

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global markets wrapped up a turbulent week on Friday with lower stocks and treasuries yields after the Fed cut rate and President Trump reignited trade friction with China.** Stocks extended further decline on Friday, weighing on major indexes after Trump unexpectedly threatened new tariffs on \$300bn untaxed Chinese goods to be effective on 1 September. **Treasuries yield continued to tumble on safe havens bidding – 10Y UST yield slipped by another 4bps on Friday to 1.85% leaving the weekly decline at a whopping 22bps.** The greenback weakened on Friday as traders saw increasing chances that the Fed would cut rate again in September after Friday's job report and escalating trade tensions, with markets pricing in a 90.5% probability of a 25bps cut in the fed funds rate as of writing. Crude oil prices rebounded after collapsing on the previous day - WTI rose 3.2% to \$55.66/barrel and Brent rose by 2.3% to \$61.89/barrel. **Over the weekend, Trump said that all was well with China and insisted that US consumers aren't footing the bill for the imposed tariffs;** the next round of talks was reported to have been scheduled in September. **China on Friday blamed the US government for violating the June trade truce but has yet to announce any form of retaliations to counter the newly threatened US levies.**
- **US job report turned out to be decent but hiring appeared to have slowed.** The economy added 164k new jobs in June, unemployment rate was unchanged at 3.7% while the average hourly earnings, a gauge of wage growth quickened to 3.2% YOY. Trade deficit fell slightly to \$55.2b in June, factory order rebounded to increase 0.6% MOM in June and University of Michigan Sentiment index rose to 98.4 in July. In the Eurozone, producer prices fell more than expected for the fourth running month by 0.6% MOM in June while retail sales rose 1.1% MOM in June. **Australia services sector returned to contraction,** but retail sales also saw a 0.4% MOM increase in June. Singapore official PMI printed below 50.0 for the third month. Malaysia exports surprisingly declined by 3.1% YOY in June.
- **The dollar index dropped 0.34% to 98.087** led by JPY and CHF on risk aversion and flight to safety. **We are bearish USD in the short term** as market risk aversion flows are likely bearish USD against the majors. **We are neutral USD** in the medium term as we await further headlines to gauge direction.
- **MYR closed weaker by 0.34% at 4.1580** as EM currencies continue to be sold as trade tensions continues to rise once again. **We are bullish USDMYR over both short and medium term** as trade war jitters takes center stage again exacerbating a global growth slowdown.
- **SGD closed flattish against the USD** at 1.3773 torn between a higher EUR and higher USD against EM currencies. **We are bearish SGD over the short and medium term** as trade issues will likely continue to weigh on EM currencies as a whole with little resolution in the short term likely.

Overnight Economic Data

Malaysia	↓
US	→
Eurozone	→
Singapore	↑
Australia	→

What's Coming Up Next

Major Data

- US ISM Non-Manufacturing Index
- Eurozone Sentix Investor Confidence
- Markit Services PMI for US, Eurozone, UK, Japan, China
- Markit PMI for Hong Kong and Singapore

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1070	1.1100	1.1128	1.1150	1.1175	→
GBPUSD	1.2050	1.2100	1.2169	1.2175	1.2200	↘
USDJPY	105.80	106.10	106.33	106.50	106.75	↘
AUDUSD	0.6750	0.6770	0.6801	0.6830	0.6850	↘
EURGBP	0.9100	0.9120	0.9147	0.9170	0.9200	↗
USDMYR	4.1500	4.1550	4.1580	4.1600	4.1650	↗
EURMYR	4.5900	4.6100	4.6283	4.6300	4.6500	↗
JPYMYR	3.8800	3.9050	3.9115	3.9250	3.9400	↗
GBPMYR	5.0300	5.0450	5.0611	5.0750	5.0900	↘
SGDMYR	3.0150	3.0175	3.0218	3.0250	3.0275	→
AUDMYR	2.8050	2.8150	2.8287	2.8350	2.8500	↘
NZDMYR	2.7000	2.7100	2.7148	2.7350	2.7500	↘
USDSGD	1.3700	1.3725	1.3762	1.3775	1.3800	↗
EURSGD	1.5250	1.5280	1.5319	1.5350	1.5380	↗
GBPUSD	1.6400	1.6550	1.6750	1.6800	1.6950	→
AUDSGD	0.9325	0.9350	0.9361	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	1,626.76	-0.75	-3.78	CRB Index	173.35	0.32	2.09
Dow Jones Ind.	26,485.01	-0.87	13.54	WTI oil (\$/bbl)	55.66	3.17	22.57
S&P 500	2,932.05	-0.73	16.96	Brent oil (\$/bbl)	61.89	2.30	13.96
FTSE 100	7,407.06	-2.34	10.09	Gold (\$/oz)	1,440.83	-0.30	12.24
Shanghai	2,867.84	-1.41	14.99	CPO (RM/tonne)	1,984.00	2.93	1.61
Hang Seng	26,918.58	-2.35	4.15	Copper (\$/tonne)	5,729.50	-2.87	-3.95
STI	3,261.11	-0.93	6.27	Rubber (sen/kg)	442.00	-2.10	16.62

