

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks fell overnight on weak economic data and ongoing uncertainties surrounding US-China trade negotiations** after both countries went ahead to impose new tariffs on each other over the weekend. A key gauge of US manufacturing sector, **the ISM index fell below 50 for the first time in three years, intensifying worries over the impact of trade war on the sector and the economy in general, leading investors to ditch riskier assets and pile into safe havens.** The S&P 500 index lost 0.7%, while the Dow Jones and NASDAQ lost 1.1%. Treasuries yield slipped by 1-6bps along the curve, benchmark 10Y UST yield ended 4bps lower at 1.46%. USD weakened against most of its G10 peers. Gold price picked up 1.2% on safe havens bidding; crude oil fell on growth concerns – WTI plunged 2.1% to \$53.94/barrel and Brent crude settled 0.7% lower at \$58.26/barrel. Elsewhere, **UK Prime Minister Boris Johnson announced that he would call for a snap election after MPs defeated him in an early stage of an attempt to pass a law preventing him from taking Britain out of the EU without a deal.** Earlier, **the RBA had left cash rate unchanged at 1.0% as widely expected.**
- **Latest bag of readings added to signs of further weakness in global manufacturing.** US ISM Manufacturing Index unexpectedly slipped to 49.1 in August, its first sub-50 reading since August 2016 while the Markit PMI also fell to near 10-year low, confirming weakness in US factories. Eurozone factory gate inflation eased tremendously to 0.2% YOY as inflation stayed weak. Australia retail sale barely rose but the August AiG Services PMI rebounded after a July contraction. Manufacturing sector appeared weak elsewhere as Vietnam PMI slipped to a six-month low while Singapore and Malaysia PMI continued to record sub-50 readings.
- **The dollar index closed marginally higher by 0.08% to 99.000** after reversing earlier gains following a disappointing ISM manufacturing index. **We are still bullish USD over the short term** led by GBP and EUR weakness on heightening UK political uncertainties and an impending ECB stimulus package. **We are bearish USD over the medium term** as the prolonged trade woes might lead to a potential rate cut by the Fed. Futures point to a 69% chance of a 25bps cut in the fed funds rate in mid-September.
- **MYR finished 0.36% weaker at 4.2205** against the USD on Tuesday as the ringgit fell in tandem with emerging markets currencies as a whole amidst US-China trade uncertainties. **We are bullish USDMYR over the short term** as USD/AXJ is supported by overall USD strength and CNH weakness. **We remain bearish USDMYR** over the medium term as the prolonged trade woes might lead to a potential rate cut by the Fed.
- **SGD barely changed against the USD at 1.3905.** **We remain bearish SGD over the short and medium terms** as risk sentiment are expected to falter amidst prolonged US-China trade woes and Brexit uncertainties.

Overnight Economic Data

Malaysia	↓
US	↓
EU	↑
Singapore	→
Australia	→
Vietnam	↓

What's Coming Up Next

Major Data

- Malaysia Exports
- US Trade Balance, MBA Mortgage Applications
- Eurozone Services PMI, Retail Sales
- UK, Japan, Hong Kong and Singapore Services PMI
- Australia 2Q GDP

Major Events

- Fed Beige Book

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0920	1.0960	1.0977	1.0980	1.1010	↗
GBPUSD	1.2000	1.2030	1.2088	1.2120	1.2200	↘
USDJPY	105.60	106.80	105.88	106.00	106.50	↘
AUDUSD	0.6700	0.6750	0.6765	0.6788	0.6800	→
EURGBP	0.9025	0.9050	0.9080	0.9100	0.9125	↗
USDMYR	4.2100	4.2125	4.2150	4.2200	4.2225	↗
EURMYR	4.5800	4.6000	4.6264	4.6500	4.6700	↗
JPYMYR	3.9350	3.9500	3.9804	3.9900	4.0150	↗
GBPMYR	5.0500	5.0700	5.0942	5.1100	5.1250	↘
SGDMYR	3.0250	3.0300	3.0328	3.0350	3.0400	→
AUDMYR	2.8350	2.8445	2.8496	2.8590	2.8650	→
NZDMYR	2.6560	2.6650	2.6694	2.6750	2.6850	→
USDSGD	1.3850	1.3880	1.3908	1.3940	1.3970	↗
EURSGD	1.5200	1.5220	1.5257	1.5275	1.5300	↗
GBPSGD	1.6600	1.6700	1.6806	1.6850	1.6950	↘
AUDSGD	0.9330	0.9365	0.9399	0.9420	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	1,591.52	-1.28	-5.86	CRB Index	169.19	-0.68	-0.36
Dow Jones Ind.	26,118.02	-1.08	11.96	WTI oil (\$/bbl)	53.94	-2.11	18.78
S&P 500	2,906.27	-0.69	15.93	Brent oil (\$/bbl)	58.26	-0.68	8.29
FTSE 100	7,268.19	-0.19	8.03	Gold (\$/oz)	1,547.10	1.16	20.53
Shanghai	2,930.15	0.21	17.49	CPO (RM/tonne)	2,142.50	-0.83	9.73
Hang Seng	25,527.85	-0.39	-1.23	Copper (\$/tonne)	5,610.00	-0.18	-5.95
STI	3,090.63	0.25	0.71	Rubber (sen/kg)	434.00	0.70	14.51

