

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks rebounded overnight to reverse Monday's losses after the White House announced its decision to delay tariffs on certain Chinese goods originally due 1st September to December.** The unexpected news prompted investors to ditch safer assets and rushed back to equity, leading all major benchmarks to finish higher. The Dow added 382pts or 1.5%, the S&P500 gained 1.5% and NASDAQ picked up nearly 2% in a broad-based rally. **Treasuries fell after the latest tariffs news and partly on better-than-expected CPI data**, leading yields to gain by 3-9bps along the curve. Benchmark 10Y UST yield picked up 6bps to 1.71%. Crude oil prices spiked amidst improving trade sentiments and a drawdown in US crude inventories. WTI finished 4% higher at \$57.10/barrel and Brent crude gained 4.7% to \$61.30/barrel.
- On the data front, **US July headline CPI rose more than expected by 1.8% YOY while the core reading climbed to a six-month high of 2.2% YOY.** The NFIB Small Business Optimism Index rose to 104.7 in the same month as small firms appeared positive over outlook. In Europe, **German investor confidence collapsed over fear of a recession** in Germany as the ZEW Survey Expectations Index for Germany plunged by more than 20pts to -44.1 in August. **The UK economy added 115k jobs in the three months to June while wage growth heated up to 3.7% YOY.** Unemployment rate rose to 3.9%. Japan machine tools orders rebounded by 2.4% MOM in July while core machine orders (gauge for capex) spiked by 13.9% MOM. Australia business confidence improved slightly and consumer sentiment jumped.
- **The dollar index ended higher by 0.4% at 97.81** as USD gained ground against perceived safe haven currencies like EUR, JPY and CHF. **We are bullish USD in the short term** as risk appetite picks up over the announcement of tariffs delay. **We remain bearish USD over the medium term** as global growth outlook remains dim and may spur further Fed easing.
- **MYR closed weaker by 0.3% at 4.1960** as risks were still skewed towards the downside on lingering trade woes and mounting political uncertainties across markets. **We are bearish USDMYR over the short term** as the US surprisingly delayed tariffs on Chinese goods, offering signs that negotiations are restarting and thus reigniting hope of a trade resolution. **We remain bullish USDMYR over the medium term** at least until there is some confirmation on the above.
- **SGD closed stronger by 0.3% against the USD** at 1.3833 on better risk appetite overnight. **We are bullish SGD over the short terms** as risk-on sentiments returned and hope of a US-China trade resolution might drive USD/AXJ weakness. **We remain bearish SGD over the medium term** as the euphoria might die down in the absence of any trade deal or resolution.

#### Eco Overnight Economic Data

US	↑
Eurozone	↓
UK	→
Japan	→
Australia	↑

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications, Import Price Index
- Eurozone GDP, Industrial Production, Employment Change
- UK CPI, PPI
- China Fixed Assets Investment, Industrial Production, Retail Sales
- Australia Wage Price Index

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1125	1.1150	1.1177	1.1200	1.1230	↘
GBPUSD	1.2000	1.2050	1.2064	1.2100	1.2150	→
USDJPY	106.00	106.30	106.62	106.90	107.25	↗
AUDUSD	0.6750	0.6775	0.6797	0.6830	0.6850	↗
EURGBP	0.9225	0.9250	0.9267	0.9300	0.9325	↘
USDMYR	4.1750	4.1800	4.1850	4.1900	4.1950	↘
EURMYR	4.6500	4.6600	4.6810	4.7000	4.7200	↘
JPYMYR	3.9000	3.9150	3.9287	3.9500	3.9700	↘
GBPMYR	5.0150	5.0350	5.0528	5.0700	5.0900	↘
SGDMYR	3.0225	3.0250	3.0275	3.0300	3.0325	↗
AUDMYR	2.8200	2.8300	2.8474	2.8550	2.8700	↗
NZDMYR	2.6800	2.6950	2.7063	2.7150	2.7300	→
USDSGD	1.3780	1.3800	1.3834	1.3850	1.3875	↘
EURSGD	1.5400	1.5430	1.5460	1.5475	1.5500	↘
GBPSGD	1.6600	1.6650	1.6690	1.6720	1.6780	↘
AUDSGD	0.9350	0.9375	0.9406	0.9430	0.9450	↗

