

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks ended on the red on Friday** despite an upbeat 2Q GDP growth as disappointing earnings continued to weigh down the tech sectors. Facebook extended its plunge from Thursday, Intel earnings missed estimates while Twitter saw reduction in its number of monthly active users leading both companies' shares to erase nearly 9% and 20% respectively. **WTI closed at \$68.69/barrel while yield on 10Y treasuries fell 2bps to 2.95%.**
- **Advance estimate indicates that the US economy accelerated to increase by an annualized 4.1% QOQ** on a seasonally adjusted basis in the second quarter of 2018 after growing at a softer 2.2% QOQ in the previous quarter. The faster growth was widely expected, led mainly by higher personal consumption expenditure thanks to a federal tax cut, higher exports as well as federal and state government spending. **We reaffirm our view that the Fed is set to hike rate two more times this year.** In a separate release, the final reading of University of Michigan Consumer Sentiment Index came in a tad softer at 97.9 in July. Meanwhile, China industrial profits slowed to 20.0% YOY in June.
- **USD retreated against 6 G10s** while the DXY fell 0.12% to 94.66 after weakening on US 2Q GDP missing market estimates. **USD is slightly bearish** and likely to extend the decline following a miss in US 2Q GDP last Friday. Upside fatigue prevails in DXY after failing to extend its recent rally after stalling near 94.86 – 94.91. Caution that downside bias in DXY would increase if it closes below 94.61 today, which exposes a drop below 94.36 going forward.
- **MYR slipped 0.04% to 4.0625 against USD** but managed to narrow sharp early losses as buying interest in the greenback waned going into European session. MYR ended firmer against 5 G10s. **MYR is expected to be slightly bullish against a softer overnight USD**, though gains may be modest given renewed risk-off sentiment in the markets. We continue to note prevalence of price-momentum divergence and signs of upside fatigue, both of which suggest a reversal lower is impending for USDMYR. Losing 4.0580 will expose a decline to 4.0500 in the next leg lower.
- **SGD strengthened 0.15% to 1.3616 against a soft USD** and advanced against 8 G10s on the back of support from refuge demand as US equities slipped. **Stay slightly bullish on SGD in anticipation of a soft USD**, further supported by refuge demand within the region. USDSGD again failed to hold above 1.3643, suggesting that downside bias remains firm. Expect further losses going forward, with scope to test 1.3600, below which a test at 1.3579 is expected.

Overnight Economic Data

US	➔
China	➔

What's Coming Up Next

Major Data

- US Pending Home Sales MoM, Dallas Fed Manf. Activity
- Eurozone Economic Confidence, Consumer Confidence
- UK Mortgage Approvals
- Japan Retail Trade YoY, Dept. Store, Supermarket Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1626	1.1650	1.1657	1.1662	1.1680	➔
USDJPY	110.30	110.67	110.94	111.00	111.27	➔
GBPUSD	1.3086	1.3100	1.3113	1.3135	1.3161	➔
AUDUSD	0.7377	0.7397	0.7403	0.7415	0.7436	➔
EURGBP	0.8871	0.8888	0.8892	0.8900	0.8911	➔
USDMYR	4.0580	4.0600	4.0610	4.0620	4.0650	➔
EURMYR	4.7306	4.7340	4.7354	4.7375	4.7421	➔
JPYMYR	3.6557	3.6593	3.6608	3.6632	3.6682	➔
GBPMYR	5.3200	5.3232	5.3252	5.3278	5.3304	➔
SGDMYR	2.9800	2.9824	2.9833	2.9842	2.9863	➔
AUDMYR	2.9973	3.0010	3.0062	3.0078	3.0116	➔
NZDMYR	2.7521	2.7562	2.7606	2.7619	2.7670	➔
USDSGD	1.3579	1.3596	1.3613	1.3630	1.3643	➔
EURSGD	1.5852	1.5865	1.5872	1.5885	1.5897	➔
GBPSGD	1.7800	1.7826	1.7848	1.7878	1.7888	➔
AUDSGD	1.0050	1.0072	1.0075	1.0087	1.0095	➔

*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	1769.14	0.16	-1.54	CRB Index	194.16	-0.43	0.15
Dow Jones Ind.	25451.06	-0.30	2.96	WTI oil (\$/bbl)	68.69	-1.32	13.69
S&P 500	2818.82	-0.66	5.43	Brent oil (\$/bbl)	74.29	-0.34	11.13
FTSE 100	7701.31	0.50	0.18	Gold (\$/oz)	1224.22	0.13	-6.12
Shanghai	2873.59	-0.30	-13.11	CPO (RM/tonne)	2169.50	1.66	-9.23
Hang Seng	28804.28	0.08	-3.73	Copper (\$/tonne)	6297.00	0.10	-13.11
STI	3324.98	-0.11	-2.29	Rubber (sen/kg)	411.50	-2.49	-11.03

