

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street ended on a mixed note** after a relatively quiet session overnight as the FOMC published its 31 July- 1Aug meeting minutes. **The US is set to impose a fresh round of tariffs on \$16b worth of Chinese goods on Thursday** even though both countries are expected to resume trade talk this week. The Dow and S&P500 fell 0.34% and 0.04% respectively while the Nasdaq gained 0.38%. Yield on US 10Y treasuries fell by 1bp to 2.82%.
- FOMC minutes offered little surprise as the Fed's economic assessment remained largely consistent with participants pointing out risks associated with trade policies. As of writing, **markets are pricing in a 90.0% probability of a third rate hike in September and a 61.2% probability of a fourth hike in December.** US July existing home sales extended fourth month of consecutive decline by 0.7% MOM while mortgage applications rebounded to increase 4.8%. Japan All Industry Index fell 0.8% MOM in June while Australia Westpac Leading Index rose a marginal 0.01% in July. Malaysia foreign reserves slipped to \$104.2b as at 15 August.
- **USD weakened against 8 G10s** while the DXY shed 0.12% to 95.14, extending its recent downsides from easing refuge demand and also on risk aversion ahead of FOMC minutes. **Stay bearish on USD**, dampen by rising concerns over the Fed's ability to stay on the course of policy normalization given emergence of trade war concerns as highlighted by FOMC minutes. Caution that strong US data could spark a strong recovery. Extended losses provides room for DXY to rebound, but unless 95.53 is broken above, a drop to 94.85 – 95.00 remains on track.
- **MYR advanced 0.1% to 4.0970 against USD** but not before overturning strong early gains amid a softer greenback. MYR ended lower against all G10s. **MYR is neutral against USD** with potential for mild gains amid the return of buying interest and in anticipation of a softer greenback. A minor bearish trend is taking shape, suggesting declines in USDMYR going forward. We maintain that USDMYR is on a course to 4.0840, below which further losses will accelerate.
- **SGD slipped against 8 G10s and dipped 0.05% to 1.3664 against USD. We maintain a bullish view on SGD against a soft USD.** A bearish trend continues to prevail alongside rising downward momentum, dictating further losses in USDSGD. Unless USDSGD manages to break above 1.3713 today, the pair is headed for a drop below 1.3657 soon.

Overnight Economic Data

Malaysia	↓
US	→
Japan	↓
Australia	↑

What's Coming Up Next

Major Data

- Initial Jobless Claims, FHFA House Price Index MOM, Markit US Manufacturing PMI, Markit US Services PMI, New Home Sales MOM, Kansas City Fed Manf. Activity
- Eurozone Markit Eurozone Manufacturing PMI, Markit Eurozone Services PMI, Consumer Confidence
- Japan Nikkei Japan PMI Mfg, Leading Index CI, Coincident Index
- Singapore CPI YOY

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1550	1.1560	1.1575	1.1582	1.1600	↗
USDJPY	110.53	110.60	110.66	110.77	110.95	↗
GBPUSD	1.2854	1.2880	1.2893	1.2901	1.2930	↗
AUDUSD	0.7290	0.7300	0.7315	0.7325	0.7334	↗
EURGBP	0.8961	0.8968	0.8975	0.8976	0.8985	↗
USDMYR	4.0970	4.0990	4.1010	4.1040	4.1050	→
EURMYR	4.7371	4.7390	4.7425	4.7461	4.7521	↗
JPYMYR	3.6980	3.7009	3.7036	3.7084	3.7126	↘
GBPMYR	5.2820	5.2846	5.2857	5.2870	5.2925	↗
SGDMYR	2.9900	2.9923	2.9949	2.9957	2.9980	↘
AUDMYR	2.9943	2.9976	3.0003	3.0015	3.0094	↘
NZDMYR	2.7394	2.7430	2.7439	2.7464	2.7500	↗
USDSGD	1.3660	1.3684	1.3688	1.3695	1.3707	↘
EURSGD	1.5817	1.5830	1.5836	1.5845	1.5875	↗
GBPSGD	1.7615	1.7635	1.7645	1.7653	1.7673	↗
AUDSGD	0.9990	1.0000	1.0013	1.0030	1.0050	↘

*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*	1,798.11	0.59	0.07	CRB Index	191.12	0.59	-1.42
Dow Jones Ind.	25,733.60	-0.34	-1.10	WTI oil (\$/bbl)	67.86	0.76	14.30
S&P 500	2,861.82	-0.04	-7.04	Brent oil (\$/bbl)	74.78	2.96	11.83
FTSE 100	7,574.24	0.11	-1.48	Gold (\$/oz)	1,195.80	-0.02	8.10
Shanghai	2,714.61	-0.70	-17.92	CPO (RM/tonne)*	2,200.00	0.50	-7.95
Hang Seng	27,927.58	0.63	-6.66	Copper (\$/tonne)	6,005.00	-0.66	-17.14
STI	3,199.89	-0.15	-5.97	Rubber (sen/kg)	406.50	0.37	-12.11

