

Global Markets Research

Daily Market Highlights

Key Takeaways

- **At the annual Jackson Hole Symposium, Fed Chair Jerome Powell maintained an upbeat assessment of the US economy** saying that there was no risk of an overheating economy and “no clear sign” of inflation accelerating above its 2% target. **He reaffirmed that a gradual path of interest rate hikes remained appropriate. The only tinge of dovishness from Powell was his suggestion that the Fed fund rate was getting closer to neutral.** Meanwhile, Fed Bullard (non-voter) lauded the Fed policy rate hikes but Fed Mester said more gradual rate hike is appropriate. US stocks wrapped up Friday on positive note following a rally in the European equity earlier.
- **Dataflow came in mixed.** US durable goods order fell 1.7% MOM in July attributed to the drop in the notoriously volatile aircraft order. **Core capital goods, a proxy for business spending increased 1.4% MOM** while the upward revision in June orders suggest an upward revision to 2Q GDP growth. **Singapore in industrial production growth eased to 6.0% YOY in July** on softer growth in electronics and biomedical manufacturing. **Malaysia July CPI normalized to increase 0.9% YOY confirming that the sharp pullback in June (+0.8%) was primarily due to the zero-rating of GST and not any change in underlying price pressure or macro fundamentals.** We maintain our view that BNM will keep OPR unchanged at its current level at 3.25%.
- **USD fell against all G10s** while the DXY declined through all sessions to close 0.54% lower at 95.14, dipping initially on risk aversion ahead of Jackson Hole symposium and later on comments by Fed Chairman Powell, who sees little risk of inflation in the US accelerating. **Stay bearish on USD** as Fed Chairman Powell's comment on US inflation came across as being less hawkish than markets anticipated. Caution that disappointment in US data could trigger further weakness in USD. Bearish trend now prevails, and on top of rising downward momentum, expect further losses in DXY. Losing 95.00 puts it on a firmer track to test 94.77.
- **MYR eased 0.07% to 4.1075 against USD** amid risk aversion heading into the week's close but managed to beat 5 G10s. **MYR is bullish against USD** after the sharply stronger opening, on top of room for further weakness in greenback in European session. Early tumble today has re-ignited a bearish trend, which if extends will push USDMYR lower going forward. We set sights on a drop to circa 4.0875, below which 4.0770 will be targeted.
- **SGD also advanced on firmer risk appetite, beating 6 G10s and strengthening 0.57% to 1.3656 against a soft USD.** **SGD is still slightly bullish against USD,** supported by signs of improvement in market sentiment. USDSGD has returned to a bearish trend after overnight tumble. It is now inclined to a break below 1.3633, which would then pose a threat to 1.3584

Overnight Economic Data

Malaysia	↑
US	→
Singapore	↓

What's Coming Up Next

Major Data

- US Chicago Fed Nat Activity Index, Dallas Fed Manf. Activity
- Hong Kong Exports
- China Industrial Profits

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1616	1.1632	1.1637	1.1658	1.1684	↗
USDJPY	110.96	111.04	111.22	111.32	111.50	↗
GBPUSD	1.2800	1.2827	1.2856	1.2870	1.2900	↗
AUDUSD	0.7306	0.7334	0.7340	0.7350	0.7370	↗
EURGBP	0.9030	0.9040	0.9050	0.9060	0.9080	↗
USDMYR	4.0875	4.0900	4.0940	4.0960	4.0980	↘
EURMYR	4.7515	4.7583	4.7636	4.7693	4.7720	↗
JPYMYR	3.6750	3.6790	3.6812	3.6849	3.6890	↘
GBPMYR	5.2523	5.2573	5.2624	5.2672	5.2767	→
SGDMYR	2.9975	2.9990	3.0006	3.0015	3.0031	↗
AUDMYR	2.9956	3.0000	3.0037	3.0050	3.0092	↗
NZDMYR	2.7348	2.7394	2.7401	2.7440	2.7480	↗
USDSGD	1.3630	1.3637	1.3647	1.3661	1.3678	↘
EURSGD	1.5836	1.5869	1.5877	1.5892	1.5907	↗
GBPSGD	1.7500	1.7524	1.7541	1.7556	1.7568	↘
AUDSGD	0.9985	1.0000	1.0011	1.0020	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	1808.59	-0.13	0.66	CRB Index	192.08	0.83	-0.92
Dow Jones Ind.	25790.35	0.52	4.33	WTI oil (\$/bbl)	69.82	1.44	15.56
S&P 500	2874.69	0.62	7.52	Brent oil (\$/bbl)	75.82	1.46	13.14
FTSE 100	7577.49	0.19	-1.43	Gold (S/oz)	1205.35	1.67	-7.34
Shanghai	2729.43	0.18	-17.47	CPO (RM/tonne)	2193.50	0.02	-8.22
Hang Seng	27671.87	-0.43	-7.51	Copper (\$/tonne)	6105.00	1.98	-15.76
STI	3213.00	-1.14	-5.58	Rubber (sen/kg)	401.00	-0.50	-13.30

