.7094	-8.14
EURGBP	0.8914	0.10	0.8937	0.8883	0.36
USDMYR	4.1470	0.02	4.1535	4.1423	2.48
EURMYR	4.8082	0.35	4.8145	4.7991	-0.83
JPYMYR	3.7187	0.66	3.7257	3.7125	3.44
GBPMYR	5.3988	0.64	5.4115	5.3910	-1.19
SGDMYR	3.0131	-0.02	3.0169	3.0093	-0.52
AUDMYR	2.9525	0.48	2.955	2.9436	-6.62
NZDMYR	2.7046	0.85	2.7065	2.6979	-6.08
CHFMYR	4.2544	0.95	4.2653	4.2520	2.54
CNYMYR	0.6036	0.39	0.6045	0.6033	-2.93
HKDMYR	0.5281	0.00	0.5292	0.5277	1.97
USDSGD	1.3720	0.25	1.3778	1.3716	2.72
EURSGD	1.5951	0.08	1.6006	1.5933	-0.57
GBPSGD	1.7898	0.16	1.7952	1.7872	-0.91
AUDSGD	0.9836	0.46	0.986	0.9767	-5.72

Source: Bloomberg

Forex

MYR

- **MYR pared early session losses to close only marginally weaker by 0.02% against the USD at 4.1470.** MYR also weakened against all other G10s amid risk-off sentiments in regional markets.
- **USDMYR is slightly bullish** today as we expect the pair to regain its losses from the sharply lower opening. Technically, USDMYR remains tilted to the upside after breaking 4.1492 and is poised to test 4.1632 next. A close below 4.1406 could potentially negate this bullish move but this may only be a brief reprieve in our view before the pair resumes its upward climb.

USD

- **USD weakened against all G10s** with the DXY losing 0.47% to 94.80 amid reemerging talks that the US is reinitiating trade talks with China, and as the first decline in US producer prices sparked concerns that inflation is poised to moderate ahead.
- **We are now bearish on USD.** Even though the greenback may attempt to rebound, trade talk optimism will keep haven flows into USD at bay, at least for now. Technically, yesterday's close below 95.14 has also dented bullishness in DXY. We now expect the Dollar Index to nudge lower to test 94.72. DXY need to close above 95.14 again to reestablish the case for further upward move.

EUR

- **EUR advanced 0.17% to 1.1626 against a soft USD,** supported by improving risk appetite following renewed optimism over US-China trade resolution. **EUR however weakened against 6 G10s, dragged by** weak Eurozone industrial production numbers.
- **Stay slightly bullish on EUR** on expectations of a soft USD. EURUSD managed to bounce back above 1.1619, setting the stage for a higher move to test 1.1662 next.

GBP

- **GBP continued to make small gains, rising 0.09% to 1.3045** against a soft USD. The sterling however underperformed all other G10s.
- **Continue to expect a bullish GBP against USD,** supported by firmer Brexit sentiment but we caution that gains could be getting more tepid and even reversed should there be any reemergence of negative headlines. Staying above 1.3000 would strengthen upside bias in the pair and paved the way towards 1.3102.

JPY

- **JPY rebounded and strengthened 0.33% to 111.26 against a weak USD.** Against the majors, JPY traded mixed.
- **We are slightly bearish on JPY against USD** on the back of improving risk sentiments. Upside momentum gained some traction and is poised to push USDJPY higher to 111.82 unless it closes below 111.25.

AUD

- **AUD climbed 0.70% to 0.7169 against a soft USD** and managed to advance against all G10s save for the NOK.
- **We are slightly bullish on AUD against USD** amid improving risk sentiments but cautioned that correction may set in after yesterday's sharp gain. Negative momentum in the pair is retreating offering tentative signs of further rebound but much would depend on a closing above 0.7158 today to build the case of an upward climb.

SGD

- **SGD gained against 5 G10s** including the battered down USD, by **0.25% to 1.3720.**
- **SGD remains bearish against USD** on technical reasons despite softening positive momentum. 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, provided it does not close below 1.3718.

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