

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks gave up earlier gain to extend further losses on Thursday, as investors sold off stocks immediately after President Trump unexpectedly threatened fresh tariffs on China, again ramping up trade tensions.** Trump tweeted that the US would slap a 10% tariffs on the remaining untaxed \$300bn worth of Chinese goods comes 1 Sep, effectively putting tax on all Chinese products making their ways into the US. The announcement came after US officials concluded their meeting with their Chinese counterparts in Shanghai on Wednesday with little progress, the next round of talks is scheduled in September. All major indexes ended in the reds- the Dow Jones lost 281pts or 1.1%, the S&P500 and NASDAQ dropped 0.9% and 0.8%. **Escalating trade tensions sent investors scuttling to safe havens leading US treasuries yields to fall by a whopping 8-14bps along the curve. Benchmark 10Y UST yield deep-dived by 13bps to 1.89%, its lowest since Aug-16. Crude oil prices collapsed by 7-8% as trade tensions ratcheted up, reversing their week-long gains.** Brent crude settled at \$60.5/barrel while WTI at \$53.95/barrel. Earlier, **the BOE left its bank rate unchanged at 0.75%** as widely expectedly but slashed its growth forecasts and raised further concerns over Brexit uncertainties.
- **July manufacturing PMI data across key economies** from the US, Eurozone, UK and to China and Japan were broadly weak amidst a globally synchronized slowdown. Malaysia PMI trended down as well last month. In the US, construction spending fell 1.3%, its largest decline in eight months. Initial jobless claims rose by 8k to 215k last week. Elsewhere, Hong Kong retail sales slipped for the fifth month in June as protests took place. **New Zealand consumer confidence took a fresh turn to fall in July** after a brief improvement.
- **The dollar index dropped 0.20% to 98.37** led by JPY as global markets rushed for safe haven assets in a huge risk aversion bout. **We are bearish USD in the short term** as market risk aversion flows are likely to dominate while market digests recent headlines. **We are neutral USD** in the medium term as we await further US economic data and Chinese retaliatory response to gauge directional cues.
- **MYR closed weaker by 0.42% at 4.1440** as markets readjusted positioning to reflect a dovish Fed. **We are bullish USDMYR over both short and medium term** as President Trump broke the trade war truce by imposing 10% tariffs on the remaining USD 300bn worth of Chinese goods effective 1st September with an option of increasing it to 25% at a later date.
- **SGD closed 0.20% weaker against the USD** at 1.3770 as EM currencies are likely to underperform given renewed trade tensions. **We are bearish SGD over the short and medium term** as President Trump fires a fresh salvo in the ongoing trade war with little chance of a resolution in the short term, meaning that EM are likely to bear the brunt of the spillover effects.

Overnight Economic Data

Malaysia	↓
US	↓
Eurozone	↓
UK	→
Japan	↑
China	↑
Hong Kong	↓
Vietnam	↑
New Zealand	↓

What's Coming Up Next

Major Data

- Malaysia Trade Report
- US Job Report, Trade Report, Factory Orders & University of Michigan Sentiment Index, Eurozone PPI & Retail Sales
- Singapore Purchasing Managers Index, Australia Retail Sales

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1050	1.1070	1.1095	1.1130	1.1150	→
GBPUSD	1.2050	1.2100	1.2144	1.2175	1.2200	↘
USDJPY	106.40	106.70	107.09	107.50	107.75	↘
AUDUSD	0.6770	0.6800	0.6812	0.6850	0.6875	↘
EURGBP	0.9100	0.9120	0.9140	0.9170	0.9200	↗
USDMYR	4.1450	4.1500	4.1530	4.1550	4.1600	↗
EURMYR	4.5800	4.5950	4.6085	4.6150	4.6300	↗
JPYMYR	3.8500	3.8650	3.8795	3.8950	3.9100	↗
GBPMYR	5.0150	5.0300	5.0434	5.0500	5.0650	↘
SGDMYR	3.0125	3.0150	3.0205	3.0250	3.0275	→
AUDMYR	2.8050	2.8150	2.8294	2.8350	2.8500	↘
NZDMYR	2.7000	2.7100	2.7244	2.7350	2.7500	↘
USDSGD	1.3700	1.3725	1.3752	1.3775	1.3800	↗
EURSGD	1.5200	1.5225	1.5256	1.5275	1.5300	↗
GBPSGD	1.6400	1.6550	1.6700	1.6800	1.6950	→
AUDSGD	0.9325	0.9350	0.9373	0.9400	0.9430	↘

