

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks extended further gain overnight on the prospect of US-China trade talks in September after China expressed optimism that it wished to work with the US in removing the latest tariffs imposed by the Trump Administration.** President Trump also added in a radio interview that talks “at different levels” were scheduled for Thursday and didn’t provide much details. **Nonetheless overall positive trade headlines together with solid economic data and better than expected retailers earnings helped eased some concerns over a possible US recession,** leading major indexes to advance by around 1.3-1.5%. Bond yields fell as stocks rose but the crucial 2-10Y yield curve remained inverted; Overnight yields rose 2-3bps along the curve. Gold price fell 0.7% as risk-on modes returned while crude oil prices picked up for the third straight session – WTI rose 1.7% to \$56.71/barrel and Brent crude gained 1% to \$61.08/barrel.
- **On the data front, US 2Q annualized GDP growth was revised from 2.1% to 2.0% QOQ.** The US also recorded smaller goods trade deficit in as imports slipped and exports rose. Pending home sales fell 2.5% MOM, largest since early 2018. **Eurozone economic sentiment improved in August unexpectedly while sentiment in the UK crashed on Brexit fear.** Japan jobless rate fell to 2.3%, industrial production rebounded to 0.7% YOY growth. New Zealand business confidence collapsed but consumer confidence got a little better.
- **The dollar index closed higher by 0.27% to 98.455** as overall risk appetite improved on hopes for progress in US-China trade talks. **We remain bearish USD for the foreseeable future** over nagging trade concerns until at least a more solid solution to current issues could be agreed on by both US and China.
- **MYR closed marginally weaker by 0.08% at 4.2170** as USD demand continues to dominate short-term trading. **We turn neutral USDMYR over the short term** as better risk sentiment may spill over from the NYK session and may cause the pair to consolidate circa 4.22 area. **We remain bearish USDMYR over the medium term** as continued trade worries might trigger a Fed rate cut.
- **SGD closed marginally stronger by 0.08% against the USD at 1.3877** between a stronger USD and better risk sentiment. **We remain bearish SGD over the short and medium terms** as risk sentiment continues to flip-flop according to headlines without a solid resolution to US-China trade issue in the near term.

Eco Overnight Economic Data

US	↓
Eurozone	↑
UK	↓
Japan	→
New Zealand	→
Vietnam	→

What's Coming Up Next

Major Data

- US Personal Outlay Report, MNI Chicago, U. Michigan Sentiment
- Eurozone HICP, Unemployment Rate
- UK Nationwide House Price Index
- Hong Kong Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1010	1.1040	1.1060	1.1100	1.1130	↘
GBPUSD	1.2120	1.2170	1.2187	1.2270	1.2330	↘
USDJPY	105.90	106.20	106.49	106.75	107.00	↘
AUDUSD	0.6670	0.6700	0.6734	0.6750	0.6775	↘
EURGBP	0.9025	0.9050	0.9077	0.9100	0.9125	↗
USDMYR	4.2100	4.2150	4.2200	4.2250	4.2300	→
EURMYR	4.6400	4.6500	4.6669	4.6800	4.7000	↗
JPYMYR	3.9350	3.9500	3.9632	3.9750	3.9900	↗
GBPMYR	5.1100	5.1300	5.1425	5.1600	5.1750	↘
SGDMYR	3.0325	3.0350	3.0410	3.0425	3.0450	→
AUDMYR	2.8200	2.8300	2.8413	2.8600	2.8700	↘
NZDMYR	2.6450	2.6600	2.6641	2.6750	2.6850	↘
USDSGD	1.3840	1.3870	1.3882	1.3910	1.3940	↗
EURSGD	1.5300	1.5340	1.5352	1.5375	1.5400	↗
GBPSGD	1.6600	1.6750	1.6917	1.7000	1.7100	↘
AUDSGD	0.9280	0.9310	0.9346	0.9375	0.9400	↘