\* 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	1,592.88	-1.37	-5.78	CRB Index	173.09	1.44	1.93
Dow Jones Ind.	26,279.91	1.44	12.66	WTI oil (\$/bbl)	57.10	3.95	25.74
S&P 500	2,926.32	1.50	16.73	Brent oil (\$/bbl)	61.30	4.66	13.94
FTSE 100	7,250.90	0.33	7.77	Gold (S/oz)	1,501.51	-0.64	17.18
Shanghai	2,797.26	-0.63	12.16	CPO (RM/tonne)*	2,085.00	2.01	6.79
Hang Seng	25,281.30	-2.10	-2.18	Copper (\$/tonne)	5,828.50	1.51	-2.29
STI	3,146.73	-0.70	2.54	Rubber (sen/kg)	440.50	0.11	16.23

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US NFIB Small Business Optimism	Jul	104.7	103.3	104.0
US CPI YOY	Jul	1.8%	1.6%	1.7%
EU ZEW Survey Expectations	Aug	-43.6	-20.3	--
UK Average Weekly Earnings 3M/YOY	Jun	3.7%	3.5% (revised)	3.7%
UK ILO Unemployment Rate 3Mths	Jun	3.9%	3.8%	3.8%
UK Employment Change 3M/3M	Jun	115k	28k	60k
JP Machine Tool Orders YOY	Jul P	-33.0%	-37.9%	--
JP Core Machine Orders MOM	Jun	13.9%	-7.8%	-1.0%
AU NAB Business Confidence	Jul	4.0	2.0	2.0
AU Westpac Consumer Sentiment Index	Aug	100.0	96.5	--

