

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks reversed steep fall in the morning to end up slightly higher overnight** as investors bargain-hunted in an oversold market amidst heightening trade and global growth concerns. **Risk-off sentiments persisted with investors piling into safe havens like US treasuries as expectations for global rates to go lower deepened after central banks of New Zealand, India and Thailand cut rates by larger magnitude on Wednesday.** The Dow Jones fell 0.1% whereas the S&P 500 and NASDAQ rose 0.1% and 0.4%. **Treasuries yields fell initially only to rebound after a 10Y treasuries auction drew weak demand;** overall yields picked up by 2-3bps along the curve. **Crude oil prices suffered from another huge blow** on trade and growth concerns – WTI plunged by 4.7% to \$51.09/barrel, Brent crude settled 4.6% lower at \$56.23.
- On the data front, **US mortgage applications rebounded to increase by 5.3% last week as lower borrowing cost spurred refinancing activities. UK housing market softened again in July** as the Halifax House Price Index dropped by 0.2% MOM in July and the RICS house price balance index fell to -9% in July after a brief improvement in the previous month. In Australia, the AiG Performance of Construction Index fell sharply to 39.1 in July. On the bright spot, **home loan approvals picked up by 0.4% MOM in June after the RBA and the APRA eased lending rules in recent months.** Malaysia foreign reserves rose to \$103.9b as of July 31.
- **The dollar index closed marginally higher by 0.06% to 97.607** after comments by Fed Evans which raised Fed rate cut hopes. **We remain neutral USD in the short term** as the markets digest recent moves and comments. **We remain bearish USD** in the medium term as it is likely trade issues are not going to be solved in the short term, hence weighing on risk appetite and general USD performance against the majors.
- **MYR closed flattish at 4.1890** as most Asian currencies consolidate recent moves. **We are neutral USDMYR over the short term** as markets digest recent moves. **We remain bullish USDMYR over the medium term** as it is likely that trade issues will remain unresolved or may be escalated.
- **SGD closed marginally weaker by 0.07% against the USD** at 1.3826 as most Asian currencies consolidate against recent moves. **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.

#### Eco Overnight Economic Data

Malaysia	↑
US	↑
UK	↓
Australia	→

#### What's Coming Up Next

##### Major Data

- US Initial Jobless claims, Wholesale Inventories
- Japan Eco Watchers Survey
- China Trade Report
- Singapore Retail Sales

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1170	1.1200	1.1212	1.1230	1.1260	↗
GBPUSD	1.2080	1.2120	1.2149	1.2200	1.2250	↘
USDJPY	105.40	105.70	106.09	106.30	106.60	↘
AUDUSD	0.6720	0.6750	0.6762	0.6800	0.6830	→
EURGBP	0.9170	0.9200	0.9232	0.9250	0.9280	↗
USDMYR	4.1800	4.1850	4.1930	4.1950	4.2000	→
EURMYR	4.6600	4.6800	4.7016	4.7200	4.7400	↗
JPYMYR	3.9100	3.9350	3.9530	3.9700	3.9850	↗
GBPMYR	5.0750	5.0900	5.0940	5.1250	5.1400	↘
SGDMYR	3.0270	3.0300	3.0315	3.0350	3.0400	→
AUDMYR	2.8200	2.8300	2.8345	2.8400	2.8450	→
NZDMYR	2.6800	2.6900	2.7050	2.7150	2.7300	↘
USDSGD	1.3770	1.3800	1.3835	1.3850	1.3875	↗
EURSGD	1.5430	1.5460	1.5514	1.5550	1.5600	↗
GBPUSD	1.6700	1.6750	1.6808	1.6850	1.6900	→
AUDSGD	0.9300	0.9325	0.9350	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	1,604.70	-0.44	-5.08	CRB Index	167.89	-1.55	-1.12
Dow Jones Ind.	26,007.07	-0.09	11.49	WTI oil (\$/bbl)	51.09	-4.74	12.51
S&P 500	2,883.98	0.08	15.04	Brent oil (\$/bbl)	56.23	-4.60	4.52
FTSE 100	7,198.70	0.38	6.99	Gold (S/oz)	1,501.16	1.81	16.65
Shanghai	2,768.68	-0.32	11.02	CPO (RM/tonne)	2,012.50	0.57	3.07
Hang Seng	25,997.03	0.08	0.59	Copper (\$/tonne)	5,705.00	0.39	-4.36
STI	3,184.69	0.45	3.78	Rubber (sen/kg)	440.00	-0.56	16.09