* 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	1,595.18	0.34	-5.64	CRB Index	172.08	0.51	1.34
Dow Jones Ind.	26,362.25	1.25	13.01	WTI oil (\$/bbl)	56.71	1.67	24.88
S&P 500	2,924.58	1.27	16.66	Brent oil (\$/bbl)	61.08	0.98	13.53
FTSE 100	7,184.32	0.98	6.78	Gold (S/oz)	1,527.63	-0.74	19.13
Shanghai	2,890.92	-0.10	15.92	CPO (RM/tonne)*	2,160.50	0.23	10.65
Hang Seng	25,703.50	0.34	-0.55	Copper (\$/tonne)	5,726.50	0.64	-4.00
STI	3,081.83	0.83	0.43	Rubber (sen/kg)	432.50	-0.35	14.12

Source: Bloomberg

Economic Data
Macroeconomic

	For	Actual	Last	Survey
US GDP Annualized QOQ	2Q S	2.0%	2.1%	2.0%
US Advance Goods Trade Balance	Jul	-\$72.3b	-\$74.2b	-\$74.4b
US Wholesale Inventories MOM	Jul P	0.2%	0.0%	0.2%
US Pending Home Sales MOM	Jul	-2.5%	2.8%	0.0%
EU Economic Confidence	Aug	103.1	102.7	102.3
EU Consumer Confidence	Aug F	-5.9	-7.4	-7.3
UK GfK Consumer Confidence	Aug	-14.0	-11.0	-12.0
JP Jobless Rate	Jul	2.2%	2.3%	2.3%
JP Retail Sales YOY	Jul	-2.0%	0.5%	-0.6%
JP Industrial Production YOY	Jul P	0.7%	-3.8%	-0.6%
NZ ANZ Business Confidence	Aug	-52.3	-44.3	--
NZ ANZ Consumer Confidence Index	Aug	118.2	116.4	--
VN Industrial Production YOY	Aug	10.5%	9.7%	--
VN Retail Sales YTD YOY	Aug	11.5%	11.6%	--
VN CPI YOY	Aug	2.3%	2.4%	2.4%
VN Exports YOY	Aug	4.5%	9.3%	7.0%
VN Trade Balance	Aug	\$1700m	\$200m	\$750m