Source: Bloomberg

## ➤ Macroeconomics

- US inflation picked up more than expected; small businesses stayed optimistic:** US headline CPI rose 0.3% MOM in July (Jun: +0.1%), its fastest rate in three months, while the core inflation which excludes gain in prices of food and energy rose at a steady pace of 0.3% MOM (Jun: +0.3%). On an annual basis, CPI rose 1.8% YOY (Jun: +1.6%) and notably the core reading picked up to a six-month high of 2.2% YOY (Jun: +2.1%), offering tentative signs that the Fed is getting back on track to achieve its inflation target. On a separate note, the NFIB Small Business Optimism Index rose to 104.7 in July (Jun: 103.3), marking its fifth increase within a six-month period as smaller firms appeared exceptionally confident about growth outlook in terms of business conditions, real sales and plans for expansion.
- German investor confidence collapsed over fear of recession:** German investor confidence collapsed in August as indicated by the more-than-20pts plunge in the ZEW Survey Expectations Index for Germany (-44.1 vs -24.5) as fear of an imminent recession in the Eurozone's largest economy heightened this month. The similar index for outlook of the Eurozone also tumbled to -43.6 (Jul: -20.3), highlighting investors' tremendously pessimistic view over the single-currency bloc's growth outlook amidst faltering global growth and prolonged trade tensions.
- Data painted mixed picture of UK labour market:** Employment rose by 115k to reach an all-time high of 32.81million in the three months to June (May: +28k). Wage growth continued to heat up as the average weekly earnings surged to 3.7% YOY in the three months to June (May: +3.5%), its fastest pace in more than eleven years. Growth in base pay which excludes bonus payout also accelerated to 3.9% YOY (May: +3.6%), beating consensus estimate of 3.8%. Larger increase in employment alongside accelerating wage growth points to continuous tightening of the labour market, but the rise in unemployment rate to 3.9% in June (May: +3.8%) and ongoing fall in vacancies signal loosening, thus painting an overall mixed picture of the market. That said, we reckon the UK job market remains fairly strong but it became increasingly challenging to recruit employees amidst political and economic uncertainty according to a KPMG/REC jobs survey. Firms reportedly got fewer candidates for vacancies reflecting rightness in the labour market.
- Weak overseas demand for Japanese machine tools; business capex spiked:** Japan machine tools order continued to record double-digit slide of 33.0% YOY in July (Jun: -37.9%) on unfavourably high base effect. On a MOM basis, total orders rebounded to increase 2.4% (Jun: -8.9%) driven by the increase in domestic orders (+9.3% vs -11.7%). Foreign orders continued to fall albeit at a slower pace of 1.9% MOM (Jun: -7.0%), nonetheless a sure sign of weak overseas demand. A separate release this morning shows that core machine orders, a popular gauge of Japanese business capex jumped by 13.9% MOM in Jun (May: -7.8%), more than reversing previous month's contraction. YOY, core machine orders also picked up a whopping 12.5% (May: -3.7%) as firms ramped up spending ahead of 2020 Summer Olympics despite persistent global trade uncertainties and expectations of slower domestic spending after October's sales tax hike.
- Australia business confidence lost momentum; consumer sentiment gained ground over lower rates:** The NAB Business Confidence Index picked up 2pts to 4.0 in July (Jun: 2.0) but remained below the long-run average of 6.0, pointing to the loss in momentum in Australia's business confidence. The Business Condition Index slipped to 2.0 in the same month (Jun: 4.0) driven by weaker trading and stagnating profitability and employment. Declining forward orders and flat stocks and exports highlight really poor demand suggesting that weakness in the second quarter will be extended into the third quarter. In contrast, the Westpac-Melbourne Consumer Sentiment Index rose 3.6% MOM to 100 in August (July: 96.5), as consumer confidence finally firmed up in response to lower interest rates after the RBA paused rate cuts but retained its easing bias this month.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
14/08	US	<b>MBA Mortgage Applications</b>	<b>09 Aug</b>	--	<b>5.3%</b>	--
		<b>Import Price Index MOM</b>	<b>Jul</b>	<b>-0.1%</b>	<b>-0.9%</b>	--
15/08		Empire Manufacturing	Aug	2.0	4.3	--
		Philadelphia Fed Business Outlook	Aug	9.3	21.8	--
		Retail Sales Advance MOM	Jul	0.2%	0.4%	--
		Initial Jobless Claims	10 Aug	212k	209k	--
		Industrial Production MOM	Jul	0.1%	0.0%	--
		NAHB Housing Market Index	Aug	65	65	--
		<b>14/08</b>	<b>Eurozone</b>	<b>Industrial Production SA MOM</b>	<b>Jun</b>	<b>-1.5%</b>
		<b>Employment QOQ</b>	<b>2Q P</b>	--	<b>0.3%</b>	--
		<b>GDP SA QOQ</b>	<b>2Q P</b>	<b>0.2%</b>	<b>0.2%</b>	--
14/08	UK	<b>CPI YOY</b>	<b>Jul</b>	<b>1.9%</b>	<b>2.0%</b>	--
		<b>PPI Output NSA YOY</b>	<b>Jul</b>	<b>1.7%</b>	<b>1.6%</b>	--
15/08		Retail Sales Inc. Auto Fuel MOM	Jul	-0.2%	1.0%	
15/08	Japan	Industrial Production YOY	Jun F	--	-4.1%	--
14/08	China	<b>Fixed Assets Ex Rural YTD YOY</b>	<b>Jul</b>	<b>5.8%</b>	<b>5.8%</b>	--
		<b>Industrial Production YOY</b>	<b>Jul</b>	<b>6.0%</b>	<b>6.3%</b>	--
		<b>Retail Sales YOY</b>	<b>Jul</b>	<b>8.6%</b>	<b>9.8%</b>	--
14/08	Australia	<b>Wage Price Index YOY</b>	<b>2Q</b>	<b>2.3%</b>	<b>2.3%</b>	--
15/08		Employment Change	Jul	14.0k	0.5k	--
		Unemployment Rate	Jul	5.2%	5.2%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1171	-0.38	1.1228	1.1170	-2.54
GBPUSD	1.2060	-0.13	1.2098	1.2042	-5.44
USDJPY	106.74	1.37	106.98	105.07	-2.77
AUDUSD	0.6799	0.70	0.6818	0.6747	-3.56
EURGBP	0.9264	-0.24	0.9295	0.9241	3.09
USDMYR	4.1960	0.29	4.1990	4.1910	1.51
EURMYR	4.7021	0.30	4.7059	4.6899	-0.53
JPYMYR	3.9861	0.89	3.9921	3.9711	6.08
GBPMYR	5.0645	-0.13	5.0686	5.0534	-3.86
SGDMYR	3.0230	-0.13	3.0259	3.0150	-0.42
AUDMYR	2.8394	-0.31	2.8410	2.8265	-2.86
NZDMYR	2.7069	-0.24	2.7081	2.6976	-2.58
CHFMYR	4.3210	0.58	4.3295	4.3104	2.90
CNYMYR	0.5940	0.15	0.5942	0.5933	-1.86
HKDMYR	0.5349	0.21	0.5350	0.5333	1.27
USDSGD	1.3833	-0.27	1.3895	1.3806	1.52
EURSGD	1.5452	-0.65	1.5593	1.5438	-1.06
GBPSGD	1.6681	-0.40	1.6804	1.6670	-4.02
AUDSGD	0.9403	0.44	0.9420	0.9360	-2.08