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Exports YOY	Jun	-3.1%	2.5%	1.9%
MA Trade Balance MYR	Jun	10.26b	9.08b	8.50b
US Change in Nonfarm Payrolls	Jul	164k	193k (revised)	165k
US Unemployment Rate	Jul	3.7%	3.7%	3.6%
US Average Hourly Earnings YOY	Jul	3.2%	3.1%	3.1%
US Trade Balance	Jun	-\$55.2b	-\$55.3b	-\$54.6b
US Factory Orders	Jun	0.6%	-1.3%	0.7%
US Cap Goods Orders Nondef Ex Air	Jun F	1.5%	0.2% (revised)	--
US U. of Mich. Sentiment	Jul F	98.4	98.2	98.5
EU PPI YOY	Jun	0.7%	1.6%	0.8%
EU Retail Sales MOM	Jun	1.1%	-0.3%	0.3%
SG Purchasing Managers Index	Jul	49.8	49.6	49.6
AU Retail Sales MOM	Jun	0.4%	0.1%	0.3%
AU Performance of Services Index	Jul	43.9	52.2	--

Source: Bloomberg

➤ Macroeconomics

- US job market on strong footing; trade deficit fell:** The US labor market remained on strong footing as the overall report turned out to be decent despite the fact that the pace of hiring has become slower. The economy added 164k new jobs in June (May 193k revised), roughly in line with analysts' expectations. Unemployment rate was unchanged at 3.7% while the average hourly earnings, a gauge of wage growth rose 3.2% YOY (Jun: +3.1%), faster than that of the previous month. Meanwhile, on the external trade front, US trade deficit fell slightly to \$55.2b in June (May: -\$55.3b revised) as exports fell by 2.1% MOM (May: +8.0%) while imports dropped by a lesser margin of 1.7% MOM (May: +3.3%). On a yearly basis, exports fell by 2.2% YOY (May: -1.2%) while imports rose 1.2% YOY (May: +3.2%). The trade deficit with China widened a little to \$30.2b (May: -\$30.1b). Factory orders rebounded to increase 0.6% MOM in June (May: -1.3%) of which core capital goods orders, a gauge of capex again saw a solid increase of 1.5% MOM (May: +0.2%). Last but not least in the US data docket, the final reading of the University of Michigan Sentiment index rose to 98.4 in July (Jun: 98.2) indicating that consumer sentiments remained largely unchanged and resilient primarily due to a renewed sense of personal financial optimism despite ongoing trade tensions.
- Eurozone factory gate inflation sputtered; retail sales rebounded:** Producer prices index fell more than expected for the fourth running month by 0.6% MOM in June (May: -0.1%), leaving the annual PPI to grow a mere 0.7% YOY (May: +1.6%), its slowest since late 2016. The latest print confirmed the severe lack of price pressure at Euro area's factories which are currently in a downturn, adding to signs that inflation would stay muted in general. Meanwhile, retail sales rose 1.1% MOM in June (May: -0.6% revised), its largest increase since Nov-17, driven by a broad-based improvement across all categories. YOY, retail sales rose 2.6% YOY (May: +1.0%), reflecting that consumer demand is still holding up in the single-currency area as wage growth increased amidst strong labour market.
- Australia services sector contracted; retail sales went up to five-month high in June:** Conditions in Australia services industry went back to contractionary mode again after two months of expansion as the AiG Performance of Services Index dropped sharply by 8pts to 43.9 in July (Jun: 52.2). The sector underperformed last month due to declines in sales, new orders, employment, stocks and deliveries, suggesting that trading conditions for many businesses fell again. In a separate release on Friday, retail sales rose 0.4% MOM in June (May: +0.1%), a five-month high supported by rebound in sales of food and faster gain in household goods and others retailing. On a quarterly basis, retail sales rebounded to increase 0.2% QOQ in the second quarter (1Q: -0.1%).
- Singapore PMI below 50 for third month:** The official Singapore Purchasing Manager Index rose slightly to 49.8 in July (Jun: 49.6), marking its third month below the neutral 50.0 threshold to indicate continuous state of contraction of the manufacturing industry. The electronic PMI also recorded its ninth month of sub-50 reading at 49.3 (Jun: 49.2), suggesting that outlook for the electronics sector remained dismal amidst weak global demand.

