

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks staged a recovery overnight** fueled by the rally in consumer discretionary, industrials and energy shares **as investors seemed to look pass the escalating Sino-American trade wars**. Following President Trump's announcement that the US will impose 10% tariff on \$200b Chinese goods, **China declared that it will impose 5-10% retaliatory tariffs on \$60b US imports**. Crude oil prices went up on unlikely OPEC production expansion as Saudi Arabia was said to be comfortable with oil prices higher than \$80/barrel – the WTI closed 1.36% higher at \$69.85/barrel. Yield on 10Y US treasuries spiked up by 7bps to 3.06%, the highest level since mid-May mainly on renewed trade tensions. **Latest release also shows that China reduced its US treasuries holdings to a six-month low of \$1.17 trillion in July.**
- **The RBA minutes of the 4-September meeting saw trade tensions representing material risk to outlook but offered no fresh leads in domestic assessment reiterating that the next cash rate move likely to be up.** Data were rather limited as well – US homebuilders' confidence remained solid as the NAHB Housing Market Index stayed at 67.0 in September but affordability continued to be a challenging issue. Japan trade data released this morning show that that trade deficit widened to ¥444.6b in August as imports growth (+15.4% YOY) outweighed exports growth (+6.6% YOY). Hong Kong unemployment rate remained steady at 2.8% in August.
- **USD ended mixed against the G10s**, retreating against the commodity majors but gained against European majors. DXY overturned into gains in US morning and closed 0.15% higher at 94.64 as China announced retaliatory measures against US. **We turn slightly bearish on USD**, anticipating downsides from reports of China cutting its holdings of US Treasuries. We continue to caution that markets may start to weigh in on potential detrimental effects on USD and US economy from protracted trade issues. Technically, DXY is still at risk of extending its bearish trend; losing 94.51 today will set a course for 94.20.
- **MYR fell 0.12% to 4.1430 against USD** and weakened against 7 G10s amid renewed concerns over US-China trade relations. **MYR is neutral against USD** in our view but caution that slight gains may prevail as expectation on China to impose measures to boost its economy supports market sentiment. USDMYR continues to exhibit a lack of upside momentum despite being elevated. Unless USDMYR re-takes above 4.1500, further loss of upside momentum is likely to soon tilt it lower.
- **SGD inched 0.09% firmer to 1.3708 against USD** and strengthened against 7 G10s, supported by speculation that China would impose measures to boost its economy. **We are now slightly bullish on SGD against USD**, buoyed by expectation that China would boost its economy to counter detrimental effects of US tariffs. Losing 1.3716 overnight has casted a downside bias on USDSGD. Expect pressure to build once USDSGD loses 1.3700, which will accelerate its decline to circa 1.3673.

#### Overnight Economic Data

US	→
Hong Kong	→
Japan	↓

#### What's Coming Up Next

##### Major Data

- Malaysia CPI
- US MBA Mortgage Applications, Housing Starts, Building Permits
- Eurozone Construction Output
- UK CPI, PPI Output

##### Major Events

- BOJ Policy Meeting

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1631	1.1650	1.1672	1.1690	1.1700	↗
USDJPY	1.3129	1.3143	1.3154	1.3172	1.3197	↗
GBPUSD	112.05	112.17	112.26	112.33	112.55	↘
AUDUSD	0.7200	0.7215	0.7225	0.7234	0.7250	↗
EURGBP	0.8865	0.8870	0.8873	0.8882	0.8893	↘
USDMYR	4.1400	4.1428	4.1438	4.1450	4.1475	→
EURMYR	4.8250	4.8310	4.8356	4.8385	4.8420	↗
JPYMYR	3.6845	3.6879	3.6904	3.6910	3.6939	↘
GBPMYR	5.4450	5.4462	5.4499	5.4500	5.4566	→
SGDMYR	3.0200	3.0223	3.0234	3.0246	3.0250	→
AUDMYR	2.9887	2.9910	2.9928	2.9933	2.9959	↗
NZDMYR	2.7206	2.7263	2.7272	2.7279	2.7306	↘
USDSGD	1.3680	1.3700	1.3706	1.3713	1.3716	↘
EURSGD	1.5977	1.5985	1.5997	1.6003	1.6011	↘
GBPSGD	1.7975	1.8000	1.8026	1.8044	1.8058	↘
AUDSGD	0.9874	0.9895	0.9899	0.9912	0.9920	↗

