Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended mixed overnight as surprisingly poor manufacturing data triggered some refreshed anxieties around the impact of trade war on US factories ahead of Fed Chair Jerome Powell's Jackson Hole speech on Friday.** The flash manufacturing PMI published by IHS Markit dropped below 50.0 for the first time in nearly a decade to mark a contraction in the country's manufacturing activity. The Dow Jones managed to gain 0.2% whereas the S&P 500 was virtually unchanged (-0.05%) and NASDAQ slipped by 0.4%. **Treasuries yield rose where the 2Y-10Y yield curve briefly inverted on hawkish Fed officials' remarks -** Kansas City Fed President Esther George said she was not ready to provide more accommodation to the economy and Philly Fed President Patrick Harker said that there was no need for further stimulus for now. **Yields on benchmark 2Y and 10Y notes finished nearly on par at 1.612% (+4bps) and 1.613% (+2bps).** Gold prices weakened by 0.3%, crude oil prices slipped around 0.6% on growth concerns. **Bank Indonesia (BI) surprised with a 25bps cut in its seven-day reverse repo rate to 5.5% on Thursday, after just only adjusted it lower by 25bps last month.**

- **US flash manufacturing PMI slipped to 49.9 in August and services PMI also fell to 50.9, implying weaker business activity this month**. Initial jobless claims fell by 12k to a four-week low of 209k last week. **Eurozone flash PMIs recorded improvement but still suggest that the soft patch in the economy extended into August.** The preliminary reading of the European Commission Consumer Confidence Index slipped to -7.1 in August. **Japan PMIs point to more solid growth in 3Q, ahead of the tax hike in October. Inflation remained weak as core CPI stabilized at 0.6% YOY in July**. New Zealand retail sales rose 0.2% QOQ in 2Q, it smallest gain since early 2018. Malaysia foreign reserves fell to $103.1b as at 15 August.

- **The dollar index ended marginally lower by 0.13% at 98.17** led by GBP strength as German Chancellor Angela Merkel hinted a possible Brexit deal by 31 October. **We remain bullish USD in the short term** as the demand for USD remains constant heading into key events this week.

- **MYR closed weaker by 0.29% at 4.1890** broadly influenced by a higher USDCNY as the USD hit an 11-year high against CNY. **We remain neutral to mildly bullish USDMYR over the short term** as market focus remains on key events.

- **SGD closed weaker by 0.14% against the USD,** influenced by a weaker CNY. **We remain bearish SGD over the short term as USD is expected to be supported ahead of key events.**

Eco Overnight Economic Data

Malaysia	↓
US	↓
Eurozone	↓
Japan	→
New Zealand	↓

What's Coming Up Next

Major Data

- US New Home Sales
- Singapore CPI

Major Events

- Fed Chair Jerome Powell speaks at Jackson Hole Symposium

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1020	1.1050	1.1083	1.1100	1.1130	↘
GBPUSD	1.2150	1.2200	1.2246	1.2300	1.2350	↗
USDJPY	106.00	106.20	106.51	106.75	107.00	→
AUDUSD	0.6725	0.6750	0.6761	0.6775	0.6800	→
EURGBP	0.9000	0.9025	0.9052	0.9075	0.9100	↘
USDMYR	4.1800	4.1850	4.1900	4.1950	4.2000	→
EURMYR	4.6100	4.6200	4.6438	4.6500	4.6600	↘
JPYMYR	3.9000	3.9200	3.9350	3.9400	3.9600	→
GBPMYR	5.1000	5.1150	5.1307	5.1500	5.1700	↗
SGDMYR	3.0170	3.0200	3.0237	3.0250	3.0275	↘
AUDMYR	2.8100	2.8200	2.8329	2.8500	2.8600	→
NZDMYR	2.6500	2.6600	2.6787	2.6850	2.7000	→
USDSGD	1.3800	1.3825	1.3860	1.3875	1.3900	↗
EURSGD	1.5270	1.5300	1.5357	1.5380	1.5450	→
GBPSGD	1.6800	1.6850	1.6970	1.7050	1.7100	↗
AUDSGD	0.9300	0.9340	0.9370	0.9400	0.9430	→

* 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	1,602.47	0.49	-5.21	CRB Index	170.32	-0.34	0.31
Dow Jones Ind.	26,252.24	0.19	12.54	WTI oil ($/bbl)	55.35	-0.59	21.67
S&P 500	2,922.95	-0.05	16.60	Brent oil ($/bbl)	59.92	-0.63	11.88
FTSE 100	7,128.18	-1.05	5.95	Gold (S/oz)	1,498.06	-0.31	16.67
Shanghai	2,883.44	0.11	15.62	CPO (RM/tonne)*	2,146.50	1.56	9.94
Hang Seng	26,048.72	-0.84	0.79	Copper ($/tonne)	5,683.00	-0.85	-4.73
STI	3,127.74	0.17	1.92	Rubber (sen/kg)	436.50	-0.57	15.17