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Markit PMI Mfg	Aug	47.4	47.6	--
US Markit Manufacturing PMI	Aug F	50.3	50.4	--
US ISM Manufacturing	Aug	49.1	51.2	51.5
US Construction Spending MOM	Jul	0.1%	-0.7%	0.3%
EU PPI MOM	Jul	0.2%	-0.6% (revised)	--
SG Purchasing Managers Index	Aug	49.9	49.8	--
AU Retail Sales MOM	Jul	-0.1%	0.4%	0.2%
AU RBA Cash Rate Target	Sep-03	1.0%	1.0%	1.0%
AU AiG Services Index	Aug	51.4	43.9	--
VN Markit PMI Mfg	Aug	51.4	52.6	--

Source: Bloomberg

Macroeconomic

US ISM manufacturing index slipped below 50 for the first time in three years:

The ISM Manufacturing Index unexpectedly slipped by 2pts to 49.1 in August (Jul: 51.2) to mark its first sub-50 reading and thus a contraction since August 2016. The poorer than expected August print was a result of a broad-based contraction across most key sub-components. Notably new orders, productions and new exports orders all came below 50, underscoring the weakness in both domestic and overseas demand while the contraction in employment foretold a lacklustre NFP number this Friday. The survey showed that business confidence saw notable decrease with firms generally worrying about the trade war with China and a potential recession. On a separate note, the Markit US Manufacturing PMI fell to 50.3 in August (Jul: 50.4), its lowest in nearly ten years, confirming the weakness in the sector. Last but not least, construction spending picked up a mere 0.1% MOM in July (Jun: -0.7% revised) after declining for two straight months, pointing to a modest gain in residential construction in the third quarter.

- Eurozone factory gate inflation rebounded:** Industrial producer prices rose 0.2% MOM in July (Jun: -0.6% revised) after falling for fourth consecutive months, supported mainly by the higher price of energy (+1.0% vs -2.2%) as prices for the other categories except for that of capital goods, either fell or flat-lined. Compared to the same month last year, PPI inflation continued to ease to a tremendously slower pace of 0.2% YOY (Jun: +0.7%), reaffirming the lack of inflationary pressure in the Euro area thus supporting the case for the ECB to introduce large stimulus package this month.
- RBA left cash rate at 1.0%:** The Reserve Bank of Australia (RBA) left its cash rate unchanged at a historic low of 1.0% yesterday as widely expected after slashing the key rate twice consecutively in June and July. The latest statement did not deviate much from the previous one in August as the central bank reiterated trade uncertainty on the external front as well as uncertain consumption outlook domestically. Wages growth remained subdued and there is little upward pressure at the moment. Inflation remained subdued and "is likely to be the case for some time yet". On the housing sector, it said that there are further signs of a turnaround in the housing market and removed previous comment that the conditions remained soft. On the decision on monetary policy, RBA repeated last statement that it is reasonable to expect that an extended period of low interest rates will be required to reduce unemployment and inflation target. It will continue to monitor developments in the labour market and ease policy further if needed.
- Australia retail sales barely rose; services sector rebounded:** Retail sales fell 0.1% MOM in July (Jun: +0.4%), continuing its sideways movement in recent months, proving the uncertain outlook on consumer spending. The AiG Performance of Services Index returned back above 50.0 to 51.4 in August (Jul: 43.9) after a contraction in the previous month as new orders, employment, stocks, deliveries, input cost and wages rose.
- Vietnam manufacturing PMI fell to six-month low:** The Vietnam Manufacturing PMI fell to 51.4 in August (Jul: 52.6), its lowest reading in six months to signal a weaker improvement in overall business conditions due to slowdown in new order growth associated with US-China trade tension.
- Singapore manufacturing sector contracted for fourth month:** Singapore official PMI rose slightly to 49.9 in August (Jul: 49.8), but still remained below 50 for the fourth consecutive month to indicate a continuous fall in manufacturing activities. The improved reading was driven by higher new orders and output. The Electronic Sector PMI managed to climb marginally as well for the second month to 49.4 (Jul: 49.3) albeit still below 50, to signal a potential turnaround, but we remain bearish on the general manufacturing sector as a whole in line with a synchronized global manufacturing downturn.

