

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded to recover some of previous session's losses after China's move to curtail further slide in the yuan alleviated concerns over an escalation of US-China trade war.** The PBOC had earlier fixed the yuan daily reference rate at stronger than expected level to stabilize markets. The Dow, S&P500 and NASDAQ rose back up by 1.2-1.4% overnight after suffering from their largest drops on Monday when China allowed the yuan to weaken past the 7.00 psychological level in a bid to counter US fresh tariffs threat. **Risk-off mode still lingered broadly but sentiments appeared to have improved a little as investors scaled back their positions in less risky assets pushing US treasuries yields higher intraday** (benchmark 10Y UST yield closed 1bp lower at 1.7%) and the dollar stronger against the Swiss franc and yen. Crude oil prices continued to fall – WTI lost another 1.9% to \$53.63/barrel and Brent crude fell by 1.5% to \$58.94/barrel.
- **Earlier on Tuesday, the RBA left the cash rate unchanged at a historic low of 1.0%** as widely expected and maintained its largely neutral stance, but signaled readiness to ease policy if needed. **Economic Data were scanty-** Australia trade surplus beat expectations to record an all-time high of AUD8.04b in June. The record high trade surplus suggests that higher net exports could help support 2Q GDP growth amidst slower domestic consumption. Japan leading index slipped to 93.3 in June, its lowest level since February 2010, raising concerns over the overall growth outlook.
- **The dollar index recovered 0.35% to 97.583** led by JPY and CHF as US equities recovered some lost ground. **We turn neutral USD in the short term** as the PBOC pledged that it would not use competitive devaluation as a trade war tool. **We remain bearish USD** in the medium term as it is likely that trade issues are not going to be resolved in the short term, hence weighing on overall risk appetite and general USD performance against the majors.
- **MYR closed weaker by 0.32% at 4.1910** as risk aversion trades continue to influence USD/Asia ex Japan. **We are bullish USDMYR over both short and medium term** as trade war jitters are not likely to be resolved in the short term with nagging global growth concerns weighing in the background.
- **SGD closed 0.22% stronger against the USD** at 1.3816 as USDCNH traded off the highs on PBOC's comments. **We remain 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.

Overnight Economic Data

Australia	↑
Japan	↓

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US MBA Mortgage Applications
- UK Halifax House Prices MOM
- Australia Home Loans

Major Events

- RBNZ Official Cash Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1170	1.1200	1.1218	1.1250	1.1280	↗
GBPUSD	1.2120	1.2150	1.2191	1.2200	1.2250	↘
USDJPY	105.40	105.70	106.15	106.30	106.60	↘
AUDUSD	0.6720	0.6750	0.6774	0.6800	0.6830	↘
EURGBP	0.9150	0.9180	0.9203	0.9230	0.9270	↗
USDMYR	4.1800	4.1850	4.1920	4.1950	4.2000	↗
EURMYR	4.6600	4.6800	4.7025	4.7300	4.7500	↗
JPYMYR	3.9100	3.9350	3.9500	3.9700	3.9850	↗
GBPMYR	5.0750	5.0900	5.1110	5.1250	5.1400	↘
SGDMYR	3.0300	3.0330	3.0365	3.0400	3.0430	→
AUDMYR	2.8200	2.8300	2.8397	2.8450	2.8500	↘
NZDMYR	2.7150	2.7350	2.7440	2.7550	2.7700	↘
USDSGD	1.3770	1.3800	1.3808	1.3850	1.3875	↗
EURSGD	1.5430	1.5460	1.5495	1.5550	1.5600	↗
GBPSGD	1.6700	1.6800	1.6835	1.6870	1.6930	→
AUDSGD	0.9300	0.9325	0.9354	0.9375	0.9400	↘

* 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	1,611.79	0.09	-4.66	CRB Index	170.54	-0.55	0.43
Dow Jones Ind.	26,029.52	1.21	11.58	WTI oil (\$/bbl)	53.63	-1.94	18.10
S&P 500	2,881.77	1.30	14.96	Brent oil (\$/bbl)	58.94	-1.45	9.55
FTSE 100	7,171.69	-0.72	6.59	Gold (S/oz)	1,474.42	0.73	14.87
Shanghai	2,777.56	-1.56	11.37	CPO (RM/tonne)	2,001.00	1.24	2.48
Hang Seng	25,976.24	-0.67	0.51	Copper (\$/tonne)	5,683.00	-0.04	-4.73
STI	3,170.47	-0.75	3.31	Rubber (sen/kg)	443.50	0.11	17.02

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
AU Trade Balance	Jun	A\$8036m	A\$6173m (revised)	A\$6000m
AU RBA Cash Rate Target	06 Aug	1.0%	1.0%	--
JP Leading Index	Jun P	93.3	94.9	93.5

