

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks fell overnight as markets braced for the Federal Reserve's rate decision and waning optimism that the US and China could reach a comprehensive trade deal in the coming months.** The Fed is set to cut Fed funds rate by 25bps on Wednesday, markets are eyeing the FOMC statement and Jerome Powell's press conference on future rates guidance. As talks resumed this week in Shanghai, **President Donald Trump again played down the likelihood that both US and China could reach a sweeping deal to end the current trade war, saying that China prefers to wait after the 2020 US General Election for a Democrat to win the oval.** All major stock benchmarks ended in the red - the Dow Jones, S&P 500 and NASDAQ fell 0.1%, 0.3% and 0.2%. Treasuries yield fell around 1bp along the curve ahead of FOMC - 10Y UST yield was virtually unchanged at 2.06%. Crude oil extended further gains on expected lower supply as Iranian exports fell - WTI jumped by 2.1% to \$58.05/barrel and Brent crude picked up 1.6% to \$64.72/barrel. **Earlier yesterday, the BOJ maintained its ultra-loose monetary policy but hinted that it is willing to adjust policy for more stimulus if inflation falters.**
- **US data were generally upbeat.** US personal consumption expenditure (PCE) rose at a slower pace of 0.3% MOM in June and personal income increased at a steady and decent pace of 0.4%. Gain in core PCE price index **quicken to 1.6% YOY.** The Conference Board Consumer Confidence Index surged to 8-month high of 135.7 in July. Pending home sales beat expectations with an upbeat 2.8% MOM gain but growth in house prices continued to decelerate. In the Eurozone, **economic sentiment index fell to near-four-year low of 102.7. UK consumer confidence rebounded to -11.0.** Japan industrial production slumped further by 4.1% YOY in June, but its jobless rate fell to 2.3%.
- **The dollar index ended flattish at 98.05** as DXY steadied ahead of FOMC. **We are neutral USD in the short term** as market braces for FOMC statement and Jerome Powell's press conference but are bearish on USD in the medium term on expected rate cut.
- **MYR closed 0.18% weaker at 4.1270** as MYR succumbed to pre-FOMC USD strength and investors scrambled to cover positions ahead of ad hoc public holiday. **We are neutral USDMYR intraday** as markets are likely to remain sidelined ahead of FOMC but **remain bullish MYR over the medium term** due to an expected Fed rate cut.
- **SGD closed flattish against the USD at 1.3705** as market braces for FOMC event risk. **We are neutral to mildly bearish SGD today but remain bullish SGD in the medium term** as yield differentials are likely to narrow as the Fed cut rates.

Overnight Economic Data

US	→
Eurozone	↓
UK	↑
Japan	→

What's Coming Up Next

Major Data

- US ADP Payrolls, Employment Cost Index, MNI Chicago PMI
- Eurozone GDP, HICP Inflation, Unemployment Rate
- China NBS Manufacturing & Non-manufacturing PMIs
- Hong Kong Advance GDP
- Australia CPI
- New Zealand ANZ Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1100	1.1130	1.1157	1.1175	1.1200	→
GBPUSD	1.2050	1.2100	1.2159	1.2200	1.2300	↓
USDJPY	108.00	108.30	108.57	108.75	109.00	→
AUDUSD	0.6820	0.6850	0.6874	0.6900	0.6950	↓
EURGBP	0.9125	0.9150	0.9178	0.9200	0.9230	↗
USDMYR	4.1225	4.1250	4.1280	4.1300	4.1330	→
EURMYR	4.5800	4.6000	4.6060	4.6150	4.6300	→
JPYMYR	3.7700	3.7850	3.8025	3.8100	3.8250	↗
GBPMYR	4.9850	5.0000	5.0188	5.0350	5.0500	↓
SGDMYR	3.0070	3.0100	3.0114	3.0150	3.0200	→
AUDMYR	2.8200	2.8300	2.8376	2.8450	2.8600	↓
NZDMYR	2.7150	2.7250	2.7319	2.7500	2.7600	↓
USDSGD	1.3650	1.3670	1.3710	1.3730	1.3750	→
EURSGD	1.5230	1.5270	1.5296	1.5320	1.5350	→
GBPSGD	1.6400	1.6550	1.6669	1.6800	1.6950	↓
AUDSGD	0.9375	0.9400	0.9426	0.9450	0.9475	↓

