August 27, 2019

Hong Leong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded overnight to retrace parts of Friday's sharp losses on improving trade outlook after President Trump signaled a potential deal with China.** Trade-sensitive tech and chipmakers shares got a boost, leading major indexes to notch solid gains - the Dow Jones and S&P500 both added 1.1%, while NASDAQ rose by 1.3% after Trump said that China was sincere to make an agreement with the US by asking to "get back to the table" for trade talks**, hinting a potential de-escalation of recently rising tensions between the two countries after Friday's dramatic retributions in rhetoric.** Treasuries yields ended largely flattish along the curve- benchmark 10Y UST yield was unchanged at 1.536%, as investors remained on edge despite the turn of events. **Gold price was virtually unchanged while crude oil prices were weighed down by the prospects of a US-Iran meeting which could lead to easing of US sanctions on Iran.** Brent crude lost 1.1% to $58.70/barrel and WTI settled nearly 1% lower at $53.64/barrel.

- **US data were mixed.** The headline July durable goods order index notched the largest gain in nearly a year due to surge in Boeing orders. Core capital orders picked up 0.4% **MOM but core capital shipments fell 0.7% MOM, signaling weak business investment**. The Dallas Fed Manufacturing Index rebounded to 2.7 in August after a three-month slump while the Chicago Fed National Activity Index fell to -0.36 in July. In Asia, **Hong Kong exports slipped for the ninth straight month weighed down by weak Chinese and global demand**. Singapore industrial production increased by 3.6% MOM in July and fell by a lesser margin of 0.4% YOY amid improvement across all major sectors.

- **The dollar index recovered by 0.39% to 98.026** on trade resolution optimism. **We remain bearish USD for the foreseeable future** even though resolution optimism is higher as this only appears to be a temporary de-escalation and it doesn't seem that a more durable resolution can be found so soon.

- **MYR closed weaker by 0.29% at 4.2030** on escalation of trade tensions. **We remain bullish USDMYR over the short term** as US-China trade issues take a turn for the worse. **We remain bearish USDMYR over the medium term** as continued trade worries might trigger a Fed rate cut.

- **SGD closed marginally weaker by 0.08% at 1.3881 against the USD** as investors remain wary of Trump's trade deal optimism. **We remain bearish SGD over the short and medium term** as this might just be a temporary de-escalation even as US and China moves to cool down trade rhetoric.

Eco Overnight Economic Data

US	➔
Japan	↓
Hong Kong	↓
Singapore	↑

What's Coming Up Next

Major Data

- US FHFA House Price Index, S&P CoreLogic CS 20-City, Richmond Fed Manufacturing Index, Conf. Board Consumer Confidence
- China Industrial Profits

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1050	1.1080	1.1105	1.1130	1.1160	↗
GBPUSD	1.2150	1.2200	1.2220	1.2300	1.2350	↗
USDJPY	105.20	105.50	105.88	106.00	106.30	↘
AUDUSD	0.6700	0.6740	0.6774	0.6800	0.6825	↘
EURGBP	0.9030	0.9060	0.9090	0.9105	0.9140	➔
USDMYR	4.1900	4.2000	4.2070	4.2150	4.2200	↗
EURMYR	4.6400	4.6500	4.6710	4.6800	4.7000	↗
JPYMYR	3.9500	3.9600	3.9740	4.0000	4.0150	↗
GBPMYR	5.1000	5.1200	5.1405	5.1500	5.1700	↗
SGDMYR	3.0250	3.0280	3.0310	3.0325	3.0350	➔
AUDMYR	2.8200	2.8300	2.8500	2.8600	2.8700	➔
NZDMYR	2.6600	2.6700	2.6866	2.7000	2.7100	➔
USDSGD	1.3840	1.3870	1.3884	1.3900	1.3930	↗
EURSGD	1.5350	1.5380	1.5414	1.5450	1.5500	↗
GBPSGD	1.6750	1.6900	1.6962	1.7000	1.7150	↗
AUDSGD	0.9340	0.9370	0.9404	0.9430	0.9460	➔

* at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; ➔ = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1,600.53	-0.55	-5.33
Dow Jones Ind.	25,898.83	1.05	11.02
S&P 500	2,878.38	1.10	14.82
FTSE 100	7,094.98	-0.47	5.45
Shanghai	2,863.57	-1.17	14.82
Hang Seng	25,680.33	-1.91	-0.64
STI	3,065.33	-1.45	-0.11

