

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Wall Street stocks rebounded to close higher overnight as fear over Turkey's financial crisis waned.** The Turkish lira was seen consolidating, rising 8.4% against the dollar as **the central bank pledged to provide "all the liquidity needed" yet refused to raise interest rate** thus far while President Recep Tayyip Erdogan has called for a boycott of Apple's iPhones. WTI extended decline to close at \$67.04/barrel as API reported a large buildup in crude inventories. **In Asia, the focus will be on Bank Indonesia's rate decision today** and a Bloomberg survey is projecting the central bank to leave its 7-Day Reverse Repo Rate unchanged at 5.25%.
- **US Small Business Optimism Index rose** to 107.9 in July as firms planned to hire more in anticipation of a better economy. **Import prices were held steady** at 0.0% MOM in July while core import prices which stripped out petroleum fell 0.1% MOM on strengthening trade weighted dollar. **Eurozone second reading of 2Q GDP growth was revised upward from 0.3% to 0.4% QOQ** but industrial productions fell more than expected by 0.7% MOM in June. **The UK economy added 42k jobs in the three months to June while unemployment rate fell to a 43-year low of 4.0%.** Wage growth remained subdued easing to 2.4% YOY. In Asia, **China industrial productions growth held steady at 6.0% YOY in July, but retail sales eased to increase 8.8% YOY.** Fixed assets investment slowed substantially to grow 5.5% YOY on a year-to-date basis, the lowest growth rate dated back to 1999.
- **USD beat 9 G10s** as demand improved on rising contagion fears of crisis spilling over into Europe. DXY that was relatively stable until US morning rallied to close 0.35% higher at 96.73. **USD remains slightly bearish in our view** as we anticipate technical pullback; caution that misses in US data could accelerate the downsides. We set sights on a technical pullback after recent rallies, but caution that losses may be modest and hold above 96.45. A bullish trend prevails, suggesting likelihood of further gains going forward.
- **MYR slipped 0.06% to 4.0960 against USD** and retreated against 8 G10s amid sustained pressure on emerging majors as contagion fears of risk-off spilling over into Europe remains unabated. **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.
- **SGD beat 7 G10s** that remained on a retreat but **slipped 0.16% to 1.3779 against USD.** Stay 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

US	→
Eurozone	→
UK	→
Japan	↓
China	↓
Australia	→
New Zealand	↑

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications, Empire Manufacturing, Retail Sales, Industrial Productions
- UK CPI, PPI Output
- China New Home Prices
- Australia Wage Price Index

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1300	1.1320	1.1342	1.1350	1.1365	↗
USDJPY	111.00	111.26	111.34	111.44	111.64	↗
GBPUSD	1.2685	1.2700	1.2709	1.2728	1.2758	↗
AUDUSD	0.7185	0.7200	0.7229	0.7249	0.7267	↘
EURGBP	0.8904	0.8910	0.8920	0.8922	0.8931	↘
USDMYR	4.0950	4.0970	4.0985	4.1000	4.1010	→
EURMYR	4.6420	4.6450	4.6475	4.6515	4.6581	↘
JPYMYR	3.6752	3.6785	3.6809	3.6829	3.6842	↘
GBPMYR	5.2052	5.2081	5.2101	5.2140	5.2185	↘
SGDMYR	2.9718	2.9727	2.9738	2.9750	2.9765	→
AUDMYR	2.9600	2.9620	2.9634	2.9650	2.9673	↘
NZDMYR	2.6840	2.6879	2.6897	2.6946	2.6961	↘
USDSGD	1.3759	1.3774	1.3783	1.3790	1.3800	↘
EURSGD	1.5615	1.5620	1.5627	1.5640	1.5650	↗
GBPSGD	1.7485	1.7500	1.7518	1.7535	1.7556	→
AUDSGD	0.9940	0.9950	0.9964	0.9983	1.0000	↘

\* 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	1,783.78	0.02	-0.73	CRB Index	190.44	0.07	-1.77
Dow Jones Ind.	25,299.92	0.45	2.35	WTI oil (\$/bbl)	67.04	-0.24	10.96
S&P 500	2,839.96	0.64	6.22	Brent oil (\$/bbl)	72.46	-0.21	8.36
FTSE 100	7,611.64	-0.40	-0.99	Gold (S/oz)	1,194.09	0.05	8.10
Shanghai	2,780.97	-0.18	-5.91	CPO (RM/tonne)	2,192.50	-0.66	-8.26
Hang Seng	27,752.93	-0.66	-7.24	Copper (\$/tonne)	6,044.00	-1.78	-16.60
STI	3,242.87	-0.08	-4.70	Rubber (sen/kg)	411.50	0.12	-11.03

