

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global major equities ended in the red as investors' attention remained concentrated on Turkey's financial crisis. The CBOE VIX Index, Wall Street's volatility gauge rose 12.3% overnight.** The continuous plunge in the Turkish lira sent ripple effects across emerging markets leading currencies such as the Argentine peso and South African rand to suffer the similar fate as investors viewed the nation's newly announced measures to support the financial system as insufficient. **Argentina's central bank raised rate to 45% in an unscheduled meeting to stem its currency fall. The dollar gained against all emerging markets currencies while the yen and Swiss franc benefited as investors fled to safety.** Yield on 10Y US treasuries yield were little changed at 2.88% whereas in Europe Italian government bonds led losses with its 10Y yield closed above 3%.
- **Data were scanty overnight.** China banks extended CNY1.45tn worth of new loans in July (Jun: CNY1.84tn) while the growth of M2 money supply rose 8.5% YOY (Jun: +8.0%) as the central government stepped up policy support in an effort to prop up the economy amidst an economic slowdown and ongoing trade spat with the US.
- **USD ended mixed against the G10s** as buying interest receded following strong rally a day before while DXY inched 0.04% higher to 96.39, still supported by refuge demand as weakness in emerging markets prevailed. **USD is now slightly bearish in our view,** likely to retrace recent gains as extended sell-off may be waning, leading to softer refuge demand. We reiterate that once conditions improve, strong USD gains from recent days may be quickly overturned. Technically, bullish trend in DXY is at risk of being nullified by failure to challenge recent highs.
- **MYR fell 0.18% to 4.0935 against USD** on the back of continued pressure on emerging majors stemming from extended sell-off in Turkey. MYR ended higher against 6 G10s. **MYR remains neutral against USD** with inclination to mild losses given extended risk-off in the markets. USDMYR remains biased to the upside but we caution on rising risk of rejection approaching 4.1000 – 4.1011 range, which could trigger a reversal lower.
- **SGD** was also weak alongside emerging majors, falling against 8 G10s and **weakening 0.17% to 1.3757 against USD. We turn slightly bullish on SGD against USD** on technical reasons. Sharp gains of late is likely to pave the way for a modest pullback in USDSGD before extending current minor uptrend. Losses, if any, are likely limited to above 1.3730.

Overnight Economic Data

China



What's Coming Up Next

Major Data

- US NFIB Small Business Optimism
- Eurozone Industrial Production, GDP, ZEW Survey
- UK Claimant Count Rate, Jobless Claims Change, Average Weekly Earnings, ILO Unemployment Rate 3Mths, Employment Change 3M/3M
- Japan Industrial Production
- China Retail Sales, Industrial Production, Fixed Assets Investment
- Australia NAB Business Conditions & Confidence
- New Zealand REINZ House Sales

Major Events

- Nil

➤ RB

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1384 | 1.1400 | 1.1404 | 1.1409 | 1.1420 | ↗ |
| USDJPY | 110.30 | 110.47 | 110.76 | 110.83 | 111.00 | ↘ |
| GBPUSD | 1.2732 | 1.2750 | 1.2762 | 1.2791 | 1.2800 | ↗ |
| AUDUSD | 0.7250 | 0.7267 | 0.7271 | 0.7285 | 0.7300 | ↘ |
| EURGBP | 0.8904 | 0.8923 | 0.8935 | 0.8942 | 0.8956 | ↘ |
| USDMYR | 4.0920 | 4.0940 | 4.0970 | 4.0980 | 4.1000 | → |
| EURMYR | 4.6648 | 4.6678 | 4.6695 | 4.6710 | 4.6743 | ↗ |
| JPYMYR | 3.6900 | 3.6937 | 3.6977 | 3.7016 | 3.7050 | ↘ |
| GBPMYR | 5.2200 | 5.2215 | 5.2250 | 5.2280 | 5.2333 | ↗ |
| SGDMYR | 2.9721 | 2.9738 | 2.9753 | 2.9766 | 2.9787 | → |
| AUDMYR | 2.9733 | 2.9750 | 2.9770 | 2.9784 | 2.9820 | ↘ |
| NZDMYR | 2.6900 | 2.6920 | 2.6931 | 2.6950 | 2.6970 | → |
| USDSGD | 1.3740 | 1.3751 | 1.3761 | 1.3774 | 1.3785 | ↘ |
| EURSGD | 1.5660 | 1.5675 | 1.5690 | 1.5700 | 1.5720 | ↘ |
| GBPSGD | 1.7540 | 1.7550 | 1.7560 | 1.7587 | 1.7600 | ↗ |
| AUDSGD | 0.9980 | 1.0000 | 1.0005 | 1.0012 | 1.0025 | ↘ |

