

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global markets were roiled on Monday as investors scurried to safe havens after China allowed the yuan to weaken past the psychological 7.00 level in a move to counter Donald Trump's freshly threatened levies.** The yuan fell to its lowest level in more than a decade at 7.0507 after the PBOC set the yuan daily reference rate at a weaker level than 6.9 for the first time since December last year. Beijing also added that Chinese firms have stopped purchasing US agricultural products and that it would not rule out imposing tariffs on US farm goods. **US stocks benchmarks bled profusely to suffer their biggest daily drops of the year, taking cue from the earlier fall in European and Asian markets** - the Dow Jones lost 767pts or 2.9% at the end of the day, while the S&P 500 and Nasdaq finished 3.0% and 3.5% lower. **Treasuries yields plunged by a whopping 13-14bps along the curve where benchmark 10Y UST was last traded at a yield of 1.71%**, its lowest level since early Oct-16. Crude oil prices suffered the similar fate— Brent crude slid by 3.4% to \$59.81/barrel and WTI lost 1.7% to \$54.69/barrel. **The Trump Administration has formally labeled China as a currency manipulator, further deteriorating the Sino-American relation and severely crushing hope of any trade deal in the medium term.**
- **On the data front, services PMIs indicated a broadly slower growth across services sectors in key economies** from the US, Eurozone, Japan to China. Hong Kong PMI plunged to 10-year low to signal an upcoming economic contraction. **Eurozone Sentix Investor Confidence Index collapsed this month to a five-year low of -13.7.** Japan household spending rose 2.7% YOY supported by a 0.4% rebound in wage growth. **New Zealand job market tightened as unemployment rate fell to 11-year low** of 3.9% while wage growth surged 0.8% QOQ after minimum wage increased.
- **The dollar index dropped 0.87% to 97.247** led by EUR, CHF and closely followed by JPY as risk aversion sent investors fleeing to safety. **We are bearish USD in the short term** as market risk aversion flows are likely leading to weaker USD against the majors. **We are bearish USD** in the medium term as we await further headlines to gauge future direction.
- **MYR closed weaker by 0.47% at 4.1775** as risk aversion continued to be the dominant theme as trade tensions escalated. **We are bullish USDMYR over both short and medium term** as trade war jitters take center stage again and are expected to exacerbate global growth slowdown.
- **SGD closed 0.54% weaker against the USD** at 1.3847 as USDCNH led the way higher for Asian currencies ex Japan. **We are bearish SGD over the short and medium term** as trade issues will likely continue to weigh on EM currencies as a whole.

Overnight Economic Data

US	➔
Eurozone	➘
UK	➔
Japan	➔
Hong Kong	➘
China	➘
Singapore	➔
New Zealand	➔

What's Coming Up Next

Major Data

- Australia Trade Report

Major Events

- RBA Cash Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1180	1.1210	1.1245	1.1275	1.1300	➔
GBPUSD	1.2050	1.2100	1.2158	1.2175	1.2200	➘
USDJPY	105.40	105.70	105.99	106.30	106.60	➘
AUDUSD	0.6720	0.6750	0.6776	0.6800	0.6830	➘
EURGBP	0.9200	0.9220	0.9247	0.9275	0.9300	➔
USDMYR	4.1800	4.1850	4.1900	4.2000	4.2050	➔
EURMYR	4.6600	4.6800	4.7104	4.7300	4.7500	➔
JPYMYR	3.9100	3.9350	3.9535	3.9700	3.9850	➔
GBPMYR	5.0500	5.0750	5.0940	5.1000	5.1250	➘
SGDMYR	3.0200	3.0225	3.0255	3.0275	3.0300	➔
AUDMYR	2.8150	2.8250	2.8383	2.8400	2.8450	➘
NZDMYR	2.7150	2.7350	2.7482	2.7550	2.7700	➘
USDSGD	1.3800	1.3825	1.3852	1.3875	1.3900	➔
EURSGD	1.5500	1.5530	1.5569	1.5600	1.5630	➔
GBPSGD	1.6700	1.6800	1.6839	1.6870	1.6930	➔
AUDSGD	0.9325	0.9350	0.9385	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	1,610.41	-1.01	-4.74	CRB Index	171.49	-1.08	0.99
Dow Jones Ind.	25,717.74	-2.90	10.25	WTI oil (\$/bbl)	54.69	-1.74	20.44
S&P 500	2,844.74	-2.98	13.48	Brent oil (\$/bbl)	59.81	-3.36	11.17
FTSE 100	7,223.85	-2.47	7.37	Gold (\$/oz)	1,463.70	1.59	14.96
Shanghai	2,821.50	-1.62	13.14	CPO (RM/tonne)	1,976.50	-0.38	1.23
Hang Seng	26,151.32	-2.85	1.18	Copper (\$/tonne)	5,685.00	-0.78	-4.69
STI	3,194.51	-2.04	4.10	Rubber (sen/kg)	440.00	-0.45	16.09