Source: Bloomberg

**Economic Data**
**Macroeconomics**

	For	Actual	Last	Survey
MA Foreign Reserves	31 Jul	\$103.9b	\$103.3b	--
US MBA Mortgage Applications	02 Aug	5.3%	-1.4%	--
UK Halifax House Prices MOM	Jul	-0.2%	-0.4% (revised)	0.3%
UK RICS House Price Balance	Jul	-9.0%	-1.0%	-1.0%
AU Performance of Construction Index	Jul	39.1	43.0	--
AU Home Loans MOM	Jun	0.4%	-0.4% (revised)	0.5%
NZ RBNZ Official Cash Rate	07 Aug	1.00%	1.5%	1.25%

Source: Bloomberg

- RBNZ surprised with a 50bps cut:** The Reserve Bank of New Zealand unexpectedly cut its official cash rate (OCR) by 50bps from 1.5% to 1.0% yesterday, leading to an immediate collapse of the Kiwi dollar. Economists and markets alike had expected the central bank to cut its key rate only by 25bps. RBNZ reiterated that a lower OCR is necessary to continue to meet its employment and inflation objectives and said that its actions today demonstrate its “ongoing commitment to ensure inflation increases to the mid-point of the target range, and employment remains around its maximum sustainable level”. The accompanying meeting minutes helped shed some lights on RBNZ’s move – while recent employment and wage data are encouraging, private sector wage growth was subdued and the recent slowdown in growth could dampen wage inflation more than assumed. Low business confidence had dampened business investment in 2018 and had remained weak in mid-2019. RBA disclosed that members debated the relative benefits of reducing the OCR by 25 basis points and communicating an easing bias, versus reducing the OCR by 50 basis points at once, and noted that both options were consistent with the forward path in projections. The Committee reached a consensus on a 50bps cut and agreed that the larger initial monetary stimulus would “best ensure” to meet inflation and employment objectives.
- Lower borrowing cost spurred refinancing activities in US:** US mortgage applications rebounded to increase by 5.3% for the week ended 2 Aug (previous: -1.4%) driven by an 11% spike in refinancing applications (previous: +0.1%) as interest rates fell broadly across the board. Applications to purchase a new home meanwhile continued to fall for the fourth successive week by 2.0% (previous: -3.0%). Recent fall in treasuries yield has mortgages rates to turn lower last week, prompting existing home owners to refinance their home loans. The average interest rate for a fixed rate 30-year mortgage loan slipped to 4.01% last week (previous: 4.08%).
- UK housing market softened again in July:** The Halifax House Price Index dropped by 0.2% MOM in July (Jun: -0.4% revised) leaving the annual growth rate at 4.1 YOY in the three months to July (Jun: +5.7%). The RICS house price balance index fell to -9% in July (Jun: -1%) after a brief improvement last month as price and sales expectations fell again last month. New buyer enquiries appeared to increase but at a slower pace whereas new instructions and agreed sales declined again, reflecting potential buyers’ caution amidst heightening Brexit uncertainties after Brexit hardliner Boris Johnson was named Prime Minister last month.
- Australia construction activities fell; home loans picked up as RBA cut rate:** The AiG Performance of Construction Index fell sharply to 39.1 in July (Jun: 43.0), its steepest decline in six years, dragged down by subdued activities across apartment, house buildings, engineering and commercial construction. On the bright side, home loan approvals picked up by 0.4% MOM in June (May: -0.4% revised) after a fall in the previous month. Loans extended for investment lending rose by 0.5% MOM (May: -1.9% revised) while owner occupied loans also edged up by 2.4% MOM (May: -3.0% revised), reflecting a pick-up in mortgages demand after the RBA cut rate and the APRA eased lending rules in recent months.
- Malaysia foreign reserves continued to pick up:** International reserves of Bank Negara Malaysia rose to \$103.9b as of July 31 and was sufficient to finance 7.6 months of retained imports and is 1.2 times short-term external debt.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
09/08	Malaysia	Industrial Production YOY	Jun	3.8%	4.0%	--
<b>08/08</b>	<b>US</b>	<b>Initial Jobless Claims</b>	<b>03 Aug</b>	<b>215k</b>	<b>215k</b>	--
		<b>Wholesale Inventories MOM</b>	<b>Jun F</b>	<b>0.2%</b>	<b>0.2%</b>	--
09/08		PPI Final Demand YOY	Jul	1.7%	1.7%	--
09/08	<b>UK</b>	GDP QOQ	2Q P	0.0%	0.5%	--
		Industrial Production MOM	Jun	-0.2%	1.4%	--
		Visible Trade Balance GBP/Mn	Jun	-£11,800m	-£11,524m	--
<b>08/08</b>	<b>Japan</b>	<b>Eco Watchers Survey Current SA</b>	<b>Jul</b>	<b>43.6</b>	<b>44.0</b>	--
		<b>Eco Watchers Survey Outlook SA</b>	<b>Jul</b>	<b>45.4</b>	<b>45.8</b>	--
09/08		GDP SA QOQ	2Q P	0.1%	0.6%	--
<b>08/08</b>	<b>China</b>	<b>Trade Balance</b>	<b>Jul</b>	<b>\$42.65b</b>	<b>\$50.98b</b>	--
		<b>Exports YOY</b>	<b>Jul</b>	<b>-1.0%</b>	<b>-1.3%</b>	--
		<b>Imports YOY</b>	<b>Jul</b>	<b>-9.0%</b>	<b>-7.3%</b>	--
09/08		CPI YOY	Jul	2.7%	2.7%	--
		PPI YOY	Jul	-0.1%	0.0%	--
<b>08/08</b>	<b>Singapore</b>	<b>Retail Sales YOY</b>	<b>Jun</b>	<b>-3.7%</b>	<b>-2.1%</b>	--
09/08	Australia	RBA Statement on Monetary Policy				

