Global Markets Research
Daily Market Highlights

Key Takeaways

- **Wall Street wrapped up the day with rather substantial gains overnight on improved sentiments as the US and China are said to resume trade talk later this month.** The CBOE VIX Index lost 7.6%. Meanwhile Walmart's upbeat earnings helped push up consumer staple stocks making it the best S&P performing sector. In fact, all sectors closed in the green. WTI recovered slightly to $65.46/barrel. Yield on 10Y US treasuries rose 1bp to 2.87%. **In Malaysia, all eyes will be on 2Q GDP growth to be released later today at noon - we are projecting growth rate to clock in at 4.9% YOY.**

- **Dataflow remained mixed in the US, softer in the Eurozone and better in the UK.** US housing starts rebounded a mere 0.9% MOM following a sharp drop in the previous month as both single and multifamily units failed to post any meaningful gains. Building permits rose a decent 1.5% MOM signaling more homebuilding activities ahead. Initial jobless claims fell by 2k to 212k last week. Philly Fed Business Outlook dropped to 11.9, the lowest in nearly two years signaling moderation in 2H18. Elsewhere, Eurozone recorded a lower trade surplus of €16.7b due to faster import growth. UK retail sales rebounded more than expected by 0.7% MOM driven by online sales. Australia unemployment rate fell to 5.3% in July on lower participation rate.

- **USD fell against 6 G10s** while the DXY closed 0.05% lower at 96.64 after a bounce in US session failed to overturn losses in Asian session from receding refuge demand amid news US-China trade talks. **We turn slightly bearish on USD** following signs of ease in risk aversion in the FX space, marked by receding contagion fears emanating from Turkey and improved sentiment as markets await US-China trade talks. DXY remains in a bullish trend that suggests a close above 96.73 on Monday and 96.70 the day after. But we suspect that the bullish trend is nearing an end and opine that after these said moves, DXY would be heading for a reversal lower that could break below 96.37.

- **MYR inched 0.03% firmer to 4.1030 against USD** but narrowed gains from improved risk appetite amid news of US-China trade talk. MYR fell against 6 G10s. **Stay neutral on MYR against USD** with inclination to mild losses as buying interest wanes heading into the week's close. USDMYR remains biased to the upside but we continue to note prevalence of price-momentum divergence that hint at potential reversal lower going forward.

- **SGD** was also buoyed by improved risk appetite in the markets, beating all G10s and **strengthening 0.36% to 1.3752 against USD**. **SGD is now bullish on the back of a softer USD**. Unless current bullish trend is nullified by a close below 1.3757 today, expect a potential break above 1.3802 in the coming days. In any case, we reckon that amid easing upside momentum in USDSGD, a reversal lower is taking shape.

Overnight Economic Data	
US	→
Eurozone	↓
UK	↑
Australia	→

What's Coming Up Next

Major Data
- Malaysia 2Q GDP
- US Leading Index, University of Michigan Sentiment Index
- Eurozone CPI, ECB Current Account
- Hong Kong Unemployment Rate
- Singapore Non-oil Domestic Exports

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1336	1.1355	1.1370	1.1384	1.1400	↗
USDJPY	110.59	110.79	110.88	111.00	111.17	↗
GBPUSD	1.2686	1.2700	1.2716	1.2728	1.2756	↗
AUDUSD	0.7240	0.7253	0.7263	0.7270	0.7282	↗
EURGBP	0.8925	0.8937	0.8945	0.8955	0.8960	↗
USDMYR	4.1010	4.1030	4.1045	4.1055	4.1080	→
EURMYR	4.6600	4.6643	4.6679	4.6700	4.6731	↗
JPYMYR	3.6935	3.7000	3.7019	3.7064	3.7097	↗
GBPMYR	5.2106	5.2150	5.2187	5.2214	5.2263	↗
SGDMYR	2.9815	2.9824	2.9836	2.9858	2.9880	→
AUDMYR	2.9735	2.9768	2.9801	2.9828	2.9850	↗
NZDMYR	2.6961	2.7006	2.7038	2.7080	2.7100	↗
USDSGD	1.3718	1.3739	1.3754	1.3764	1.3775	↘
EURSGD	1.5624	1.5637	1.5645	1.5664	1.5673	↘
GBPSGD	1.7450	1.7470	1.7492	1.7505	1.7531	↘
AUDSGD	0.9950	0.9965	0.9987	1.0000	1.0016	↗

* 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	1,777.27	-0.49	-1.09	CRB Index	188.38	0.76	-2.83
Dow Jones Ind.	25,558.73	1.58	3.40	WTI oil ($/bbl)	65.46	0.69	8.34
S&P 500	2,840.69	0.79	6.25	Brent oil ($/bbl)	71.43	0.95	6.82
FTSE 100	7,556.38	0.78	-1.71	Gold (S/oz)	1,174.16	-0.06	8.10
Shanghai	2,705.19	-0.66	-18.20	CPO (RM/tonne)	2,181.00	0.07	-8.74
Hang Seng	27,100.06	-0.82	-9.42	Copper ($/tonne)	5,938.00	2.36	-18.06
STI	3,211.93	-0.69	-5.61	Rubber (sen/kg)	404.50	-1.22	-12.54