* 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	1,639.07	0.26	-3.05	CRB Index	172.80	-3.21	1.77
Dow Jones Ind.	26,583.42	-1.05	13.96	WTI oil (\$/bbl)	53.95	-7.90	18.81
S&P 500	2,953.56	-0.90	17.82	Brent oil (\$/bbl)	60.50	-7.17	12.45
FTSE 100	7,584.87	-0.03	12.73	Gold (S/oz)	1,445.18	2.22	12.21
Shanghai	2,908.77	-0.81	16.64	CPO (RM/tonne)	1,927.50	-0.05	-1.28
Hang Seng	27,565.70	-0.76	6.65	Copper (\$/tonne)	5,899.00	-0.47	-1.11
STI	3,291.75	-0.27	7.27	Rubber (sen/kg)	455.00	-0.44	20.05

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Markit Malaysia Manufacturing PMI	Jul	47.6	47.8	--
US Initial Jobless Claims	Jul-27	215k	207k (revised)	214k
US Markit US Manufacturing PMI	Jul F	50.4	50.6	50.0
US ISM Manufacturing	Jul	51.2	51.7	52.0
US Construction Spending MOM	Jun	-1.3%	-0.5% (revised)	0.3%
EU Markit Eurozone Manufacturing PMI	Jul F	46.5	47.6	46.4
UK Markit UK PMI Manufacturing	Jul	48.0	48.0	47.6
UK Bank of England Bank Rate	01 Aug	0.75%	0.75%	0.75%
JP Jibun Bank Japan Manufacturing PMI	Jul F	49.4	49.3	--
CN Caixin China Manufacturing PMI	Jul	49.9	49.4	49.5
HK Retail Sales Value YOY	Jun	-6.7%	-1.3%	-1.9%
VN Markit Vietnam Manufacturing PMI	Jul	52.6	52.5	--
NZ ANZ Consumer Confidence Index	Jul	116.4	122.6	--

Source: Bloomberg
BOE ther

➤ Macroeconomics

- BOE left rate unchanged, highlighted Brexit fear:** The Bank of England left its bank rate unchanged at 0.75% as widely expected and slashed its growth forecast in its August inflation report. BOE said Brexit related developments such as stock building ahead of previous dateline are making UK data volatile and growth is expected to have been flat in 2Q. Projection for 2019 growth was trimmed from 1.5% to 1.3% and CPI inflation is expected to be at 1.6% YOY at the end of 2019, below its 2% target. BOE raised its concerns over the impact of Brexit on the economy this round, adding that uncertainty over the UK future trading relationship with the EU has become more entrenched. Unlike its global counterparts, the BOE had refrained from turning dovish despite slower growth outlook as it grapples with uncertain Brexit outcomes and partly because of previously higher (above target) inflation. The decision has become much tougher recently as Boris Johnson, a Brexit hardliner was chosen at the UK new prime minister and has vowed to take the country out of the EU comes 31 October. Until then, we expect the BOE to continue leaving the Bank rate unchanged at 0.75%.
- US manufacturing growth continued to soften; construction spending faltered:** The ISM Manufacturing Index edged lower to 51.2 in July (Jun: 51.7), pointing to softer rate of expansion in US factories for the fourth running month. New orders rose slightly but production, employment and new exports order fell, indicating still weak manufacturing output in July. The surveys said that “respondents expressed less concern about U.S.-China trade turbulence, but trade remains a significant issue, sentiments were said to be evenly mixed. Meanwhile the final reading of Markit manufacturing PMI slipped a little to 50.4 in July (Jun: 50.6) confirming the slowdown in the sector. Separate release shows that construction spending saw the sharpest drop in eight months by 1.3% MOM in June (May: -0.5%) weighed down by private construction investment. Initial jobless claims rose by 8k to 215k last week (previous: 207k revised), but nonetheless still at historically low levels.
- Eurozone manufacturing sector downturn deepened:** The final reading of the Markit Eurozone Manufacturing PMI was revised slightly higher from 46.4 to 46.5 in July (Jun: 47.6), but nonetheless was a sharp fall from June’s print, pointing to further deterioration in the Euro Area’s manufacturing sector .
- UK manufacturing conditions faced another challenging month:** The Markit/CIPS PMI stayed unchanged at 48.0 in July (Jun: 48.0), its third month residing below the 50.0 neutral threshold, weighed down by shrinking production and new orders as the UK manufacturing sector continued to face challenges amidst political uncertainties, global growth slowdown and the unwinding of pre-Brexit deadlines activities.
- Japan manufacturing conditions stayed under pressure:** The final reading of the Jibun Bank Japan Manufacturing PMI went up slightly to 49.4 in July (Jun: 49.3), signaling its third successive monthly deterioration in the country’s manufacturing conditions, a result of soft demand from both domestic and external clients amidst against a backdrop of slower global economic growth.
- China Markit manufacturing PMI stabilized:** The Caixin China General Manufacturing PMI improved to 49.9 in July (Jun: 49.4), a tad below the neutral 50.0 threshold and mirrored the official PMI, signaling broadly stable conditions across China manufacturing sector. That said, the overall manufacturing sector continued to be in downturn on muted order book and lower employment.

