August 21, 2019

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks snapped three-day gaining streak as a retreat in risk sentiment sent investors exiting riskier assets and back to the havens while awaiting the FOMC minutes and Jerome Powell's crucial Jackson Hole speech.** Shares in nearly all sectors pulled back, pressuring all major indexes throughout the session - the Dow Jones, S&P 500 and NASDAQ finished lower by 0.7-0.8% at the end of the day. **Safe havens bidding pushed up treasuries and gold price**. Treasuries yield fell around 3-5bps along the curve where benchmark 10Y UST yield was seen edging 5bps lower to 1.56%. Gold prices gained 0.75% after falling for two days. Crude oil prices steadied after surging in the previous session, WTI pick up 0.2% to $56.34/barrel and Brent crude settled 0.5% higher at $60.03/barrel. On Tuesday, President Trump said he wasn't ready to make a deal with China and again called for a big Fed rate cut. **Overnight, Italian Prime Minister Giuseppe Conte announced his resignation, ushering in another period of leadership uncertainty.** The RBA meeting minutes show that it is considering unconventional monetary policy in future move to support growth and achieve inflation goal.

- Calendar is super light on the data front, the CBI Trends Total Orders Index rose to -13 in August from July's -34**, underscoring the continuous weakness in the UK manufacturing sector. Hong Kong CPI** continued to experience a large albeit **steady 3.3% gain in July**, partly reflecting surging pork prices. **Australia Westpac six-month annualized leading index rose again** in July supported by higher stock prices, dwelling approvals, a stabilization in the yield spread and continued gains in commodity prices.

- **The dollar index ended lower by 0.18% at 98.171** as investors flocked to safe haven assets led by JPY and CHF in a down one day, up one day fashion ahead of key events. **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 weaker by 0.12% at 4.1835** as the pair consolidates within tight ranges while we await key events later this week. **We remain neutral to mildly bullish 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 0.12% against the USD** at 1.3849 in line with a weaker USD. **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

UK	↑
Hong Kong	→
Australia	↑

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, Existing Home Sales

Major Events

- FOMC Minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1050	1.1070	1.1095	1.1110	1.1140	↘
GBPUSD	1.2050	1.2100	1.2168	1.2180	1.2230	→
USDJPY	106.00	106.20	106.37	106.60	107.00	→
AUDUSD	0.6725	0.6750	0.6779	0.6800	0.6825	→
EURGBP	0.9075	0.9100	0.9119	0.9150	0.9180	↘
USDMYR	4.1750	4.1800	4.1830	4.1875	4.1900	→
EURMYR	4.6100	4.6200	4.6395	4.6500	4.6600	↘
JPYMYR	3.8900	3.9100	3.9319	3.9400	3.9600	→
GBPMYR	5.0550	5.0700	5.0895	5.1000	5.1200	→
SGDMYR	3.0125	3.0150	3.0186	3.0200	3.0225	→
AUDMYR	2.8100	2.8200	2.8350	2.8400	2.8500	→
NZDMYR	2.6600	2.6700	2.6811	2.7000	2.7200	→
USDSGD	1.3800	1.3825	1.3858	1.3875	1.3900	↗
EURSGD	1.5300	1.5350	1.5373	1.5400	1.5450	→
GBPSGD	1.6750	1.6800	1.6862	1.6900	1.6950	→
AUDSGD	0.9340	0.9370	0.9395	0.9410	0.9440	↗

* 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	1,602.75	0.39	-5.20	CRB Index	170.90	0.07	0.64
Dow Jones Ind.	25,962.44	-0.66	11.30	WTI oil ($/bbl)	56.34	0.23	24.07
S&P 500	2,900.51	-0.79	15.70	Brent oil ($/bbl)	60.03	0.49	11.58
FTSE 100	7,125.00	-0.90	5.90	Gold (S/oz)	1,507.20	0.75	17.52
Shanghai	2,880.00	-0.11	15.48	CPO (RM/tonne)*	2,103.50	-0.94	7.73
Hang Seng	26,231.54	-0.23	1.49	Copper ($/tonne)	5,711.00	-1.09	-4.26
STI	3,135.95	0.24	2.19	Rubber (sen/kg)	442.00	0.45	16.62

