August 20, 2018

Global Markets Research
Daily Market Highlights

Key Takeaways

- **Risk sentiment continues to improve** on the back of receding contagion fears emanating from Turkey as well as anticipation from the markets over potential thawing of trade ties between the US and China. **US indices ended higher, with gains across the Dow (+0.43%), S&P500 (+0.33%) and Nasdaq (+0.13%)**, while **APAC majors such as Nikkei 225 (+0.35%) and Hang Seng (+0.42%) also gained**. Though contagion fears may have toned down, **market attention will likely remain on Turkey after last Friday's credit rating downgrade** by S&P and Moody's; S&P cut its rating from BB0 to B+, while Moody's now views the country a Ba3, from Ba2 previously.

- **On the data front, US was mixed** amid softer consumer sentiment given rising inflation and signs of firmer growth going forward. **Inflation in Eurozone picked up further above the ECB's target**, while current account surplus steadied. **In Malaysia, growth in 2Q came in below expectations**, weighed down by slower net exports that offset quicker domestic demand. Meanwhile, Singapore's NODX growth surged in Jul, led by sharp gain in shipments of the usually volatile pharmaceuticals.

- **USD weakened against all G10s** while the DXY erased gains from the last 3 days to close 0.56% lower at 96.10 following softer refuge demand as contagion fears emanating from Turkey eased while markets remain hopeful of US-China talks to dampen current tensions regarding trade disputes. **Stay slightly bearish on USD** as demand is likely to retreat further on continued ease in risk aversion in the FX space. The tumble last Friday has nullified potential closes above 96.73. A minor bearish trend has just emerge, hinting at a reversal lower that could potentially challenge 95.40 in the next leg lower.

- **MYR dipped 0.01% to 4.1060 against USD** after sliding in the final hours of trading to overturn gains in late afternoon. MYR slipped against 7 G10s. With DXY tumbling last Friday, expect downside pressure on USDMYR to re-emerge. **We turn slightly bullish on MYR against a soft USD**, with buying interest supported by extended recovery in market sentiment. Despite early losses in USDMYR, bullish trend still prevails and suggest potential close above 4.1055 going forward. This trend is only nullified by a close below 4.0960 today, or below 4.1040 tomorrow, which if comes true would set USDMYR on a course to 4.0840.

- **SGD** was outpaced amid firmer risk appetite, sliding against 7 G10s but **managed to strengthened 0.28% to 1.3713 against a soft USD**. **SGD is still bullish against a soft USD**. USDSGD bullish trend was nullified by a close below 1.3757 today and we view that as the onset of a reversal lower going forward that could break below 1.3677.

Overnight Economic Data

Malaysia	↓
US	→
Eurozone	↑
Hong Kong	→
Singapore	↑

What's Coming Up Next

Major Data
- Eurozone Construction Output YOY
- UK Rightmove House Prices YOY
- Japan Convenience Store Sales

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1409	1.1424	1.1438	1.1445	1.1465	↗
USDJPY	110.00	110.30	110.46	110.61	110.78	↘
GBPUSD	1.2700	1.2728	1.2748	1.2764	1.2791	↗
AUDUSD	0.7293	0.7300	0.7309	0.7319	0.7328	↗
EURGBP	0.8959	0.8965	0.8970	0.8977	0.8981	↗
USDMYR	4.0930	4.0950	4.0975	4.0985	4.1000	↘
EURMYR	4.6787	4.6823	4.6875	4.6908	4.6988	↗
JPYMYR	3.7050	3.7085	3.7104	3.7120	3.7150	→
GBPMYR	5.2150	5.2200	5.2253	5.2263	5.2290	↗
SGDMYR	2.9870	2.9882	2.9894	2.9904	2.9913	→
AUDMYR	2.9943	2.9970	2.9980	2.9995	3.0012	↗
NZDMYR	2.7128	2.7150	2.7162	2.7185	2.7206	↗
USDSGD	1.3677	1.3695	1.3710	1.3718	1.3738	↘
EURSGD	1.5650	1.5673	1.5680	1.5692	1.5701	↗
GBPSGD	1.7430	1.7450	1.7479	1.7490	1.7512	→
AUDSGD	1.0012	1.0017	1.0022	1.0034	1.0046	↗

*at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1783.47	0.35	-0.74
Dow Jones Ind.	25669.32	0.43	3.84
S&P 500	2850.13	0.33	6.60
FTSE 100	7558.59	0.03	-1.68
Shanghai	2668.97	-1.34	-19.30
Hang Seng	27213.41	0.42	-9.04
STI	3209.44	-0.08	-5.69