\* 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	1,792.94	-0.60	0.22	CRB Index	190.56	0.48	-1.70
Dow Jones Ind.	26,246.96	0.71	6.18	WTI oil (\$/bbl)	69.85	1.36	15.61
S&P 500	2,904.31	0.54	8.63	Brent oil (\$/bbl)	79.03	1.26	18.18
FTSE 100	7,300.23	-0.03	5.04	Gold (\$/oz)	1,198.36	-0.26	8.10
Shanghai	2,699.95	1.82	8.36	CPO (RM/tonne)	2,208.50	-0.07	-7.59
Hang Seng	27,084.66	0.56	9.47	Copper (\$/tonne)	6,086.00	2.37	-16.02
STI	3,139.34	-0.07	7.75	Rubber (sen/kg)	414.00	-0.48	-10.49

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US NAHB Housing Market Index	Sep	67.0	67.0	66.0
HK Unemployment Rate	Aug	2.8%	2.8%	2.8%
JP Trade Balance	Aug	-¥444.6b	-¥231.2b	-¥483.2b
JP Exports YOY	Aug	6.6%	3.9%	5.2%

Source: Bloomberg

**➤ Macroeconomics**

- US homebuilders' confidence remained solid:** The NAHB Housing Market Index remained unchanged at 67.0 in September (Aug: 67.0) signaling that optimism level among builders of single family homes stayed solid. The sub-index measuring current sales condition rose to 74.0 (Aug: 73.0) while the sub-index gauging expectations for the next six months edged up to 74.0 (Aug: 72.0). The buyer traffic sub-index stayed at 49.0. NAHB said that builders continued to stay confident despite rising affordability concerns as demand was reported to be firm especially with new millennials and new comers entering the market. Another key reason was that lumber prices have levelled off from their record high levels. NAHB sees a growing economy and rising incomes combined with increasing household formations as factors boosting demand for new single-family homes. That said, builders have to face overly burdensome regulations and rising material costs (exacerbated by trade tensions) as well as rising interest, thus making affordability becoming increasingly challenging.
- Japan trade deficit widened:** Trade data released this morning show that that Japan trade deficit widened to ¥444.6b in August (Jul: -¥231.2b) as the magnitude of increase in imports surpassed that of exports in the month. Exports rose 6.6% YOY in August (Jul: +3.9%) whereas imports rose a whopping 15.4% YOY (Aug: +14.6%).
- Hong Kong unemployment rate held unchanged:** Unemployment rate remained the same at 2.8% in August (Jul: 2.8%).
- RBA saw trade tensions representing material risk to outlook, offered no fresh leads in domestic assessment:** The RBA had left cash rate unchanged on its 4 September meeting and in the latest minutes released yesterday, the central bank pointed out that the significant tensions around global trade tensions represented a material risk to outlook. On domestic conditions, assessments are largely consistent- the labour market continued to strengthen while wage growth had picked up slightly and is expected to increase gradually. GDP growth was likely to remain above potential throughout the forecast period and inflation was likely to increase over time. National housing prices had fallen moderately while housing credit growth had declined overall. Given the above, the next move in the cash rate would likely be an increase than a decrease.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
19/09	Malaysia	CPI YOY	Aug	0.4%	0.9%	--
19/09	US	MBA Mortgage Applications	Sep-14	--	-1.8%	--
		Housing Starts MOM	Aug	5.7%	0.9%	--
		Building Permits MOM	Aug	0.5%	1.5%	0.9%
20/09		Philadelphia Fed Business Outlook	Sep	18.0	11.9	--
		Initial Jobless Claims	Sep-15	210k	204k	--
		Leading Index	Aug	0.5%	0.6%	--
		Existing Home Sales MOM	Aug	0.5%	-0.7%	--
19/09	Eurozone	Construction Output MOM	Jul	--	0.2%	--
20/09		Consumer Confidence	Sep A	-2.0	-1.9	--
19/09	UK	CPI YOY	Aug	2.4%	2.5%	--
		CPI Core YOY	Aug	1.8%	1.9%	--
		PPI Output NSA YOY	Aug	2.9%	3.1%	--
20/09		Retail Sales Inc Auto Fuel MOM	Aug	-0.2%	0.7%	--
19/09	Japan	BOJ Policy Balance Rate	Sep-19	--	-0.1%	--
20/09		Convenience Store Sales YOY	Aug	--	0.1%	--
20/09	Hong Kong	CPI Composite YOY	Aug	2.4%	2.4%	--
19/09	Australia	Westpac Leading Index MOM	Aug	--	0.01%	--
20/09	New Zealand	GDP SA QOQ	2Q	0.8%	0.5%	--