Source: Bloomberg

## Forex

### MYR

- **MYR closed weaker by 0.29% at 4.1960** as risks were still skewed towards the downside on lingering trade woes and mounting political uncertainties across markets.
- **We are bearish USDMYR over the short term** as the US surprisingly delayed tariffs on Chinese goods, offering signs that negotiations are restarting and thus reigniting hope of a trade resolution. **We remain bullish USDMYR over the medium term** at least until there is some confirmation on the above.

### USD

- **The dollar index ended higher by 0.40% at 97.81** as USD gained ground against perceived safe haven currencies like EUR, JPY and CHF.
- **We are bullish USD in the short term** as risk appetite picks up over the announcement of tariffs delay. **We remain bearish USD over the medium term** as global growth outlook remains dim and may spur further Fed easing.

### EUR

- **EUR closed lower by 0.38% against the USD at 1.1171** as USD gained ground in line with higher UST yields amidst better risk appetite.
- **We turn bearish EUR today** as risk appetite improves thanks to the tariffs delay. **We remain bullish EUR over the medium term** as this risk-on move might just be a knee-jerk reaction to headlines which may soon retreat.

### GBP

- **GBP closed weaker by 0.13% at 1.2060** as USD broadly gained against its G7 counterparts on better risk sentiment.
- **We remain neutral GBP in the short term** as market focus is currently on US-China trade relation. **We are still bearish GBP in the medium term** given that the chances of a no-deal Brexit remain high.

### JPY

- **JPY finished 1.37% weaker at 106.74** as markets exited safe haven assets on higher UST yields amidst better risk-taking appetite.
- **We turn bearish JPY today** as better risk sentiment overnight likely spills over into the Asian session. **We remain bullish JPY over the medium term** as the euphoria might not last long and previous worries might return in the absence of any trade deal or resolution.

### AUD

- **AUD closed stronger by 0.70% at 0.6799** as risk appetite improved.
- **We turn bullish AUD over the short term** as markets celebrated the tariffs delay. **We remain bearish AUD over the medium term** as similarly, the euphoria might not last long and previous worries might return in the absence of any trade deal or resolution.

### SGD

- **SGD closed stronger by 0.27% against the USD at 1.3833** on better risk appetite overnight.
- **We are bullish SGD over the short terms** as risk-on sentiments returned and hope of a US-China trade resolution might drive USD/AXJ weakness. **We remain bearish SGD over the medium term** as the euphoria might die down in the absence of any trade deal or resolution.

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