

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global financial markets was surrounded by positive vibes** yesterday and overnight, first on **softer stance by both China and the US on their longstanding trade spat, followed by ECB's stimulus measures**. The ECB did not disappoint, delivering a **10bps cut in its deposit facility and revived its bond purchase programme** with a monthly purchase of €20bn starting 1-Nov as widely expected as it gauged that the Eurozone economy is in an extended slowdown and inflation will remain below target. ECB had revised its growth forecast down to 1.1% and 1.2% for this and next year (previous 1.2% and 1.4%) and trimmed its inflation forecast to 1.2% and 1.0% (previous 1.3% and 1.4%). European stocks and bonds rallied after the announcement while the EUR saw a knee-jerk fall, breaking below the crucial 1.10 support very briefly before bouncing back sharply to end the day 0.5% higher at 1.1065. Minutes post ECB announcement, **President Trump tweeted to whip the Fed again, "applauding ECB's success" in cutting rates and devaluing the EUR!**
- **Locally, BNM kept OPR unchanged at 3.00% as expected and maintained a very neutral tone.** This suggests there is no immediate plan of a policy move in the near future, and shall squash speculation for a November OPR cut. **No change to our house view for OPR to stay unchanged this year.** On the data front, US core CPI and initial jobless claims surprised on the upside but markets remained fixated on a Fed rate cut next week. Japan services industry, Singapore retail sales and New Zealand manufacturing all showed some improvement too but did little to change prospects of slowing growth. Eurozone industrial production was the only data print that disappointed, as German faced increasing risks of a technical recession in 3Q.
- **The dollar index closed lower by 0.26% to 98.374** led by EUR on better risk sentiment due to the ECB stimulus package. **We turn bearish USD today** as the better sentiment spillover may influence trading today. **We remain bearish USD over the medium term** as prolonged trade issues may trigger a series of Fed rate cuts.
- **MYR closed stronger by 0.32% at 4.1653** on better risk sentiment as US and China soften their stance towards each other on trade. **We are cautiously bearish USDMYR today** on better risk sentiment from the ECB stimulus package and on trade resolution optimism. **We remain bearish USDMYR over the medium term** on expected Fed rate cuts due to prolonged trade worries.
- **SGD closed 0.32% stronger against the USD at 1.3751** on better risk sentiment due to the ECB stimulus package. **We are cautiously bullish SGD today** on better risk sentiment due to the ECB and on US-China trade resolution optimism but **remain bearish SGD over the medium term** as the outlook remains gloomy over prolonged trade issues.

Overnight Economic Data

US	↑
EU	↓
Japan	↑
Singapore	↑
New Zealand	↑

What's Coming Up Next

Major Data

- US retail sales, consumer sentiments
- EU trade balance
- Japan industrial production

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.0980	1.1030	1.1062	1.1085	1.1110	↗
GBPUSD	1.2250	1.2300	1.2331	1.2360	1.2400	↘
USDJPY	107.50	107.70	108.15	108.30	108.60	↗
AUDUSD	0.6825	0.6850	0.6861	0.6900	0.6925	→
EURGBP	0.8925	0.8950	0.8972	0.9000	0.9030	↗
USDMYR	4.1550	4.1600	4.1650	4.1750	4.1800	↘
EURMYR	4.5700	4.5900	4.6111	4.6200	4.6300	↗
JPYMYR	3.8150	3.8300	3.8546	3.8700	3.8800	↘
GBPMYR	5.1000	5.1300	5.1396	5.1650	5.1850	↘
SGDMYR	3.0200	3.0250	3.0308	3.0350	3.0400	↗
AUDMYR	2.8300	2.8500	2.8597	2.8800	2.9000	→
NZDMYR	2.6500	2.6600	2.6684	2.6750	2.6900	→
USDSGD	1.3700	1.3730	1.3755	1.3780	1.3810	↘
EURSGD	1.5140	1.5170	1.5217	1.5250	1.5280	↘
GBPSGD	1.6850	1.6900	1.6965	1.7050	1.7100	↘
AUDSGD	0.9400	0.9420	0.9439	0.9470	0.9510	↘

* 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	1,601.00	-0.08	-5.30	CRB Index	174.46	0.42	2.74
Dow Jones Ind.	27,182.45	0.17	16.53	WTI oil (\$/bbl)	55.09	-1.18	21.32
S&P 500	3,009.57	0.29	20.05	Brent oil (\$/bbl)	60.38	-0.71	31.63
FTSE 100	7,344.67	0.09	9.16	Gold (S/oz)	1,499.26	0.14	16.69
Shanghai	3,031.24	0.75	21.55	CPO (RM/tonne)	2,121.00	0.43	8.63
Hang Seng	27,087.63	-0.26	4.81	Copper (\$/tonne)	5,833.00	1.05	-2.21
STI	3,194.96	-0.30	4.11	Rubber (sen/kg)	439.50	-0.23	15.96

