

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded overnight on upbeat retail earnings after bouncing off session's lows following the release of FOMC meeting minutes.** Retailers Target and Lowe's reported upbeat 2Q earnings, proving that American consumer spending remains solid and helping to sooth recent anxieties over a potential recession. The S&P 500 rose 0.8% overnight whereas the Dow Jones and NASDAQ both added 0.9%. Meanwhile, **the FOMC July meeting minutes showed that officials were split on rate cut as a few officials had preferred a 50bps cut back in July.** It was also disclosed that the 25bps cut was viewed as part of a recalibration in response to changing conditions and not as a pre-set course for futures adjustments. **Treasuries yields rose 3-6bps,** benchmark 10Y UST yield edged up by 3bps to 1.59%. Gold prices slipped by 0.3%, crude oil prices ended mixed as WTI lost 1.2% to \$55.68/barrel and Brent crude gained 0.5% to \$60.30/barrel. **After FOMC minutes, markets now shift focus to Fed Chair Jerome Powell's Jackson Hole speech on a Friday to further gauge the central bank's next move.**
- **Data are scanty. US existing home sales climbed by 2.5% MOM in July** after a fall in the previous month. YOY, sales also increased for the first time in 17 months, **a welcoming sign that sales are finally picking up momentum in a lower rates environment** spurred by recently lower treasuries yields. Mortgage applications slipped 0.9% last week after a recent surge but the refinancing segment remained buoyant, supported by lower rates.
- **The dollar index ended marginally higher by 0.07% at 98.258** after the FOMC minutes as it failed to provide any sort of forward guidance. **We remain 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 0.16% at 4.1770** as the pair continues to consolidate ahead of key events. **We remain neutral to mildly bullish USDMYR over the short term** as market focus shifts to Jackson Hole and the G7 meeting this weekend as FOMC minutes failed to provide any guidance. **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 0.09% against the USD** at 1.3836 within recent ranges set. **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.

Overnight Economic Data

US



What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US Initial Jobless Claims, Markit Manufacturing & Services PMIs, Leading Index, Kansas City Fed Manf. Activity
- Eurozone Markit Manufacturing & Services PMIs, Consumer Confidence
- Japan Jibun Bank Manufacturing & Services PMIs, All Industry Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1040	1.1060	1.1090	1.1110	1.1140	↘
GBPUSD	1.2050	1.2100	1.2133	1.2180	1.2230	➔
USDJPY	106.00	106.20	106.58	106.75	107.00	➔
AUDUSD	0.6725	0.6750	0.6781	0.6800	0.6825	➔
EURGBP	0.9075	0.9100	0.9143	0.9170	0.9200	↘
USDMYR	4.1700	4.1750	4.1800	4.1850	4.1900	➔
EURMYR	4.6100	4.6200	4.6356	4.6500	4.6600	↘
JPYMYR	3.8900	3.9100	3.9225	3.9400	3.9600	➔
GBPMYR	5.0300	5.0550	5.0712	5.1000	5.1200	➔
SGDMYR	3.0150	3.0175	3.0204	3.0225	3.0250	↘
AUDMYR	2.8100	2.8200	2.8340	2.8500	2.8600	➔
NZDMYR	2.6500	2.6600	2.6765	2.6800	2.7000	➔
USDSGD	1.3800	1.3825	1.3844	1.3875	1.3900	↗
EURSGD	1.5270	1.5300	1.5351	1.5380	1.5450	➔
GBPSGD	1.6700	1.6750	1.6797	1.6850	1.6900	↗
AUDSGD	0.9340	0.9370	0.9385	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	1,594.59	-0.51	-5.68	CRB Index	170.91	0.01	0.65
Dow Jones Ind.	26,202.73	0.93	12.33	WTI oil (\$/bbl)	55.68	-1.17	22.73
S&P 500	2,924.43	0.82	16.66	Brent oil (\$/bbl)	60.30	0.45	12.08
FTSE 100	7,203.97	1.11	7.07	Gold (\$/oz)	1,502.65	-0.30	17.17
Shanghai	2,880.33	0.01	15.50	CPO (RM/tonne)*	2,105.00	0.00	7.81
Hang Seng	26,270.04	0.15	1.64	Copper (\$/tonne)	5,732.00	0.37	-3.91
STI	3,122.57	-0.43	1.75	Rubber (sen/kg)	438.50	0.00	15.70

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	16 Aug	-0.9%	21.7%	--
US Existing Home Sales MOM	Jul	2.5%	-1.3% (revised)	2.5%