Name	Last Price	DoD %	YTD %
CRB Index	168.91	0.18	-0.52
WTI oil ($/bbl)	53.64	-0.98	18.12
Brent oil ($/bbl)	58.70	-1.08	9.11
Gold (S/oz)	1,527.31	0.02	19.08
CPO (RM/tonne)*	2,157.00	0.19	10.47
Copper ($/tonne)	5,633.00	-0.88	-5.57
Rubber (sen/kg)	434.50	0.35	14.64

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Chicago Fed Nat Activity Index	Jul	-0.36	-0.02	0.05
US Durable Goods Orders	Jul P	2.1%	1.8% (revised)	1.0%
US Cap Goods Orders Nondef Ex Air	Jul P	0.4%	0.9% (revised)	0.0%
US Dallas Fed Manf. Activity	Aug	2.7	-6.3	-4.5
JP Leading Index CI	Jun F	93.3	94.9	--
HK Exports YOY	Jul	-5.7%	-9.0%	-8.4%
HK Trade Balance HKD	Jul	-32.2b	-55.2b	-45.2b
SG Industrial Production YOY	Jul	-0.4%	-6.9%	-5.8%

Source: Bloomberg

Macroeconomic

- ***Fall in US core capital shipments a sign of weak investment:*** The preliminary reading of durable goods orders rose by 2.1% MOM in July (Jun: +1.8% revised), its largest gain in nearly a year, lifted mainly by the surge in the volatile commercial aircrafts orders. Core capital orders (non-defense ex – aircraft), a closely watched barometer for US business spending picked up a modest 0.4% MOM (Jun: +0.9% revised), however shipments of these goods (a component in GDP calculation) slipped by 0.7% MOM (Jun: +0.0% revised) after a flat month, its largest fall since Oct-16, signaling subdued growth in business investment in the third quarter. Meanwhile, the Dallas Fed Manufacturing Index rebounded to 2.7 in August (Jul: -6.3) following a three-month contraction as activities recovered in Texas factories. The Chicago Fed National Activity Index fell to -0.36 in July (Jun: +0.03), weighed down by all four broad categories that made up the indicators (production, sales/orders/inventories, employment and personal consumption/housing), pointing to broad-based slowdown in activities in July.

- ***Japan leading index slipped in June:*** Japan's June leading index was unrevised at 93.3 in a final reading (May: 94.9), its lowest level in more than nine years, pointing to slower economic growth in the months to come. The coincident index also slipped to 100.4 (May: 103.4). That said, the general expectations remain for the Japanese economy to see stronger growth in the third quarter mainly because of consumers raising spending prior to October's tax hike and the recent surge in business capex in anticipation of 2020 Summer Olympic in Tokyo.

- ***Hong Kong exports dropped for ninth straight month in July:*** Hong Kong exports slipped for the ninth straight month by 5.7% YOY in July (Jun: -9.0%), weighed down by continuous fall in shipments to its biggest trading partner China as well as other key destinations. Exports to China made up more than 50% of total exports and again recorded a decline of 7.1% YOY (Jun: -10.6%), while exports to the US, Japan, Germany and India also saw further contractions, Imports also fell by 8.7% YOY (Jun: -7.5%) as purchases from key partners all posted declines. On a brighter note, exports rose 9.4% MOM (Jun: -9.8%) while imports also managed to climb by 1.6% (Jun: -3.4%), easing some concerns that the trade sector has completely lost momentum amidst slower global growth and trade uncertainties. That said, outlook for the trade sector appeared to be dismal still as Chinese demand is still expected to weaken against a backdrop of heightening trade tensions while prolonged domestic unrest could severely affect local businesses especially the retail sector which could drag down imports in general.