- **Malaysia manufacturing saw continuous contraction:** The IHS Markit Malaysia Manufacturing PMI slipped to 47.4 in August (Jul: 47.6) to indicate the continuous contraction in Malaysia's manufacturing activities, highlighting the challenges facing Malaysian manufacturers such as tough demand conditions and rising cost pressures.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
04/09	Malaysia	Exports YOY	Jul	-2.5%	-3.1%	--
04/09	US	MBA Mortgage Applications	30 Aug	--	-6.2%	--
		Trade Balance	Jul	-\$53.4b	-\$55.2b	--
05/09		U.S. Federal Reserve Releases Beige Book				
		ADP Employment Change	Aug	148k	156k	--
		Initial Jobless Claims	31 Aug	215k	215k	--
		Markit US Services PMI	Aug F	50.9	53.0	--
		Factory Orders	Jul	1.0%	0.6%	--
		Durable Goods Orders	Jul F	2.1%	1.8%	--
		Cap Goods Orders Nondef Ex Air	Jul F	--	0.9%	--
		ISM Non-Manufacturing Index	Aug	54.0	53.7	--
04/09	Eurozone	Markit Eurozone Services PMI	Aug F	53.4	53.2	--
		Retail Sales MOM	Jul	-0.6%	1.1%	--
04/09	UK	Markit/CIPS UK Services PMI	Aug	51.0	51.4	--
04/09	Japan	Jibun Bank Japan PMI Services	Aug F	--	51.8	--
04/09	Hong Kong	Markit Hong Kong PMI	Aug	--	43.8	--
04/09	Singapore	Markit Singapore PMI	Aug	--	51.0	--
04/09	Australia	GDP SA QOQ	2Q	0.5%	0.4%	--
05/09		Trade Balance	Jul	A\$7,000m	A\$8,036m	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.0974	0.04	1.0979	1.0926	-4.33
GBPUSD	1.2081	0.12	1.2106	1.1959	-5.22
USDJPY	105.94	0.28	106.39	105.74	-3.39
AUDUSD	0.6760	0.66	0.6764	0.6688	-4.09
EURGBP	0.9082	0.11	0.9149	0.9051	0.95
USDMYR	4.2205	0.36	4.2295	4.2165	2.10
EURMYR	4.6178	-0.56	4.6272	4.6086	-2.32
JPYMYR	3.9798	0.44	3.9888	3.9592	5.91
GBPMYR	5.0626	-1.32	5.0955	5.0533	-3.89
SGDMYR	3.0313	-0.18	3.0344	3.0216	-0.15
AUDMYR	2.8392	0.24	2.8426	2.8225	-2.87
NZDMYR	2.6556	-0.01	2.6617	2.6481	-4.43
CHFMYR	4.2599	-0.12	4.2654	4.2431	1.45
CNYMYR	0.5882	-0.28	0.5888	0.5877	-2.81
HKDMYR	0.5382	0.13	0.5393	0.5362	1.89
USDSGD	1.3905	0.01	1.3942	1.3903	2.01
EURSGD	1.5260	0.01	1.5273	1.5222	-2.41
GBPSGD	1.6799	0.12	1.6837	1.6663	-3.32
AUDSGD	0.9405	0.65	0.9406	0.9323	-2.13

Source: Bloomberg

Forex

MYR

- **MYR finished 0.36% weaker at 4.2205** against the USD on Tuesday as the ringgit fell in tandem with emerging markets currencies as a whole amidst US-China trade uncertainties.
- **We are bullish USDMYR over the short term** as USD/AXJ is supported by overall USD strength and CNH weakness. **We remain bearish USDMYR** over the medium term as the prolonged trade woes might lead to a potential rate cut by the Fed.

USD

- **The dollar index closed marginally higher by 0.08% to 99.000** after reversing earlier gains following a disappointing ISM manufacturing index.
- **We are still bullish USD over the short term** led by GBP and EUR weakness on heightening UK political uncertainties and an impending ECB stimulus package. **We are bearish USD over the medium term** as the prolonged trade woes might lead to a potential rate cut by the Fed. Futures point to a 69% chance of a 25bps cut in the fed funds rate in mid-September.

EUR

- **EUR closed marginally higher by 0.04% against the USD at 1.0974** after hitting a two-year low in the previous session.
- **We are bullish EUR today** as the contraction of US ISM manufacturing PMI is expected to support the single currency and drive its recovery. **In the short term, we remain bearish EUR**, heading into September where the ECB is expected to introduce an aggressive stimulus package to support growth and a faltering inflation in the euro area.

GBP

- **GBP closed 0.12% stronger at 1.2081 against the greenback** after UK lawmakers defeated PM Boris Johnson in an early stage of an attempt to pass a law preventing him from taking Britain out of the EU without a deal.
- **We remain bearish GBP for the foreseeable future** as political uncertainties is set to heighten after Johnson announced that he would call for a snap election after the defeat of the said vote.

JPY

- **JPY finished 0.28% stronger at 105.94 vs the USD** on safe havens bidding as investors fled riskier assets for the relative safety of JPY.
- **We remain bullish JPY over both short and medium terms in view of deteriorating risk sentiment** on prolonged US-China trade row and Brexit uncertainties.

AUD

- **AUD surged by 0.66% against the USD at 0.6760** after the RBA left cash rate unchanged and did not offer any signal to cut rate further this year.
- **We are neutral to AUD for now** ahead of the release of 2Q GDP growth today. **In the medium term, we remain bearish AUD** as risk sentiment falls amidst dismal global growth outlook as well as lower commodity prices which could weigh on AUD.

SGD

- **SGD barely changed against the USD at 1.3905.**
- **We remain bearish SGD over the short and medium terms** as risk sentiment are expected to falter amidst prolonged US-China trade woes and Brexit uncertainties.

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

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