

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks sold off overnight as heightening global political tensions alongside trade concerns severely dampened investor sentiments.** Taking cue from the earlier fall in the European markets, all US stocks benchmarks fell sharply to end lower, the Dow lost nearly 390pts or 1.5% in a single day while the S&P 500 and NASDAQ both slipped by 1.2%. Political concerns arose as thousands of protesters flooded Hong Kong airport, leading airlines to cancel all flights in and out of the city. In Argentina, incumbent president Mauricio Macri was unexpectedly defeated at primary elections, hampering hope of a reelection. Over the weekend, a Goldman Sachs report sparked recession fear as chances of US and China reaching a trade deal before 2020 General Elections becomes dimmer. **Investors fled riskier assets for the safety of treasuries, gold, and currencies like the Japanese Yen and Swiss Franc. Treasuries market rallied leading yields to fall by 6-13bps along the curve. Benchmark 10Y UST yield slipped by 10bps to 1.65%, the yield curve flattened.** Crude oil price went up slightly with WTI settling 0.8% higher at \$54.93/barrel and Brent crude barely moving at \$58.57/barrel.
- Data were scanty on Monday. Final data show that Singapore real GDP plunged by 3.3% QOQ in the second quarter of 2019 and grew by a mere 0.1% YOY. The government cut its 2019 growth forecast from the previous 1.5-2.5% to a mere 0.0-1.0% according to official statement this morning. We expect MAS to ease policy in October. Elsewhere, Japan producer prices index was flat in July MOM and fell for the second by 0.6% YOY on lower oil prices and stronger yen.
- **The dollar index ended lower by 0.11% at 97.38** as USD lost some ground against the majors on lower UST yields. **We are mildly bearish USD in the short term** as risk appetite deteriorates on political worries and prolonged trade uncertainties. **We remain bearish USD** in the medium term on lower growth expectations and the increasing chances of a Fed rate cut.
- **MYR closed marginally stronger by 0.04% at 4.1840** as the pair consolidates ahead of a long weekend. **We are bullish USDMYR over the short and medium term** on LATAM worries and a stronger USDCNY will likely influence USDMYR performance over the shorter term. Prolonged trade tensions meanwhile is expected to drive the currency pair over the longer period.
- **SGD closed weaker by 0.14% against the USD** at 1.3870 as most Asian currencies lost ground amidst growing risk aversion. **We are bearish SGD over both short and medium terms** as risk aversion dominates amidst slower global growth expectations and rising political concerns.

Eco Overnight Economic Data

Japan	↓
Singapore	↓

What's Coming Up Next

Major Data

- US NFIB Small Business Optimism, CPI
- Eurozone ZEW Survey Expectations
- UK Job Report
- Japan Machine tools orders
- Australia NAB Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1150	1.1180	1.1208	1.1230	1.1250	↗
GBPUSD	1.2000	1.2050	1.2075	1.2100	1.2150	→
USDJPY	105.00	105.20	105.42	105.65	106.00	↘
AUDUSD	0.6700	0.6725	0.6757	0.6775	0.6800	→
EURGBP	0.9225	0.9250	0.9285	0.9300	0.9325	↗
USDMYR	4.1850	4.1900	4.1950	4.1975	4.2000	↗
EURMYR	4.6600	4.6800	4.7025	4.7200	4.7350	↗
JPYMYR	3.9500	3.9700	3.9805	3.9850	3.9950	↗
GBPMYR	5.0350	5.0500	5.0655	5.0750	5.1000	→
SGDMYR	3.0200	3.0225	3.0250	3.0275	3.0300	↘
AUDMYR	2.8150	2.8300	2.8340	2.8400	2.8550	↘
NZDMYR	2.6700	2.6850	2.7052	2.7200	2.7350	↘
USDSGD	1.3800	1.3840	1.3871	1.3900	1.3925	↗
EURSGD	1.5500	1.5525	1.5550	1.5575	1.5600	↗
GBPUSD	1.6680	1.6730	1.6750	1.6800	1.6830	→
AUDSGD	0.9325	0.9350	0.9373	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*	1,615.05	-0.06	-4.47	CRB Index	170.62	-0.85	0.48
Dow Jones Ind.	25,897.71	-1.48	11.02	WTI oil (\$/bbl)	54.93	0.79	20.96
S&P 500	2,883.09	-1.22	15.01	Brent oil (\$/bbl)	58.57	0.07	8.87
FTSE 100	7,226.72	-0.37	7.41	Gold (\$/oz)	1,511.16	0.95	17.97
Shanghai	2,814.99	1.45	12.88	CPO (RM/tonne)*	2,044.00	1.67	4.69
Hang Seng	25,824.72	-0.44	-0.08	Copper (\$/tonne)	5,742.00	-0.23	-3.74
STI	3,168.94	-0.49	3.26	Rubber (sen/kg)	440.00	-0.11	16.09