Source: Bloomberg

➤ Macroeconomic

Economic Data				
	For	Actual	Last	Survey
MY BNM OPR	Sept	3.00%	3.00%	3.00%
US CPI YOY	Aug	1.7%	1.8%	1.8%
US initial jobless claims	Sept 7	204k	219k (revised)	215k
EU ECB main refinancing rate	Sept	0.0%	0.0%	0.0%
EU ECB marginal lending facility rate	Sept	0.25%	0.25%	0.25%
EU ECB deposit facility rate	Sept	-0.5%	-0.4%	-0.5%
EU industrial production MOM	Jul	-0.4%	-1.4% (revised)	-0.1%
JP tertiary industry index MOM	Jul	0.1%	-0.1%	-0.3%
SG retail sales YOY	Jul	-1.8%	-8.9%	-2.9%
NZ BusinessNZ PMI manufacturing	Aug	48.4	48.1 (revised)	--

Source: Bloomberg

- ECB slashed depo rate and revived bond purchases:** ECB did not disappoint, delivering a 10bps cut in its deposit facility rate to -0.50% and revived its APP (Asset Purchase Programme) with a monthly bond purchase of €20bn starting 1-Nov as widely expected. Meanwhile, the main refinancing rate and marginal lending facility rate were kept unchanged at 0% and 0.25% respectively. The cut in the deposit rate was the first cut since 2016 and the APP had only been unwound nine months ago. ECB is also introducing a tier system where some of the bank's excess liquidity will be exempted from the negative rates. The calendar-based forward guidance approach will also be dropped, with rates to remain at current level or even lower until inflation moves back to its target (close to but below 2%). In his press conference, outgoing ECB President Mario Draghi said the Eurozone economy is in an extended slowdown and inflation is likely to stay clearly below ECB's medium term target. ECB had revised its growth forecast down to 1.1% and 1.2% for this and next year (previous 1.2% and 1.4%) and trimmed its inflation forecast to 1.2% and 1.0% (previous 1.3% and 1.4%).
- BNM stood pat; neutral tone shall squash speculation of a November cut:** BNM kept OPR unchanged at 3.00% as expected, taking cue from still modest growth in the global economy and stronger economic performance in the domestic economy in 2Q. Overall, the still neutral statement suggests BNM has no plan to revise its monetary policy in the near future, hence no change to our house view for OPR to stay unchanged at the current level of 3.00% this year. While we do not see a strong case for an OPR cut given resiliency in the domestic economy, with support from the earlier preemptive 25bps cut in May and tentative signs of gain from trade diversion, the rapidly evolving global landscape and ongoing uncertainties stemming from protracted trade disputes and geopolitical development could still exert downside risks to the world economy and financial stability. We believe BNM would stand ready to act should such risks materialize and spill over to the home front. At this juncture, BNM reiterated that the stance of monetary policy remains accommodative and supportive of economic activity.
- US core CPI and jobless claims surprised on the upside:** Headline CPI increased at a slower pace of 0.1% MOM and by 1.7% YOY in August (Jul: +0.3% MOM and +1.8% YOY) dragged by lower energy costs. Core CPI however sustained a 0.3% MOM gain resulting in a higher 2.4% YOY increase (Jul: +2.2% YOY), its highest in 13 months. In a separate release, initial jobless claims fell more than expected by 15k to 204k for the week ended 7-Sept, reaffirming a still healthy job market. We believe the positive data bag will not derail the Fed from cutting again next week. Implied probability still showed a 100% chance of a cut at the September meeting, with the weight shifting to a 25bps instead of 50bps cut (99.9% vs 0.1%), from 87.3% vs 12.7% a week ago.
- EU industrial production weaker than expected:** Industrial production fell more than expected by 0.4% MOM in July even as this marked a much smaller contraction compared to the revised 1.4% decline in June. Capital goods and consumer durables managed to stage a rebound and increased during the month while intermediate goods and non-durable consumer goods posted smaller declines. Today's weakness in industrial production mirrored the softness in PMI manufacturing, suggesting the case of weaker growth in 3Q.