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Markit US Services PMI	Jul F	53.0	51.5	52.2
US ISM Non-Manufacturing Index	Jul	53.7	55.1	55.5
EU Markit Eurozone Services PMI	Jul F	53.2	53.6	53.3
EU Sentix Investor Confidence	Aug	-13.7	-5.8	-7.0
UK Markit/CIPS UK Services PMI	Jul	51.4	50.2	50.3
JP Jibun Bank Japan PMI Services	Jul F	51.8	52.3	--
JP Household Spending YOY	Jun	2.7%	4.0%	1.2%
JP Labor Cash Earnings YOY	Jun	0.4%	-0.5% (revised)	-0.7%
HK Markit Hong Kong PMI	Jul	43.8	47.9	--
CN Caixin China PMI Services	Jul	51.6	52.0	52.0
SG Markit Singapore PMI	Jul	51.0	50.6	--
NZ Employment Change QOQ	2Q	0.8%	-0.1% (revised)	0.3%
NZ Pvt Wages Inc Overtime QOQ	2Q	0.8%	0.3%	0.7%
NZ Unemployment Rate	2Q	3.9%	4.2%	4.3%

Source: Bloomberg

➤ Macroeconomics

- US services sector growth weakened in July:** US services sector growth slowed further to its weakest level in three years as the ISM Non-manufacturing PMI recorded a much lower reading of 53.7 in July (Jun: 55.1), weighed by softer rise in productions, new orders and inventories. On the contrary, the Markit Services PMI managed to increase to 53.0 in the same month (Jun: 51.5) but business sentiments slipped for the sixth consecutive month, adding to signs that growth would pull back in the third quarter of 2019.
- Eurozone investor confidence plunged on slower growth outlook and trade tensions:** Eurozone investor confidence collapsed this month as the Sentix Investor Confidence Index plunged deeper into the negative territory at -13.7 in August (July: -5.8), its lowest level in five years. Gauges for both current conditions and expectations fell, as sentiments were severely hampered by fear of a full-fledged US-China trade war and a likely recession of the Germany, the currency bloc's largest economy.
- Eurozone services growth softened:** The IHS Markit Eurozone PMI dropped to 53.2 in July (Jun: 53.6), suggesting a slowdown in the euro area's services industry. The softer print was a result of slower rate of growth in incoming new work and employment but nonetheless was comfortably above 50.0, reflecting continuous strength in consumer demand amidst strong labour market.
- UK services activity experienced improvement:** The IHS Markit/CIPS UK services PMI rose to 51.4 in July (Jun: 50.2), driven by a renewed increase in new work which in turn support the fastest pace of business activity growth since Oct-18. The reading was a considerable jump from the near 50.0 print in June and was the highest in nine months but nonetheless still well below trend recorded since the recovery from the global financial crisis (GFC) in 2H09, indicating that growth remained subdued in general.
- Japan services sector growth slowed; household spending and wage growth rose:** The Jibun Bank Services PMI fell slightly to 51.8 in July (Jun: 51.9) due to slower output, new business and job creation, signaling a modest expansion in Japan's services sector activity and the likelihood that the growth would continue to ebb along sideways at the beginning of the third quarter. Japan household spending picked up more than expected by 2.7% YOY in June (May: +4.0%), supported by an unexpected increase in wage growth as labour cash earnings rebounded by 0.4% YOY in the same month (May: -0.5% revised).
- China Caixin PMI slipped in July:** The Caixin Services PMI slipped to 51.6 in July (Jun: 52.0), its lowest reading in five months and was in line with the official NBS reading, confirming that the services sector in China has weakened further last month. Nonetheless, demand for services is reported to be solid still as new business edged lower but remained in expansionary mode and at the same time new export business rebounded back into positive territory.