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY CPI YOY	Jul	0.9%	0.8%	0.9%
US Durable Goods Orders	Jul P	-1.7%	0.7% (revised)	-1.0%
US Cap Goods Orders Nondef Ex Air	Jul P	1.4%	0.6% (revised)	0.5%
SG Industrial Production YOY	Jul	6.0%	8.0% (revised)	6.0%

Source: Bloomberg

➤ Macroeconomics

- US business spending started 3Q on solid footing:** Durable goods orders which measures orders for US-made items meant to last three years or more fell 1.7% MOM in July (Jun: +0.7% revised) attributed to the sharp drop of the notoriously volatile orders for aircraft, a subcategory of transportation equipment. New orders for transportation equipment fell 5.3% MOM (Jun: +1.8%). Excluding transportation, orders rose 0.2% MOM (Jun: +0.1% revised). Orders for nondefense i.e. civilian aircraft plunged 35.4% MOM (Jun: +1.3%) whereas that of defence aircraft dipped 34.6% MOM (Jun: +19.9%). Meanwhile, core capital goods measured in the orders for nondefense capital goods excluding aircraft, a closely watched proxy for business spending posted a robust gain of 1.4% MOM in July (Jun: +0.6% revised) while growth in the previous month was revised from 0.2% to 0.6% MOM, suggesting that firms began the third quarter on solid footing. Shipment of core capital goods, part of the equipment spending in GDP growth calculation rose 0.9% MOM (Jun: +0.9% revised). The upward revision to June figure hence suggests a simultaneous revision to the 2Q GDP growth reading due this week. The first estimate had placed the annualized growth at 4.1% QOQ.
- Singapore industrial production growth softened as expected:** Industrial production rose 6.0% YOY in July (Jun: +8.0% revised) matching consensus estimate. Electronics (+5.4% vs +7.9%) and biomedical manufacturing (+10.1% vs +13.1%) saw slower growth whereas chemicals bounced up higher (+7.4% vs +1.7%). Within biomedical manufacturing, growth continued to be supported by the production of pharmaceuticals (+14.1% vs +17.4%) which has slowed down somewhat recently. External demand for pharmaceuticals could be seasonal as seen in the rather volatile monthly oversea shipments. The softer electronic output meanwhile is in line with the contraction of electronics exports which came off from a high level in 2017.
- Malaysia CPI normalized to increase at a steadier 0.9% YOY in July:** CPI increased only at a slightly faster pace of 0.9% YOY in July (Jun: +0.8% YOY) as quicker price gains in transport and housing offset slower increase in food prices. The steadier gain in July confirmed that June's sharp pullback was primarily due to the zero-rating in GST and not any change in underlying price pressure or macro fundamentals. Further pullback in core CPI to a slight contraction of 0.2% YOY (Jun: +0.1% YOY) during the month further confirmed absence of price pressure in the system. This shall also suggest the small positive numbers currently, and small negative prints in the next few months, will all be transitory. Bearing this in mind, we maintain our view that BNM will keep OPR unchanged at current level to keep overall growth and inflation outlook anchored while safeguarding undesirable capital outflows as yield differential between Malaysia and the US narrows.