- Malaysia exports saw surprised decline in June:** Exports staged a surprised decline of 3.1% YOY in June (May: +2.5% YOY), contrary to ours as well as market expectations for slower but still positive growth. Weaknesses in manufacturing exports led by the E&E sector, as well as declines in shipment to Singapore, China and Japan exerted a drag on overall exports, completely shrugged off the favourable base effect last year as a result of Hari Raya festivities. Tracking the decline in exports, imports also fell for the first time in three months, by 9.2% YOY in June (May: +1.4% YOY), as a result of broad-based declines across all import categories. MOM, exports fell for the 2nd straight month (-9.5% vs -1.2%) while imports printed a bigger decline of 12.2% MOM in June (May: +1.0% MOM), helping widen the trade surplus to RM10.3bn in June (May: RM9.1bn). Based on today's trade report, it appeared that net exports contribution could well remain positive in 2Q, albeit to a lesser extent than 1Q. Exports rose 0.2% YOY (1Q: -0.9%) while imports fell at a slower pace of 1.1% YOY in 2Q (1Q: -2.8%), pushing trade surplus 11.2% YOY higher to RM30.2bn. This is expected to be supportive of overall 2Q growth in the region of 4.8% YOY, quicker than 1Q's 4.5% expansion. However, we do not expect the better growth momentum in 2Q to sustain going into 2H of the year taking cognizant of softer global growth outlook and more challenging external demand conditions. We are therefore maintaining our full year growth forecast of 4.7% for 2019.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
05/08	US	Markit US Services PMI	Jul F	52.2	51.5	--
		ISM Non-Manufacturing Index	Jul	55.5	55.1	--
05/08	Eurozone	Markit Eurozone Services PMI	Jul F	53.3	53.6	--
		Sentix Investor Confidence	Aug	-7.0	-5.8	--
05/08	UK	Markit/CIPS UK Services PMI	Jul	50.3	50.2	--
05/08	Japan	Jibun Bank Japan PMI Services	Jul F	--	52.3	--
06/08		Household Spending YOY	Jun	1.2%	4.0%	--
		Labor Cash Earnings YOY	Jun	-0.7%	-0.2%	-0.5%
		Leading Index CI	Jun P	93.5	94.9	--
05/08	Hong Kong	Markit Hong Kong PMI	Jul	--	47.9	--
05/08	China	Caixin China PMI Services	Jul	52.0	52.0	--
05/08	Singapore	Markit Singapore PMI	Jul	--	50.6	--
06/08	Australia	Trade Balance	Jun	A\$6000m	A\$5745m	--
		RBA Cash Rate Target	06 Aug	1.0%	1.0%	--
06/08	New Zealand	Employment Change QOQ	2Q	0.3%	-0.2%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1108	0.21	1.1116	1.1070	-3.13
GBPUSD	1.2162	0.28	1.2170	1.2091	-4.70
USDJPY	106.59	-0.70	107.57	106.51	-2.83
AUDUSD	0.6801	0.01	0.6819	0.6763	-3.62
EURGBP	0.9136	-0.04	0.9171	0.9126	1.67
USDMYR	4.1580	0.34	4.1590	4.1460	0.59
EURMYR	4.6143	0.86	4.6194	4.5911	-2.39
JPYMYR	3.8885	2.33	3.8905	3.8582	3.48
GBPMYR	5.0387	0.35	5.0441	5.0192	-4.35
SGDMYR	3.0193	0.17	3.0217	3.0096	-0.55
AUDMYR	2.8231	-0.63	2.8320	2.8190	-3.42
NZDMYR	2.7146	-0.19	2.7239	2.7117	-2.31
CHFMYR	4.2151	1.16	4.2184	4.1867	0.38
CNYMYR	0.5989	-0.29	0.5994	0.5974	-1.04
HKDMYR	0.5317	0.38	0.5317	0.5296	0.66
USDSGD	1.3773	0.02	1.3784	1.3743	1.04
EURSGD	1.5300	0.24	1.5302	1.5230	-2.12
GBPSGD	1.6752	0.31	1.6754	1.6624	-3.72
AUDSGD	0.9366	0.01	0.9379	0.9322	-2.60

Source: Bloomberg

Forex

MYR

- **MYR closed weaker by 0.34% at 4.1580** as EM currencies continue to be sold as trade tensions continues to rise once again.
- **We are bullish USDMYR over both short and medium term** as trade war jitters takes center stage again exacerbating a global growth slowdown.

USD

- **The dollar index dropped 0.34% to 98.087** led by JPY and CHF on risk aversion and flight to safety.
- **We are bearish USD in the short term** as market risk aversion flows are likely bearish USD against the majors. **We are neutral USD** in the medium term as we await further headlines to gauge direction.

EUR

- **EUR closes 0.21% higher against the USD at 1.1108** as majors benefit against a weaker USD.
- **We are neutral to mildly bullish EUR today** as it continues to benefit on the renewed outbreak of trade tensions but gains are likely limited as global growth slowdown weighs.

GBP

- **GBP closed higher by 0.28% at 1.2162** in line with overall majors performance.
- **We remain bearish GBP over the short and medium term** over looming no-deal Brexit concerns but GBP may be influenced by headlines over ongoing US-China trade issues.

JPY

- **JPY finished 0.70% stronger at 106.59** as risk aversion continues to dominate market trading.
- **We are bullish JPY over both short and medium term** as risk aversion will likely continue to dominate the trading theme for a while whilst we wait for a Chinese retaliatory response.

AUD

- **AUD closed flattish at 0.6801** as AUD recovers from multi-month lows on better commodity prices.
- **We remain bearish AUD over the short and medium term** as risk aversion continue to dominate market trading and we look towards RBA meeting and statement due this week for medium term guidance.

SGD

- **SGD closed flattish against the USD at 1.3773** torn between a higher EUR and higher USD against EM currencies.
- **We are bearish SGD over the short and medium term** as trade issues will likely continue to weigh on EM currencies as a whole with little resolution in the short term likely.

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