

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global equities ended in the green as the US reached a trade deal with Mexico** while nothing negative surfaced on the US-China trade talks, at least not as yet. UST and European bonds came under pressure as a result of the revived risk-on sentiments, pushing yields up to the tune of 4bps. The Dollar Index got battered down for another day while EM currencies saw a relief rally.
- **Market development overshadowed negative economic releases that point to slower growth momentum in 3Q.** Regional activity indices from both the **Dallas and Chicago Fed signaled slower expansion in production-related sectors in the first two months of 3Q.** **Over in China, industrial profits grew at a slower pace for the 3rd straight month in July,** dampened by softening factory prices and higher costs. While this marked its worst gain in four months, it remained commendable at double-digit rate nonetheless. **On a more positive note, exports saw quicker growth in Hong Kong** amid still firm demand from China and the US, its two biggest export markets.
- **USD fell against all G10s for a second day** while the DXY tumbled through European and US sessions to settle 0.39% lower at 94.78 as markets expectations for quicker rate hikes dipped following the Fed's steady inflation outlook. **Stay bearish on USD** as risk appetite continues to improve following news of potential US trade accord that was reported to include Mexico and Canada, which is likely to soothe market concerns over on-going trade war. Prevalence of bearish trend, rising downward momentum and losing 95.00 overnight all suggests DXY is likely to slide lower going forward. Expect DXY to soon test 94.40 – 94.45.
- **MYR strengthened 0.17% to 4.1005 against USD** as risk appetite improved but slipped against 5 G10s that also advanced on a soft greenback. **MYR is slightly bullish against USD,** supported by improving risk appetite in the markets stemming from easing of trade war concerns as the US pursues new trade deals with its neighbours. A bearish trend still prevails, tilting USDMYR downwards. We set sights on a drop to circa 4.0875, below which 4.0770 will be targeted.
- **SGD retreated against 8 G10s that rallied on a softer greenback but strengthened 0.24% to 1.3623 against USD.** **SGD is still slightly bullish against USD,** supported by signs of improvement in market sentiment. Bearish trend has strengthened, on top of rising downside momentum, both suggesting further losses for USDSGD. USDSGD has broken below 1.3633 and now poses a threat to 1.3584.

Overnight Economic Data

US	↓
China	↓
Hong Kong	↑

What's Coming Up Next

Major Data

- US Wholesale Inventories, S&P CoreLogic House Prices, Richmond Fed Manufacturing Index, Conference Board Consumer Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1656	1.1666	1.1684	1.1700	1.1720	↗
USDJPY	110.96	111.04	111.17	111.22	111.50	↗
GBPUSD	1.2827	1.2860	1.2896	1.2912	1.2930	↗
AUDUSD	0.7320	0.7337	0.7348	0.7357	0.7370	↗
EURGBP	0.9040	0.9050	0.9062	0.9066	0.9080	↗
USDMYR	4.0900	4.0930	4.0955	4.0980	4.1000	↘
EURMYR	4.7820	4.7860	4.7896	4.7940	4.7970	↗
JPYMYR	3.6786	3.6806	3.6845	3.6890	3.6946	→
GBPMYR	5.2739	5.2774	5.2836	5.2870	5.2900	→
SGDMYR	3.0020	3.0040	3.0065	3.0085	3.0100	↗
AUDMYR	3.0048	3.0100	3.0108	3.0136	3.0181	↗
NZDMYR	2.7440	2.7462	2.7479	2.7500	2.7540	↗
USDSGD	1.3609	1.3617	1.3625	1.3636	1.3646	↘
EURSGD	1.5907	1.5918	1.5927	1.5932	1.5945	↗
GBPSGD	1.7550	1.7556	1.7569	1.7585	1.7605	↗
AUDSGD	0.9985	1.0000	1.0016	1.0020	1.0040	↗