Source: Bloomberg

➤ Macroeconomics

- RBA left cash rate unchanged and maintained neutral stance:** The RBA left cash rate unchanged at a historic low of 1.0% as widely expected, after making two successive cuts in June and July this year, acknowledging the increased uncertainty generated by trade dispute and hence risk to the global economy remain tilted to the downside. On the domestic front, RBA expects the Australian economy to grow by 2.5% in 2019 and 2.75% in 2020, supported by low interest rates, recent tax cuts, spending on infrastructure and signs of stabilization in some housing markets and brighter outlook for resources sector. The main uncertainty remained outlook for consumption. Unemployment rate is expected to fall to around 5% for the next couple of years. Wages growth remains subdued. RBA said inflation data for the second quarter were broadly expected and confirmed that inflationary pressure remained subdued in the economy and it is likely to take longer than earlier expected for inflation to its 2% target. The overall policy statement appears neutral but the central bank signals its readiness to cut rate further if need be. It said that it is “reasonable” to expect “an extended period of low interest rates” will be required to reduce unemployment and to achieve inflation target. It also repeated its commitment to monitor labour market development but added that it will “ease” monetary policy further if needed to support growth and to achieve inflation goal.
- Australia trade balance rose to record high:** Australia trade surplus beat expectations to record an all-time high of AUD8.04b in June (May: AUD6.17b revised) mainly due to the 3.6% MOM fall in imports (May: +0.9%) despite exports growth pulling back to a slower rate of 1.4% MOM (May: +4.2%). The record high trade surplus suggests that higher net exports could help support 2Q GDP growth amidst slower domestic consumption.
- Japan outlook weakened further amidst trade war:** Japan leading index slipped to 93.3 in June (May: 94.9), its lowest level since February 2010 while the coincident index also fell by 3pts to 100.4 (May: 103.4) pointing to weakening current conditions, and raising concerns over the overall outlook of the economy which has thus far taken the brunt from the current US-China trade war and ahead of a scheduled tax hike in October.

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%	--
08/08		Initial Jobless Claims	03 Aug	215k	215k	--
		Wholesale Inventories MOM	Jun F	0.2%	0.2%	--
07/08	UK	Halifax House Prices MOM	Jul	0.3%	-0.3%	--
08/08		RICS House Price Balance	Jul	-1.0%	-1.0%	--
08/08	Japan	Eco Watchers Survey Current SA	Jul	43.6	44.0	--
		Eco Watchers Survey Outlook SA	Jul	45.4	45.8	--
08/08	China	Trade Balance	Jul	\$42.65b	\$50.98b	--
		Exports YOY	Jul	-1.0%	-1.3%	--
		Imports YOY	Jul	-9.0%	-7.3%	--
08/08	Singapore	Retail Sales YOY	Jun	-3.5%	-2.1%	--
07/08	Australia	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	1.1199	-0.04	1.1250	1.1168	-2.30
GBPUSD	1.2171	0.23	1.2210	1.2136	-4.61
USDJPY	106.47	0.49	107.09	105.52	-3.03
AUDUSD	0.6761	0.07	0.6801	0.6750	-4.07
EURGBP	0.9204	-0.23	0.9250	0.9156	2.44
USDMYR	4.1910	0.32	4.1930	4.1813	1.39
EURMYR	4.6946	0.80	4.7109	4.6849	-0.69
JPYMYR	3.9380	-0.15	3.9655	3.9148	4.80
GBPMYR	5.1066	0.71	5.1094	5.0775	-3.06
SGDMYR	3.0336	0.34	3.0353	3.0153	-0.08
AUDMYR	2.8455	0.81	2.8497	2.8248	-2.65
NZDMYR	2.7441	0.85	2.7530	2.7309	-1.25
CHFMYR	4.3008	0.38	4.3154	4.2894	2.42
CNYMYR	0.5957	0.33	0.5963	0.5930	-1.57
HKDMYR	0.5351	0.32	0.5353	0.5331	1.31
USDSGD	1.3816	-0.22	1.3869	1.3794	1.34
EURSGD	1.5472	-0.27	1.5587	1.5416	-0.97
GBPSGD	1.6816	-0.01	1.6874	1.6767	-3.32
AUDSGD	0.9340	-0.21	0.9394	0.9329	-2.76

Source: Bloomberg

Forex

MYR

- **MYR closed weaker by 0.32% at 4.1910** as risk aversion trades continue to influence USD/Asia ex Japan.
- **We are bullish USDMYR over both short and medium term** as trade war jitters are not likely to be resolved in the short term with nagging global growth concerns weighing in the background.

USD

- **The dollar index recovered 0.35% to 97.583** led by JPY and CHF as US equities recovered some lost ground.
- **We turn neutral USD in the short term** as the PBOC pledged that it would not use competitive devaluation as a trade war tool. **We remain bearish USD** in the medium term as it is likely that trade issues are not going to be resolved in the short term, hence weighing on overall risk appetite and general USD performance against the majors.

EUR

- **EUR closed flat against the USD at 1.1199** as the USD recovered some lost ground on better US equity performance.
- **We are mildly bullish EUR today** as it continues to benefit from the US-China trade tensions but gains are likely limited both in the short and medium term as global growth slowdown weighs on the currency pair.

GBP

- **GBP closed stronger by 0.23% at 1.2171** on lower EURGBP as risk appetite improves somewhat on better US equities.
- **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 0.49% weaker at 106.47** as risk appetite returns somewhat as the PBOC pledged that it would not further devalue the yuan.
- **We remain bullish JPY over both short and medium term** as risk aversion will likely continue to dominate trading theme and we will closely monitor the PBOC's fixing for any signs that the central bank may renege on its words.

AUD

- **AUD closed marginally higher by 0.07% at 0.6761** as risk aversion abates somewhat on PBOC's comments.
- **We remain bearish AUD over the short and medium term** as risk aversion largely lingers and will continue to monitor latest developments for further guidance.

SGD

- **SGD closed 0.22% stronger against the USD at 1.3816** as USDCNH traded off the highs on PBOC's comments.
- **We remain 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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