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1199	0.00	1.1242	1.1179	-231
GBPUSD	1.2143	-0.23	1.2191	1.2121	-476
USDJPY	106.27	-0.19	106.47	105.50	-317
AUDUSD	0.6757	-0.06	0.6783	0.6677	-400
EURGBP	0.9224	0.22	0.9248	0.9189	260
USDMYR	4.1890	-0.05	4.1975	4.1830	134
EURMYR	4.6856	-0.19	4.8845	4.6814	-88
JPYMYR	3.9419	0.10	4.1032	3.9358	490
GBPMYR	5.0855	-0.41	5.3021	5.0840	-346
SGDMYR	3.0278	-0.19	3.0362	3.0245	-27
AUDMYR	2.8170	-1.00	2.9253	2.8014	-363
NZDMYR	2.6901	-1.97	2.7922	2.6761	-319
CHFMYR	4.2821	-0.43	4.4623	4.2768	97
CNYMYR	0.5945	-0.21	0.6184	0.5941	77
HKDMYR	0.5340	-0.21	0.5354	0.5336	10
USDSGD	1.3826	0.07	1.3848	1.3798	42
EURSGD	1.5487	0.10	1.5554	1.5469	92
GBPSGD	1.6788	-0.17	1.6862	1.6764	41
AUDSGD	0.9344	0.04	0.9366	0.9249	261

Source: Bloomberg

## Forex

### MYR

- **MYR closed flattish at 4.1890** as most Asian currencies consolidate recent moves.
- **We are neutral USDMYR over the short term** as markets digest recent moves. **We remain bullish USDMYR over the medium term** as it is likely that trade issues will remain unresolved or may be escalated.

### USD

- **The dollar index closed marginally higher by 0.06% to 97.607** after comments by Fed Evans which raised Fed rate cut hopes.
- **We remain neutral USD in the short term** as the markets digest recent moves and comments. **We remain bearish USD in the medium term** as it is likely trade issues are not going to be solved in the short term, hence weighing on risk appetite and general USD performance against the majors.

### EUR

- **EUR closed unchanged against the USD at 1.1199** as the USD recovered from a see saw session thanks to renewed Fed rate cut optimism.
- **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 weaker by 0.23% at 1.2143** as it could not take advantage of a weaker USD against G7 currencies amidst nagging Brexit issues.
- **We remain bearish GBP in the short and medium term** over a looming no-deal Brexit as the deadline to hammer out a deal comes closer.

### JPY

- **JPY finished 0.19% stronger at 106.27** after a see saw session which saw it strengthening to 105.48 intraday.
- **We remain bullish JPY over both short and medium term** as risk aversion will likely continue to nag on investors' minds so long as the US-China debacle continues to drag.

### AUD

- **AUD closed marginally lower by 0.06% at 0.6757**, off 0.6675 lows as risk appetite improved with US equities.
- **We turn neutral AUD over the short term** on better risk appetite due to renewed Fed rate cut hopes but **maintain bearish AUD over the medium term** as risk aversion theme is still nagging in investors' minds and we will continue to monitor developments for further guidance.

### SGD

- **SGD closed marginally weaker by 0.07% against the USD at 1.3826** as most Asian currencies consolidate against recent moves.
- **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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