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Philadelphia Fed Business Outlook	Aug	11.9	25.7	22.0
US Initial Jobless Claims	Aug-11	212k	214k (revised)	215k
US Housing Starts MOM	Jul	0.9%	-12.9% (revised)	7.4%
US Building Permits MOM	Jul	1.5%	-0.7% (revised)	1.4%
EU Trade Balance SA	Jun	€16.7b	€16.9b	€16.9b
UK Retail Sales Inc Auto Fuel MOM	Jul	0.7%	-0.5%	0.2%
AU Employment Change	Jul	-3.9k	58.2k (revised)	15.0k
AU Unemployment Rate	Jul	5.3%	5.4%	5.4%
AU Participation Rate	Jul	65.5%	65.7%	65.7%

Source: Bloomberg

Macroeconomics

- ***US housing starts posted minor gain; Philly Fed manufacturing index signaled slowdown:*** Housing starts rose a mere 0.9% MOM in July (Jun: -12.9% revised) to 1.17m units (Jun: 1.16m), much lower than expected following a sharp fall in the previous month. Starts on both single and multifamily units both only managed to rise 0.9% (Jun:-9.0%) and 0.7% (Jun: -22.3%) respectively. The slower activities in homebuilding was largely attributed to higher input cost as prices of raw materials went up while builders faced the difficulty to locate skilled workers leading many to hold back on constructions. The residential construction sector added only 1k jobs in July based on the latest job report. That said, with the recent fall in framing lumber prices (which shot up following US imposition of tariff on Canadian lumbers in 2017), homebuilders might gradually re-start the delayed works. Building permits, a leading indicator on future construction work have increased 1.5% MOM (Jun: -0.7% revised) in the same month. Other key release overnight was initial jobless claims which fell by 2k to 212k for the week ended 11 August (previous: 214k revised). In additions, the Philly Fed Business Outlook Survey dropped to 11.9 in August (Jul: 25.7), the lowest level in nearly two years primarily on much slower new orders (9.9 vs 31.4) and shipments (16.6 vs 24.7), an earlier sign of moderation in 2H18 and in line with the slower July industrial productions. Prices paid came off from the previous month high as well (55.0 vs 62.9) but remained elevated. While the lower index signals some headwinds in the manufacturing sector in 2H, it will be too early to conclude that the economy is poised for an accelerated slowdown.

- ***Eurozone recorded lower trade surplus on higher imports:*** The euro area seasonally adjusted exports grew 1.6% MOM (May: +0.2%) while imports rose 1.8% MOM (May: +0.7%) narrowing the trade surplus to €16.7b (May: €16.9b).

- ***UK retail sales rebounded on strong online sale:*** Retail sales growth rebounded more than expected to 0.7% MOM in July (Jun: -0.5%) driven by online sales while the FIFA World Cup football tournament provided some impetus. The heat wave seems to drive consumer away from high streets as online sale rose 4.9% MOM (Jun: -1.6%). Feedback from online retailers also suggested that online promotion encouraged sales. Excluding auto fuel, retail sales posted a 0.9% MOM gain (Jun: -0.6%).

- ***Australia unemployment rate fell on lower participation rate, wage growth unlikely to quicken:*** The seasonally adjusted unemployment rate fell to 5.3% in July (Jun: 5.4%) as participation rate dropped to 65.5% (Jun: 65.7%). The labour force shrank by 10k while there was a concurrent rise in the population aged 15 and above. The reduction in number of jobs by 3.9k (Jun: +58.2k revised) following a strong addition in the previous month was mainly because of the cut in part time employment (-23.2k vs +15.0k). The drop more than offset the gain in full time jobs (+19.3k vs +43.2k). Overall the job market remains healthy but we do not foresee wage growth to gain much in the near term despite the 3.5% increase in minimum wages on 1 July. Wages had gained 2.1% YOY in the second quarter, a tad stronger than the upwardly revised 2.0% in 1Q. The commensurate increase in inflation (2.1% YOY) means that real wages did not rise at all in the period and hence in our view did not warrant any move on the part of the RBA.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
17/08	**Malaysia**	**GDP YOY**	**2Q**	**5.2%**	**5.4%**	**--**
17/08	**US**	**Leading Index**	**Jul**	**0.4%**	**0.5%**	**--**
		U. of Mich. Sentiment	**Aug P**	**98.0**	**97.9**	**--**
17/08	**Eurozone**	**ECB Current Account SA**	**Jun**	**--**	**22.4b**	**--**
		CPI Core YOY	**Jul F**	**1.1%**	**1.1%**	**--**
		CPI YOY	**Jul F**	**2.1%**	**2.0%**	**--**
20/08		Construction Output YOY	Jun	--	1.8%	--
20/08	UK	Rightmove House Prices YOY	Aug	--	1.4%	--
20/08	Japan	Convenience Store Sales YOY	Jul	--	1.1%	--
17/08	**Hong Kong**	**Unemployment Rate SA**	**Jul**	**2.8%**	**2.8%**	**--**
17/08	**Singapore**	**Non-oil Domestic Exports YOY**	**Jul**	**7.4%**	**1.1%**	**--**