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MA Foreign Reserves	15 Aug	$103.1b	$103.9b	--
US Initial Jobless Claims	17 Aug	209k	221k (revised)	216k
US Markit US Manufacturing PMI	Aug P	49.9	50.4	50.5
US Markit US Services PMI	Aug P	50.9	53.0	52.8
US Leading Index	Jul	0.5%	-0.1% (revised)	0.3%
US Kansas City Fed Manf. Activity	Aug	-6.0	-1.0	1.0
EU Markit Eurozone Manufacturing PMI	Aug P	47.0	46.5	46.2
EU Markit Eurozone Services PMI	Aug P	53.4	53.2	53.0
EU Consumer Confidence	Aug A	-7.1	-6.6	-7.0
JP Jibun Bank Japan PMI Mfg	Aug P	49.5	49.4	--
JP Jibun Bank Japan PMI Services	Aug P	53.4	51.8	--
JP All Industry Activity Index MOM	Jun	-0.8%	0.3%	-0.8%
JP Natl CPI YOY	Jul	0.5%	0.7%	0.6%
JP Natl CPI Ex Fresh Food YOY	Jul	0.6%	0.6%	0.6%
NZ Retail Sales Ex Inflation QOQ	2Q	0.2%	0.7%	0.3%

Source: Bloomberg

➢ Macroeconomic

- ***US manufacturing contracted for first time in a decade:*** The Flash Markit Manufacturing PMI fell to 49.9 in August (Jul: 50.4), marking its first reading below 50.0 in nearly a decade, reflecting falling new orders and exports sales amidst weakness in the automotive sector alongside headwinds to manufacturing exports from weaker global economic conditions. Meanwhile, the Flash Markit Services PMI slipped to 50.9 (Jul: 53.0), a three month low and pointed to only a marginal expansion in the services industry on the back of subdued demand. Collectively, both indexes led the Flash Composite Output Index at a three-month low of 50.9 (Jul: 52.6), indicating that business activities generally weakened in August. On a separate note, the Kansas City Fed Manufacturing Index edged lower to -6 in August (Jul: -1), implying continuous and sharper downturn in the area's factories activity. Initial jobless claims fell by 12k to a four-week low of 209k for the week ended 17 Aug (previous: 221k revised), confirming labour market strength. Last but not least, the Conference Board Leading Index picked up 0.5% MOM to 112.2 in July (111.6) on falling jobless claims and higher consumer goods order, building permits and stock prices, leading credit index and consumer expectations.

- ***PMIs suggest muted growth in Eurozone; consumer confidence slipped:*** Flash PMI readings show that the recent soft patch in the Euro Area economy continued into August. The manufacturing sector continued to contract albeit at softer pace as the flash Eurozone Manufacturing PMI rose to 47.0 (Jul: 46.5) but still below 50.0. This marked the index's sub-50 reading for the seventh consecutive month, with output and new orders experiencing continuous declines. The flash Eurozone Services PMI meanwhile edged up slightly to 53.4 (Jul: 53.2), lifting the composite output index to 51.8 (Jul: 51.5). There remained a wide divergence between the manufacturing and services sectors with services displaying persistently solid growth supported a strong labour market. On a separate note, the preliminary reading of the European Commission Consumer Confidence Index slipped to -7.1 in August (Jul: -6.6) as concerns over potential recession in Germany and trade uncertainties deepened.

- ***Japan PMIs point to more solid growth in third quarter; inflation sputtered:*** Preliminary report shows that the Jibun Bank manufacturing PMI inched up to 49.5 in August (Jul: 49.4) and the services PMI rose considerably to 53.4 (Jul: 51.8), resulting in a higher composite PMI of 51.7 (Jul: 50.6). August reading suggests the strength observed in2 Q managed to be extended third quarter before a potential slump in the fourth quarter where the scheduled sales tax hike are expected to hit hard on consumer spending. The driving force remains the services industry which grew at the fastest rate in almost two years as the manufacturing sector continued to be in downturn, recording its fourth consecutive month of sub-50 readings. On a separate note, the All Industry Index slipped by 0.8% MOM in Jun (May: +0.5%) driven by a contraction in the manufacturing sector as the tertiary sector was flattish. Official data released this morning show that inflation continued to sputter in Japan as headline CPI gained a mere 0.5% YOY in July (Jun: +0.7%) while the closely watched core inflation (CPI less fresh food) stabilized at a two-year low of 0.6% YOY (Jun: +0.6%). Inflation remains weak and is likely to weaken further in the coming months on lower oil prices and government's effort to make pre-school education free, ramping up pressure for the BOJ to introduce more stimulus amidst global monetary policy easing and dismal global growth outlook.

- ***New Zealand retail sales posted weakest gain since early 2018:*** New Zealand retail sales volume rose 0.2% QOQ in the second quarter of 2019 (1Q: +0.7%), marking its smallest gain since early 2018. The weaker growth was a result of declining sales in fuel (-0.8% vs 0.0%), furniture & housewares as well as sales at supermarkets & groceries and department stores sales alongside slower growth in nearly all of the remaining categories, highlighting consumers' caution in spending.