Source: Bloomberg

- US 2Q GDP revised down, consumption accelerated:** US 2Q annualized GDP growth was revised from 2.1% to 2.0% QOQ (1Q: +3.1%) according to the second reading, matching expectations. The revision primarily reflected the downward revisions to state and local government spending, exports, private inventory investment, and residential investment that were partly offset by an upward revision to personal consumption expenditures (PCE). Notably the revised PCE rose 4.7% QOQ, its fastest since late 2014, underscoring strong consumer consumption in the US. On a separate note, advance report shows that the US recorded smaller goods trade deficit in July (-\$72.3b vs -74.2b) as imports slipped by 0.4% MOM (Jun: -2.1%) while exports managed to post a tiny gain of 0.7% MOM (Jun: -2.7%). Shipments of foods, feeds & beverages dropped 2.4% MOM (Jun: +0.6%) reflecting the fall in agricultural exports to China prior to the escalation of trade war earlier this month. The preliminary wholesale inventories picked up a little by 0.2% MOM in July (Jun: 0%) after a flat reading in June. Last but not least, the National Association of Realtors said that pending home sales, which measures contracts to buy existing homes (hence a leading indicator for existing home sales) dropped by 2.5% MOM in July (Jun: +2.8%), its largest fall since early 2018 pointing to subdued buyer demand despite lower borrowing costs.
- Eurozone economic confidence improved in August:** The European Commission Economic Sentiment Indicator unexpectedly rose to 103.1 in August (Jul: 102.7), lifted by higher confidence in industry and retail trade which offset the deterioration in services and construction. The reading somewhat defied expectations especially amidst recent worries that the bloc's largest economy Germany might slump into recession due to ongoing manufacturing/industrial downturn. Consumer confidence slipped further to -7.1 (Jul: -6.6), extending its current downtrend and the notably softer services confidence (5.2 vs 7.7) for the third straight month flagged earlier risk of easier growth outlook for the sector.
- UK consumer and business confidence plunged on Brexit fear:** The GfK Consumer Confidence Index dipped further to -14.0 in August (Jul: -11.0), the lowest level since July 2013 as consumers became increasingly concerned over a looming no-deal Brexit comes 31 October. Similarly, the Lloyds Business Barometer also tumbled to more-than-seven-year low of 1.0 (Jul: 13) indicating a loss in business confidence as the possibility of a smooth Brexit transition became dimmer each day.
- Japan jobless rate fell; industrial output rebounded:** Japan jobless rate fell to 2.2% in July (Jun: 2.3%) as the labour force shrank last month as depicted by the fall in the labour force participation rate. The job-to-applicant ratio turned lower to 1.59 in the same month (Jun: 1.61), pointing to easing demand in the job market especially when the manufacturing sector is currently in a downturn, but the overall job market conditions remained tight and should be well supported by the retail sector in anticipation of October's sales tax hike. On a less-than positive note though, retail sales surprisingly fell more than expected in July by 2.3% MOM (Jun: 0%) and 2.0% YOY (Jun: +0.5%). Last but not least, the preliminary reading of industrial production rebounded to increase 0.7% YOY in July (Jun: -3.8%), its first increase in six months.
- New Zealand business confidence faltered despite rate cut; consumer confidence improved:** The ANZ Business Confidence Index fell to its deepest point in more than eleven years, recording a reading of -52.3 in August (Jul: -44.3) to confirm a tremendous loss in confidence among New Zealand firms regarding outlook of the economy. Business sentiment worsened this month despite the larger than expected 50bps cut in the OCR by RBNZ and strong labour data, pointing to dismal economic conditions ahead. Meanwhile, the ANZ Consumer Confidence Index rose to 118.2 in the same month (Jul: 116.4), a welcoming development but the index remained below its historical average. In contrast with businesses, consumers appeared to turn more upbeat over growth outlook amidst lower interest rates.

