

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks extended further gains on Friday on positive trade headlines alongside growing expectations that the ECB would cut rates and announce a huge stimulus package.** Global bond yields rebounded as recession fear subsided a little leading to an improvement of overall risk sentiments. **US Trade Representative's office released a list of items worth around \$7.8b that would be spared from tariffs scheduled to go live in September and December.** Investors also turned optimistic over a news report on the German government's willingness to forgo its balanced-budget rule by issuing debts to fend off potential recession. US major stock indices added 1.2-1.7% but these still couldn't prevent stocks to notch their third weekly declines. US treasuries snapped rallies, benchmark 10Y UST yield rose 3bps to 1.56%. Crude oil prices rose 0.7% where WTI finished at \$54.87/barrel and Brent crude at \$58.64/barrel. **This week, investors will be shifting their focus to Fed Chair Jerome Powell's speech at the Federal Reserve's annual meeting at Jackson Hole, the Fed as well as the ECB and RBA meeting minutes.**
- On the data front, US housing starts slipped by 4.0% **but building permits rose more than expected by 8.4% MOM.** The University of Michigan Consumer Sentiment Index dropped tremendously to 92.1 in the start of August. Eurozone exports fell 0.6% MOM and continued to slow on an annual basis whereas Japan exports declined for the eighth straight month by 1.6% YOY. **Hong Kong final 2Q GDP growth was revised lower to 0.5% YOY**, it slowest in a decade. New Zealand services sector growth accelerated this month, Singapore NODX dropped for the sixth consecutive month and **Malaysia 2Q GDP growth clocked in better-than-expected at 4.9% YOY.**
- **The dollar index ended marginally higher by 0.07% at 98.204** as investor fears over slowing global growth eased somewhat into the weekend as US equities gained for a second consecutive session. **We are bullish USD in the short term** as demand for USTs are likely to continue to support short term USD strength. **We remain bearish USD over the medium term** as global growth outlook remains dim and may spur further Fed easing.
- **MYR closed stronger by 0.39% at 4.1780** as 2Q GDP growth came in better than expected. **We turn neutral USDMYR over the short term** as market focus shifts to the FOMC minutes and Jackson Hole Symposium at the end of the week. **We remain bullish USDMYR over the medium term** at least until US and China shows some form of firm commitment towards trade resolution.
- **SGD closed stronger by 0.32% against the USD** at 1.3845 as risk appetite picked up alongside US equities. **We remain bearish SGD over the short and medium term** as USD strength will likely be supported ahead of key events later this week and over the dim global economic growth outlook and prolonged trade worries.

Eco Overnight Economic Data

Malaysia	↑
US	→
Eurozone	→
UK	→
Hong Kong	↓
Japan	↓
Singapore	↓
New Zealand	↑

What's Coming Up Next

Major Data

- Eurozone CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1050	1.1070	1.1090	1.1125	1.1150	↘
GBPUSD	1.2070	1.2120	1.2150	1.2180	1.2230	↗
USDJPY	106.00	106.20	106.38	106.50	106.80	→
AUDUSD	0.6750	0.6770	0.6783	0.6800	0.6825	→
EURGBP	0.9075	0.9100	0.9129	0.9150	0.9175	↘
USDMYR	4.1700	4.1750	4.1800	4.1850	4.1900	→
EURMYR	4.6100	4.6200	4.6352	4.6500	4.6600	↘
JPYMYR	3.8900	3.9100	3.9300	3.9500	3.9700	→
GBPMYR	5.0300	5.0550	5.0780	5.0900	5.1000	↗
SGDMYR	3.0100	3.0125	3.0160	3.0200	3.0250	↘
AUDMYR	2.8100	2.8200	2.8349	2.8500	2.8600	→
NZDMYR	2.6600	2.6700	2.6840	2.7000	2.7200	→
USDSGD	1.3825	1.3850	1.3863	1.3875	1.3900	↗
EURSGD	1.5300	1.5350	1.5371	1.5400	1.5450	→
GBPSGD	1.6750	1.6800	1.6841	1.6900	1.6950	↗
AUDSGD	0.9350	0.9375	0.9401	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	1,599.22	-0.07	-5.40	CRB Index	170.41	0.22	0.36
Dow Jones Ind.	25,886.01	1.20	10.97	WTI oil (\$/bbl)	54.87	0.73	20.83
S&P 500	2,888.68	1.44	15.23	Brent oil (\$/bbl)	58.64	0.70	9.72
FTSE 100	7,117.15	0.71	5.78	Gold (S/oz)	1,513.52	-0.64	17.79
Shanghai	2,823.82	0.29	13.23	CPO (RM/tonne)*	2,121.50	-0.07	8.66
Hang Seng	25,734.22	0.94	-0.43	Copper (\$/tonne)	5,744.00	-0.12	-3.70
STI	3,115.03	-0.35	1.51	Rubber (sen/kg)	439.00	0.11	15.83