- ***Malaysia foreign reserves slipped in mid-Aug:*** Bank Negara international reserves fell to $103.1b as at 15 Aug (previous: $103.9b), sufficient to finance 7.6 months of retained imports and is 1.1 time total short-term external debt.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
23/08	**US**	**New Home Sales MOM**	**Jul**	**0.2%**	**7.0%**	**--**
26/08		Chicago Fed Nat Activity Index	Jul	--	-0.02	--
		Durable Goods Orders	Jul P	1.3%	1.9%	--
		Cap Goods Orders Nondef Ex Air	Jul P	0.1%	1.5%	--
		Dallas Fed Manf. Activity	Aug	-1.0	-6.3	--
26/08	Japan	Leading Index CI	Jun F	--	93.3	--
26/08	Hong Kong	Exports YOY	Jul	-10.3%	-9.0%	--
		Trade Balance HKD	Jul	-48.2b	-55.2b	--
23/08	**Singapore**	**CPI YOY**	**Jul**	**0.5%**	**0.6%**	**--**
26/08		Industrial Production YOY	Jul	-5.6%	-6.9%	--
26/08	New Zealand	Trade Balance NZD	Jul	-402m	365m	--
		Exports NZD	Jul	5.02b	5.01b	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1080	-0.05	1.1113	1.1064	-3.33
GBPUSD	1.2251	1.00	1.2273	1.2109	-3.91
USDJPY	106.44	-0.17	106.65	106.25	-2.92
AUDUSD	0.6757	-0.35	0.6787	0.6751	-4.11
EURGBP	0.9043	-1.05	0.9158	0.9029	0.63
USDMYR	4.1890	0.29	4.1915	4.1755	1.34
EURMYR	4.6419	0.16	4.6472	4.6302	-1.81
JPYMYR	3.9334	0.31	3.9339	3.9173	4.67
GBPMYR	5.0843	0.20	5.0847	5.0635	-3.48
SGDMYR	3.0199	0.03	3.0199	3.0157	-0.53
AUDMYR	2.8322	-0.10	2.8340	2.8256	-3.11
NZDMYR	2.6719	-0.12	2.6766	2.6642	-3.84
CHFMYR	4.2611	-0.05	4.2613	4.2497	1.47
CNYMYR	0.5905	-0.14	0.5914	0.5902	-2.44
HKDMYR	0.5337	0.21	0.5337	0.5325	1.04
USDSGD	1.3855	0.14	1.3874	1.3832	1.67
EURSGD	1.5350	0.09	1.5396	1.5333	-1.72
GBPSGD	1.6974	1.17	1.7015	1.6773	-2.31
AUDSGD	0.9361	-0.25	0.9392	0.9358	-2.51

Source: Bloomberg

➢Forex

MYR

- **MYR closed weaker by 0.29% at 4.1890** broadly influenced by a higher USDCNY as the USD hit an 11-year high against CNY.
- **We remain neutral to mildly bullish USDMYR over the short term** as market focus remains on key events this Friday and weekend. **We remain bullish USDMYR over the medium term** at least until US and China shows some form of firm commitment towards achieving a trade resolution.

USD

- **The dollar index ended marginally lower by 0.13% at 98.17** led by GBP strength as German Chancellor Angela Merkel hinted a possible Brexit deal by 31 October.
- **We remain bullish USD in the short term** as the demand for USD remains constant heading into key events this week. **We remain bearish USD over the medium term** as global growth outlook remains dim and may spur further Fed easing.

EUR

- **EUR closed flattish against the USD at 1.1080** as there were no catalysts to move it either higher or lower.
- **We are bearish EUR over the short and medium terms** 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 next month which is likely to weigh on EUR.

GBP

- **GBP closed 1.00% stronger at 1.2251** as markets cheered German Chancellor Angela Merkel's comments which hinted a possible Brexit deal by 31 October.
- **We are cautiously bullish GBP in the short term** as Merkel may have meant that a deal is merely possible. **We turn neutral GBP in the medium term** at least until further confirmation of Merkel's remarks.

JPY

- **JPY finished 0.17% stronger at 106.44** on mixed US equity performance.
- **We remain neutral JPY over the short term** ahead of key events. **We remain bullish JPY over the medium term** on dim global economic growth outlook and prolonged trade worries.

AUD

- **AUD closed 0.35% lower against the USD at 0.6757,** influenced by a weaker CNY against USD.
- **We remain neutral AUD in the short term** as the pair is still trading within the broad range since the past week ahead of key events. **We remain bearish AUD over the medium term** over dismal global economic growth outlook and prolonged trade worries.

SGD

- **SGD closed weaker by 0.14% against the USD,** influenced by a weaker CNY.
- **We remain bearish SGD over the short and medium terms** as USD strength will likely be supported ahead of key events and on the dismal global economic growth outlook and prolonged trade worries.

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