- ***Singapore industrial production fell lesser in July:*** Singapore industrial production increased by 3.6% MOM in July (Jun: -0.3%) on a seasonally adjusted basis, its largest gain in six months. On a YOY basis, industrial production posted the third monthly decline albeit at a slower pace of 0.4% YOY (Jun: -8.1%). Looking at details, production of electronics continued to fall but by a smaller margin (-0.9% vs -18.2%) thanks to a minor rebound in semiconductor output (+0.3% vs -21.4%). Biomedical manufacturing rose slightly by 0.8% YOY (Jun: +5.4%) while chemicals productions rebounded by 2.2% YOY (Jun: -3.3%). July's monthly rebound was a welcoming sign that production is picking up some momentum after two months of minor contractions, but outlook for the industrial sector remains skewed to the downside as the global manufacturing industry is expected to be in a down trend in the medium term, weighed down by persistent trade uncertainties.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
27/08	**US**	**FHFA House Price Index MOM**	**Jun**	**0.2%**	**0.1%**	**--**
		S&P CoreLogic CS 20-City YOY NSA	**Jun**	**2.3%**	**2.4%**	**--**
		Richmond Fed Manufact. Index	**Aug**	**-2.0**	**-12.0**	**--**
		Conf. Board Consumer Confidence	**Aug**	**129.0**	**135.7**	**--**
28/08		MBA Mortgage Applications	23 Aug	--	-0.9%	--
28/08	UK	Nationwide House Px NSA YOY	Aug	0.7%	0.3%	--
27/08	**China**	**Industrial Profits YOY**	**Jul**	**--**	**-3.1%**	**--**

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1102	-0.38	1.1164	1.1094	-3.21
GBPUSD	1.2217	-0.40	1.2286	1.2208	-4.19
USDJPY	106.12	0.69	106.41	104.46	-3.27
AUDUSD	0.6775	0.28	0.6788	0.6690	-3.90
EURGBP	0.9085	0.09	0.9109	0.9063	1.05
USDMYR	4.2030	0.29	4.2085	4.2010	1.69
EURMYR	4.6730	0.81	4.6916	4.6690	-1.15
JPYMYR	3.9682	0.97	4.0077	3.9661	5.60
GBPMYR	5.1445	0.60	5.1683	5.1388	-2.34
SGDMYR	3.0294	0.25	3.0324	3.0136	-0.21
AUDMYR	2.8409	0.30	2.8433	2.8108	-2.81
NZDMYR	2.6789	0.15	2.6905	2.6729	-3.59
CHFMYR	4.2944	1.18	4.3214	4.2944	2.27
CNYMYR	0.5880	-0.63	0.5894	0.5876	-2.85
HKDMYR	0.5357	0.22	0.5367	0.5357	1.42
USDSGD	1.3881	0.08	1.3925	1.3866	1.86
EURSGD	1.5410	-0.30	1.5541	1.5403	-1.40
GBPSGD	1.6964	-0.24	1.7092	1.6947	-2.41
AUDSGD	0.9408	0.39	0.9417	0.9311	-2.09

Source: Bloomberg

➢Forex

MYR

- **MYR closed weaker by 0.29% at 4.2030** on escalation of trade tensions.
- **We remain bullish USDMYR over the short term** as US-China trade issues take a turn for the worse. **We remain bearish USDMYR over the medium term** as continued trade worries might trigger a Fed rate cut.

USD

- **The dollar index recovered by 0.39% to 98.026** on trade resolution optimism.
- **We remain bearish USD for the foreseeable future** even though resolution optimism is higher as this only appears to be a temporary de-escalation and it doesn't seem that a more durable resolution can be found so soon.

EUR

- **EUR closed lower by 0.38% against the USD at 1.1102** as risk aversion eased somewhat on resolution optimism.
- **We remain bullish EUR over the short term** on the possibility that this might just be a temporary de-escalation of trade tensions. **We remain bearish EUR over the medium term** over anticipated aggressive ECB stimulus.

GBP

- **GBP closed 0.40% lower at 1.2217** in line with USD index as the index recovered some ground on better resolution optimism.
- **We remain cautiously bullish GBP in the short term** as GBP seems to be swinging to general USD moves on trade issues. **We remain neutral GBP in the medium term** at least until markets have digested recent moves and refocus back on Brexit issues.

JPY

- **JPY finished 0.69% weaker at 106.12** on higher UST yields as tensions abated somewhat on US-China trade.
- **We remain bullish JPY** as this might just be a temporary de-escalation of trade issues and monitor headlines for further directional gauge.

AUD

- **AUD closed stronger by 0.28% against the USD at 0.6775** as risk recovered somewhat on resolution optimism.
- **We remain bearish AUD** as this might just be a temporary de-escalation and continue to monitor headlines for further directional gauge.

SGD

- **SGD closed marginally weaker by 0.08% at 1.3881 against the USD** as investors remain wary of Trump's trade deal optimism.
- **We remain bearish SGD over the short and medium term** as this might just be a temporary de-escalation even as US and China moves to cool down trade rhetoric.

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