Source: Bloomberg

Macroeconomics

- Fed saw resilient US economy but downside risk persisted:** The Federal Reserve published the minutes for its recent meeting carried out in the end of July where it had cut the fed funds rate target range by 25bps to 2.0-2.25%. Among the key points we picked up from the minutes was that officials generally noted that incoming data had been largely positive and that the economy has been resilient amidst ongoing global development. The risks associated with trade uncertainty would remain a persistent headwind for business outlook, Household spending plays important role in supporting expansion and is expected to be supported by strong labour market conditions, rising income and upbeat consumer sentiment. On inflation outlook, inflation remained below 2%, continued weakness in global economic growth and ongoing trade tensions had the potential to slow U.S. economic activity and thus further delay a sustained return of inflation to its target. The downside risks to the outlook for economic activity had diminished somewhat since their June meeting. Important downside risks persisted as on far-from-settling trade tensions, continued weakness in global growth and no-deal Brexit.
- Fed officials split on rate cut:** Officials had an extensive discussion on monetary policy decision. Those favoured a rate cut pointed to three reasons for such move: (1) signs of deceleration in economic activities were showing up, (2) policy easing at that point was a prudent step for risk management and (3) concerns over outlook of inflation. Officials also appeared to be split on the magnitude of reduction as some had preferred a 50bps cut (versus a 25bps), as a stronger action to address "stubbornly low" inflation. Several officials preferred to keep the fed funds rate steady as the real economy was in a good place. Most viewed the 25bps reduction as part of a recalibration of the policy stance or "mid-cycle adjustment" in response to changing economic outlook over recent months, and not as a pre-set course for futures adjustments.
- Low rates environment spurred existing home sales:** US existing home sales climbed by 2.5% MOM in July (Jun: -1.3% revised) to 5.42mil annual rate, its highest in five months. July's contract closings also marked the first YOY increase in sales (+0.6% vs -1.9%) for the first time in 17 months, a welcoming sign that sales are finally picking up momentum in a lower rates environment spurred by recently lower treasuries yields. Mortgage applications slipped by 0.9% for the week ended 16 Aug (previous: +21.7%) after soaring in the week before. Lower borrowing cost again drove a solid performance in the refinancing segment as it inched up by 0.4% following a nearly 37% jump in the previous week. On a mixed note, applications to purchase a new house however fell by 3.5% after a modest increase (previous: +1.9%). The average interest rate for a fixed-rate 30Y mortgage loan fell to 3.9% (previous: 3.93%), considerably lower than the 4.81% recorded a year ago. The improvement in recent housing data such as higher building permits and builder confidence are also pointing to better prospect in the sector as lower borrowing costs are expected to push up sales,. Nonetheless, growth in the housing market is still likely to be gradual as it would still take some time to address the availability issue of lands and inventories in the sector.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
22/08	Malaysia	Foreign Reserves	15 Aug	--	\$103.9b	--
22/08	US	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	1.0	-1.0	--
23/08		New Home Sales MOM	Jul	0.5%	7.0%	--
22/08	Eurozone	Markit Eurozone Manufacturing PMI	Aug P	46.2	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%	--
23/08		Natl CPI YOY	Jul	0.6%	0.7%	--
		Natl CPI Ex Fresh Food YOY	Jul	0.6%	0.6%	--
23/08	Singapore	CPI YOY	Jul	0.5%	0.6%	--
23/08	New Zealand	Retail Sales Ex Inflation QOQ	2Q	0.3%	0.7%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1085	-0.14	1.1107	1.1081	-3.30
GBPUSD	1.2130	-0.33	1.2175	1.2112	-4.39
USDJPY	106.62	0.37	106.65	106.23	-2.31
AUDUSD	0.6781	0.04	0.6799	0.6773	-3.76
EURGBP	0.9140	0.20	0.9162	0.9116	1.70
USDMYR	4.1770	-0.16	4.1820	4.1720	1.06
EURMYR	4.6344	-0.04	4.6426	4.6297	-1.97
JPYMYR	3.9212	-0.25	3.9331	3.9160	4.35
GBPMYR	5.0742	0.31	5.0887	5.0649	-3.67
SGDMYR	3.0189	0.04	3.0194	3.0143	-0.56
AUDMYR	2.8351	0.01	2.8351	2.8281	-3.01
NZDMYR	2.6751	-0.23	2.6813	2.6712	-3.73
CHFMYR	4.2634	-0.18	4.2772	4.2612	1.53
CNYMYR	0.5913	-0.16	0.5920	0.5910	-2.31
HKDMYR	0.5326	-0.13	0.5335	0.5319	0.83
USDSGD	1.3836	-0.09	1.3857	1.3825	1.54
EURSGD	1.5336	-0.24	1.5379	1.5328	-1.31
GBPSGD	1.6778	-0.45	1.6861	1.6751	-3.43
AUDSGD	0.9384	-0.02	0.9401	0.9375	-2.28

Source: Bloomberg

Forex

MYR

- **MYR closed stronger by 0.16% at 4.1770** as the pair continues to consolidate ahead of key events.
- **We remain neutral to mildly bullish USDMYR over the short term** as market focus shifts to Jackson Hole and the G7 meeting this weekend as FOMC minutes failed to provide any guidance. **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 98.258** after the FOMC minutes as it failed to provide any sort of forward guidance.
- **We remain 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 weaker by 0.14% against the USD at 1.1085** in a lackluster manner as most currencies traded within tight ranges ahead of key events this weekend.
- **We are bearish EUR over the short and medium term** as short term technicals are still signaling some downside risk. Towards the medium term, given the dim global outlook, the ECB may introduce more stimulus which will weigh on EUR.

GBP

- **GBP closed 0.33% weaker at 1.2130 against the USD** as the pair continues to consolidate within the ranges set this past week ahead of key events.
- **We remain neutral GBP in the short term** as the pair continues to consolidate. **We remain bearish GBP in the medium term** given that recent Brexit headlines indicate that a resolution to Brexit issues remain far away.

JPY

- **JPY finished 0.37% weaker at 106.62 vs the USD** on higher UST yields as the FOMC minutes failed to provide guidance.
- **We turn neutral JPY over the short term** as given recent developments, the pair seems to be consolidating ahead of key events. **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 0.6781** in line with general markets.
- **We remain neutral AUD in the short term** as markets gear up for Jackson Hole and the G7 meeting. **We remain bearish AUD over the medium term** over the global economic growth outlook and prolonged trade worries.

SGD

- **SGD closed stronger by 0.09% against the USD** at 1.3836 within recent ranges set.
- **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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