

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks extended further gains overnight on upbeat ISM non-manufacturing PMI and optimistic trade outlook after China said that it would hold talks with the US in early October** following a phone call between Trade official Liu He, Treasury Secretary Steven Mnuchin and US Trade Representative Robert Lighthizer. Risk-on mode dominated markets as investors favoured riskier assets and helped push major US indexes to finish 1.3-1.8% higher. Demand for safe havens faltered leading treasuries yield to climb 8-11bps along the curve where the benchmark 10Y UST was last seen traded at 1.56% (+9bps) on Thursday. Gold prices reversed accumulated gain for the past three days to fall 2.2%; Crude oils surged on the fall in EIA crude stocks and trade optimism but reversed intraday gains prior to closing- WTI closed virtually unchanged at \$56.30/barrel and Brent finished only modestly higher by 0.4% at \$60.95/barrel. Fear of a no-deal Brexit continued to subside in the UK as British lawmakers blocked PM Boris Johnson's bid to seek for a snap election on 15 Oct in order for the government to seek for another extension on the 31 Oct Brexit deadline.
- Despite still positive US data recently, another Fed rate cut later this month likely a done deal. Overnight releases from ISM showed US services sector picked up commendably led by jumps in output and new orders, overshadowing the pullback in a similar gauge by Markit. ADP employment beat expectations, initial jobless claims were relatively steady at the low, factory orders and durable goods orders both quickened even though the core reading showed capex remained subdued. Elsewhere, Japanese household spending eased amid falling wage growth while Australia saw another month of solid trade numbers.
- **MYR extended further strength by 0.40% to 4.1875** as MYR continued to benefit from broad-based dollar weakness on Thursday. **MYR is expected to continue riding on the improved risk sentiment overnight** but at potentially limited gain heading into another long weekend and ahead of tonight's NFP number. **In the medium term, we remain bearish USDMYR as the Fed is still likely to cut rate in the next two weeks** despite an upbeat ISM non-manufacturing PMI.
- **The dollar index fell only marginally to 98.414**, led by the strength in the Aussie dollar and sterling as Brexit fear eased whereas yen and Swiss Franc weakened against the greenback as safe havens demand faltered. **We are cautiously bullish on USD in the short term** led by potential GBP and EUR weakness on UK political uncertainties and ahead of next week's ECB meeting. **In the medium term, we remain bearish on dollar** on prospects of further Fed rate cuts.
- **SGD was virtually unchanged against the USD at 1.3838**. **We are neutral on SGD** ahead of today's NFP report but remain bearish SGD over the short and medium terms similarly on uncertain US-China trade outlook.

#### Overnight Economic Data

|           |   |
|-----------|---|
| US        | ↑ |
| Japan     | ↓ |
| Australia | → |

#### What's Coming Up Next

##### Major Data

- Malaysia Foreign Reserves
- US nonfarm job report
- Eurozone 2Q GDP
- Japan Leading Index

##### Major Events

- Fed Chair Powell's speech

#### Daily Supports – Resistances (spot prices)\*

|        | S2     | S1     | Indicative | R1     | R2     | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1000 | 1.1020 | 1.1033     | 1.1045 | 1.1050 | →       |
| GBPUSD | 1.2000 | 1.2155 | 1.2328     | 1.2395 | 1.2500 | →       |
| USDJPY | 105.60 | 106.15 | 106.95     | 107.30 | 107.60 | ↘       |
| AUDUSD | 0.6750 | 0.6785 | 0.6814     | 0.6850 | 0.6870 | ↘       |
| EURGBP | 0.8900 | 0.8925 | 0.8950     | 0.8980 | 0.9000 | ↘       |
| USDMYR | 4.1800 | 4.1850 | 4.1875     | 4.1900 | 4.1950 | →       |
| EURMYR | 4.6075 | 4.6135 | 4.6202     | 4.6300 | 4.6400 | →       |
| JPYMYR | 3.8855 | 3.8995 | 3.9166     | 3.9225 | 3.9285 | →       |
| GBPMYR | 5.0930 | 5.1135 | 5.1431     | 5.1635 | 5.1745 | ↗       |
| SGDMYR | 3.0200 | 3.0250 | 3.0264     | 3.0300 | 3.0350 | ↘       |
| AUDMYR | 2.8380 | 2.8450 | 2.8553     | 2.8595 | 2.8650 | ↗       |
| NZDMYR | 2.6565 | 2.6620 | 2.6688     | 2.6750 | 2.6800 | ↗       |
| USDSGD | 1.3800 | 1.3825 | 1.3843     | 1.3860 | 1.3900 | →       |
| EURSGD | 1.5220 | 1.5260 | 1.5271     | 1.5300 | 1.5320 | →       |
| GBPSGD | 1.7000 | 1.7030 | 1.7065     | 1.7090 | 1.7130 | →       |
| AUDSGD | 0.9380 | 0.9400 | 0.9430     | 0.9450 | 0.9470 | →       |