Source: Bloomberg

## Forex

FX Table

Name	Last Price	DoD%	High	Low	YTD %
EURUSD	1.1667	-0.14	1.1724	1.1652	-2.73
GBPUSD	1.3148	-0.07	1.3172	1.3119	-2.58
USDJPY	112.36	0.46	112.39	111.67	-0.39
AUDUSD	0.7219	0.52	0.7224	0.7144	-7.49
EURGBP	0.8875	-0.04	0.8909	0.8871	-0.12
USDMYR	4.1430	0.12	4.1480	4.1420	2.38
EURMYR	4.8385	-0.07	4.8540	4.8286	-0.22
JPYMYR	3.7016	0.04	3.7105	3.6905	2.66
GBPMYR	5.4462	0.21	5.4566	5.4398	-0.18
SGDMYR	3.0258	0.07	3.0265	3.0090	-0.17
AUDMYR	2.9869	0.17	2.9911	2.9566	-5.35
NZDMYR	2.7332	0.22	2.7379	2.7154	-5.22
CHFMYR	4.3151	0.53	4.3151	4.2984	3.62
CNYMYR	0.6036	-0.05	0.6043	0.6027	-2.93
HKDMYR	0.5285	0.23	0.5288	0.5275	1.97
USDSGD	1.3708	-0.09	1.3753	1.3691	2.54
EURSGD	1.5992	-0.24	1.6052	1.5987	-0.34
GBPSGD	1.8024	-0.14	1.808	1.7980	-0.20
AUDSGD	0.9896	0.44	0.9899	0.9821	-5.22

Source: Bloomberg

### MYR

- **MYR fell 0.12% to 4.1430 against USD** and weakened against 7 G10s amid renewed concerns over US-China trade relations.
- **MYR is neutral against USD** in our view but caution that slight gains may prevail as expectation on China to impose measures to boost its economy supports market sentiment. USDMYR continues to exhibit a lack of upside momentum despite being elevated. Unless USDMYR re-takes above 4.1500, further loss of upside momentum is likely to soon tilt it lower.

### USD

- **USD ended mixed against the G10s**, retreating against the commodity majors but gained against European majors. DXY overturned into gains in US morning and closed 0.15% higher at 94.64 as China announced retaliatory measures against US.
- **We turn slightly bearish on USD**, anticipating downsides from reports of China cutting its holdings of US Treasuries. We continue to caution that markets may start to weigh in on potential detrimental effects on USD and US economy from protracted trade issues. Technically, DXY is still at risk of extending its bearish trend; losing 94.51 today will put pressure on it, setting a course for 94.20.

### EUR

- **EUR fell 0.14% to 1.1667 against USD**, tumbling in US morning to overturn early gains as risk-off sentiment increased. EUR was lower against 6 G10s.
- **Expect a slightly bullish EUR in anticipation of a softer USD**. Technical outlook remains supportive of upsides unless EURUSD fails to close above 1.1690 today. Until that happens, there is still potential to break above 1.1700 and test 1.1726.

### GBP

- **GBP dipped 0.07% to 1.3148 against USD** and eased against 5 G10s as Brexit optimism waned with markets waiting for further developments in UK-EU talks.
- **Stay slightly bullish on GBP against USD** amid continued support from positive Brexit sentiment. Technical landscape of GBPUSD is turning more uncertain. While GBPUSD remains inclined to gains, expect pace of upsides to slow approaching 1.3198 that could potentially trigger a rejection lower.

### JPY

- **JPY fell against all G10s and weakened 0.46% to 112.36 against USD**, taking losses in early trade as trade war concerns initially eased and retreated further as buying interest fell going into BOJ policy decision today.
- **JPY remains bullish in our view against USD** on the back of rising refuge demand in the markets in response to China's retaliatory measures. USDJPY bullish trend is near its end. Gains may still materialize in the next couple of days but expect limited upsides. We caution the risk of reversal below 112.05 soon.

### AUD

- **AUD rallied to beat 8 G10s and jumped 0.52% to 0.7219 against USD**, supported by RBA minutes that suggest the next rate move is likely up, and later on by speculation that China would impose measures to boost its economy.
- **We now turn slightly bullish on AUD in anticipation of a soft USD**, on top of upside support from expectation that China would unveil policies to support growth. Closing above 0.7169 overnight has reinstated AUDUSD's bullish trend, which is sustained by holding above 0.7195. We set sights on AUDUSD testing 0.7275 next.

### SGD

- **SGD inched 0.09% firmer to 1.3708 against USD** and strengthened against 7 G10s, supported by speculation that China would impose measures to boost its economy.
- **We are now slightly bullish on SGD against USD**, buoyed by expectation that China would boost its economy to counter detrimental effects of US tariffs. Losing 1.3716 overnight has casted a downside bias on USDSGD. Expect pressure to build once USDSGD loses 1.3700, which will accelerate its decline to circa 1.3673.

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