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA GDP YOY	2Q	4.9%	4.5%	4.7%
US Housing Starts MOM	Jul	-4.0%	-1.8% (revised)	0.2%
US Building Permits MOM	Jul	8.4%	-5.2% (revised)	3.1%
US U. of Mich. Sentiment	Aug P	92.1	98.4	97.0
UK Rightmove House Prices Index YOY	Aug	1.2%	-0.2%	--
EU Trade Balance SA	Jun	€17.9b	€19.6b (revised)	€18.5b
JP Trade Balance	Jul	¥249.6b	¥589.6b	¥194.5b
JP Exports YOY	Jul	-1.6%	-6.6% (revised)	-2.3%
HK GDP YOY	2Q F	0.5%	0.6%	0.6%
SG Non-oil Domestic Exports YOY	Jul	-11.2%	-17.3%	-15.4%
NZ Performance Services Index	Jul	54.7	53.0 (revised)	--

Source: Bloomberg

Macroeconomic

- US construction activities stayed subdued; consumer sentiments slipped:** Housing starts slipped for the third month by 4.0% MOM in July (Jun: -1.8% revised) pointing to still-subdued homebuilding activities in the US despite historically low mortgage rates. On the bright side, building permits jumped by 8.4% MOM (Jun: -5.2% revised), suggesting more building works are in the pipeline in the coming months. On a separate note, the preliminary reading of University of Michigan Consumer Sentiment Index dropped tremendously to 92.1 in the start of August (July: 98.4), its lowest level since the beginning of the year as consumers reacted negatively to the proposed September increase in tariffs on Chinese imports which could raise prices.
- Eurozone trade balance narrowed in June:** Eurozone exports fell by 0.6% MOM in June (May: +1.5%) and imports rebounded to increase 0.3% MOM (Jun: -0.8%) leaving the trade balance at €17.9b (May: €19.6b revised). On a yearly basis, exports growth slowed for the fourth month, growing by a mere 1.5% YOY (May: +4.1%) and imports increased by a mere 0.7% MOM (May: +2.9%), in line with the synchronized slowdown of global trade.
- UK house prices fell in August:** The Rightmove House Prices Index slipped for the second month by a larger magnitude of 1.0% MOM in August. The latest monthly decline together with July's modest fall reversed gains made in May-Jun. However on an annual basis, the index posted a 1.2% YOY gain to £305.5k, its strongest rise in nearly a year, on low base effect when the average asking price was £301.9k in the same month last year.
- Japan external trade sector weakened further in July:** Fresh data released this morning show that Japan exports fell for the eighth successive month by 1.6% YOY in July (Jun: -6.6% revised), reaffirming the continuous weakness in overseas demand for Japanese goods. Imports also fell by 1.2% YOY (Jun: -5.2%), marking its third month of decline. MOM, exports fell 0.2% (Jun: -5.2%) after a rebound in the previous month and imports managed to post a 1.2% increase (Jun: -2.7%), leading the trade balance to swing to a deficit of ¥249.6b (Jun: ¥589.6b revised)
- Hong Kong economy undermined by falling spending and weaker external trade:** Final reading confirmed that the Hong Kong economic growth weakened to its lowest in a decade as real GDP grew a mere 0.5% YOY in the second quarter of 2019 (1Q: +0.6%), a tad lower than initially estimated of 0.6% YOY. On a seasonally adjusted quarter-on-quarter basis, real GDP also plunged more than initially calculated by 0.4% (1Q: +1.3%), a firm sign that the economy has lost momentum in the face of subdued domestic and deteriorating overseas demand. The quarterly contraction in personal consumption was in line with the recent fall in retail sales, underscoring the weakness in consumer spending. Investment fell both on quarterly and annual basis, and unsurprisingly, exports served as a major drag, recording contractions in both quarterly and annual terms. Looking ahead, prolonged domestic unrest and unresolved US-China trade disputes mean that the city is facing a twofold setback, severely undermining its growth outlook in the short and medium term.
- New Zealand services sector expanded in July:** The Performance of Services Index rose to 54.7 in July (Jun: 53.0 revised), above its long term average of 54.4 and was its strongest reading six months. The upbeat reading was led by surging sales, new orders and stocks, adding to positive signs that New Zealand's services sector remains solid which was in contrast with the recent contraction seen in the manufacturing industry.

