HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks extended gains overnight** with the S&P500 and NASDAQ both closing in on yet another record highs **as risk sentiment continued to improve amidst easing trade tension, strong corporate earnings and upbeat US data.** News of Canada re-joining negotiations on NAFTA coupled with comments from both PM Justin Trudeau and President Trump have fuelled optimism that a deal might be reached by Friday. Yield on 10Y US treasuries was virtually unchanged at 2.88%. The pound rallied and UK bond yields rose across the curve while the FTSE fell 0.71% on **EU's Chief Brexit negotiator Michael Barnier's remark that the bloc is ready to offer the U.K. an unprecedented deal.**

- **Data flow was mixed. US 2Q GDP growth was revised from 4.1% QOQ to 4.2% QOQ mainly led by an upward revision in private domestic investment.** Growth in personal consumption which makes up nearly 70% of GDP however was revised down from 4.0% QOQ to 3.8% QOQ. Pending home sales contracted 0.7% MOM in July suggesting weaker existing home sales ahead while mortgage applications fell 1.7% last week. **Japan retail sales moderated to increase 1.5% YOY in July. New Zealand July building approvals dropped 10.3% MOM.** Vietnam industrial production growth softened to 13.4% YOY in August while YTD exports growth slowed to 14.5% YOY. YTD retail sales increased 11.2% YOY while imports grew 11.6% YOY, pointing to strong domestic demand in the economy. Gain in consumer prices however slowed to 3.98% YOY.

- **USD fell against 7 G10s** while the DXY tumbled in late US morning to close at 94.60, down 0.13% following retreat in demand for refuge in the FX space. **USD is expected to remain bearish** ahead of another round of US data, on top of improving risk appetite in the FX space. DXY downside bias sustains; expect the next leg lower to test 94.38, below which 94.14 will be challenged. Rebounds, if any, will likely be stemmed by 94.77.

- **MYR fell 0.24% to 4.1065 against USD** after opening weaker, and slipped against 7 G10s as buying interest waned. **We stay neutral on MYR against USD** with room for soft gains as buying interest in MYR is likely to recede going into an early close of Malaysian markets, eroding gains from a firmer opening today. Technically, holding below 4.1073 still confers USDMYR with a bearish trend, tilting it downwards. We set sights on a drop to circa 4.0875 going forward.

- **SGD slipped 0.09% to 1.3652 against USD** and closed softer against 8 G10s. **Stay slightly bullish on SGD against a soft USD**. Bearish trend still prevails but is now at risk of being nullified by a close above 1.3656 today, or failure to close below 1.3623 tomorrow. As long as current bearish trend holds, USDSGD is still on track to a drop to 1.3600, possibly even 1.3590.

Overnight Economic Data

US	→
Japan	↓
New Zealand	↓
Vietnam	→

What's Coming Up Next

Major Data

- US PCE Core, Personal Income, Personal Spending, Initial Jobless Claims,
- Eurozone Economic Confidence
- UK Net Consumer Credit, Mortgage Approvals
- Hong Kong Retail Sales
- Australia Building Approvals
- New Zealand ANZ Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1681	1.1700	1.1705	1.1720	1.1733	↗
USDJPY	111.42	111.57	111.70	111.84	112.05	↗
GBPUSD	1.3000	1.3012	1.3030	1.3067	1.3095	↗
AUDUSD	0.7272	0.7300	0.7305	0.7310	0.7330	↘
EURGBP	0.8962	0.8976	0.8984	0.8989	0.9000	↘
USDMYR	4.1010	4.1050	4.1060	4.1070	4.1080	→
EURMYR	4.7951	4.8010	4.8062	4.8100	4.8114	↗
JPYMYR	3.6668	3.6710	3.6750	3.6786	3.6804	↘
GBPMYR	5.3370	5.3405	5.3493	5.3533	5.3609	↗
SGDMYR	3.0031	3.0050	3.0078	3.0091	3.1000	→
AUDMYR	2.9959	2.9982	3.0000	3.0025	3.0048	→
NZDMYR	2.7490	2.7508	2.7529	2.7541	2.7560	↗
USDSGD	1.3638	1.3648	1.3652	1.3656	1.3672	↘
EURSGD	1.5950	1.5969	1.5982	1.6000	1.6012	↗
GBPSGD	1.7750	1.7770	1.7787	1.7800	1.7820	↗
AUDSGD	0.9950	0.9960	0.9974	0.9981	1.0000	↘