* 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*	1,642.69	-0.32	-2.83	CRB Index	178.34	0.31	5.03
Dow Jones Ind.	27,198.02	-0.09	16.59	WTI oil (\$/bbl)	58.05	2.07	27.84
S&P 500	3,013.18	-0.26	20.20	Brent oil (\$/bbl)	64.72	1.59	20.30
FTSE 100	7,646.77	-0.52	13.65	Gold (\$/oz)	1,430.88	0.29	11.58
Shanghai	2,952.34	0.39	18.38	CPO (RM/tonne)*	1,928.50	0.44	-1.23
Hang Seng	28,146.50	0.14	8.90	Copper (\$/tonne)	5,948.00	-1.16	-0.28
STI	3,350.54	0.12	9.18	Rubber (sen/kg)	464.00	-0.85	22.43

*Last Price for 29 July

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Personal Income	Jun	0.4%	0.4% (revised)	0.4%
US Personal Spending	Jun	0.3%	0.5% (revised)	0.3%
US Core PCE YOY	Jun	1.6%	1.5% (revised)	1.7%
US S&P CoreLogic CS 20-City YOY NSA	May	2.4%	2.5%	2.4%
US Pending Home Sales MOM	Jun	2.8%	1.1%	0.4%
US Conf. Board Consumer Confidence	Jul	135.7	124.3 (revised)	125.0
EU Economic Confidence	Jul	102.7	103.3	102.7
EU Consumer Confidence	Jul F	6.6	-7.2	-6.6
UK GfK Consumer Confidence	Jul	-11.0	-13.0	-12.0
JP Jobless Rate	Jun	2.3%	2.4%	2.4%
JP Job-To-Applciant Ratio	Jun	1.61	1.62	1.62
JP Industrial Production YOY	Jun P	-4.1%	-2.1%	-2.0
JP BOJ Policy Balance Rate	Jul-30	-0.1%	-0.1%	-0.1

Source: Bloomberg

➤ Macroeconomics

- US inflation stayed muted amidst steady income growth:** The latest BEA personal outlay report shows that US personal consumption expenditure (PCE) rose at a slower pace of 0.3% MOM in June (May: +0.5% revised) compared to a newly upward revised gain in the previous month. Personal income increased at a steady and decent pace of 0.4% MOM (May: +0.4% revised), reflecting the solid state of the US job market. Meanwhile, the price index for core PCE, the Federal Reserve's preferred gauge of inflation rose by a steady 0.2% MOM (May: +0.2%), but the annual rate quickened slightly to 1.6% YOY (May: +1.5% revised), but nonetheless price pressure is still muted.
- US consumer confidence got a huge boost in July:** US consumers were once again turning upbeat over growth outlook as the Conference Board Consumer Confidence Index surged to 8-month high of 135.7 in July (Jun: 124.3). The index rebounded after a sharp fall in the previous month driven by the broad-based increase in indexes for present economic situation, expectations as well as outlook for the labour market, thus offering tentative signs that consumer consumption would continue to be the bright spot of the US economy in the third quarter this year.
- US pending home sales beat expectations but house prices grew slowly:** US housing data continued to be mixed in our view. Pending home sales rose more than expected by 2.8% MOM in June (May: +1.1%). The index measures the number of contracts to buy previously owned homes and is a leading indicator for existing home sales. The rebound thus signals better sales prospect for existing homes in the coming months. Meanwhile, gain in house prices continued to ease as the S&P CoreLogic Case-Schiller Index for 20 US largest cities gained a mere 2.4% YOY in May (Apr: +2.5%), its 14th consecutive month of deceleration.
- Eurozone economic sentiments weighed down by broadly downbeat business confidence:** The European Commission headline Economic Sentiment Indicator slipped further to 102.7 in July (Jun: 103.3), its lowest level in nearly four years, weighed down by lower confidence in industry, services, retail trade and construction, reflecting broadly dismal business sentiments. Consumer confidence lifted slightly to 6.6 (Jun: -7.2). The broadly downbeat reading came as Eurozone data remained weak and after last week's ECB meeting where the central bank had acknowledged that growth outlook has worsened for the single currency area with the expected 2H rebounded unlikely to happen this year. The ECB's commitment had to "act as appropriate" turned out to be a disappointment and was less dovish as many had expected.
- UK consumer undeterred by Brexit fear as confidence improved in July:** UK consumers turned more upbeat this month and were largely unaffected by current Brexit uncertainties as the GfK Consumer Confidence Index improved to -11.0 in July (Jun: -13.0). The index points to an increase in spending in the third quarter as consumers turned more optimistic over their personal finances, notably the index which gauges the climate for major purchases also rose to a six-month high.