- **Japan services industry surprised with a rebound in July:** Tertiary industry index surprisingly rebounded to register a 0.1% MOM gain in July (Jun: -0.1% MOM), driven by pick-ups in most major industries except utilities, information & communication, retail trade, real estate, as well as medical & healthcare. The bulk of the gain was led by wholesale trade and services, signaling the Japanese economy may continue to see moderate growth ahead.
- **Narrower decline in Singapore retail sales:** Retail sales in neighbouring Singapore posted a much smaller decline of 1.8% YOY in July (Jun: -8.9%), thanks to gains in motor vehicles and supermarket sales. While the smaller than expected fall may have offered some reprieve to the depth of the slowdown, back to back decline for a good six months still spell downside risks to the Singapore economy amid a deteriorating global growth outlook.
- **NZ Manufacturing PMI picked up in August:** BusinessNZ PMI manufacturing showed a marginal uptick to 48.4 in August (Jul: 48.1 revised), marking its 2nd straight month of contraction and at a 7-year low level as a result of falls in production and new orders, suggesting the manufacturing sector is under threats of further slowdown.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
13/09	US	Retail sales MOM	Aug	0.2%	0.7%	
		Uni Michigan consumer sentiments	Sept P	90.8	89.8	
16/09		Empire Manufacturing	Sep	4.0	4.8	
		Industrial Production MOM	Aug	0.2%	-0.2%	
		NAHB Housing Market Index	Sep	66.0	66.0	
16/09	UK	Rightmove House Prices YOY	Sep	--	1.2%	
13/09	EU	Trade balance	Jul	€17.5b	€17.9b	
13/09	Japan	Industrial production MOM	Jul F	--	1.3%	
16/09	China	Fixed Assets Ex Rural YTD YOY	Aug	5.7%	5.7%	
		Industrial Production YOY	Aug	5.2%	4.8%	
		Retail Sales YOY	Aug	7.9%	7.6%	
16/09		Performance Services Index	Aug	--	54.7	

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1065	0.50	1.1087	1.0927	-3.57
GBPUSD	1.2335	0.07	1.2367	1.2284	-3.30
USDJPY	108.10	0.26	108.19	107.52	-1.39
AUDUSD	0.6866	0.06	0.6895	0.6860	-2.65
EURGBP	0.8971	0.46	0.8974	0.8886	-0.26
USDMYR	4.1653	-0.32	4.1757	4.1648	0.77
EURMYR	4.5942	-0.23	4.6172	4.5904	-2.82
JPYMYR	3.8632	-0.38	3.8804	3.8550	2.80
GBPMYR	5.1352	-0.57	5.1687	5.1336	-2.51
SGDMYR	3.0303	0.05	3.0452	3.0276	-0.18
AUDMYR	2.8674	-0.05	2.8850	2.8663	-1.90
NZDMYR	2.6830	0.06	2.6884	2.6795	-3.44
CHFMYR	4.2076	0.05	4.2211	4.1946	0.20
CNYMYR	0.5878	0.10	0.5915	0.5874	-2.88
HKDMYR	0.5323	-0.13	0.5331	0.5320	0.78
USDSGD	1.3751	-0.32	1.3795	1.3726	0.90
EURSGD	1.5215	0.18	1.5233	1.5044	-2.70
GBPSGD	1.6961	-0.24	1.7017	1.6910	-2.43
AUDSGD	0.9440	-0.27	0.9480	0.9438	-1.76

Source: Bloomberg

➤ Forex

MYR

- **MYR closed stronger by 0.32% at 4.1653** on better risk sentiment as US and China soften their stance towards each other on trade.
- **We are cautiously bearish USDMYR today** on better risk sentiment from the ECB stimulus package and on trade resolution optimism. **We remain bearish USDMYR over the medium term** on expected Fed rate cuts due to prolonged trade worries.

USD

- **The dollar index closed lower by 0.26% to 98.374** led by EUR on better risk sentiment due to the ECB stimulus package.
- **We turn bearish USD today** as the better sentiment spillover may influence trading today. **We remain bearish USD over the medium term** as prolonged trade issues may trigger a series of Fed rate cuts.

EUR

- **EUR closed higher by 0.50% against the USD at 1.1065** on better risk sentiment as the ECB delivers on the expected stimulus package.
- **We are cautiously bullish EUR today** as better risk sentiment from the stimulus package may still be in play. **We remain bearish EUR over the medium term** as once the ECB starts its QE program, the EUR is likely to weaken.

GBP

- **GBP closed marginally stronger by 0.07% to 1.2335** after being dragged around by EUR's swing lower and then higher.
- **We remain bearish GBP for the foreseeable future** over continuous Brexit issues within the UK government.

JPY

- **JPY finished 0.26% weaker at 108.10 against the USD** led higher by better risk sentiment from the ECB stimulus package.
- **We remain bearish JPY over the short term** on better risk sentiment and better performing US equities. **We remain bullish JPY over the medium term** on prolonged trade worries and possible Fed rate cuts.

AUD

- **AUD closed marginally stronger against the USD at 0.6866.**
- **We are neutral AUD today** as it fails to take advantage of better risk sentiment on US-China trade and on the ECB stimulus package. **We remain bearish AUD over the medium term** on expected slower global growth due to prolonged trade worries.

SGD

- **SGD closed 0.32% stronger against the USD at 1.3751** on better risk sentiment due to the ECB stimulus package.
- **We are cautiously bullish SGD today** on better risk sentiment due to the ECB and on US-China trade resolution optimism but **remain bearish SGD over the medium term** as the outlook remains gloomy over prolonged trade issues.

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