*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	1,820.64	-0.34	1.33	CRB Index	192.96	0.65	-0.47
Dow Jones Ind.	26,124.57	0.23	5.69	WTI oil ($/bbl)	69.51	1.43	15.04
S&P 500	2,914.04	0.57	8.99	Brent oil ($/bbl)	77.14	1.57	15.36
FTSE 100	7,563.21	-0.71	-1.62	Gold (S/oz)	1,206.60	0.47	8.10
Shanghai	2,769.30	-0.31	-16.26	CPO (RM/tonne)	2,185.50	0.64	-8.56
Hang Seng	28,416.44	0.23	-5.02	Copper ($/tonne)	6,086.00	-0.99	-16.02
STI	3,243.92	-0.11	-4.67	Rubber (sen/kg)	401.50	0.38	-13.19

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Mortgage Application	24 Aug	-1.7%	4.2%	--
US GDP Annualized QOQ	2Q S	4.2%	4.1%	4.0%
US Pending Home Sales MOM	Jul	-0.7%	0.9%	0.5%
JP Retail Trade YoY	Jul	1.5%	1.7% (revised)	1.2%
NZ Building Permits MoM	Jul	-10.3%	-8.2% (revised)	--
VN Exports YTD YoY	Aug	14.5%	15.30%	14.4%
VN Trade Balance	Aug	-$100m	-$635m	$872m
VN CPI YOY	Aug	3.98%	4.46%	3.90%
VN Industrial Production YOY	Aug	13.4%	14.30%	--
VN Retail Sales YTD YoY	Aug	11.2%	11.10%	--

Source: Bloomberg

➢ Macroeconomics

- ***US 2Q GDP growth revised upwards on higher private investment:*** The second reading of the seasonally adjusted annualized real GDP growth for 2Q18 was revised from 4.1% QOQ to 4.2% QOQ (1Q: +2.2%), the highest since 3Q14, mainly driven by the upward revision of in private domestic investment growth from -0.5% QOQ to +0.4% QOQ (1Q: +9.6%) which contributed a 0.1% increase to the overall growth figure. This is in line with the upward adjustment in the shipment of core capital goods released last Friday. Growth in personal consumption expenditures which makes up nearly 70% of GDP was revised from 4.0% QOQ to 3.8% QOQ (1Q: +0.5%). Both exports and imports were revised downward from 9.3% to 9.1% QOQ (1Q: +3.6%) and 0.5% to -0.4% (1Q: +3.0%) respectively. Government expenditure and investment meanwhile was revised from 2.1% to 2.3% YOY (1Q: +1.5%). Looking ahead, the higher private investment led by transportation equipment and software suggests upbeat expectations among firms as they headed to 3Q. Overall the economy enjoyed a period of stronger growth in 2Q as consumer spending was spurred by the federal tax cut in early 2018 after a slower 1Q where adverse weather and delayed tax refund have somewhat held back spending. We continue to reaffirm our view that the Fed will raise interest rate two more times this year with a hike coming up in September.

- ***US pending home sales contracted signaling slower sales ahead:*** Pending home sales, a leading indicator for existing home sales fell 0.7% MOM in July (Jun: +0.9%) suggesting that sales in the existing home segment is likely to remain weak in August. Sales has fallen for the fourth consecutive months in July by 0.7% MOM in the existing home segment while new home sales faltered 1.7% MOM. Initial mortgage applications fell 1.7% for the week ended 24 August following a rebound in the previous month. All housing data are pointing to an easing housing market in the US as potential buyers were discouraged by the lack of inventories and the issue of affordability (house prices continued to climb across 20 cities in America, mortgages costs are getting expensive).

- ***Japan retail sales moderated as department store sales contracted:*** Data released minutes ago show that retail sales slowed to increase 1.5% YOY in July (Jun: +1.7% revised) as the rebound in the sales of motor vehicles (+0.2% vs -5.3%) and the faster gain in sales of fuel (+17.5% vs +17.0%), food & beverages (+1.3% vs +1.2%) as well as medicine & toiletries (+4.8% vs +3.7%) were offset by a contraction in sales of general merchandise (-3.1% vs +1.8%) and apparel & accessories (-3.8% s -2.3%). Within retail sales, department store sales fell a whopping 6.5% YOY (Jun: +2.6%) while sales in supermarkets were held steady at 1.9% YOY (Jun:+1.9%). Convenience stores meanwhile saw softer sales as well at 1.3% YOY (Jun: +2.5%) following a higher gain in the previous month. July print continued to paint a mixed picture of consumer demand in Japan – spending at the retail end has been holding up since Oct-17 but overall household spending remained weak despite higher wage growth in recent month while inflation stayed subdued. CPI clocked in at 0.9% YOY in July, well below the BOJ's target of 2.0%.