*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 | 1,783.34 | -1.24 | -0.75 | CRB Index | 190.30 | -0.73 | -1.84 |
| Dow Jones Ind. | 25,187.70 | -0.50 | 1.90 | WTI oil (\$/bbl) | 67.20 | -0.64 | 11.22 |
| S&P 500 | 2,821.93 | -0.40 | 5.55 | Brent oil (\$/bbl) | 72.61 | -0.27 | 8.58 |
| FTSE 100 | 7,642.45 | -0.32 | -0.59 | Gold (\$/oz) | 1,193.50 | -1.41 | 8.10 |
| Shanghai | 2,785.87 | -0.34 | -15.76 | CPO (RM/tonne) | 2,207.00 | 0.07 | -7.66 |
| Hang Seng | 27,936.57 | -1.52 | -6.63 | Copper (\$/tonne) | 6,153.50 | -0.59 | -15.09 |
| STI | 3,245.34 | -1.20 | -4.63 | Rubber (sen/kg) | 410.00 | 0.24 | -11.35 |

Source: Bloomberg

Economic Data

| | For | Actual | Last | Survey |
|------------------------|-----|--------------|----------|----------|
| CH Money Supply M2 YOY | Jul | 8.5% | 8.0% | 8.2% |
| CH New Yuan Loans CNY | Jul | 1,450.0 b | 1,840.0b | 1,275.0b |

Source: Bloomberg

➤ Macroeconomics

- Global equity slid on Turkish financial crisis:** The financial crisis in Turkey sent global markets into a rout as equity took a beating on Monday. US stocks ended the first trading day of the week in red, as all major sectors recorded losses except for utilities and healthcare sectors. The financial sector is seen as most vulnerable given its exposure to the lira, leading the S&P500 Financials to take a dive by 4.71%. Similarly there was a sell-off in the energy sector as concerns over emerging markets weighed down commodities prices. The CBOE VIX Index, Wall Street's fear gauge rose 12.3% overnight. The Dow, S&P500 and Nasdaq erased 0.50%, 0.40% and 0.25% respectively. Major equity indexes in Europe posted losses as well as well- Euro Stoxx 50, FTSE 100, CAC 40 and the DAX all closed in the negatives. Yield on 10Y US treasuries yield were little changed at 2.88% whereas in Europe Italian government bonds led losses with its 10Y yield closed above 3%.
- Lira's plunge sent contagion across EMs:** The continuous plunge in the Turkish lira sent ripple effects across emerging markets leading currencies such as the Argentine peso and South African rand to suffer the similar fate as investors viewed the nation's newly announced measures to support the financial system as insufficient. The lira lost 6.6% against the dollar overnight while the peso erased 2.4% leading the Central Bank of Argentina to raise interest rates to 45% at an unscheduled meeting. The dollar gained against all emerging markets currencies while the Yen and Swiss franc benefited as investors fled to safety.
- China new loans, broad money supply picked up:** China banks extended CNY1.45tn worth of new loans in July (Jun: CNY1.84tn) while the growth of M2 money supply rose 8.5% YOY (Jun: +8.0%) as the central government stepped up policy support in an effort to prop up the economy amidst an economic slowdown and ongoing trade spat with the US.

| Economic Calendar Release Date | | | | | | |
|--------------------------------|-----------|---------------------------------------|------------------|--------------|--------------|---------|
| Date | Country | Event | Reporting Period | Survey | Prior | Revised |
| 14/08 | US | NFIB Small Business Optimism | Jul | 106.8 | 107.2 | -- |
| 15/08 | | MBA Mortgage Applications | Aug-10 | -- | -3.0% | -- |
| | | Empire Manufacturing | Aug | 20.0 | 22.6 | -- |
| | | Retail Sales Advance MOM | Jul | 0.1% | 0.5% | -- |
| | | Industrial Production MOM | Jul | 0.3% | 0.6% | -- |
| | | Capacity Utilization | Jul | 78.2% | 78.0% | -- |
| | | NAHB Housing Market Index | Aug | 67.0 | 68.0 | -- |
| 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 | 93k | 137k | -- |
| 15/08 | | CPI YOY | Jul | 2.5% | 2.4% | -- |
| | | PPI Output NSA YOY | Jul | 3.0% | 3.1% | -- |
| 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% | -- |
| 15/08 | | New Home Prices MOM | Jul | -- | 1.11% | -- |
| 14/08 | Australia | NAB Business Conditions | Jul | -- | 15.0 | -- |
| | | NAB Business Confidence | Jul | -- | 6.0 | -- |
| 15/08 | | Westpac Consumer Conf Index | Aug | -- | 106.1 | -- |
| | | Wage Price Index YOY | 2Q | 2.10% | 2.1% | -- |