* 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	1811.6	0.2	0.8	CRB Index	192.9	0.41	-0.5
Dow Jones Ind.	26049.6	1.0	5.4	WTI oil (\$/bbl)	68.9	0.20	14.0
S&P 500	2896.7	0.8	8.3	Brent oil (\$/bbl)	76.2	0.51	19.1
FTSE 100	7577.5	0.2	-1.4	Gold (\$/oz)	1211.4	0.50	-7.0
Shanghai	2780.9	1.9	-15.9	CPO (RM/tonne)	2179.5	-0.64	-8.8
Hang Seng	28271.3	2.2	-5.5	Copper (\$/tonne)	6105.0	1.98	-15.8
STI	3225.6	0.4	-5.2	Rubber (sen/kg)	403.0	0.50	-12.9

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Chicago Fed National Activity Index	Jul	0.13	0.48 (revised)	0.45
US Dallas Fed Manufacturing Activity	Aug	30.9	32.3	30.0
HK Exports YoY	Jul	10.0%	3.3%	6.0%
HK Trade Balance HKD	Jul	-47.1b	-54.1b	-42.7b
CH Industrial Profits YoY	Jul	16.2%	20.0%	--

Source: Bloomberg

➤ Macroeconomics

- US regional activity indices disappointed but remained above trend:** Chicago Fed national activity index pulled back more than expected to 0.13 in July (Jun: 0.48 revised) dragged by slower growth in production-related indicators. Tracking similar trend, manufacturing activity in the Dallas district also pulled back to 30.9 in August (July: 32.3), adding to signs of slower growth momentum in 3Q. Reading for 6-month outlook also slipped to 34.7 in August, down from 36.2 a month ago and marked its lowest in three months.
- China industrial profits growth continued moderating:** Industrial profits increased at a slower pace for the 3rd consecutive month, rising 16.2% YOY to CNY515.1bn in July (Jun: +20.0% YOY), its slowest in four months as a result of softening factory prices and higher costs. YTD, profits still increased at a commendable pace of 17.1% YOY to CNY3.9 trillion in July (YTD Jun: +17.2% YOY) amid sustained 9.9% YOY increase in sales, somewhat contradicted recent economic indicators that showed slowing growth momentum. Profits at the manufacturing sector was sustained at 14.3% YOY YTD July, while that of mining quickened to 53.4% YOY, cushioning slower gain in profits of utilities company.
- Hong Kong exports quickened more than expected led by China:** Exports picked up more than expected to increase 10.0% YOY in July (Jun: +3.3% YOY) spurred by higher shipment to China (+12.8% vs +2.9%) and sustained exports to the US (+10.1% vs +10.3%), a sign of still firm demand from its two biggest export markets. Meanwhile, imports also gained more than expected by 14.0% YOY in July (Jun: +4.4% YOY) as imports from major importing partners saw broad-based improvement. Trade surplus narrowed to HKD47.1bn during the month (Jun: -HKD54.1bn) as the 5.5% MOM increase in exports outweighed the 3.0% MOM climb in imports.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
28/08	US	Wholesale Inventories MoM	Jul P	0.2%	0.1%	--
		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	126.6	127.4	--
29/08		GDP Annualized QoQ	2Q S	4.0%	4.1%	--
		Personal Consumption	2Q S	3.9%	4.0%	--
		Pending Home Sales MoM	Jul	0.3%	0.9%	--
29/08	Japan	Consumer Confidence Index	Aug	43.3	43.5	--
28-31/08	Vietnam	Exports YTD YoY	Aug	14.4%	15.3%	--
		Trade Balance	Aug	\$872m	-\$300m	--
		CPI YoY	Aug	3.90%	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	1.1678	0.48	1.1694	1.1595	-2.7
USDJPY	111.08	-0.14	111.37	110.94	-1.3
GBPUSD	1.2892	0.36	1.2901	1.2829	-4.6
AUDUSD	0.7351	0.30	0.7357	0.7307	-5.9
EURGBP	0.9058	0.15	0.9066	0.9034	2.0
USDMYR	4.1005	-0.17	4.1100	4.0930	-1.1
EURMYR	4.7638	0.26	4.7860	4.7536	-3.4
JPYMYR	3.6867	-0.05	3.6969	3.6767	2.4
GBPMYR	5.2637	-0.22	5.2850	5.2602	-3.4
SGDMYR	2.9988	0.04	3.0124	2.9987	-0.8
AUDMYR	2.9962	0.17	3.0180	2.9946	-4.9
NZDMYR	2.7352	0.18	2.7541	2.7340	-4.7