- **Vietnam manufacturing conditions stayed solid:** The Vietnam Manufacturing PMI edged up a little to 52.6 in July (June: 52.5) mainly on further marked growth of new orders and production, as the country's manufacturing sector continued to buck global trend and experienced expansion.
- **Malaysia manufacturing PMI weighed down by weak demand conditions:** The Markit Malaysia Manufacturing PMI fell slightly to 47.6 in July (Jun: 47.8), indicating that the manufacturing continued to endure a challenging business environment amidst softer demand which had put further pressure on production.
- **Hong Kong retail sales slipped in June:** Hong Kong retail sales slipped for the fifth straight month by 6.7% YOY in June (May: -1.3%) as citizens took it to the street for a series of protests and demonstrations and partly on unfavourably higher base. (Retail sales recorded an impressive 12% growth in the same month last year). The drop in sales was attributed to the fall in sales of food, alcohol & tobacco, clothing & footwear, consumer durable goods, jewelry, watches & clocks as well as sales at department stores. Nonetheless, consumer spending in Hong Kong remained largely weak as demand slowed and is expected to trend further down in the third quarter as protests continued in July.
- **New Zealand consumer confidence plunged in July:** Consumer confidence in New Zealand took a fresh turn to the negative side at the ANZ Consumer Confidence Index fell sharply to 116.4 in July (Jun: 122.6) after a brief improvement in the previous month. The index is now below historical average according to ANZ as both current and future conditions indexes fell. The deteriorating consumer sentiments mirrored equally bad business confidence as growth outlook weakened, firming up expectations that the RBNZ will cut OCR next week.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
02/08	Malaysia	Exports YOY	Jun	1.9%	2.5%	--
		Trade Balance MYR	Jun	8.50b	9.08b	--
02/08	US	Change in Nonfarm Payrolls	Jul	165k	224k	--
		Unemployment Rate	Jul	3.6%	3.7%	--
		Average Hourly Earnings YOY	Jul	3.1%	3.1%	--
		Trade Balance	Jun	-\$54.6b	-\$55.5b	--
		Factory Orders	Jun	0.7%	-0.7%	--
		Cap Goods Orders Nondef Ex Air	Jun F	--	0.3%	--
		U. of Mich. Sentiment	Jul F	98.5	98.4	--
		05/08		Markit US Services PMI	Jul F	--
		ISM Non-Manufacturing Index	Jul	55.5	55.1	--
02/08	Eurozone	PPI YOY	Jun	0.8%	1.6%	--
		Retail Sales MOM	Jun	0.3%	-0.3%	--
05/08		Markit Eurozone Services PMI	Jul F	--	53.6	--
		Sentix Investor Confidence	Aug	--	-5.8	--
05/08	UK	Markit/CIPS UK Services PMI	Jul	50.1	50.2	--
05/08	Japan	Jibun Bank Japan PMI Services	Jul F	--	52.3	--
05/08	China	Caixin China PMI Services	Jul	52.0	52.0	--
05/08	Hong Kong	Markit Hong Kong PMI	Jul	--	47.9	--
02/08	Singapore	Purchasing Managers Index	Jul	49.6	49.6	--
05/08		Markit Singapore PMI	Jul	--	50.6	--
02/08	Australia	Retail Sales MOM	Jun	0.3%	0.1%	--
05/08		AiG Perf of Services Index	Jul	--	52.2	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1085	0.08	1.1096	1.1027	-3.36
GBPUSD	1.2128	-0.25	1.2171	1.2080	-4.90
USDJPY	107.34	-1.32	109.32	107.26	-2.12
AUDUSD	0.6800	-0.66	0.6868	0.6795	-3.46
EURGBP	0.9139	0.31	0.9149	0.9096	1.64
USDMYR	4.1440	0.42	4.1460	4.1375	0.25
EURMYR	4.5748	-0.53	4.5855	4.5687	-3.23
JPYMYR	3.8000	-0.09	3.8069	3.7912	1.12
GBPMYR	5.0212	0.00	5.0351	5.0149	-4.68
SGDMYR	3.0143	-0.04	3.0152	3.0020	-0.71
AUDMYR	2.8410	-0.21	2.8412	2.8247	-2.81
NZDMYR	2.7197	-0.34	2.7200	2.7034	-2.12
CHFMYR	4.1666	-0.05	4.1670	4.1511	-0.78
CNYMYR	0.6007	0.14	0.6009	0.6001	-0.75
HKDMYR	0.5297	0.40	0.5297	0.5272	0.28
USDSGD	1.3770	0.20	1.3779	1.3708	1.04
EURSGD	1.5264	0.28	1.5280	1.5164	-2.35
GBPSGD	1.6701	-0.03	1.6743	1.6612	-3.91
AUDSGD	0.9365	-0.45	0.9430	0.9353	-2.45