- **Vietnam economy remained broadly resilient:** Latest official data proved that the Vietnam economy remained broadly resilient in the face of slower global economic growth. On the domestic front, industrial production rose 10.5% YOY in August (Jul: +9.7%), supported by steady increase in manufacturing output and a surge in mining & quarrying output. Growth momentum stayed intact in the retail space as retail sales posted a solid gain of 11.5% YOY from Jan-Aug, faster than the 11.2% YOY gain recorded in the same period last year. CPI inflation eased to 2.3% YOY in the same month (Jul: +2.4%) continuing its generally stabilizing trend. On the external front, exports grew a mere 4.5% YOY in August (Jul: +9.3%), the slowest since Feb this year, in line with a generally weaker global trade sector whereas imports rose by 7.5% YOY (Jul: +5.0%). The trade surplus rose to \$1.7b in August (Jul: \$200m).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
02/09	Malaysia	Markit Malaysia PMI Mfg	Aug	--	47.6	--
30/08	US	Personal Income	Jul	0.3%	0.4%	--
		Personal Spending	Jul	0.5%	0.3%	--
		Core PCE YOY	Jul	1.6%	1.6%	--
		MNI Chicago PMI	Aug	47.5	44.4	--
		U. of Mich. Sentiment	Aug F	92.3	92.1	--
30/08	Eurozone	Unemployment Rate	Jul	7.5%	7.5%	--
		CPI Core YOY	Aug A	1.0%	0.9%	--
		CPI Estimate YOY	Aug	1.0%	1.1%	--
02/09		Markit Eurozone Manufacturing PMI	Aug F	47.0	46.5	--
30/08	UK	Nationwide House Price Index YOY	Aug	0.7%	0.3%	--
02/09		Markit UK PMI Manufacturing SA	Aug	48.8	48.0	--
02/09	Japan	Jibun Bank Japan PMI Mfg	Aug F	--	49.5	--
30/08	Hong Kong	Retail Sales Value YOY	Jul	-12.5%	-6.7%	--
31/08	China	Manufacturing PMI	Aug	49.6	49.7	--
		Non-manufacturing PMI	Aug	53.7	53.7	--
02/09		Caixin China PMI Manufacturing	Aug	49.8	49.9	--
02/09	Australia	AiG Perf of Mfg Index	Aug	--	51.3	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1057	-0.19	1.1093	1.1042	-3.57
GBPUSD	1.2181	-0.25	1.2232	1.2172	-4.47
USDJPY	106.52	0.88	106.68	105.83	-2.91
AUDUSD	0.6728	-0.09	0.6753	0.6717	-4.53
EURGBP	0.9077	0.07	0.9094	0.9051	0.97
USDMYR	4.2170	0.08	4.2280	4.2125	2.02
EURMYR	4.6712	-0.05	4.6867	4.6690	-1.19
JPYMYR	3.9685	-0.37	3.9938	3.9685	5.61
GBPMYR	5.1438	0.14	5.1631	5.1427	-2.35
SGDMYR	3.0389	0.21	3.0452	3.0335	0.10
AUDMYR	2.8440	0.10	2.8476	2.8379	-2.70
NZDMYR	2.6733	0.04	2.6765	2.6637	-3.79
CHFMYR	4.2889	-0.08	4.3115	4.2889	2.14
CNYMYR	0.5900	0.35	0.5908	0.5888	-2.51
HKDMYR	0.5376	0.13	0.5389	0.5371	1.78
USDSGD	1.3877	-0.08	1.3895	1.3862	1.84
EURSGD	1.5344	-0.25	1.5403	1.5327	-1.79
GBPSGD	1.6903	-0.33	1.6971	1.6895	-2.72
AUDSGD	0.9337	-0.18	0.9371	0.9332	-2.76

Source: Bloomberg

Forex

MYR

- **MYR closed marginally weaker by 0.08% at 4.2170** as USD demand continues to dominate short-term trading.
- **We turn neutral USDMYR over the short term** as better risk sentiment may spill over from the NYK session and may cause the pair to consolidate circa 4.22 area. **We remain bearish USDMYR over the medium term** as continued trade worries might trigger a Fed rate cut.

USD

- **The dollar index closed higher by 0.27% to 98.455** as overall risk appetite improved on hopes for progress in US-China trade talks.
- **We remain bearish USD for the foreseeable future** over nagging trade concerns until at least a more solid solution to current issues could be agreed on by both US and China.

EUR

- **EUR closed lower by 0.19% against the USD at 1.1057** over generally better risk sentiment and dovish comments by incoming ECB President Christine Lagarde.
- **We turn bearish EUR over the foreseeable future** as we head into September where the ECB is expected to introduce an aggressive stimulus package.

GBP

- **GBP closed 0.25% weaker at 1.2181** over recent Brexit developments which have increased the chances of a no-deal Brexit.
- **We remain bearish GBP for the foreseeable future** as the UK government struggles internally to come to terms with Brexit issues right before a 31 October deadline.

JPY

- **JPY finished 0.88% weaker at 106.52** as US equities and UST yields closed higher on better risk sentiment.
- **We remain bullish JPY** as risk sentiment seems to be flip-flopping according to trade headlines in the absence of a solid resolution in the near term.

AUD

- **AUD closed marginally weaker against the USD by 0.09% at 0.6728** on a broadly stronger USD and better risk sentiment.
- **We remain bearish AUD** on flip-flopping risk sentiment and lower commodity prices which may weigh on AUD due to slower global growth expectations.

SGD

- **SGD closed marginally stronger by 0.08% against the USD at 1.3877** between a stronger USD and better risk sentiment.
- **We remain bearish SGD over the short and medium terms** as risk sentiment continues to flip-flop according to headlines without a solid resolution to US-China trade issue in the near term.

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