Source: Bloomberg

Forex

MYR

- **MYR strengthened 0.17% to 4.1005 against USD** as risk appetite improved but slipped against 5 G10s that also advanced on a soft greenback.
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USD

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- **Stay bearish on USD** as risk appetite continues to improve following news of potential US trade accord that was reported to include Mexico and Canada, which is likely to soothe market concerns over on-going trade war. Prevalence of bearish trend, rising downward momentum and losing 95.00 overnight all suggests DXY is likely to slide lower going forward. Expect DXY to soon test 94.40 – 94.45.

EUR

- **EUR jumped 0.48% to 1.1678 against a soft USD** and climbed against 8 G10s, supported by firmer risk appetite in the markets.
- **Expect a bullish EUR against a soft USD**, further supported by optimism that current trade disputes will retreat from the European front. Overnight break above 1.1656 has exposed EURUSD to circa 1.1720 – 1.1742. Do not rule out pullbacks after recent rally, but as long as EURUSD holds above 1.1656, it is likely inclined towards gains.

GBP

- **GBP ended lower against 6 G10s** as demand for refuge within Europe eased, but **managed to climb 0.36% to 1.2892 against a soft USD**.
- **Continue to expect slightly bullish GBP in anticipation of a soft USD** but gains are likely mild and prone to losses on the emergence of any negative Brexit headlines. Despite beating 1.2860, GBPUSD remains within a bearish bias and needs to beat 1.2912 today to alleviate downside risks. Success improves its chances of a break at 1.2930, otherwise a return to 1.2827 is likely.

JPY

- **JPY fell against 8 G10** as risk appetite in the markets improved, but **advanced 0.14% to 111.08 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.

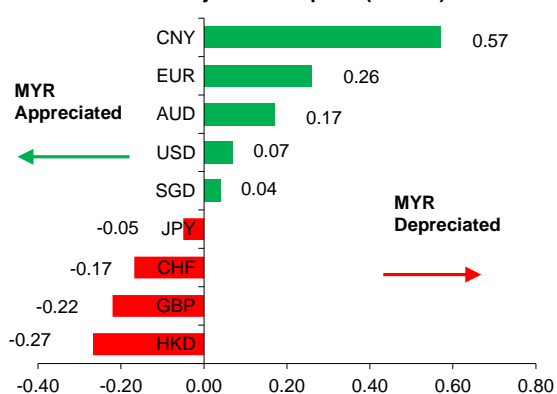
AUD

- **AUD** was also softer against 7 G10s that rallied on a softer greenback but **managed to climb 0.3% to 0.7351 against a soft USD**.
- **Expect a slightly bullish AUD against USD** on firmer risk appetite in the markets. AUDUSD is still inclined to gains as upward momentum improves, but remains fragile and prone to a return to bearish bias while below 0.7370.

SGD

- **SGD** retreated against 8 G10s that rallied on a softer greenback but **strengthened 0.24% to 1.3623 against USD**.
- **SGD is still slightly bullish against USD**, supported by signs of improvement in market sentiment. Bearish trend has strengthened, on top of rising downside momentum, both suggesting further losses for USDSGD. USDSGD has broken below 1.3633 and now poses a threat to 1.3584.

MYR vs Major Counterparts (% DOD)



Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

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