- ***New Zealand building approvals fell for the second month:*** The seasonally adjusted building approvals fell 10.3% MOM in July (Jun: -8.2%), its second month of decline as the approvals granted to build new houses dropped 6.0% MOM (Jun: -3.9%).

- ***Vietnam industrial output fell but imports & retail sales pointed to strong domestic demand:*** Vietnam industrial production slowed to increase 13.4% YOY in August (Jul: +14.3% YOY) while year-to-date exports growth softened to 14.5% YOY in the same month (Jul: +15.3%). YTD imports increased by a faster pace of 11.6% YOY (Jul: +10.2%) and this brings the trade deficit to narrow to -$100m (Jul: -635m revised). YTD retail sales expanded 11.2% YOY (Jul: +11.1%) and this coupled with the higher imports, pointed to strong domestic demand. Growth in consumer price inflation however slowed to 3.98% YOY (Jul: +4.46%).

Economic Calendar Release Date

Date	Country	Event	Reporting Period	Survey	Prior	Revised
30/08	**US**	**PCE Core YoY**	**Jul**	**2.0%**	**1.9%**	**--**
		Personal Income	**Jul**	**0.4%**	**0.4%**	**--**
		Initial Jobless Claims	**Aug-25**	**212k**	**210k**	**--**
		Personal Spending	**Jul**	**0.4%**	**0.4%**	**--**
		PCE Deflator YoY	**Jul**	**2.3%**	**2.2%**	**--**
31/08		Chicago Purchasing Manager	Aug	63.0	65.5	--
		U. of Mich. Sentiment	Aug F	95.5	95.3	--
30/08	**Eurozone**	**Economic Confidence**	**Aug**	**111.9**	**112.1**	**--**
31/08		Unemployment Rate	Jul	8.2%	8.3%	--
		CPI Core YoY	Aug A	1.1%	1.1%	--
		CPI Estimate YoY	Aug	2.1%	2.1%	--
30/08	**UK**	**Net Consumer Credit**	**Jul**	**1.5b**	**1.6b**	**--**
		Mortgage Approvals	**Jul**	**65.0k**	**65.6k**	**--**
31/08		Nationwide House PX MoM	Aug	0.1%	0.6%	--
		GfK Consumer Confidence	Aug	-10.0	-10.0	--
		Lloyds Business Barometer	Aug	--	29.0	--
31/08	**Japan**	Job-To-Applicant Ratio	Jul	1.63	1.62	--
		Jobless Rate	Jul	2.4%	2.4%	--
		Industrial Production YoY	Jul P	2.7%	-0.9%	--
		Construction Orders YoY	Jul	--	-6.5%	--
		Housing Starts YoY	Jul	-4.1%	-7.1%	--
31/08	China	Non-manufacturing PMI	Aug	53.8	54.0	--
		Manufacturing PMI	Aug	51.0	51.2	--
30/08	**Hong Kong**	**Retail Sales Value YoY**	**Jul**	**9.7%**	**12.0%**	**--**
30/08	**Australia**	**Building Approvals MoM**	**Jul**	**-2.0%**	**6.4%**	**--**
30/08	**New Zealand**	**ANZ Business Confidence**	**Aug**	**--**	**-44.9**	**--**
31/08		ANZ Consumer Confidence Index	Aug	--	118.4	--