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
UK CBI Trends Total Orders	Aug	-13	-34	-25
HK CPI Composite YOY	Jul	3.3%	3.3%	3.0%
AU Westpac Leading Index	Jul	0.14%	-0.08%	--

Source: Bloomberg

Macroeconomic

- ***UK manufacturing slump continued in August:*** The Confederation of British Industry (CBI) Trends Total Orders Index rose to -13 in August (Jul: -34), underscoring the continuous weakness in the manufacturing sector. The reading albeit higher this month remained below 0 where 15% of manufacturers reported total order books to be "above normal" and 28% said they were "below normal", giving a balance of -13%. The bright side was that this month's number is in line with the long-run average of -13% after recording its worst reading in nine years last month. The index for exports order books also improved to -15 (Jul: -32), and output rose to -3 (Jul: -11%). Firms generally expect output to remain broadly unchanged in the coming quarter after pre-Brexit deadline buying activities unwound and given the still uncertain outlook over the withdrawal/transition plan and global trade disputes.

- ***Hong Kong CPI extended large but steady gain in July:*** Hong Kong composite CPI continued to experience a large albeit steady gain in July, recording a 3.3% YOY growth for the second month (June: +3.3%). July print was supported by higher cost of food, housing, alcohol & tobacco as well as transports. Notably, food prices surged by 5.9% YOY (Jun: +5.6%), reflecting continuously higher pork prices as current African Swine Flu severely curbed supply of the poultry, a favourite choice among Hong Kong households.

- ***RBA seen mulling unconventional monetary policy:*** The latest minutes disclosed that RBA expected growth in major trading partners to slow a little in 2019 and 2020. The outlook has been revised down a little since the May Statement on Monetary Policy, citing US-China trade war escalation and related weakness in investment indicators. On the domestic front, the RBA expected GDP growth to be firmer in the second quarter after three weak quarters, but consumption growth had remained subdued. 2019 GDP growth forecast was lowered to 2.5% and growth was expected to pick up to 2.75% in 2020 and to around 3% in 2020. Labour market data had been mixed, underlying inflation and headline inflation were both expected to pick up to be a little above 2% in 2021. Notably, the RBA mentioned that it reviewed the experience of other advanced economies' unconventional monetary policy for the past decade, including very low and negative policy interest rates, explicit forward guidance, purchasing government securities, providing longer-term funding to banks, purchasing private sector asset and foreign exchange intervention. It noted that "a package of measures tended to be more effective than measures implemented in isolation" when it came to these policies. On policy decision, it said than "an extended period of low interest rates would be required" to achieve full employment and inflation target. After cutting rates twice in the previous two meeting, it judged that it was appropriate to "assess developments in the global and domestic economies before considering further change to the setting of monetary policy". It added that it would consider a further easing of monetary policy if more evidence suggested this (move) was needed to support growth and to reach inflation goal.