Source: Bloomberg

*Last price on 21 Aug

Economic Data

	For	Actual	Last	Survey
MA Foreign Reserves	Aug-15	\$104.2b	\$104.5b	--
US MBA Mortgage Applications	Aug-17	4.2%	-2.0%	--
US Existing Home Sales MOM	Jul	-0.7%	-0.60%	0.4%
JP All Industry Activity Index MOM	Jun	-0.8%	0.1%	-0.8%
AU Westpac Leading Index MOM	Jul	0.01%	0.13% (revised)	--

Source: Bloomberg

➤ Macroeconomics

- FOMC minutes reaffirms four rate hikes in 2018:** The Fed published its 31 July- 1 Aug meeting minutes overnight. Key highlights include that the labour market has continued to strengthen and that economic activity has been rising at a solid rate. On a 12-month basis, overall inflation and core inflation had both moved close to 2 percent. Further gradual increases in the target range for the fed funds rate will be consistent with the sustained expansion of economic activity, strong labour market conditions, and inflation near the FOMC's symmetric 2 percent objective over the medium term. Most participants noted that uncertainty and risks associated with trade policy had intensified and were concerned that such uncertainty and risks eventually could have negative effects on business sentiment and investment spending. Recent fiscal policy changes are generally seen as supportive of economic growth over the next few years with a few raised the concern that fiscal policy is currently on a sustainable path. The Fed noted that the stance of monetary policy remains accommodative. As of writing, markets are pricing in a 90.0% probability of a third rate hike in September and a 61.2% probability of a fourth hike in December.
- US existing home sales extended decline, mortgage applications rebounded:** The National Association of Realtors announced that existing home sales, which make up 90% of the US housing market, dropped by 0.7% MOM in July (Jun: -0.6%), down for a fourth consecutive month. Single family units sales extended its fourth month of decline by 0.2% MOM (Jun: -0.6%) while sales of condos & co-ops fell for the first time in four months by 4.8 % MOM (Jun: +0.0%). The same story prevails in the housing market as limited inventory and generally rising borrowing cost have dampened demand. Mortgage applications have rebounded last week after falling for five straight weeks – the number of applications increased 4.2% for the week ended 17 Aug (previous: -2.0%) as both purchases and refinancing segment bounced back. The average interest rate for a 30Y fixed-rate remained unchanged at 4.81%.
- Japan All Industry Index signals contraction in June:** The All Industry Index fell 0.8% MOM in June (May: +0.1%) as all three key industries contracted in the month. The tertiary industry, which makes up 73.5% of the index, dropped 0.5% whereas the manufacturing and construction saw a respective decline of 1.8% and 2.5%. On a yearly basis, the index rose a mere 0.2% YOY (May: +1.6%) after a decent increase in the previous months. Preliminary reading has shown that the economy grew 0.4% QOQ in 2Q 2018 (1Q: -0.4% revised).
- Australia leading index recorded slight gain:** The Westpac Leading Index rose a marginal 0.01% MOM (Jun: +0.13% revised) to 97.89 in July (Jun: 97.88 revised).
- Malaysia's foreign reserve dropped further:** Foreign reserves slipped to \$104.2b as at 15 Aug (previous: \$104.5b) sufficient to cover 7.6 months of retained imports and is 0.9 times short-term external debt.

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
24/08	Malaysia	CPI YOY	Jul	0.9%	0.8%	--
23/08		Initial Jobless Claims	Aug-18	215k	212k	--
		FHFA House Price Index MOM	Jun	0.30%	0.20%	--
		Markit US Manufacturing PMI	Aug P	55.0	55.3	--
		Markit US Services PMI	Aug P	55.8	56.0	--
		New Home Sales MOM	Jul	2.2%	-5.3%	--
		Kansas City Fed Manf. Activity	Aug	23	23	--
24/08		Durable Goods Orders	Jul P	-1.0%	0.8%	--
		Cap Goods Orders Nondef Ex Air	Jul P	0.5%	0.2%	--
23/08	Eurozone	Markit Eurozone Manufacturing PMI	Aug P	55.2	55.1	--
		Markit Eurozone Services PMI	Aug P	54.4	54.2	--
		Consumer Confidence	Aug A	-0.7	-0.6	--
23/08	Japan	Nikkei Japan PMI Mfg	Aug P	--	52.3	--
		Leading Index CI	Jun F	--	105.2	--
		Coincident Index	Jun F	--	116.3	--
24/08		Natl CPI YOY	Jul	1.0%	0.7%	--
		Natl CPI Ex Fresh Food YOY	Jul	0.9%	0.8%	--
23/08	Singapore	CPI YOY	Jul	0.6%	0.6%	--
24/08		Industrial Production YOY	Jul	6.0%	7.4%	--
24/08	New Zealand	Trade Balance NZD	Jul	-400m	-113m	--
		Exports NZD	Jul	4.76b	4.91b	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1597	0.22	1.1623	1.1553	3.5
USDJPY	110.56	0.23	110.62	110.03	1.9
GBPUSD	1.2911	0.08	1.2936	1.2868	4.5
AUDUSD	0.7348	-0.27	0.737	0.7334	6.1
EURGBP	0.8982	0.14	0.9005	0.8962	1.1
USDMYR	4.0970	-0.10	4.0980	4.0920	1.2
EURMYR	4.7196	0.84	4.7275	4.7069	2.1
JPYMYR	3.7174	0.34	3.7309	3.7168	3.1
GBPMYR	5.2563	0.67	5.2622	5.2446	3.3
SGDMYR	2.9976	0.31	2.9985	2.9916	1.1
AUDMYR	3.0157	0.67	3.0173	3.0048	5.0
NZDMYR	2.7330	0.77	2.7343	2.7197	4.7

