

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks retraced earlier gain to finish lower overnight as uncertainties surrounding US-China trade negotiations prompted investors to sell riskier assets and bid for safe havens like gold and treasuries, further deepening the inversion of key yield curve.** Investors remained wary that the US-China negotiations would be back on track despite President Trump's recent hint of another round of talks. On Tuesday, stocks struggled to regain foothold after an initial gain leading the Dow Jones to lose 121pts or 0.5% and the S&P and NASDAQ both by 0.3%. **Demand for perceived safer assets led gold to gain 1%, and treasuries yields to plunge further around 2-9bps. Notably a closely watched part of the yield curve inverted further where the yield on 10Y notes dropped to its lowest level against that of the 2s since 2007.** Yield on benchmark 10Y notes closed at 1.471%, 5bps below benchmark 2Y notes at 1.522%. Oil prices surged on US crude inventories draw - WTI jumped by 2.4% to \$54.93/barrel and Brent crude picked up 1.4% to \$59.51/barrel.
- **US data are mixed. The housing sector still saw limited gain in home prices suggesting that demand is yet to accelerate to an extent that could boost prices.** The FHFA house price index steadied at 0.2% MOM while the S&P CoreLogic Case-Schiller Index for 20 largest US cities moderated to a mere 2.1% YOY, its slowest in nearly seven years. The Conference Board Consumer Confidence Index slipped to 135.1 in August (Jul: 135.8 revised), less than what was initially expected as Americans are upbeat over current economic conditions especially the job market. In China, industrial profits rose 2.6% YOY in July after a slump in June on base effect.
- **The dollar index closed almost unchanged at 98.021** as investors remain edgy over the uneasy truce over trade. **We remain bearish USD for the foreseeable future** as previously mentioned, 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 marginally weaker at 4.2050** as market risk sentiment is still "yo-yoing" on the uneasy truce on trade issues. **We remain bullish USDMYR over the short term** as US-China trade issues remain in center stage. **We remain bearish USDMYR over the medium term** as continued trade worries might trigger a Fed rate cut.
- **SGD closed marginally weaker by 0.09% against the USD** as investors remain wary of current trade developments. **We remain bearish SGD over the short and medium term** as risk sentiment remains poor as risk assets continue to yoyo on headlines.

#### Eco Overnight Economic Data

US	➔
China	⬆

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1050	1.1080	1.1091	1.1100	1.1130	↗
GBPUSD	1.2150	1.2200	1.2281	1.2300	1.2350	↗
USDJPY	105.20	105.50	105.71	106.00	106.30	↘
AUDUSD	0.6700	0.6730	0.6756	0.6775	0.6800	↘
EURGBP	0.8970	0.9000	0.9033	0.9050	0.9075	↘
USDMYR	4.1950	4.2000	4.2070	4.2100	4.2150	↗
EURMYR	4.6400	4.6500	4.6655	4.6800	4.7000	↗
JPYMYR	3.9500	3.9600	3.9805	4.0000	4.0150	↗
GBPMYR	5.1300	5.1500	5.1665	5.1700	5.1850	↗
SGDMYR	3.0225	3.0250	3.0285	3.0300	3.0325	➔
AUDMYR	2.8200	2.8300	2.8422	2.8600	2.8700	↘
NZDMYR	2.6600	2.6700	2.6761	2.7000	2.7100	↘
USDSGD	1.3840	1.3870	1.3895	1.3910	1.3940	↗
EURSGD	1.5350	1.5380	1.5411	1.5450	1.5500	↗
GBPSGD	1.6750	1.6900	1.7065	1.7150	1.7250	↗
AUDSGD	0.9340	0.9370	0.9391	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 %	Name	Last Price	DoD %	YTD %
KLCI	1,590.84	-0.61	-5.90	CRB Index	169.70	0.47	-0.06
Dow Jones Ind.	25,777.90	-0.47	10.50	WTI oil (\$/bbl)	54.93	2.40	20.96
S&P 500	2,869.16	-0.32	14.45	Brent oil (\$/bbl)	59.51	1.38	10.61
FTSE 100	7,089.58	-0.08	5.37	Gold (\$/oz)	1,542.81	1.01	20.26
Shanghai	2,902.19	1.35	16.37	CPO (RM/tonne)*	2,196.50	1.83	12.50
Hang Seng	25,664.07	-0.06	-0.70	Copper (\$/tonne)	5,683.00	0.89	-4.73
STI	3,067.52	0.07	-0.04	Rubber (sen/kg)	434.00	-0.12	14.51

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US FHFA House Price Index MOM	Jun	0.2%	0.2% (revised)	0.2%
US S&P CoreLogic CS 20-City YOY NSA	Jun	2.1%	2.4%	2.3%
US Richmond Fed Manufact. Index	Aug	1.0	-12.0	-2.0
US Conf. Board Consumer Confidence	Aug	135.1	135.8 (revised)	129.0
CN Industrial Profits YOY	Jul	2.6%	-3.1%	