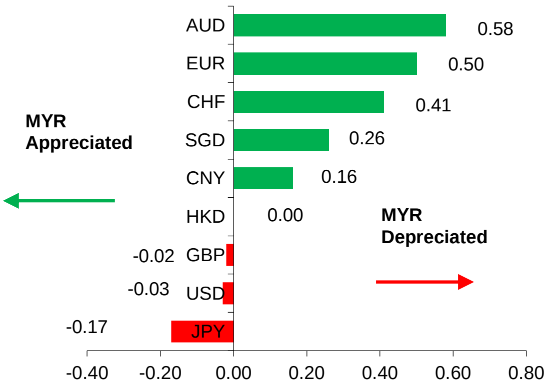
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1377	0.28	1.1409	1.1336	-5.3
USDJPY	110.90	0.14	111.12	110.46	-1.6
GBPUSD	1.2716	0.15	1.2754	1.2686	-5.9
AUDUSD	0.7261	0.30	0.7287	0.7219	-7.1
EURGBP	0.8946	0.12	0.8960	0.8934	0.7
USDMYR	4.1030	-0.03	4.1055	4.0955	1.4
EURMYR	4.6690	0.50	4.6714	4.6523	-3.8
JPYMYR	3.6996	-0.17	3.7164	3.6924	2.9
GBPMYR	5.2138	-0.02	5.2211	5.2065	-4.5
SGDMYR	2.9811	0.26	2.9868	2.9725	-1.5
AUDMYR	2.9816	0.58	2.9839	2.9652	-5.8
NZDMYR	2.7008	0.50	2.7023	2.6910	-6.2

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR inched 0.03% firmer to 4.1030 against USD** but narrowed gains from improved risk appetite amid news of US-China trade talk. MYR fell against 6 G10s.
- **Stay neutral on MYR against USD** with inclination to mild losses as buying interest wanes heading into the week's close. USDMYR remains biased to the upside but we continue to note prevalence of price-momentum divergence that hint at potential reversal lower going forward.

USD

- **USD fell against 6 G10s** while the DXY closed 0.05% lower at 96.64 after a bounce in US session failed to overturn losses in Asian session from receding refuge demand amid news US-China trade talks.
- **We turn slightly bearish on USD** following signs of ease in risk aversion in the FX space, marked by receding contagion fears emanating from Turkey and improved sentiment as markets await US-China trade talks. DXY remains in a bullish trend that suggests a close above 96.73 on Monday and 96.70 the day after. But we suspect that the bullish trend is nearing an end and opine that after these said moves, DXY would be heading for a reversal lower that could break below 96.37.

EUR

- **EUR climbed 0.28% to 1.1377 against a softer USD** and strengthened against 7 G10s following improved risk appetite in the markets.
- **EUR is slightly bullish on the back of a softer USD**. Bearish trend suggests a close below 1.1344 on Monday and Tuesday, but thereafter, expect room for a rebound that could break above 1.1430.

GBP

- **GBP** was lifted by firmer UK data to beat 5 G10s and **climbed 0.15% to 1.2716 against USD**.
- **We now expect a slightly bullish GBP against a softer USD**. Downside momentum is easing in GBPUSD and likely to allow further advances. We set sights on a climb above 1.2728 going forward.

JPY

- **JPY weakened 0.14% to 110.90 against USD** and fell against 7 G10s as refuge demand retreated as risk sentiment was boosted by news of US-China trade talks.
- **We are now bearish on JPY against USD** as refuge demand retreats amid signs of calmer markets. There is room for USDJPY to climb to circa 111.17 – 111.27 on the back of the emergence of a bullish trend.

AUD

- **AUD jumped 0.3% to 0.7261 against USD** and strengthened against 8 G10s following improved risk appetite in the markets.
- **Expect a slightly bullish AUD against a softer USD** but we reckon that gains will be mild amid relative subdued risk appetite in the markets going into the weekend. Bearish trend still dictates a decline below 0.7239 in the coming 2 days but amid prevalence of price-momentum divergence, we maintain that there is a potential rebound for AUDUSD going forward.

SGD

- **SGD** was also buoyed by improved risk appetite in the markets, beating all G10s and **strengthening 0.36% to 1.3752 against USD**.
- **SGD is now bullish on the back of a softer USD**. Unless current bullish trend is nullified by a close below 1.3757 today, expect a potential break above 1.3802 in the coming days. In any case, we reckon that amid easing upside momentum in USDSGD, a reversal lower is taking shape.

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