\* 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           | 1,599.75   | -0.01 | -5.37 | CRB Index          | 172.35     | -0.20 | 1.50  |
| Dow Jones Ind. | 26,728.15  | 1.41  | 14.58 | WTI oil (\$/bbl)   | 56.30      | 0.07  | 23.98 |
| S&P 500        | 2,976.00   | 1.30  | 18.71 | Brent oil (\$/bbl) | 60.95      | 0.41  | 13.29 |
| FTSE 100       | 7,271.17   | -0.55 | 8.07  | Gold (S/oz)        | 1,519.05   | -2.16 | 18.39 |
| Shanghai       | 2,985.87   | 0.96  | 19.73 | CPO (RM/tonne)     | 2,102.00   | -0.57 | 7.66  |
| Hang Seng      | 26,515.53  | -0.03 | 2.59  | Copper (\$/tonne)  | 5,845.00   | 1.69  | -2.01 |
| STI            | 3,147.06   | 0.53  | 2.55  | Rubber (sen/kg)    | 437.50     | -0.57 | 15.44 |

Source: Bloomberg

## ➤ Macroeconomic

| Economic Data                     |        |           |                   |           |
|-----------------------------------|--------|-----------|-------------------|-----------|
|                                   | For    | Actual    | Last              | Survey    |
| US ADP Employment Change          | Aug    | 195k      | 142k<br>(revised) | 148k      |
| US Initial Jobless Claims         | 31 Aug | 217k      | 216k<br>(revised) | 215k      |
| US Markit Services PMI            | Aug F  | 50.7      | 53.0              | 50.9      |
| US Factory Orders                 | Jul    | 1.4%      | 0.5%<br>(revised) | 1.0%      |
| US Durable Goods Orders           | Jul F  | 2.0%      | 1.8%              | 2.1%      |
| US Cap Goods Orders Nondef Ex Air | Jul F  | 0.2%      | 0.9%              | --        |
| US ISM Non-Manufacturing Index    | Aug    | 56.4      | 53.7              | 54.0      |
| JP Household Spending YOY         | Jul    | 0.8%      | 2.7%              | 0.8%      |
| JP Labor Cash Earnings YOY        | Jul    | -0.3%     | 0.4%              | 0.1%      |
| AU Trade Balance                  | Jul    | A\$7,268m | A\$7,977m         | A\$7,000m |