Source: Bloomberg

* MYR pairs last closed on 21 Aug 2018

Forex
MYR

- **MYR advanced 0.1% to 4.0970 against USD** but not before overturning strong early gains amid a softer greenback. MYR ended lower against all G10s.
- **MYR is neutral against USD** with potential for mild gains amid the return of buying interest and in anticipation of a softer greenback. A minor bearish trend is taking shape, suggesting declines in USDMYR going forward. We maintain that USDMYR is on a course to 4.0840, below which further losses will accelerate.

USD

- **USD weakened against 8 G10s** while the DXY shed 0.12% to 95.14, extending its recent downsides from easing refuge demand and also on risk aversion ahead of FOMC minutes.
- **Stay bearish on USD**, dampen by rising concerns over the Fed's ability to stay on the course of policy normalization given emergence of trade war concerns as highlighted by FOMC minutes. Caution that strong US data could spark a strong recovery. Extended losses provides room for DXY to rebound, but unless 95.53 is broken above, a drop to 94.85 – 95.00 remains on track.

EUR

- **EUR climbed 0.22% to 1.1597 against a soft USD** but retreated against 6 G10s that was also firmer as the greenback retreated.
- **EUR is bullish as we continue to anticipate a softer USD**; further upsides are expected if Eurozone data outperforms. Despite early losses, we reckon that rising upside momentum and prevailing bullish trend are likely to keep EURUSD tilted to the upside. We expect a challenge at 1.1622 – 1.1646 in the next leg higher.

GBP

- **GBP inched 0.06% higher to 1.2911 against a soft USD** but fell against 7 G10s, pressured by continued Brexit uncertainties.
- **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. Even as upside momentum increases, failure to succinctly beat 1.2930 suggests that bullish bias may be waning for GBPUUSD. The pair still poses a threat to 1.2930 but another rejected here could see it drop back to 1.2827.

JPY

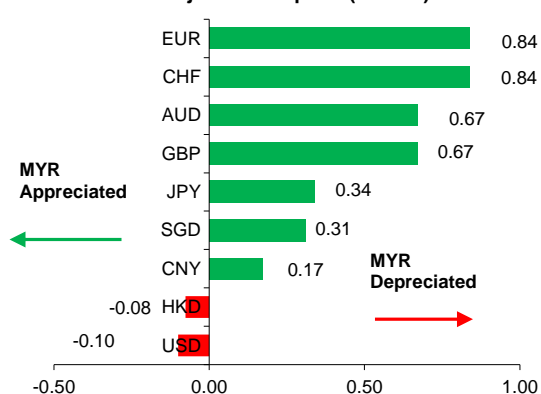
- **JPY weakened 0.23% to 110.56 against USD** and retreated against 8 G10s as refuge demand continued to recede.
- **We turn bearish on JPY against USD** as risk-off sentiment in the markets continue to recede. Breaking above 110.64 in early trade has tilted USDJPY to the upside, with room to test 111.00 in the next leg higher.

AUD

- **AUD tumbled against all G10s and fell 0.27% to 0.7348** as political concerns weighed amid potential leadership vote to oust current PM Malcolm Turnbull.
- **We stay slightly bullish on AUD in anticipation of a soft USD** but unless political concerns in Australia subsides, early losses are likely to accelerate. AUDUSD is now at risk of losing current bullish trend from a close below 0.7313 today. Stay on a bullish trend allows AUDUSD to break above 0.7368 by Monday, otherwise, expect a downside break at 0.7283.

SGD

- **SGD slipped against 8 G10s and dipped 0.05% to 1.3664 against USD.**
- **We maintain a bullish view on SGD against a soft USD.** A bearish trend continues to prevail alongside rising downward momentum, dictating further losses in USDSGD. Unless USDSGD manages to break above 1.3713 today, the pair is headed for a drop below 1.3657 soon.

MYR vs Major Counterparts (% DOD)


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