*Closing for 9 Aug

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
JP PPI YOY	Jul	-0.6%	-0.1%	-0.5%
SG GDP YOY	2QF	0.1%	1,1%	0.2%

Source: Bloomberg

➤ Macroeconomics

- Singapore economy contracted in second quarter, hampered by manufacturing downturn:** Final data show that Singapore real GDP plunged by 3.3% QOQ in the second quarter of 2019 (1Q: +3.8%), less than the initially estimated fall of 3.4% but still nearly reversing gain made in 1Q. On an annual basis, 2Q GDP growth clocked in at a mere 0.1% YOY (1Q: +1.1%), unchanged from initial reading and was the slowest rate in a decade when the economy was still recovering from the global financial crisis. The near-stagnation in 2Q was primarily caused by the ongoing downturn in the manufacturing industry (-3.1% YOY vs -0.3% YOY) as the services (+1.1% vs +1.2%) and construction sectors (+2.9% vs +2.8%) managed to record growth. The slump in the manufacturing sector was in line with the currently synchronized downturn in global manufacturing, mainly a result of softer global demand for electronics which had severely dragged down Singapore's semiconductor productions. Singapore data have continued to deteriorate for the past six months as retail sales and exports recorded a string of declines, prompting the government to cut its 2019 growth forecast from the previous 1.5-2.5% to a mere 0.0-1.0% according to official statement this morning. We expect the Monetary Authority of Singapore (MAS) to ease policy this coming October.
- Japan producer prices slump deepened in July:** Japan producer prices index was unchanged MOM in July (Jun: -0.5%) after falling for two consecutive months. The latest print was lower than a Bloomberg consensus survey which had called for a 0.1% increase. On an annual basis, producer prices index fell for the second month by 0.6% (June: -0.1%), partly on unfavourably high base effect but nonetheless intensifying worries of disinflation at Japanese factories amidst soft overseas and domestic demand conditions. Looking at details, both exports and import prices continued to drop with import prices recording a whopping 6.1% YOY decline (Jun: -4.2%) due to lower oil prices and a stronger yen, pointing to subdued inflation in the Japanese economy.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
13/08	US	NFIB Small Business Optimism	Jul	104.0	103.3	--
		CPI YOY	Jul	1.7%	1.6%	--
14/08		MBA Mortgage Applications	09 Aug	--	5.3%	--
		Import Price Index MOM	Jul	-0.1%	-0.9%	--
13/08	Eurozone	ZEW Survey Expectations	Aug	--	-20.3	--
14/08		Industrial Production SA MOM	Jun	-1.5%	0.9%	--
		Employment QOQ	2Q P	--	0.3%	--
		GDP SA QOQ	2Q P	0.2%	0.2%	--
13/08	UK	Average Weekly Earnings 3M/YOY	Jun	3.7%	3.4%	
		ILO Unemployment Rate 3Mths	Jun	3.8%	3.8%	
		Employment Change 3M/3M	Jun	60k	28k	
14/08		CPI YOY	Jul	1.9%	2.0%	
		PPI Output NSA YOY	Jul	1.7%	1.6%	
13/08	Japan	Machine Tool Orders YOY	Jul P	--	-37.9%	--
14/08		Core Machine Orders MOM	Jun	-1.0%	-7.8%	--
14/08	China	Fixed Assets Ex Rural YTD YOY	Jul	5.8%	5.8%	--
		Industrial Production YOY	Jul	6.0%	6.3%	--
		Retail Sales YOY	Jul	8.6%	9.8%	--
13/08	Australia	NAB Business Confidence	Jul	--	2.0	--
14/08		Westpac Consumer Conf Index	Aug	--	96.5	--
		Wage Price Index YOY	2Q	2.3%	2.3%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1214	0.12	1.1231	1.1162	-2.20
GBPUSD	1.2076	0.36	1.2106	1.2015	-5.31
USDJPY	105.30	-0.37	105.69	105.05	-4.04
AUDUSD	0.6752	-0.50	0.6796	0.6745	-4.23
EURGBP	0.9286	-0.28	0.9325	0.9248	3.30
USDMYR	4.1840	-0.04	4.1925	4.1827	1.22
EURMYR	4.6881	-0.10	4.6936	4.6785	-0.83
JPYMYR	3.9509	0.23	3.9546	3.9473	5.14
GBPMYR	5.0710	-0.30	5.0891	5.0589	-3.73
SGDMYR	3.0270	0.03	3.0338	3.0261	-0.29
AUDMYR	2.8482	0.40	2.8556	2.8422	-2.56
NZDMYR	2.7134	0.40	2.7225	2.7106	-2.35
CHFMYR	4.2959	0.11	4.3050	4.2891	2.30
CNYMYR	0.5931	-0.12	0.5947	0.5931	-2.00
HKDMYR	0.5338	0.06	0.5346	0.5334	1.06
USDSGD	1.3870	0.14	1.3888	1.3839	1.75
EURSGD	1.5553	0.26	1.5566	1.5479	-0.49
GBPSGD	1.6748	0.49	1.6793	1.6658	-3.65
AUDSGD	0.9362	-0.39	0.9415	0.9355	-2.54