- ***Australia leading index returned to trend:*** The Australia Westpac-Melbourne Institutes Leading Index rose by 0.14% to 97.82 in July (Jun: 97.68), leading the 6-month annualized growth index to bounce off negative territory and record an above trend reading of +0.05% (Jun: -0.09%) for the first time since November last year. The turnaround has mainly been driven by higher S&P/ASX 200, dwelling approvals, a stabilization in the yield spread and continued gains in commodity prices. Westpac said that an improving housing market, tax cuts and lower rates are likely to boost momentum in the second half of the year, but noted that developments so far in the August around the stock market, commodity prices and yield curve inversion suggest softer August reading.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
21/08	**US**	**MBA Mortgage Applications**	**16 Aug**	**--**	**21.7%**	**--**
		Existing Home Sales MOM	**Jul**	**2.3%**	**-1.7%**	**--**
22/08		FOMC Meeting Minutes	31 Jul	--	--	--
		Initial Jobless Claims	17 Aug	216k	220k	--
		Markit US Manufacturing PMI	Aug P	50.5	50.4	--
		Markit US Services PMI	Aug P	52.8	53.0	--
		Leading Index	Jul	0.3%	-0.3%	--
		Kansas City Fed Manf. Activity	Aug	2.0	-1.0	--
22/08	Eurozone	Markit Eurozone Manufacturing PMI	Aug P	46.3	46.5	--
		Markit Eurozone Services PMI	Aug P	53.0	53.2	--
		Consumer Confidence	Aug A	-7.0	-6.6	--
22/08	Japan	Jibun Bank Japan PMI Mfg	Aug P	--	49.4	--
		Jibun Bank Japan PMI Services	Aug P	--	51.8	--
		All Industry Activity Index MOM	Jun	-0.8%	0.3%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1100	0.20	1.1107	1.1066	-3.22
GBPUSD	1.2170	0.36	1.2179	1.2065	-4.61
USDJPY	106.23	-0.38	106.69	106.16	-3.13
AUDUSD	0.6778	0.21	0.6795	0.6755	-3.87
EURGBP	0.9121	-0.15	0.9184	0.9101	1.48
USDMYR	4.1835	0.12	4.1850	4.1710	1.20
EURMYR	4.6363	-0.05	4.6389	4.6209	-1.93
JPYMYR	3.9309	0.30	3.9325	3.9202	4.61
GBPMYR	5.0585	-0.13	5.0763	5.0547	-3.97
SGDMYR	3.0178	0.07	3.0196	3.0121	-0.60
AUDMYR	2.8349	0.24	2.8411	2.8228	-3.01
NZDMYR	2.6814	0.13	2.6884	2.6769	-3.50
CHFMYR	4.2709	0.01	4.2710	4.2599	1.71
CNYMYR	0.5922	-0.11	0.5926	0.5916	-2.15
HKDMYR	0.5333	0.13	0.5335	0.5328	0.97
USDSGD	1.3849	-0.12	1.3876	1.3846	1.64
EURSGD	1.5373	0.08	1.5381	1.5340	-1.64
GBPSGD	1.6853	0.23	1.6867	1.6723	-3.05
AUDSGD	0.9386	0.03	0.9411	0.9371	-2.29

Source: Bloomberg

➢Forex

MYR

- **MYR closed weaker by 0.12% at 4.1835** as the pair consolidates within tight ranges while we await key events later this week.
- **We remain neutral to mildly bullish 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 lower by 0.18% at 98.171** as investors flocked to safe haven assets led by JPY and CHF in a down one day, up one day fashion ahead of key events.
- **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 stronger by 0.20% against the USD at 1.1100** as the overall USD lost some strength on mild risk aversion.
- **We remain bearish EUR today** as technicals still suggest some downside risks for the EUR. **We remain bullish EUR over the medium term** as dim global growth scenario will likely trigger a Fed rate cut.

GBP

- **GBP closed 0.36% stronger at 1.2170** in line with broadly weaker USD and some rumours of a border compromise brewing.
- **We remain neutral GBP in the short term** as pair still seems to be swinging to headlines within a broad range. **We remain bearish GBP in the medium term** given that recent Brexit developments still have not produced anything concrete to address Brexit issues.

JPY

- **JPY finished 0.38% stronger at 106.23** on better safe haven demand due to mild risk aversion ahead of key events.
- **We remain neutral JPY today as** despite overnight moves, the pair is still consolidating within a broad range. **We remain bullish JPY over the medium term** over the dim global economic growth outlook and over prolonged trade worries.

AUD

- **AUD closed stronger against the USD by 0.21% at 0.6778** due to overall USD weakness.
- **We remain 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 0.12% against the USD** at 1.3849 in line with a weaker USD.
- **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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