Name	Last Price	DoD %	YTD %
CRB Index	188.74	0.19	-2.64
WTI oil ($/bbl)	65.91	0.69	9.09
Brent oil ($/bbl)	71.83	0.56	7.19
Gold (S/oz)	1184.25	0.86	-9.15
CPO (RM/tonne)	2170.00	-0.50	-9.21
Copper ($/tonne)	5926.00	-0.20	-18.23
Rubber (sen/kg)	402.50	-0.49	-12.97

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA GDP YOY	2Q	4.5%	5.4%	5.2%
US Leading Index	Jul	0.6%	0.5%	0.4%
US U. of Mich. Sentiment	Aug P	95.3	97.9	98.0
EU ECB Current Account SA	Jun	24.0b	24.4b (revised)	--
EU CPI Core YOY	Jul F	1.1%	0.9%	1.1%
EU CPI YOY	Jul F	2.1%	2.0%	2.1%
HK Unemployment Rate SA	Jul	2.8%	2.8%	2.8%
SG Non-oil Domestic Exports YOY	Jul	11.8%	1.1%	7.4%

Source: Bloomberg

➢ Macroeconomics

- ***US sentiment softer but leading indicators point to firm growth ahead:*** Consumer sentiment dimmed in Aug according to survey by University of Michigan, with concerns on buying conditions due to perception market prices on the back of rising inflationary pressure (PCE core and CPI have both been ticking higher). The advanced reading showed a drop on the index from 97.9 to 95.3, lowest since Sept 2017 and opposed market expectation of a rise to 98.0. Rising inflation, along with on-going trade war that could impact sentiment negatively, may further erode consumer confidence. The leading index, which gained 0.6% in Jul and picking up from an increase of 0.5% in May, suggested that growth is likely to stay firm going forward.

- ***Eurozone inflation ticked higher above ECB's target:*** Inflation in the Eurozone accelerated as expected in early reading, rising 2.1% in Jul from 2.0% in Jun, while core inflation (which excludes the volatility introduced by cost of energy, food, alcohol and tobacco) gained 1.1% from 0.9% in Jun, suggesting that demand may be picking up pace. But while inflation has pipped ECB's "closed to, but below 2%" target, it is unlikely to solicit any immediate response from the central bank in light of recent developments in Turkey, on top of a soft outlook on growth. In a separate release, Eurozone's current account registered a surplus of € 24b in Jun, but dipping from € 24.4b in May.

- ***Hong Kong unemployment rate held steady:*** Unemployment rate remained at 2.8% in Jul and has been holding at this level since Apr.

- ***Singapore non-oil domestic exports rebounded:*** NODX rose 11.8% YOY in July (Jun: +0.8% revised) driven by higher shipments of non-electronic products (+18.8% vs +4.5%) mainly because of the 109.2% YOY spike in pharmaceutical. Electronic products continued to fall for the eight consecutive month albeit at a slower pace (-3.8% vs -8.8%), as demand softened following the high growth in 2017.

- ***Malaysia GDP growth moderated sharper than expected:*** Growth surprised on the downside for the second consecutive quarters, moderating further to 4.5% YOY in 2Q18 (1Q18: +5.4%), its slowest in 1.5 years. This was below ours as well as consensus estimates of 4.9% and 5.2% YOY respectively and brought real GDP growth to average 4.95% YOY in 1H18 (1H17: +5.7%; 2H17: +6.1%). On a seasonally adjusted QOQ basis, real GDP increased at a slower pace of 0.3% in 2Q (1Q: +1.4%). A hefty pullback in net exports in 2Q (+1.7% vs +62.4%) as a result of slower exports growth and a turnaround in imports exerted a massive drag on 2Q growth, entirely offsetting the quicker growth in aggregate domestic demand. Domestic demand reaccelerated to increase 5.6% YOY in 2Q, picking up from a five-quarter low of 4.1% YOY in 1Q, as renewed growth momentum in the private sector continued to offset contraction in public sector activities. Private consumption growth picked up to 8.0% YOY (1Q: +6.9%) on the back of renewed optimism and better consumer sentiments post- GE14 and the zerorization of GST. Meanwhile, private investment saw quicker growth of 6.1% YOY (1Q: +0.5%) supported by positive business sentiments, favourable demand and higher capacity utilization. This commendable performance from the private sector continued to cushion slacks from the public sector, which registered bigger decline of 1.4% YOY during the quarter (1Q: -0.1% YOY). The decline in public investment deepened to 9.8% YOY in 2Q (1Q: -1.0%), which is not surprising given tail-end of some infrastructure projects and delayed government projects. In lieu of the fast deceleration in growth and imminent downside risks, we are tweaking our full year real GDP growth forecast lower to 4.5% YOY for 2018 (previous 5.0%), anticipating a softer 2H.