- ***BOJ kept ultra-loose monetary policy intact, hinted more stimulus if inflation falters:*** The Bank of Japan maintained its ultra-loose monetary policy yesterday by leaving its policy balance rate unchanged at -0.1% and the 10Y JGB yield target at 0.0%. The central bank kept its forward guidance on interest rates, repeating that it intended to maintain the “current extremely low levels of short-and long-term interest rates for an extended period of time, at least through around spring 2020”. Echoing tones of the Fed and ECB, it added that it would “make policy adjustment as appropriate”, and would not “hesitate to take additional easing measures” if there was greater possibility that momentum towards achieving price stability target was lost. In the BOJ’s quarterly outlook report, the central bank trimmed its 2019 GDP growth forecast from 0.8% to 0.7% and CPI (ex. fresh foods) from 1.1% to 1.0%, taking into account the impact of overseas economic slowdown on Japanese exports and the schedule October tax hike. In the post-meeting press conference, BOJ governor Haruhiko Kuroda said that the central bank has strengthened its commitment to act pre-emptively against risks to the economy and added that it hasn’t lost momentum to hit its 2% inflation target. He said that overseas risks if prolonged could increase risks for Japan and threatened its momentum to reach price goal, the BOJ would ease policy without hesitation if this happens.
- ***Japanese industrial production slumped; job market tightened further:*** Prior to BOJ’s monetary policy announcement, official preliminary data showed that industrial production slumped further by 4.1% in June (May: -2.1%), its fifth successive month of decline, highlighting the continuous downturn in the country’s manufacturing sector which is taking the brunt from falling overseas demand as global growth slowed and trade tensions persist. The labour market meanwhile tightened further as jobless rate fell to 2.3% in June (May: 2.4%), job-to-applicant ratio slipped to 1.61 (May: 1.62).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
01/08	Malaysia	Markit Malaysia Manufacturing PMI	Jul	--	47.8	--
31/07	US	MBA Mortgage Applications	Jul-26	--	-1.9%	--
		ADP Employment Change	Jul	150k	102k	--
		Employment Cost Index	2Q	0.7%	0.7%	--
		MNI Chicago PMI	Jul	51.0	49.7	--
		FOMC Rate Decision	Jul-31	2.0-2.25%	2.25-2.5%	--
01/08		Initial Jobless Claims	Jul-27	214k	206k	--
		Markit US Manufacturing PMI	Jul F	50.0	50.6	--
		ISM Manufacturing	Jul	52.0	51.7	--
		Construction Spending MOM	Jun	0.3%	-0.8%	--
31/07	Eurozone	Unemployment Rate	Jun	7.5%	7.5%	--
		GDP SA QOQ	2Q A	0.2%	0.4%	--
		CPI Core YOY	Jul A	1.0%	1.1%	--
		CPI Estimate YOY	Jul	1.1%	1.2%	--
01/08		Markit Eurozone Manufacturing PMI	Jul F	46.4	47.6	--
31/07	UK	Nationwide House Price Index YOY	Jul	0.1%	0.5%	--
01/08		Markit UK PMI Manufacturing	Jul	47.6	48.0	--
		Bank of England Bank Rate	Aug-01	0.75%	0.75%	--
01/08	Japan	Jibun Bank Japan Manufacturing PMI	Jul F	--	49.3	--
31/07	China	Manufacturing PMI	Jul	49.6	49.4	--
		Non-manufacturing PMI	Jul	54.0	54.2	--
01/08		Caixin China Manufacturing PMI	Jul	49.5	49.4	--
31/07	Hong Kong	GDP YOY	2Q A	1.5%	0.6%	--
01/08		Retail Sales Value YOY	Jun	-1.9%	-1.3%	--
31/07	Australia	CPI YOY	2Q	1.5%	1.3%	--
01/08		AiG Performance of Manufacturing Index	Jul	--	49.4	--
31/07	New Zealand	ANZ Business Confidence	Jul	--	-38.1	--
01/08	Vietnam	Markit Vietnam Manufacturing PMI	Jul	--	52.5	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1155	0.09	1.1161	1.1132	-2.70
GBPUSD	1.2152	-0.55	1.2226	1.2119	-4.64
USDJPY	108.61	-0.16	108.95	108.45	-1.01
AUDUSD	0.6872	-0.43	0.6908	0.6869	-2.47
EURGBP	0.9180	0.63	0.9190	0.9113	2.06
USDMYR	4.1270	0.18	4.1275	4.1190	-0.16
EURMYR	4.5913	0.02	4.5922	4.5836	-2.88
JPYMYR	3.7974	0.16	3.8008	3.7935	1.05
GBPMYR	5.0852	-0.79	5.1050	5.0807	-3.46
SGDMYR	3.0079	-0.07	3.0118	3.0036	-0.92
AUDMYR	2.8494	-0.19	2.8507	2.8447	-2.52
NZDMYR	2.7347	-0.13	2.7373	2.7302	-1.58
CHFMYR	4.1607	0.15	4.1621	4.1476	-0.92
CNYMYR	0.5985	-0.04	0.5991	0.5976	-1.11
HKDMYR	0.5277	0.11	0.5279	0.5271	-0.09
USDSGD	1.3705	0.01	1.3713	1.3689	0.56
EURSGD	1.5288	0.11	1.5294	1.5250	-2.16
GBPSGD	1.6653	-0.54	1.6758	1.6598	-4.12
AUDSGD	0.9418	-0.41	0.9462	0.9418	-1.92