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US NFIB Small Business Optimism	Jul	107.9	107.2	106.8
US Import Prices Index MOM	Jul	0.0%	-0.1%	0.0%
EU Industrial Production SA MOM	Jun	-0.7%	1.4% (revised)	-0.4%
EU GDP SA QOQ	2Q P	0.4%	0.4%	0.3%
EU ZEW Survey Expectations	Aug	-11.1	-18.7	--
UK Claimant Count Rate	Jul	2.5%	2.5%	--
UK Jobless Claims Change	Jul	6.2K	9.0K (Revised)	--
UK Average Weekly Earnings 3M/YOY	Jun	2.4%	2.5%	2.5%
UK ILO Unemployment Rate 3Mths	Jun	4.0%	4.2%	4.2%
UK Employment Change 3M/3M	Jun	42K	137k	93k
JP Industrial Production YOY	Jun F	-0.9%	4.2%	--
CN Retail Sales YOY	Jul	8.8%	9.0%	9.1%
CN Industrial Production YOY	Jul	6.0%	6.0%	6.3%
CN Fixed Assets Ex Rural YTD YOY	Jul	5.5%	6.0%	6.0%
AU NAB Business Conditions	Jul	12.0	15.0	--
AU NAB Business Confidence	Jul	7.0	6.0	--
AU Westpac Consumer Conf Index	Aug	103.6	106.1	--
NZ REINZ House Sales	Jul	0.7%	-1.6%	--

Source: Bloomberg

## ➤ Macroeconomics

- US small business sentiments improved:** The NFIB Small Business Optimism Index rose to 107.9 in July (Jun: 107.2) indicating an improvement in sentiments among small businesses in the country. 35% (Jun: 33%) of firms expected better economy with more projected higher sales ahead. The intention to hire is strong as firms reporting their plans to hire rose to 23% in July (Jun: 20%) but at the same time 37% (Jun: 36%) said that positions were not able to be filled signaling a further tightening of the labour market. In a separate release, US import prices were held steady at 0.0% MOM in July (Jun: -0.1%) while core import prices which stripped out petroleum fell 0.1% MOM (Jun: -0.4%), softer than expected as the trade weighted dollar continued to strengthen.
- Eurozone 2Q GDP growth revised upwards, industrial productions fell:** Industrial productions fell more than expected by 0.7% MOM in Jun (May: +1.4% revised) while growth in the previous month was revised upwards from 1.3% to 1.4%. The actual number was a disappointment as a Bloomberg survey had expected a smaller fall of 0.4% MOM. Output in intermediate goods, capital goods, durable consumer and non-durable consumers all fell with the exception of the output in energy. Output in Germany and Spain fell while that of France and Portugal rebounded. Italy's output growth slowed. On a yearly basis, industrial production growth eased to 2.5% YOY (May: +2.6%). Meanwhile, the second reading of 2Q GDP growth was revised from 0.3% to 0.4% QOQ (1Q: +0.4%), soothing earlier concerns that the Euro area economy was heading into further slowdown, reaffirming that the ECB is on track to end its QE program in December 2018. In separate release, the ZEW Survey Expectations Index rose to -11.1 in August (Jul: -18.7) as investors sentiments improved, in line with the higher reading in the Sentix Investor Confidence Index.
- UK unemployment rate fell to 43-year low, wage growth remained subdued:** The UK economy added less jobs than expected as the number of employment change amounted to only 42k in the three months ending Jun (May: 137k), below consensus estimate of 93k. Unemployment rate turned out to be upbeat falling to a 43-year low of 4.0% in three months to June (May: 4.2%). Wage growth however remained subdued as the average weekly earnings grew at a slightly slower pace of 2.4% YOY in the same period (May: +2.5%). Excluding bonuses, wage growth also came in a tad softer at 2.7% YOY. Fast forward to July, jobless claims saw a smaller increase of 6.2k in July (Jun: +9.0k revised) but overshadowed by the upward revision from 7.8k to 9.0k in the previous month. Claimant count rate was held steady at 2.5% (Jun: 2.5%). The fall in unemployment rate is in line with the BOE's expectation of a tightening labour market which it foresees will lead to the buildup of inflationary pressure as firms raised wages to secure workers. Yet signs of faster wage growth are absent still. The central bank has raised interest rate to 0.5% earlier this month as the economy staged a come-back in the second quarter, hoping to return inflation back to its target of 2.0%. The pound rose ahead of the release but took a dive after that as the data generally disappointed.