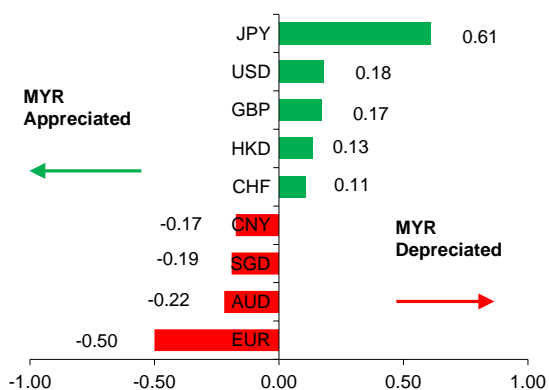
Source: Bloomberg

FX Table

| Name | Last Price | DoD % | High | Low | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1410 | -0.03 | 1.1433 | 1.1365 | -5.0 |
| USDJPY | 110.70 | -0.12 | 110.94 | 110.11 | -1.7 |
| GBPUSD | 1.2771 | 0.10 | 1.2791 | 1.2724 | -5.6 |
| AUDUSD | 0.7270 | -0.44 | 0.73 | 0.7251 | -7.0 |
| EURGBP | 0.8937 | 0.02 | 0.8946 | 0.8904 | 0.6 |
| USDMYR | 4.0935 | 0.18 | 4.0878 | 4.0772 | 1.2 |
| EURMYR | 4.6596 | -0.50 | 4.7055 | 4.6681 | -3.8 |
| JPYMYR | 3.7084 | 0.61 | 3.6937 | 3.6677 | 3.2 |
| GBPMYR | 5.2218 | 0.17 | 5.2382 | 5.2052 | -4.4 |
| SGDMYR | 2.9741 | -0.19 | 2.9859 | 2.9754 | -1.8 |
| AUDMYR | 2.9765 | -0.22 | 3.0094 | 2.9735 | -5.9 |
| NZDMYR | 2.6945 | 0.04 | 2.6997 | 2.6840 | -6.5 |

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



Forex

MYR

- **MYR fell 0.18% to 4.0935 against USD** on the back of continued pressure on emerging majors stemming from extended sell-off in Turkey that still poses contagion risk to European majors. MYR ended higher against 6 G10s.
- **MYR remains neutral against USD** with inclination to mild losses given extended risk-off in the markets. USDMYR remains biased to the upside but we caution on rising risk of rejection approaching 4.1000 – 4.1011 range, which could trigger a reversal lower to 4.0890 – 4.0900.

USD

- **USD ended mixed against the G10s** as buying interest receded following strong rally a day before while DXY inched 0.04% higher to 96.39, still supported by refuge demand as weakness in emerging markets prevailed.
- **USD is now slightly bearish in our view**, likely to retrace recent gains. Despite on-going fears in Turkey and emerging markets, we suspect that sharp negative reaction (and extended sell-off) may be waning, leading to softer refuge demand. We reiterate that once conditions improve, strong USD gains from recent days may be quickly overturned. Technically, bullish trend in DXY is at risk of being nullified by failure to challenge recent highs. This could lead to a drop to circa 94.90 – 95.00.

EUR

- **EUR dipped 0.03% to 1.1410 against USD** after failing to hold on to early gains as contagion fears of spill-over from sell-off in Turkey persisted. EUR slipped against 7 G10s.
- **We turn slightly bullish on EUR against USD**, anticipating a mild rebound from recent losses; caution that upside surprises in Eurozone data could trigger a strong rally. EURUSD remains technically bearish but we note that there is potential for a mild rebound after bouncing off the strong 1.1384 support overnight. Gains are likely limited to below 1.1433, otherwise upside strength would increase and set a course for 1.1480 – 1.1510.

GBP

- **GBP advanced against 7 G10s and rose 0.1% to 1.2771 against USD**, supported by refuge demand from within the European region amid contagion fears.
- **GBP is still slightly bullish against USD** as we opine that markets are likely to continue focusing on contagion risk into Europe, supporting refuge demand. Overnight rebound in GBPUSD is likely to extend, with scope to test 1.2800. Upside break here exposes a move to 1.2870 next.

JPY

- **JPY** remains appealing amid risk-off sentiment in the markets, climbing against 8 G10s and **advanced 0.12% to 110.70 against USD**.
- **Keep a bullish view on JPY against USD** on continued support from refuge demand. USDJPY remains in a bearish trend and is likely targeting a drop to 110.30 in the next leg lower.

AUD

- **AUD weakened 0.44% to 0.7270 against USD** and tumbled against all G10s amid risk-off sentiment in the markets.
- **Expect a slightly bearish AUD against USD** as risk-off sentiment continues to prevail though at a softer pace. Technically, we note the emergence of price-momentum divergence, which hints at a potential rebound in AUDUSD. However, current bearish trend suggests a drop below 0.7270 first, likely tomorrow.

SGD

- **SGD** was also weak alongside emerging majors, falling against 8 G10s and **weakening 0.17% to 1.3757 against USD**.
- **We turn slightly bullish on SGD against USD** on technical reasons. Sharp gains of late is likely to pave the way for a modest pullback in USDSGD before extending current minor uptrend. Losses, if any, are likely limited to above 1.3730.

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