Source: Bloomberg

## Macroeconomic

- US housing sector saw limited gain in prices:** House prices continued to grow at a sluggish pace in the US, as demand is yet to accelerate to an extent that could boost prices. The Federal Housing Finance Agency (FHFA) reported that its house price index steadied at a 0.2% MOM increase in June (May: +0.2%). The S&P CoreLogic Case-Schiller Index for 20 largest US cities gained a mere 2.1% YOY (May: +2.4%), below analysts' forecast and was the slowest in nearly seven years. The residential property sector has been picking up some momentum in recent months amidst lower rates environment as treasuries yields fell and the Fed cut rates, but has yet to see any impressive improvement mainly on the persistent lack of land and house inventories.
- US consumers upbeat on current economy; Richmond Fed index rebounded:** The Conference Board Consumer Confidence Index slipped to 135.1 in August (Jul: 135.8 revised), less than what was initially expected as US consumers were very upbeat over the economy's present conditions but expected outlook to be dimmer. Notably, Americans appeared to be very upbeat on the US job market as the "jobs plentiful" index which gauges jobs offering surged by 5.6pts, its largest gain in history. On a separate note, the Richmond Fed Manufacturing Index bounced off negative territory to record a reading of 1.0 in August (Jul: -12.0) after a sharp fall last month as shipments of goods rebounded. Nonetheless the index implied that overall activity in the Fifth District stayed subdued this month.
- China industrial firms returned to profit:** China factories recorded profit in July after making losses in the previous month. Industrial profit rebounded to increase 2.6% YOY in July (Jun: -3.1%) mainly because of low base effect. YTD July, industrial profits fell by 1.7% YOY (Jun: -2.4%) where profits of mining companies appear to stabilize while profits of manufacturing firms recorded declines. Nonetheless, outlook for industrial firms' profits remains skewed to the downside as the sector is facing disinflation risk judging from the recent fall in producer prices. A prolonged trade uncertainties brought about by escalation and de-escalation of US-China trade tension are expected to weigh down on overall demand and thus China industrial sector.

**Economic Calendar**

Date	Country	Events	Reporting Period	Survey	Prior	Revised
28/08	US	MBA Mortgage Applications	23 Aug	--	-0.9%	--
29/08		GDP Annualized QOQ	2Q S	2.0%	2.1%	--
		Advance Goods Trade Balance	Jul	-\$74.4b	-\$74.2b	-\$74.2b
		Wholesale Inventories MOM	Jul P	0.2%	0.0%	--
		Pending Home Sales MOM	Jul	0.0%	2.8%	--
29/08	Eurozone	Economic Confidence	Aug	102.3	102.7	--
		Consumer Confidence	Aug F	-7.5	-7.4	--
29/08	NZ	ANZ Business Confidence	Aug	--	-44.3	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1090	-0.11	1.1116	1.1086	-3.28
GBPUSD	1.2290	0.60	1.2310	1.2209	-3.68
USDJPY	105.75	-0.35	106.18	105.59	-3.60
AUDUSD	0.6752	-0.34	0.6780	0.6747	-4.24
EURGBP	0.9024	-0.66	0.9095	0.9016	0.43
USDMYR	4.2050	0.05	4.2090	4.2005	1.72
EURMYR	4.6706	-0.05	4.6777	4.6652	-1.20
JPYMYR	3.9771	0.22	3.9855	3.9648	5.84
GBPMYR	5.1554	0.21	5.1560	5.1303	-2.13
SGDMYR	3.0285	-0.03	3.0314	3.0263	-0.24
AUDMYR	2.8401	-0.03	2.8494	2.8384	-2.84
NZDMYR	2.6800	0.04	2.6867	2.6768	-3.55
CHFMYR	4.2922	-0.05	4.3052	4.2917	2.21
CNYMYR	0.5868	-0.20	0.5885	0.5868	-3.04
HKDMYR	0.5362	0.09	0.5366	0.5357	1.51
USDSGD	1.3893	0.09	1.3902	1.3874	1.92
EURSGD	1.5409	-0.01	1.5445	1.5398	-1.42
GBPSGD	1.7075	0.65	1.7088	1.6948	-1.82
AUDSGD	0.9377	-0.33	0.9414	0.9373	-2.38

Source: Bloomberg

## Forex

### MYR

- **MYR closed marginally weaker at 4.2050** as market risk sentiment is still “yo-yoing” on the uneasy truce on trade issues.
- **We remain bullish USDMYR over the short term** as US-China trade issues remain in center stage. **We remain bearish USDMYR over the medium term** as continued trade worries might trigger a Fed rate cut.

### USD

- **The dollar index closed almost unchanged at 98.021** as investors remain edgy over the uneasy truce over trade.
- **We remain bearish USD for the foreseeable future** as previously mentioned, 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 0.11% against the USD at 1.1090** as the general USD closed mixed.
- **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 0.60% stronger at 1.2290** over optimism about PM Johnson's meeting with EU's Juncker about new ideas about a compromise.
- **We remain cautiously bullish GBP in the short term** over perceived better sentiment over a Brexit compromise. **We remain neutral GBP in the medium term** at least until more details about the new ideas are released.

### JPY

- **JPY finished 0.35% stronger at 105.75** on lower UST yields and poor US equity performance.
- **We remain bullish JPY** as risk sentiment seems to be remaining jittery over an uneasy trade truce for the moment.

### AUD

- **AUD closed weaker by 0.34% against the USD at 0.6752** over poorer risk appetite.
- **We remain bearish AUD** as risk sentiment seems to be weak over an uneasy trade truce and lower commodity prices due to expected slower global growth.

### SGD

- **SGD closed marginally weaker by 0.09% against the USD** as investors remain wary of current trade developments.
- **We remain bearish SGD over the short and medium term** as risk sentiment remains poor as risk assets continue to yoyo on headlines.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936  
Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.