- **China output growth held steady, retail sales & investment growth slowed:** Latest data released by the National Bureau of Statistics further confirmed a widely expected slowdown in the Chinese economy. Industrial productions growth clocked in unchanged at 6.0% YOY in July (Jun: +6.0%) supported by steady foreign demand. The faster growth in manufacturing output (+6.2% vs +6.0%) has been offset by the much slower gain in mining (+1.3% vs +2.7%) as well as power supply (+9.0% vs +9.3%). Meanwhile, year-to-date fixed investment growth fell to 5.5% YOY (Jun: +6.0%) the lowest level dated back to 1999 as the effect of the government's deleveraging effort slowly kicked. Domestic demand took a breather as consumer spent less in the month with growth in retail sales eased to an 8.8% YOY growth in July (Jun: +9.1%), the second lowest reading of the year thus far (sales was the slowest in May at 8.5%). Restaurant & catering as well as consumer goods both observed a slower growth of 9.4% YOY (Jun: +10.1%) and 8.7% YOY (Jun: +8.9%) respectively. That said, we are of the view that the softer patch in spending was temporary and consumption could firm up at a steady pace in the near term as China transitions from an export-oriented model to a consumption based economy. July trade data very much supported this view as imports rose a whopping 27.3% YOY in July (Jun: +14.1%). While this was partly driven by base effect and higher energy prices, we believe that the underlying domestic demand remained entrenched and is the key support to growth ahead.
- **Japan industrial productions fell:** Industrial productions fell less than initially estimated in June as the final reading was revised from -1.2% YOY to -0.9% YOY (May: +4.2%) following a rather robust growth in the previous month suggesting a softer start to 3Q. Manufacturing output fell 0.9% YOY (Jun: +4.3%) while mining dropped 5.8% YOY (Jun: -6.8%). The economy returned to growth in the second quarter as the preliminary reading of GDP growth rebounded more than expected to 0.5% QOQ on consumption revival. We do not expect growth to hold up at a high level in the subsequent quarters but rather stay flatish as capex faltered in the past two months while foreign orders placed with manufacturers normalized.
- **Australia business sentiments mixed, consumer sentiment weakened:** The NAB Business Confidence Index rose to 7.0 in July (Jun: 6.0) while the Confidence Index fell to 12.0 (Jun: 15.0). The sub-indexes of trading, profitability, forward orders and capex fell reflecting a softer business expectations but simultaneously the area of employment went up suggesting that firms are hiring more in anticipation of better business growth. Meanwhile consumer confidence weakened in August as the Westpac Consumer Confidence Index fell 2.3% MOM to 103.6 (Jul: 106.1) as views regarding current and future conditions became pessimistic. Both current conditions and expectations sub-indexes fell 1.2% MOM (Jul: +2.0%) and 3.0% MOM (Jul: +5.1%) respectively.
- **New Zealand house sales rebounded:** The Real Estate Institute of New Zealand reported that house sales rose 0.7% YOY in July (Jun: -1.6%). Median price of a house rose 6.2% YOY (Jun: +5.7%) to NZ\$550k.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
16/08	Malaysia	GDP YOY	2Q	5.2%	5.4%	--
<b>15/08</b>	<b>US</b>	<b>MBA Mortgage Applications</b>	<b>Aug-10</b>	<b>--</b>	<b>-3.0%</b>	<b>--</b>
		<b>Empire Manufacturing</b>	<b>Aug</b>	<b>20.0</b>	<b>22.6</b>	<b>--</b>
		<b>Retail Sales Advance MOM</b>	<b>Jul</b>	<b>0.1%</b>	<b>0.5%</b>	<b>--</b>
		<b>Industrial Production MOM</b>	<b>Jul</b>	<b>0.3%</b>	<b>0.6%</b>	<b>--</b>
		<b>Capacity Utilization</b>	<b>Jul</b>	<b>78.2%</b>	<b>78.0%</b>	<b>--</b>
		NAHB Housing Market Index	Aug	67.0	68.0	--
16/08		Philadelphia Fed Business Outlook	Aug	22.0	25.7	--
		Initial Jobless Claims	Aug-11	215k	213k	--
		Housing Starts MOM	Jul	7.4%	-12.3%	--
		Building Permits MOM	Jul	1.4%	-2.2%	-0.7%
16/08	Eurozone	Trade Balance SA	Jun	16.9b	16.9b	--
<b>15/08</b>	<b>UK</b>	<b>CPI YOY</b>	<b>Jul</b>	<b>2.5%</b>	<b>2.4%</b>	<b>--</b>
		<b>PPI Output NSA YOY</b>	<b>Jul</b>	<b>3.0%</b>	<b>3.1%</b>	<b>--</b>
16/08	UK	Retail Sales Inc Auto Fuel MOM	Jul	0.2%	-0.5%	--
16/08	Japan	Trade Balance	Jul	¥41.2b	¥721.4b	¥720.8b
		Exports YOY	Jul	6.3%	6.7%	--
<b>15/08</b>	<b>China</b>	<b>New Home Prices MOM</b>	<b>Jul</b>	<b>--</b>	<b>1.11%</b>	<b>--</b>
<b>15/08</b>	<b>Australia</b>	<b>Wage Price Index YOY</b>	<b>2Q</b>	<b>2.1%</b>	<b>2.1%</b>	<b>--</b>
16/08		Employment Change	Jul	15.0k	50.9k	--
		Unemployment Rate	Jul	5.4%	5.4%	--
		Participation Rate	Jul	65.7%	65.7%	--