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US GDP Annualized QOQ	2Q A	4.1%	2.2% (revised)	4.2%
US U. of Mich. Sentiment	Jul F	97.9	98.2	97.1
CN Industrial Profits YOY	Jun	20.0%	21.1%	--

Source: Bloomberg

➤ Macroeconomics

- US advance GDP growth accelerated, Fed on track to hike rate:** The advance estimate of the 2Q seasonally adjusted annualized real GDP growth came in at 4.1% QOQ (1Q: 2.2% revised), missing analysts' expectations of 4.2% QOQ. Nevertheless, the faster growth was widely expected after a softer 1Q, led especially by substantial gains in personal consumption expenditure (+4.1% vs +0.5%), induced by a federal tax cut in earlier of the year. Exports rose 9.3% QOQ (1Q: +3.6%) partially attributed to the surge in shipments of corns and soybeans prior to the imposition of Chinese tariffs on these goods. Imports went up by a slower 0.5% QOQ (1Q: +3.0%), bringing net exports to contribute 1.1% to the change in overall GDP growth. Government consumption expenditures and gross investment recorded a faster gain of 2.1% QOQ (1Q: +1.5%) as both federal spending (+3.5% vs +2.6%) and state & local spending (+1.4% vs +0.9%) increased. Gross private domestic investment fell 0.5% QOQ (1Q: +9.6%) as the decline in residential fixed investment (-1.1% vs -3.45%) offset the gains made in nonresidential fixed investment (+7.3% vs +11.5%). Overall the economy enjoyed a period of stronger growth as federal tax cut led to enormous spending on the part of consumers especially after the adverse weather in 1Q held back spending somewhat. As the core PCE prices hitting the Fed's 2% target while the labour market extended its further tightening, we reaffirm our view that the Fed is on track to hike the fed fund rate twice for the remainder of the 2018.
- US consumer sentiment softened but remained strong:** The final reading of University of Michigan Consumer Sentiment Index came in a tad softer at 97.9 in July (Jun: 98.2), but remained at a high level still. Sentiments were rather mixed as the index of current economic conditions fell to 114.4 (Jun: 116.5) while the index of consumer expectations rose to 87.3 (Jun: 86.3). Consumers expected higher inflation and interest rates during the year ahead but were upbeat over the favourable job and income prospects. Concerns regarding tariffs accelerated in the July survey as consumers worried about the potential impacts of tariffs on domestic economy.
- China industrial profit growth dragged:** Industrial profits slowed to increase 20.0% YOY in June (May: +21.1%) while profits grew 17.2% YTD YOY in the period of January to June (May: +16.5% YTD).

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
30/07	US	Pending Home Sales MoM	Jun	0.2%	-0.5%	--
		Dallas Fed Manf. Activity	Jul	31.0	36.5	--
31/07		PCE Core YoY	Jun	2.0%	2.0%	--
		Personal Income	Jun	0.4%	0.4%	--
		Personal Spending	Jun	0.4%	0.2%	--
		S&P CoreLogic CS 20-City YoY NSA	May	6.40%	6.56%	--
		Chicago Purchasing Manager	Jul	61.8	64.1	--
		Conf. Board Consumer Confidence	Jul	126.5	126.4	--
30/07	Eurozone	Economic Confidence	Jul	112.0	112.3	--
		Consumer Confidence	Jul F	-0.6	-0.6	--
31/07		Unemployment Rate	Jun	8.3%	8.4%	--
		CPI Core YoY	Jul A	1.0%	0.9%	--
		CPI Estimate YoY	Jul	2.0%	2.0%	--
		GDP SA QoQ	2Q A	0.4%	0.4%	--
		GDP SA YoY	2Q A	2.2%	2.5%	--
30/07	UK	Mortgage Approvals	Jun	65.5k	64.5k	--
31/07		GfK Consumer Confidence	Jul	-9	-9	--
		Lloyds Business Barometer	Jul	--	29	--
30/07	Japan	Retail Trade YoY	Jun	1.7%	0.6%	--
		Dept. Store, Supermarket Sales	Jun	1.5%	-2.0%	--
31/07		Job-To-Applicant Ratio	Jun	1.6	1.6	--
		Jobless Rate	Jun	2.3%	2.2%	--
		Industrial Production YoY	Jun P	0.6%	4.2%	--
		Construction Orders YoY	Jun	--	-18.7%	--
		Housing Starts YoY	Jun	-2.5%	1.3%	--
		BOJ Policy Balance Rate	31-Jul	-0.1%	-0.1%	--
31/07	China	Non-manufacturing PMI	Jul	55.0	55.0	--
		Manufacturing PMI	Jul	51.3	51.5	--
31/07	Australia	Building Approvals MoM	Jun	1.0%	-3.2%	--
31/07	New Zealand	Building Permits MoM	Jun	--	7.1%	--
		ANZ Business Confidence	Jul	--	-39.0	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1657	0.12	1.1664	1.1621	-2.9
USDJPY	111.05	-0.16	111.25	110.80	-1.5
GBPUSD	1.3105	-0.03	1.3131	1.3083	-3.0
AUDUSD	0.7400	0.31	0.7415	0.7370	-5.2
EURGBP	0.8892	0.11	0.8900	0.8874	0.1
USDMYR	4.0625	0.04	4.0725	4.0615	0.4
EURMYR	4.7227	-0.73	4.7427	4.7211	-2.6
JPYMYR	3.6564	-0.34	3.6694	3.6558	1.7
GBPMYR	5.3225	-0.58	5.3201	5.3378	-2.6
SGDMYR	2.9827	-0.02	2.9776	2.9872	-1.5
AUDMYR	2.9973	-0.68	2.9973	3.0069	-5.2
NZDMYR	2.7501	-0.85	2.7631	2.7501	-4.5