- Plunge in Hong Kong PMI signals upcoming economic contraction:**
 The IHS Markit Hong Kong PMI dipped sharply to 43.8 in July (Jun: 47.9), marking its steepest deterioration in the country's private sector economy since Mar-09 as the ongoing US-China trade dispute as well as the recent large-scale political demonstrations severely dampened demand for Hong Kong's goods and services. The plunge in PMI points to increasingly gloomy outlook for the economy as both new orders and business activity fell at the sharpest rate for over a decade, broadly indicative of a GDP contraction in the third quarter.
- Singapore PMI suggests only slight improvement in 3Q:** The IHS Markit Singapore PMI edged higher to 51.0 in July (Jun: 50.6) to suggest a strengthening in Singapore's private sector economy but the rate of expansion was rather mild as output and new orders stayed largely subdued. This suggests that economy saw only a little improvement in 3Q and remained generally on weak footing.
- New Zealand jobless rate fell to 11-year low, wage growth jumped:** New Zealand labour market tightened in the second quarter of 2019 as employment rose 0.8% QOQ (+22k jobs) in 2Q (1Q: -0.1%). Unemployment rate slid by a large margin to 3.9% in the same period (1Q: 4.2%), its lowest level in 11 years with participation rate unchanged at 70.4%. Notably, wage growth surged after the increase in minimum pay as private wages (including overtime payout) rose more than expected by 0.8% QOQ (1Q: +0.3%), the strongest rise in nearly 11 years as well. Private base pay (wage excluding overtime) also picked up by 0.8% QOQ (1Q: +0.3%). Despite the decent job numbers, the RBNZ is still expected to cut rate tomorrow in anticipation of slower growth outlook amidst weakening consumer and business confidence.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
07/08	Malaysia	Foreign Reserves	31 Jul	--	\$103.3b	--
07/08	US	MBA Mortgage Applications	02 Aug	--	-1.4%	--
07/08	UK	Halifax House Prices MOM	Jul	--	-0.3%	--
	Japan	Leading Index CI	Jun P	93.5	94.9	--
06/08	Australia	Trade Balance	Jun	A\$6000m	A\$5745m	--
		RBA Cash Rate Target	06 Aug	1.0%	1.0%	--
07/08		Home Loans MOM	Jun	0.5%	-0.1%	--
07/08	New Zealand	RBNZ Official Cash Rate	07 Aug	1.25%	1.5%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1203	0.86	1.1213	1.1105	-2.08
GBPUSD	1.2143	-0.16	1.2188	1.2102	-4.72
USDJPY	105.95	-0.60	106.68	105.79	-3.66
AUDUSD	0.6756	-0.66	0.6805	0.6748	-4.00
EURGBP	0.9226	0.99	0.9230	0.9130	2.78
USDMYR	4.1775	0.47	4.1795	4.1565	1.06
EURMYR	4.6575	0.94	4.6609	4.6181	-1.48
JPYMYR	3.9438	1.42	3.9470	3.8998	4.95
GBPMYR	5.0705	0.63	5.0786	5.0513	-3.74
SGDMYR	3.0234	0.14	3.0259	3.0146	-0.41
AUDMYR	2.8226	-0.02	2.8331	2.8145	-3.43
NZDMYR	2.7211	0.24	2.7258	2.7062	-2.07
CHFMYR	4.2845	0.65	4.2852	4.2308	2.03
CNYMYR	0.5938	-0.86	0.5959	0.5936	-1.89
HKDMYR	0.5334	0.32	0.5335	0.5308	0.98
USDSGD	1.3847	0.54	1.3848	1.3755	1.67
EURSGD	1.5514	1.40	1.5516	1.5278	-0.46
GBPSGD	1.6817	0.39	1.6830	1.6689	-3.14
AUDSGD	0.9360	-0.06	0.9381	0.9331	-2.39

Source: Bloomberg

Forex

MYR

- **MYR closed weaker by 0.47% at 4.1775** as risk aversion continued to be the dominant theme as trade tensions escalated.
- **We are bullish USDMYR over both short and medium term** as trade war jitters take center stage again and are expected to exacerbate global growth slowdown.

USD

- **The dollar index dropped 0.87% to 97.247** led by EUR, CHF and closely followed by JPY as risk aversion sent investors fleeing to safety.
- **We are bearish USD in the short term** as market risk aversion flows are likely leading to weaker USD against the majors. **We are bearish USD** in the medium term as we await further headlines to gauge future direction.

EUR

- **EUR closed 0.86% higher against the USD at 1.1203** as the majors benefit from a weaker USD after trade tensions escalated.
- **We remain bullish EUR today** as it continues to benefit from the renewed outbreak of US-China trade tensions but gains are likely limited in the medium term as global growth slowdown weighs on the currency pair.

GBP

- **GBP closed lower by 0.16% at 1.2143** on higher EURGBP demand for Brexit hedge.
- **We remain bearish GBP in the short and medium term** over a looming no-deal Brexit but GBP may be influenced by headlines regarding ongoing US-China trade relation.

JPY

- **JPY finished 0.60% stronger at 105.95** as risk aversion continued 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 following Washington's move to label Beijing as a currency manipulator.

AUD

- **AUD closed 0.66% lower at 0.6756** as trade tensions escalated.
- **We remain bearish AUD over the short and medium term** as risk aversion continues to dominate market trading and we look to RBA meeting later for further guidance.

SGD

- **SGD closed 0.54% weaker against the USD at 1.3847** as USDCNH led the way higher for Asian currencies ex Japan.
- **We are bearish SGD over the short and medium term** as trade issues will likely continue to weigh on EM currencies as a whole given the slim chance that the US and China will reach any trade resolution any time soon.

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