Source: Bloomberg

**FX Table**

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1344	-0.58	1.1429	1.1330	-5.5
USDJPY	111.15	0.41	111.32	110.59	-1.3
GBPUSD	1.2723	-0.38	1.2827	1.2705	-5.9
AUDUSD	0.7243	-0.37	0.7283	0.7224	-7.4
EURGBP	0.8917	-0.23	0.8947	0.8897	0.5
USDMYR	4.0960	0.06	4.0970	4.0930	1.3
EURMYR	4.6714	0.25	4.6799	4.6620	-4.1
JPYMYR	3.6901	-0.49	3.7011	3.6849	2.4
GBPMYR	5.2326	0.21	5.2531	5.2214	-4.7
SGDMYR	2.9809	0.23	2.9843	2.9719	-1.8
AUDMYR	2.9724	-0.14	2.9837	2.9708	-6.3
NZDMYR	2.6999	0.20	2.7065	2.6906	-6.5

Source: Bloomberg

## Forex

### MYR

- **MYR slipped 0.06% to 4.0960 against USD** and retreated against 8 G10s amid sustained pressure on emerging majors as contagion fears of risk-off spilling over into Europe remains unabated.
- **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 beat 9 G10s** as demand improved on escalation of diplomatic stand-off after Turkey announced a boycott of US electronics, prompting concerns of a retaliation from the US and increasing contagion fears of crisis spilling over into Europe. DXY that was relatively stable until US morning rallied to close 0.35% higher at 96.73.
- **USD remains slightly bearish in our view** as we anticipate technical pullback; caution that misses in US data could accelerate the downsides. We set sights on a technical pullback after recent rallies, but caution that losses may be modest and hold above 96.45. A bullish trend prevails, suggesting likelihood of further gains going forward.

### EUR

- **EUR tumbled 0.58% to 1.1344 against USD** and fell against 7 G10s on increased fears of worsening sell-off in Turkey that may infect European markets.
- **Continue to expect a slightly bullish EUR against USD** as potential for a rebound persists after recent sharp losses. We note that there is still potential for a bounce for EURUSD today though gains are likely limited to below 1.1400. With bearish trend prevailing, expect losses to prevail thereafter, with scope for a drop to 1.1300, or lower.

### GBP

- **GBP fell 0.38% to 1.2723 against a firm USD** but was mixed against the G10s as buying interest slipped ahead of UK inflation reports today.
- **GBP is still slightly bullish against USD** as we opine that markets are likely to continue focusing contagion risk into Europe, supporting refuge demand; upside surprises in UK inflation reports could trigger strong gains. We continue to eye modest bounces in GBPUSD as downside momentum eases.

### JPY

- **JPY retreated against 6 G10s and weakened 0.41% to 111.15 against USD** as refuge demand retreated on the back of rebound in US and Asian markets.
- **We turn bearish on JPY against USD** on signs of softer refuge demand and increased buying interest in the greenback ahead of US data. A bullish trend now prevails and USDJPY is biased to the upside while above 111.30, making way for a potential test at 111.64 – 111.70.

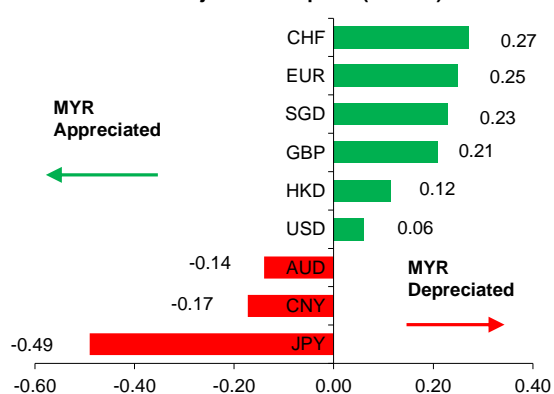
### AUD

- **AUD** remains pressured by soft sentiment in the FX space and commodities, **falling 0.37% to 0.7423 against USD** but closed mixed against the G10s.
- **Maintain a slight bearish view on AUD against USD** as risk-off sentiment continues to prevail though at a softer pace. We continue note the emergence of price-momentum divergence, which hints at a potential rebound in AUDUSD. Until that happens, expect AUDUSD to be inclined towards a test at 0.7200.

### SGD

- **SGD** beat 7 G10s that remained on a retreat but **slipped 0.16% to 1.3779 against USD**.
- **Stay 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.

MYR vs Major Counterparts (% DOD)



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