Source: Bloomberg

Forex

MYR

- **MYR slipped 0.04% to 4.0625 against USD** but managed to narrow sharp early losses as buying interest in the greenback waned going into European session. MYR ended firmer against 5 G10s.
- **MYR is expected to be slightly bullish against a softer overnight USD**, though gains may be modest given renewed risk-off sentiment in the markets. We continue to note prevalence of price-momentum divergence and signs of upside fatigue, both of which suggest a reversal lower is impending for USDMYR. Losing 4.0580 will expose a decline to 4.0500 in the next leg lower.

USD

- **USD retreated against 6 G10s** while the DXY fell 0.12% to 94.66 after weakening on US 2Q GDP missing market estimates.
- **USD is slightly bearish** and likely to extend the decline following a miss in US 2Q GDP last Friday. Upside fatigue prevails in DXY after failing to extend its recent rally after stalling near 94.86 – 94.91. Caution that downside bias in DXY would increase if it closes below 94.61 today, which exposes a drop below 94.36 going forward.

EUR

- **EUR climbed 0.12% to 1.1657 against USD**, bouncing higher from intraday low amid a softening greenback while beating 5 G10s.
- **Expect a slightly bullish EUR in line with our view on USD**. Recapturing above 1.1650 has kept the bears at bay, time being. While above this level, EURUSD could still climb higher to test 1.1680, above which it would set sights on 1.1723. Failure at 1.1680 re-introduces a bearish bias and set a course for 1.1620.

GBP

- **GBP eased 0.03% to 1.3105 even against a soft USD** and fell against 8 G10s, weighed down by re-emergence of Brexit gloom after the EU rejected UK PM May's Brexit plan that was viewed as the best compromise on EU-UK customs.
- **Stay slightly bullish on GBP in line with our view of a soft USD**. Holding above 1.3100 continues to allow GBPUSD to attempt a rebound that could potentially test 1.3161 – 1.3171.

JPY

- **JPY** was supported by the emergence of refuge demand as US equities retreated, rising against 8 G10s and **strengthening 0.16% to 111.05 against USD**.
- **JPY is likely to remain bullish against a soft USD** amid renewed risk-off sentiment in the markets and heading into BOJ policy decision. USDJPY remains inclined to a close below 110.98 going forward. Below this exposes a move to 110.30.

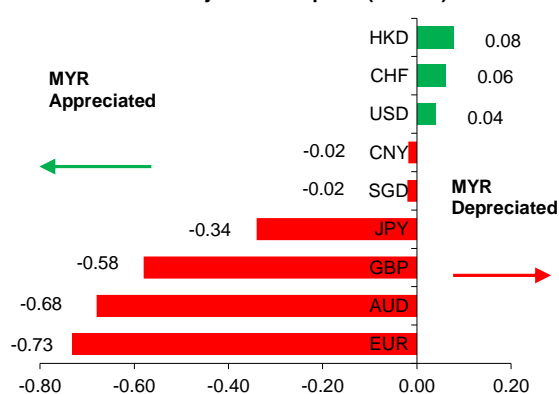
AUD

- **AUD** rallied to beat all G10s and **climbed 0.31% to 0.7400 against USD**, supported by firmer risk appetite in Asian-European sessions.
- **AUD is slightly bullish in anticipation of a soft USD**, but gains may be marginal on the back of retreating risk appetite in the markets. Recapturing 0.7397 allows further rebound in AUDUSD. We set sights on a climb to 0.7415 next, above which there is scope to test 0.7436.

SGD

- **SGD strengthened 0.15% to 1.3616 against a soft USD** and advanced against 8 G10s on the back of support from refuge demand as US equities slipped.
- **Stay slightly bullish on SGD in anticipation of a soft USD**, further supported by refuge demand within the region. USDSGD again failed to hold above 1.3643, suggesting that downside bias remains firm. Expect further losses going forward, with scope to test 1.3600, below which a test at 1.3579 is expected.

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@hbb.hongleong.com.my**DISCLAIMER**

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