Economic Calendar

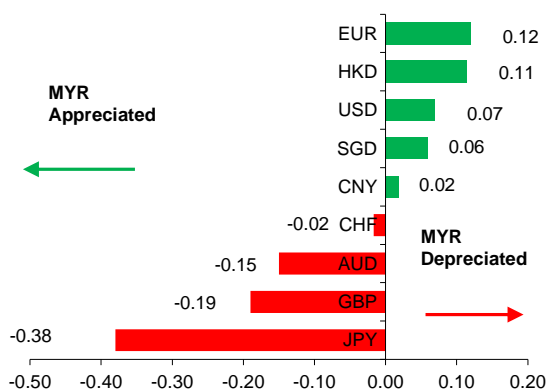
Date	Country	Events	Reporting Period	Survey	Prior	Revised
27/08	US	Chicago Fed Nat Activity Index	Jul	0.45	0.43	--
		Dallas Fed Manf. Activity	Aug	30.0	32.3	--
28/08		Wholesale Inventories MoM	Jul P	0.2%	0.1%	--
		Retail Inventories MoM	Jul	--	0.0%	--
		S&P CoreLogic CS 20-City YoY NSA	Jun	6.4%	6.5%	--
		Richmond Fed Manufact. Index	Aug	17.0	20.0	--
		Conf. Board Consumer Confidence	Aug	126.5	127.4	--
27/08	Hong Kong	Exports YoY	Jul	6.60%	3.30%	--
27/08	China	Industrial Profits YoY	Jul	--	20.00%	--
25-31/08	Vietnam	Exports YTD YoY	Aug	--	15.30%	--
		Trade Balance	Aug	--	-\$300m	--
		CPI YoY	Aug	--	4.46%	--
		Industrial Production YoY	Aug	--	14.30%	--
		Retail Sales YTD YoY	Aug	--	11.10%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1622	0.71	1.164	1.1535	3.0
USDJPY	111.24	-0.04	111.49	111.11	1.2
GBPUSD	1.2846	0.27	1.2881	1.2800	4.8
AUDUSD	0.7329	1.12	0.7345	0.7238	6.0
EURGBP	0.9045	0.40	0.90523	0.9002	2.0
USDMYR	4.1075	0.07	4.1105	4.1073	1.5
EURMYR	4.7514	0.12	4.7583	4.7375	1.3
JPYMYR	3.6887	-0.38	3.6918	3.6862	2.7
GBPMYR	5.2753	-0.19	5.2774	5.2573	3.3
SGDMYR	2.9977	0.06	2.9980	2.9873	0.6
AUDMYR	2.9910	-0.15	2.9959	2.9732	4.6
NZDMYR	2.7304	-0.38	2.7348	2.7200	4.4

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR eased 0.07% to 4.1075 against USD** amid risk aversion heading into the week's close but managed to beat 5 G10s.
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USD

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- **Stay bearish on USD** as Fed Chairman Powell's comment on US inflation came across as being less hawkish than markets anticipated. Caution that disappointment in US data could trigger further weakness in USD. Bearish trend now prevails, and on top of rising downward momentum, expect further losses in DXY. Losing 95.00 puts it on a firmer track to test 94.77.

EUR

- **EUR rallied on the back of a declining USD to advance 0.71% to 1.1622** while climbing against 6 G10s as risk appetite improves in Europe.
- **Expect a bullish EUR against a soft USD.** Overnight rally has re-ignited bullish bias that could see EURUSD break above 1.1658 soon. Above this, there is scope to test 1.1753 in the next leg higher.

GBP

- **GBP climbed 0.27% to 1.2846 against a soft USD** but fell against 7 G10s as demand for refuge extended its retreat in European markets on top of rising Brexit jitters from lack of progress in UK-EU negotiations.
- **Continue to expect slightly bullish GBP in anticipation of a soft USD** but gains are likely mild as markets remain focused on Brexit agreements. Recapturing 1.2827 has allayed further bears but GBPUSD needs to beat 1.2930 to turn bullish. Otherwise, risk of it falling back to 1.2728 – 1.2746 remains.

JPY

- **JPY fell against all G10s** as risk appetite improved but **inched 0.04% firmer to 111.24 against a soft USD.**
- **Stay bearish on JPY against USD** as demand for refuge continue to recede. USDJPY remains tilted to the upside, with scope to test 111.55 next. Breaking above this exposes a move to 111.96 – 112.05.

AUD

- **AUD rebounded strongly to beat all G10s and surged 1.12% to 0.7329 against a soft USD,** supported by the return of political calm in Australian and further assisted by improving risk appetite in the markets.
- **Expect a slightly bullish AUD against USD** amid the passing of political risks in Australia and on firmer risk appetite in the markets. Overnight rally has overturned recent bearish trend. AUDUSD is inclined to gains as upward momentum improves, but remains fragile and prone to a return to bearish bias while below 0.7370.

SGD

- **SGD also advanced on firmer risk appetite, beating 6 G10s and strengthening 0.57% to 1.3656 against a soft USD.**
- **SGD is still slightly bullish against USD,** supported by signs of improvement in market sentiment. USDSGD has returned to a bearish trend after overnight tumble. It is now inclined to a break below 1.3633, which would then pose a threat to 1.3584.

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