Source: Bloomberg

Forex

MYR

- **MYR closed weaker by 0.42% at 4.1440** as markets readjusted positioning to reflect a dovish Fed.
- **We are bullish USDMYR over both short and medium term** as President Trump broke the trade war truce by imposing 10% tariffs on the remaining USD 300bn worth of Chinese goods effective 1st September with an option of increasing it to 25% at a later date.

USD

- **The dollar index dropped 0.20% to 98.37** led by JPY as global markets rushed for safe haven assets in a huge risk aversion bout.
- **We are bearish USD in the short term** as market risk aversion flows are likely to dominate while market digests recent headlines. **We are neutral USD** in the medium term as we await further US economic data and Chinese retaliatory response to gauge directional cues.

EUR

- **EUR closes flattish against the USD at 1.1085.**
- **We are neutral to mildly bullish EUR today** as it is currently being pushed and pulled both ways. As trade tensions ramp up, EUR will likely trade higher but the gains would be limited given slower global and Eurozone growth. At the same time, US rates have more room to be compressed as well, thus a conflict at the moment.

GBP

- **GBP closed lower by 0.25% at 1.2128** as risk aversion gripped markets.
- **We remain bearish GBP over the short and medium term** as the prospects of a no-deal Brexit remain high with little new developments alongside renewed fear of US-China trade war.

JPY

- **JPY finished 1.32% stronger at 107.34** as risk aversion gripped markets.
- **We are bullish JPY over both short and medium terms** as risk aversion will likely dominate the trading theme for a while as President Trump broke the trade war truce with China by imposing new tariffs.

AUD

- **AUD closed 0.66% weaker at 0.6800** as commodity currencies lost ground on renewed trade tensions.
- **We are bearish AUD over the short and medium term** as risk aversion grips markets after President Trump fired a fresh salvo in the ongoing trade war with little chance of a resolution in the short term.

SGD

- **SGD closed 0.20% weaker against the USD at 1.3770** as EM currencies are likely to underperform given renewed trade tensions.
- **We are bearish SGD over the short and medium term** as President Trump fires a fresh salvo in the ongoing trade war with little chance of a resolution in the short term, meaning that EM are likely to bear the brunt of the spillover effects.

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