Source: Bloomberg

- Strong ISM non-manufacturing highlights US economic resilience:** US services sector appeared resilient according to a key services gauge, shrugging off earlier concerns that the economy could be heading into a recession amidst a trade war with China as the similar print for the manufacturing industry contracted earlier of this week. The ISM Non-Manufacturing Index picked up 2.7pts to 56.4 in August (Jul: 53.7) to indicate a faster expansion of the services industry. The stronger upturn was a result of the 8pts surge in productions and 6pts rise in new orders as well as 5pts increase in inventories, pointing to strong demand. New exports orders however dropped by 3pts to just a tad above 50.0, underscoring weakness in overseas demand. Hiring also slowed judging from the 3pts reduction in the employment sub-index. On the contrary, the IHS Markit US Services PMI was revised lower to 50.7 in its final reading for August (Jul: 53.0), to signal only a marginal expansion of the services sector.
- US factory orders rebounded; but falling core capital shipment indicated subdued capex:** Official data show that factory orders rose at a quicker than expected pace of 1.4% in July (Jun: +0.5%) lifted by orders of both defense and non-defense capital goods. Within factory orders, the surge in commercial aircraft orders and a rebound in computer and electronics products were seen pushing overall durable goods orders to a 2.0% MOM growth (Jun: +1.8%). On a less positive note, core capital orders, a closely watched gauge for business capex eased to increase 0.2% MOM (Jun: +0.9%) and more importantly shipments of these goods (a component in GDP calculation) declined by 0.6% MOM (Jun: 0.0%) after a flat month, its largest fall since Oct-16, signaling subdued growth in business investment in the third quarter.
- US ADP payrolls beat expectations:** The latest ADP job report shows that the private sector added 195k jobs in August (Jul: +142k revised), beating a Bloomberg consensus estimate of 148k. Meanwhile, initial jobless claims rose by only 1k to 217k in the last week of August (previous: 216k revised), leaving the four-month moving average to 216.25k (previous: 214.75k), still a historically low number. That said, the fall in the employment sub-indexes in both the ISM manufacturing and non-manufacturing PMI added to signs that tonight's NFP might disappoint.
- Japan household spending eased as wages fell:** Household spending rose by a mere 0.8% YOY in July (Jun: +2.7%), its slowest pace in eight months, erasing earlier hope that spending would have firmed up in anticipation of a sales tax hike in October. The lacklustre spending could be attributed to the recently subdued growth in wage growth as cash earnings were reported to have declined by 0.3% YOY in the same month (Jun: +0.4%). On the plus side, the contraction in headline cash earnings was mainly a result of the fall in bonus payout as regular or contracted pay managed to increase by 0.6% YOY (Jun: -0.2%).
- Australia posted solid trade report:** Australia trade balance narrowed to A\$7.27 b in July (Jun: A\$7.98b revised) but nonetheless was still a strong showing as it came off the record high in the previous month. The lower surplus was a result of a tiny increase in total exports (+0.6% vs +1.4%) and slightly faster imports growth (+2.9% vs +2.8%).

| Economic Calendar |           |                                |                  |          |          |         |
|-------------------|-----------|--------------------------------|------------------|----------|----------|---------|
| Date              | Country   | Events                         | Reporting Period | Survey   | Prior    | Revised |
| 06/09             | Malaysia  | Foreign Reserves               | 30 Aug           | --       | \$103.1b | --      |
| 06/09             | US        | Change in Nonfarm Payrolls     | Aug              | 160k     | 164k     | --      |
|                   |           | Unemployment Rate              | Aug              | 3.7%     | 3.7%     | --      |
|                   |           | Average Hourly Earnings YOY    | Aug              | 3.0%     | 3.2%     | --      |
| 06/09             | Eurozone  | GDP SA QOQ                     | 2Q F             | 0.2%     | 0.2%     | --      |
| 09/09             |           | Sentix Investor Confidence     | Sep              | -16.0    | -13.7    | --      |
| 09/09             | UK        | Monthly GDP (MOM)              | Jul              | 0.1%     | 0.0%     | --      |
|                   |           | Industrial Production MOM      | Jul              | 0.0%     | -0.1%    | --      |
|                   |           | Visible Trade Balance GBP/Mn   | Jul              | --       | -£7009m  | --      |
| 06/09             | Japan     | Leading Index CI               | Jul P            | 93.2     | 93.3     | --      |
| 09/09             |           | GDP SA QOQ                     | 2Q F             | 0.3%     | 0.4%     | --      |
|                   |           | Eco Watchers Survey Current SA | Aug              | 41.3     | 41.2     | --      |
|                   |           | Eco Watchers Survey Outlook SA | Aug              | --       | 44.3     | --      |
| 08/09             | China     | Trade Balance                  | Aug              | \$42.80b | \$45.06b | \$44.6b |
|                   |           | Exports YOY                    | Aug              | 2.1%     | 3.3%     | --      |
|                   |           | Imports YOY                    | Aug              | -6.3%    | -5.6%    | -5.3%   |
| 09/09             | Australia | Home Loans MOM                 | Jul              | 1.3%     | 0.4%     | --      |