- Singapore NODX slipped for sixth month as external trade contracted:** Singapore NODX fell for the sixth month running in July by 11.2% YOY (Jun: -17.4%) as the external trade sector continue to bear the brunt from deteriorating demand abroad arising from prolonged trade uncertainty. Looking at country details, shipments to all key trading partners contracted save for the US (+12.3% vs +1.5%), underscoring the country's still exceptionally solid demand for overseas' products. Shipments to the EU, China and other key Asian partners extended their declines. Singapore data have continued to worsen for the past six months, with GDP growing a mere 0.1% YOY and plunging by 3.3% QOQ, adding concerns to a potential technical recession. As the government revised its 2019 forecast downward to virtually no growth, central bank MAS is expected to ease policy in October, possibly shifting its current stance of "modest and gradual appreciation path of the S\$NEER policy band" to a zero-appreciation stance.
- Malaysia saw quicker 2Q growth amid pick-ups in domestic demand and net exports:** The Malaysian economy registered quicker growth of 4.9% YOY in 2Q (1Q: +4.5%), driven by pick-ups in both domestic demand and net exports. Improvement in investment and private consumption boosted domestic demand while deeper fall in imports spurred bigger contribution from net exports. While the quicker expansion in 2Q GDP did, to a certain extent, provide some reliefs to nagging concerns over slowing growth, we remain skeptical that growth could pick-up further in second half of the year given unabated escalation in external risks that would inevitably spill over to the domestic sectors. That said, continued expansion in private consumption albeit at more moderate pace (with the high base effect especially in 3Q last year lifted by one-off tax-holiday spending exerting a drag), coupled with anticipated recovery in investment activities following the revival of mega projects, and some tentative signs of potential gains from trade diversion, are expected to continue anchor growth in the mid-4% region in 2H. We are therefore maintaining our full year 2019 growth forecast of 4.7%. Sustained growth outlook (2018: 4.7%) suggests there is no urgent need for BNM to further adjust its OPR after the preemptive 25bps cut in May. We maintain our house view for OPR to stay unchanged at 3.00% for the remaining of the year, barring further escalation in downside growth risks and worsening financial conditions

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
19/08	Eurozone	CPI Core YOY	Jul F	0.9%	1.1%	--
		CPI YOY	Jul F	1.1%	1.3%	1.3%
20/08	UK	CBI Trends Total Orders	Aug	-25.0	-34.0	--
20/08	Australia	RBA Minutes of August Policy Meeting				--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1090	-0.15	1.1113	1.1066	-3.26
GBPUSD	1.2149	0.50	1.2175	1.2078	-4.68
USDJPY	106.38	0.25	106.49	106.03	-2.96
AUDUSD	0.6779	0.06	0.6795	0.6771	-3.76
EURGBP	0.9129	-0.64	0.9195	0.9090	1.51
USDMYR	4.1780	-0.39	4.1935	4.1755	1.08
EURMYR	4.6312	-0.98	4.6607	4.6286	-2.03
JPYMYR	3.9311	-0.55	3.9548	3.9299	4.51
GBPMYR	5.0760	0.19	5.0771	5.0511	-3.64
SGDMYR	3.0114	-0.23	3.0197	3.0086	-0.81
AUDMYR	2.8352	-0.13	2.8441	2.8316	-3.00
NZDMYR	2.6874	-0.43	2.6987	2.6853	-3.29
CHFMYR	4.2654	-0.84	4.2959	4.2618	1.58
CNYMYR	0.5936	-0.48	0.5957	0.5929	-1.92
HKDMYR	0.5330	-0.36	0.5349	0.5325	0.91
USDSGD	1.3845	-0.32	1.3895	1.3840	1.63
EURSGD	1.5356	-0.46	1.5436	1.5345	-1.69
GBPSGD	1.6825	0.21	1.6881	1.6762	-3.13
AUDSGD	0.9382	-0.32	0.9427	0.9381	-2.19

Source: Bloomberg

Forex

MYR

- **MYR closed stronger by 0.39% at 4.1780** as 2Q GDP growth came in better than expected.
- **We turn neutral USDMYR over the short term** as market focus shifts to the FOMC minutes and Jackson Hole Symposium at the end of the week. **We remain bullish USDMYR over the medium term** at least until US and China shows some form of firm commitment towards trade resolution.

USD

- **The dollar index ended marginally higher by 0.07% at 98.204** as investor fears over slowing global growth eased somewhat into the weekend as US equities gained for a second consecutive session.
- **We are bullish USD in the short term** as demand for USTs are likely to continue to support short term USD strength. **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 0.15% against the USD at 1.1090** as EU's Olli Rehn passed some dovish comments which increases the chance of a ECB rate cut.
- **We remain bearish EUR today** as USD strength spillover might be still in play. **We remain bullish EUR over the medium term** as dim global growth scenario will likely trigger a Fed rate cut.

GBP

- **GBP closed 0.50% stronger at 1.2149** as PM Johnson is going to meet Macron and Merkel later this week to seek a renegotiation of the current deal.
- **We are cautiously bullish GBP in the short term** as there is some optimism ahead of the European meet up. **We are still bearish GBP in the medium term** given that the chances of a no-deal Brexit remain high even with the upcoming meet up.

JPY

- **JPY finished 0.25% weaker at 106.38** in line with better risk appetite in US equities.
- **We turn neutral JPY today** as markets gear up for FOMC minutes and the Jackson Hole Symposium later this week. **We remain bullish JPY over the medium term** over the dim global economic growth outlook and over prolonged trade worries.

AUD

- **AUD closed flattish against the USD at 0.6779** as market focus was elsewhere.
- **We turn neutral AUD in the short term** as markets gear up for the 2 major events happening later this week. **We remain bearish AUD over the medium term** over the global economic growth outlook and prolonged trade worries.

SGD

- **SGD closed stronger by 0.32% against the USD at 1.3845** as risk appetite picked up alongside US equities.
- **We remain bearish SGD over the short and medium term** as USD strength will likely be supported ahead of key events later this week and over the dim global economic growth outlook and prolonged trade worries.

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