Source: Bloomberg

Forex

MYR

- **MYR closed 0.18% weaker at 4.1270** as MYR succumbed to pre-FOMC USD strength and investors scrambled to cover positions ahead of ad hoc public holiday.
- **We are neutral USDMYR intraday** as markets are likely to remain sidelined ahead of FOMC. **We remain bullish MYR over the medium term** due to an expected Fed rate cut and would pay attention to the statement for further forward guidance.

USD

- **The dollar index ended flattish at 98.05** as DXY steadied ahead of FOMC.
- **We are neutral USD in the short term** as market braces for FOMC statement and Jerome Powell's press conference. **We are bearish USD in the medium term** as the Fed is expected to cut rates and would look towards FOMC statement for further guidance.

EUR

- **EUR closes 0.09% stronger against the USD at 1.1155** in a rather muted session as market braces for FOMC.
- **We remain neutral to mildly bullish EUR today** as markets would likely be sidelined ahead of the announcement and would look to the statement for medium term guidance.

GBP

- **GBP closed 0.55% weaker at 1.2152** as GBP continues to be punished on prospects of a no-deal Brexit.
- **We remain bearish GBP over the short and medium term** as the prospects of a no-deal Brexit remain high with little new developments.

JPY

- **JPY finished 0.16% stronger at 108.61** as UST yields finished slightly lower again as well as on lower US equities.
- **We are neutral to mildly bullish JPY today** as market braces for FOMC event risk. **We remain bullish JPY in the medium term** as a looming Fed rate cut will likely support JPY strength.

AUD

- **AUD closed 0.43% weaker at 0.6872** as pair continues to lose ground vs the USD pre-FOMC.
- **We remain bearish AUD today** ahead of CPI data and the market may continue to sell relatively risky assets in favour of perceived safe haven assets ahead of FOMC event risk. However, **we remain bullish AUD over the medium term** over a looming Fed rate cut and possible US-China trade resolutions as US and China restarted trade talks.

SGD

- **SGD closed flattish against the USD at 1.3705** as market braces for FOMC event risk.
- **We are neutral to mildly bearish SGD today but remain bullish SGD in the medium term** as yield differentials are likely to narrow as the Fed cut rates. **We also look towards US-China trade talks** and the possibility of any trade resolution for medium term guidance.

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