Source: Bloomberg

|        | Last Price | DoD % | High   | Low    | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1035     | 0.00  | 1.1085 | 1.1017 | -3.77 |
| GBPUSD | 1.2334     | 0.66  | 1.2354 | 1.2210 | -3.36 |
| USDJPY | 106.94     | 0.52  | 107.23 | 106.33 | -2.45 |
| AUDUSD | 0.6815     | 0.26  | 0.6830 | 0.6794 | -3.35 |
| EURGBP | 0.8946     | -0.67 | 0.9031 | 0.8946 | -0.40 |
| USDMYR | 4.1875     | -0.40 | 4.1980 | 4.1850 | 1.30  |
| EURMYR | 4.6248     | -0.19 | 4.6403 | 4.6197 | -2.17 |
| JPYMYR | 3.9351     | -0.59 | 3.9541 | 3.9268 | 4.72  |
| GBPMYR | 5.1426     | 0.67  | 5.1517 | 5.1220 | -2.37 |
| SGDMYR | 3.0280     | -0.11 | 3.0374 | 3.0259 | -0.26 |
| AUDMYR | 2.8556     | 0.12  | 2.8615 | 2.8507 | -2.31 |
| NZDMYR | 2.6736     | 0.09  | 2.6784 | 2.6658 | -3.78 |
| CHFMYR | 4.2670     | 0.11  | 4.2879 | 4.2592 | 1.61  |
| CNYMYR | 0.5865     | -0.23 | 0.5883 | 0.5864 | -3.10 |
| HKDMYR | 0.5347     | -0.30 | 0.5362 | 0.5342 | 1.23  |
| USDSGD | 1.3838     | -0.04 | 1.3858 | 1.3821 | 1.59  |
| EURSGD | 1.5270     | -0.05 | 1.5329 | 1.5252 | -2.24 |
| GBPUSD | 1.7067     | 0.61  | 1.7090 | 1.6915 | -1.83 |
| AUDSGD | 0.9430     | 0.21  | 0.9445 | 0.9404 | -1.79 |

Source: Bloomberg

## Forex

### MYR

- **MYR extended further strength by 0.40% to 4.1875** as MYR continued to benefit from broad-based dollar weakness on Thursday.
- **MYR is expected to continue riding on the improved risk sentiment overnight** but at potentially limited gain heading into another long weekend and ahead of tonight's NFP number. **In the medium term, we remain bearish USDMYR as the Fed is still likely to cut rate in the next two weeks** despite an upbeat ISM non-manufacturing PMI. US-China trade outlook remains murky and it is not surprising that the latest trade news could set investors up for yet another disappointment.

### USD

- **The dollar index fell only marginally to 98.414**, led by the strength in the Aussie dollar and sterling as Brexit fear eased whereas yen and Swiss Franc weakened against the greenback as safe havens demand faltered.
- **We are cautiously bullish on USD in the short term** led by potential GBP and EUR weakness on UK political uncertainties and ahead of next week's ECB meeting. **In the medium term, we remain bearish on dollar** on prospects of further Fed rate cuts. US-China trade outlook remains murky and it is not surprising that the latest trade news could set investors up for yet another disappointment. Markets are still pricing in 100% chance of a cut in the fed funds rate on 18 Sep.

### EUR

- **EUR finished flat against the USD at 1.1035** as it retraced intraday gain following an upbeat US ISM non-manufacturing index.
- **We are still neutral on EUR today ahead of tonight's NFP number. In the medium term, we remain bearish EUR**, heading into next week's ECB meeting where the central bank is expected to introduce an aggressive stimulus package and potentially cut its already negative deposit rate to support growth and spur faltering inflation in the euro area.

### GBP

- GBP extended its rally by 0.66% against the greenback at 1.2334 as fear of a no-deal Brexit subsided.
- **We are neutral on GBP today** as markets are expected to stay on edge over tonight's NFP report and await development in PM Johnson and the Oppositions' race against time to further respective Brexit agenda. We are still bearish GBP for the near future on ongoing Brexit uncertainties as more unexpected Brexit headlines could still unfold and weigh down on the sterling.

### JPY

- **JPY finished 0.52% weaker at 106.94 against the USD** as risk-on sentiment dominated markets, driving down demand for safe havens yen.
- **We are neutral to slightly bullish on JPY today as trade optimism might fade. We stay bullish on JPY in both short and medium terms** as US-China trade outlook remains murky and it is not surprising that the latest trade news could set investors up for yet another disappointment

### AUD

- **AUD rose by 0.26% against the USD at 0.6815** as risk-on mode dominated market.
- **We are slightly bearish on AUD today** as Aussie dollar pulled back from overnight strength as trade optimism is expected to fade. **In the medium term, we remain bearish AUD** amidst dismal global growth outlook as well as lower commodity prices which could weigh on AUD.

### SGD

- **SGD was virtually unchanged against the USD at 1.3838.**
- **We are neutral on SGD** ahead of today's NFP report but remain bearish SGD over the short and medium terms similarly on uncertain US-China trade outlook.

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