Source: Bloomberg

Forex

MYR

- **MYR closed marginally stronger by 0.04% at 4.1840** as the pair consolidates ahead of a long weekend.
- **We are bullish USDMYR over the short and medium term** on LATAM worries and a stronger USDCNY will likely influence USDMYR performance over the shorter term. Prolonged trade tensions meanwhile is expected to drive the currency pair over the longer period.

USD

- **The dollar index ended lower by 0.11% at 97.38** as USD lost some ground against the majors on lower UST yields.
- **We are mildly bearish USD in the short term** as risk appetite deteriorates on political worries and prolonged trade uncertainties. **We remain bearish USD** in the medium term on lower growth expectations and the increasing chances of a Fed rate cut.

EUR

- **EUR closed higher by 0.12% against the USD at 1.1214** as USD lost some ground on lower UST yields.
- **We remain mildly bullish EUR today** as it continues to benefit from US-China trade headlines as well as its status as a funding currency. **We remain bullish EUR over the medium term** as ongoing trade uncertainties could drive safe haven seeking and thus EUR bullishness alongside lower USD due to rate cut expectations.

GBP

- **GBP closed stronger by 0.36% at 1.2076** as rumours went around that the UK Parliament would block any no-deal Brexit.
- **We are neutral GBP in the short term** as market consolidates and **we are still bearish GBP in the medium term** given that a chances of a no-deal Brexit remain high.

JPY

- **JPY finished 0.37% stronger at 105.30** as UST yields hit multi-year lows.
- **We remain bullish JPY over both short and medium terms** as risk aversion will likely continue to nag on investors' minds due to prolonged trade tensions and LATAM political worries.

AUD

- **AUD closed weaker by 0.50% at 0.6752** as risk appetite retreated.
- **We turn neutral AUD over the short term** as it seems that AUD has managed to establish a short term range to consolidate in. **We remain bearish AUD over the medium term** as risk aversion is dominating markets with LATAM politics being the latest to add on to a list of worries.

SGD

- **SGD closed weaker by 0.14% against the USD** at 1.3870 as most Asian currencies lost ground amidst growing risk aversion.
- **We are bearish SGD over both short and medium terms** as risk aversion dominates amidst slower global growth expectations and rising political concerns.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.