Economic Calendar Release Date						
Date	**Country**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
21/08	Malaysia	Foreign Reserves	Aug-15	--	$104.5b	--
20/08	**Eurozone**	**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%**	**--**
21/08		Machine Tool Orders YoY	Jul F	--	13.0%	--
21/08	Hong Kong	CPI Composite YoY	Jul	2.4%	2.4%	--
21/08	Australia	RBA August Meeting Minutes				

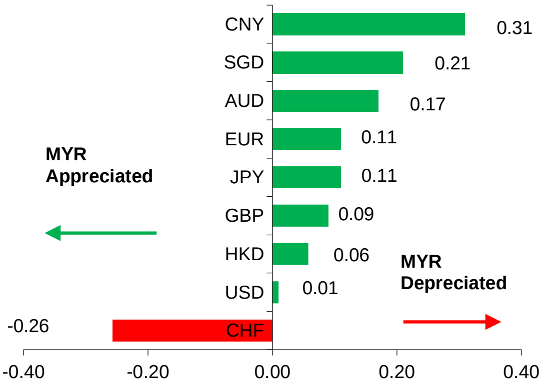
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1438	0.54	1.1445	1.1367	4.7
USDJPY	110.50	-0.36	111.05	110.32	1.9
GBPUSD	1.2749	0.26	1.2753	1.2697	5.7
AUDUSD	0.7313	0.72	0.7319	0.7253	6.4
EURGBP	0.8972	0.29	0.8978	0.8936	1.0
USDMYR	4.1060	0.01	4.1060	4.1010	1.5
EURMYR	4.6736	0.11	4.6877	4.6643	3.6
JPYMYR	3.7066	0.11	3.7084	3.6954	3.1
GBPMYR	5.2190	0.09	5.2329	5.2149	4.5
SGDMYR	2.9876	0.21	2.9904	2.9816	1.4
AUDMYR	2.9865	0.17	2.9920	2.9768	5.5
NZDMYR	2.7106	0.37	2.7128	2.7006	5.9

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

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- **We turn slightly bullish on MYR against a soft USD**, with buying interest supported by extended recovery in market sentiment. Despite early losses in USDMYR, bullish trend still prevails and suggest potential close above 4.1055 going forward. This trend is only nullified by a close below 4.0960 today, or below 4.1040 tomorrow, which if comes true would set USDMYR on a course to 4.0840.

USD

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- **Stay slightly bearish on USD** as demand is likely to retreat further on continued ease in risk aversion in the FX space. The tumble last Friday has nullified potential closes above 96.73. A minor bearish trend has just emerge, hinting at a reversal lower that could potentially challenge 95.40 in the next leg lower.

EUR

- **EUR jumped 0.54% to 1.1438 against a sliding USD** and climbed against 5 G10s, supported by signs of rising CPI in the region.
- **EUR is slightly bullish as we continue to anticipate a softer USD**. Strong upside break at 1.1424 has allayed bearish bias. EURUSD is now poised to challenge 1.1465 – 1.1477 next, above which further recovery to circa 1.1549 is likely. Losing 1.1400 will extend losses to 1.1300 – 1.1336.

GBP

- **GBP climbed 0.26% to 1.2749 against a soft USD** but fell to 8 G10s on the back of softer refuge demand within European markets and amid risk aversion on lack of progress in UK-EU Brexit negotiations.
- **Continue to expect slightly bullish GBP against a softer USD** but caution that gains may be mild and quickly overturned on emergence of negative Brexit news flow. Downside momentum continues to ease in GBPUSD and likely to allow further advances. We set sights on a climb above 1.2791 going forward.

JPY

- JPY fell against 6 G10s as refuge demand retreated but **advanced 0.36% to 110.50 against a soft USD**.
- **JPY is now slightly bullish against USD**; we are changing our view as new technical signs emerged. A bearish trend has prevailed after tumbling below 111 last Friday and downward momentum is likely to extend, pushing USDJPY lower to circa 110.30.

AUD

- **AUD surged 0.72% to 0.7313 against a soft USD** and rallied to beat 7 G10s on the back of firmer risk appetite in the markets.
- **AUD remains slightly bullish against a softer USD** but gains may be mild as buying interest wanes ahead of RBA meeting minutes' release tomorrow. Bearish trend has been nullified and AUDUSD is now free to challenge 0.7334 next, above which the pair will target 0.7360.

SGD

- **SGD** was outpaced amid firmer risk appetite, sliding against 7 G10s but **managed to strengthened 0.28% to 1.3713 against a soft USD**.
- **SGD is still bullish against a soft USD**. USDSGD bullish trend was nullified by a close below 1.3757 today and we view that as the onset of a reversal lower going forward that could break below 1.3677.

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