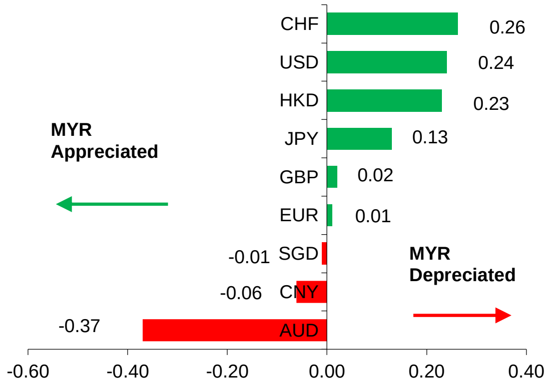
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1707	0.10	1.171	1.1652	-2.4
USDJPY	111.68	0.44	111.83	111.12	-0.9
GBPUSD	1.3026	1.19	1.3033	1.2846	-3.5
AUDUSD	0.7311	-0.37	0.7349	0.7275	-6.4
EURGBP	0.8988	-1.07	0.9093	0.8983	1.2
USDMYR	4.1065	0.24	4.1100	4.0975	1.4
EURMYR	4.7947	0.01	4.8010	4.7890	-0.9
JPYMYR	3.6920	0.13	3.6937	3.6835	2.1
GBPMYR	5.2866	0.02	5.2907	5.2713	-2.1
SGDMYR	3.0048	-0.01	3.0108	3.0029	-0.7
AUDMYR	2.9977	-0.37	3.0147	2.9956	-5.2
NZDMYR	2.7518	0.27	2.7566	2.7460	-4.4

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR fell 0.24% to 4.1065 against USD** after opening weaker, and slipped against 7 G10s as buying interest waned amid ebbing optimism of US-China trade talks.
- **We stay neutral on MYR against USD** with room for soft gains as buying interest in MYR is likely to recede going into an early close of Malaysian markets, eroding gains from a firmer opening today. Technically, holding below 4.1073 still confers USDMYR with a bearish trend, tilting it downwards. We set sights on a drop to circa 4.0875 going forward.

USD

- **USD fell against 7 G10s** while the DXY tumbled in late US morning to close at 94.60, down 0.13% following retreat in demand for refuge in the FX space.
- **USD is expected to remain bearish** ahead of another round of US data, on top of improving risk appetite in the FX space. Lighter positioning may also prevail as the US heads into a lengthened weekend with next Monday being a public holiday. DXY downside bias sustains; expect the next leg lower to test 94.38, below which 94.14 will be challenged. Rebounds, if any, will likely be stemmed by 94.77.

EUR

- **EUR rose 0.1% to 1.1707 against USD** after overturning early losses but eased against 4 G10s.
- **Continue to view a bullish EUR in line with our view of a bearish USD**, further supported by improved market sentiment in European markets. EURUSD has crept into bullish territory and although it remains prone to pullbacks after recent gains, we reckon that it is inclined to upsides as long as it holds above 1.1681. EURUSD could be challenging 1.1733 – 1.1746 next.

GBP

- **GBP surged 1.19% to 1.3026 against USD** and jumped against all G10s, supported by improved sentiment on hints of a potential UK-EU Brexit deal.
- **We are now bullish on GBP against USD**, buoyed by renewed optimism over Brexit talks. Technical landscape of GBPUSD has improved after breaking above 1.2930 and 1.3012. We reckon that further gains are expected, with scope to test 1.3095 in the next leg higher. In due process, expect some pullbacks that are unlikely to alter current bullish trend as long as GBPUSD holds above 1.3000.

JPY

- **JPY weakened 0.44% to 111.68 against USD** and tumbled against all G10s amid retreat in refuge demand in the FX space.
- **JPY remains bearish against USD** as demand for refuge within the FX space recedes. USDJPY remains tilted to the upside, with scope to test 111.84 next. Breaking above this exposes a move to 112.05.

AUD

- **AUD fell 0.37% to 0.7311 against USD** and weakened against 8 G10s, weighed down by concerns of slower growth that stems higher interest rates by Westpac Banking Corp.
- **We turn slightly bearish on AUD against USD** as domestic concern remains in focus; gains from a soft USD, if any, will likely be soft. Technical outlook has dimmed after breaking below 0.7329. Recapturing above this will allay the build-up in bearish bias, otherwise, AUDUSD may well slip further to 0.7272.

SGD

- **SGD slipped 0.09% to 1.3652 against USD** and closed softer against 8 G10s.
- **Stay slightly bullish on SGD against a soft USD**. Bearish trend still prevails but is now at risk of being nullified by a close above 1.3656 today, or failure to close below 1.3623 tomorrow. As long as current bearish trend holds, USDSGD is still on track to a drop to 1.3600, possibly even 1.3590.

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