

## Global Markets Research

### Daily Market Highlights

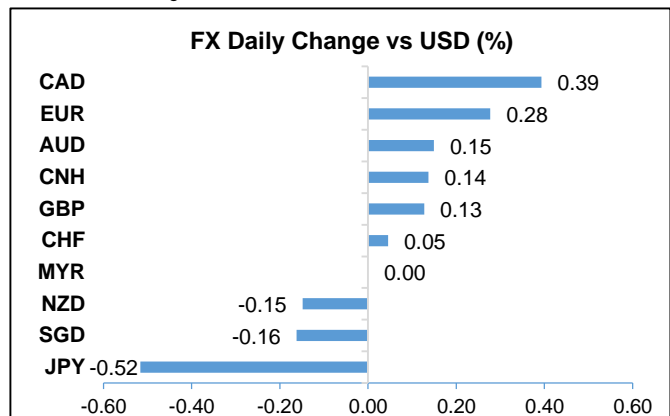
#### Key Takeaways

- US stocks finished on a mixed note on Monday.** The Dow Jones lost 0.8% and the S&P500 slipped a little by 0.2%. NASDAQ gained 0.7% as tech stocks rallied. Nonetheless stocks closed the month higher, marking their fifth consecutive months of gains, powered by stimulus optimism. Treasury yields were little changed at the shorter end but were slightly lower at the longer part of the curve. Benchmark 10Y UST yield fell 1.6bps to 0.705%. **Gold futures saw modest increase** on Monday, adding a mere 0.2% to \$1970.5/oz. Crude oil prices saw mixed performances. **Brent crude rebounded on positive China data and UAE's plan to cut crude supply in October** - futures settled 0.5% higher at \$45.28/barrel. WTI fell 0.8% to \$42.61/barrel.
- Data were limited on Monday and overnight.** US Kansas City Fed Manufacturing Index beat expectations. **China PMI data showed improvement in non-manufacturing sector while manufacturing sector growth pulled back slightly.** Japan data were mixed- industrial production rose by a record 8% MOM while retail sales retreated. Jobless rate rose to 2.9%. Australia manufacturing PMI slipped below 50. **The RBA is expected to keep cash rate steady at 0.25% today.**
- The dollar weakened for the fifth session; CAD and EUR strengthened; JPY was the biggest loser among G10 currencies; the DXY closed 0.25% lower at 92.144. We are **neutral to bearish** USD this week, expecting further consolidation amid lack of fresh leads.
- USD/MYR closed 0.2% weaker at 4.1640 on Friday ahead of the long weekend. Despite being oversold, USDMYR looks stuck within recent ranges and is expected to stay largely **neutral** between 4.16-4.20 next week.

#### Market Snapshots

	Last Price	DoD %	YTD %
<b>Dow Jones Ind.</b>	28,430.05	-0.78	-0.38
<b>S&amp;P 500</b>	3,500.31	-0.22	8.34
<b>FTSE 100</b>	5,963.57	-0.61	-20.93
<b>Hang Seng</b>	25,177.05	-0.96	-10.69
<b>KLCI</b>	1,525.21	-1.90	-4.00
<b>STI</b>	2,532.51	-0.28	-21.42
<b>Dollar Index</b>	92.14	-0.25	-4.40
<b>WTI oil (\$/bbl)</b>	42.61	-0.84	-30.22
<b>Brent oil (\$/bbl)</b>	45.28	0.51	-31.39
<b>Gold (\$/oz)</b>	1,970.50	0.19	28.97
<b>CPO (RM/tonne)</b>	2,784.00	1.98	-7.98

Source: Bloomberg



Source: Bloomberg

#### Overnight Economic Data

US	↑	China	→
Japan	→	Australia	↓

#### Up Next

Date	Event	Prior
01/09	JP Jibun Bank Japan PMI Mfg (Aug F)	46.6
	MA Markit Malaysia PMI Mfg (Aug)	50.0
	VN Markit Vietnam PMI Mfg (Aug)	47.6
	CN Caixin China PMI Mfg (Aug)	52.8
	AU RBA Cash Rate Target (01/09)	0.25%
	EU Markit Eurozone Manufacturing PMI	51.7
	HK Retail Sales Value YoY (Jul)	-24.80%
	UK Markit UK PMI Manufacturing SA (Aug)	55.3
	EU CPI Estimate YoY (Aug)	0.4%
	EU Unemployment Rate (Jul)	7.8%
	US Markit US Manufacturing PMI (Aug F)	53.6
	US Construction Spending MoM (Jul)	-0.7%
	US ISM Manufacturing	54.2
02/09	AU GDP SA QoQ (2Q)	-0.3%
	US MBA Mortgage Applications (28/08)	-6.5%
	US ADP Employment Change (Aug)	167k
	US Factory Orders (Jul)	6.2%

Source: Bloomberg

## Macroeconomics

- **US Kansas Fed Manufacturing jumped to 8.0:** The Kansas Fed Manufacturing Index rose to 8.0 in August, from -3.0 in July. This indicates a much upbeat picture of recovery in the manufacturing industry. A Bloomberg survey showed that analysts expected only a neutral reading of 0.
- **China PMI shows improvements in non-manufacturing sectors:** China composite PMI improved to 54.5 in August from 54.1 in July. The strong print was supported by non-manufacturing. This is in line with our view of gradual improvements in China's economy these few months. Manufacturing PMI slightly pulled back to 51.0 in August, from 51.1. Output, new orders, inventories of raw materials all pulled back vs. a month ago. There were slight improvements in employment and new export orders as well as improving external demand from new export orders. Non-manufacturing PMI improved to 55.2, from 54.2, surpassing expectations. New orders and employment improved. Input prices decreased while selling prices stayed constant (better profit margin). New export orders improving from lows.
- **Mixed Japan data:**
  - Japan industrial production saw a record 8.0% MOM jump in July, extending the recent rebound in June (+1.9%) after the economy reopened, supported by the gain in vehicle output. YOY, industrial production was still 16.1% lower (Jun: -18.2%).
  - Retail sales fell 3.3% MOM in July (Jun: +13.1%), retreated from the June's record surge. YOY, retail sales were 2.8% lower (Jun: -1.3%).
  - Jobless rate rose to 2.9% in July (Jun: 2.8%) while the job-to-applicant ratio continued to fall to 1.08 in the same month (Jun: 1.11), reflecting the Covid-19 impact on the labour market.
- **Australia manufacturing PMI slipped below 50:** The AiG Performance of Manufacturing Index fell to 49.3 in August, from 53.5 in July, indicating a contraction in factory activity following two months of growth.

## Forex

### MYR (Neutral)

- USD/MYR closed 0.2% weaker at 4.1640 on Friday ahead of the long weekend.
- **Factors supporting:** Economic recovery
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

### USD (Neutral to Bearish Outlook over 1 Week Horizon)

- The dollar weakened for the fifth session; CAD and EUR strengthened; JPY was the biggest loser among G10 currencies; the DXY closed 0.25% lower at 92.144
- **Factors supporting:** Risk aversion, US-China relations, stretched low DXY levels
- **Factors against:** Complacent markets, positive developments from global policymakers, poor US economy

### EUR (Neutral-to-Bullish)

- EUR/USD closed 0.28% higher at 1.1936, extending from last Friday's strength.
- **Factors supporting:** Solid fiscal support on confidence, recovering economy
- **Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections, stretched levels.

### GBP (Neutral-to-Bullish)

- GBP/USD closed slightly higher at 1.3370 amid still bullish momentum and weaker dollar.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

### JPY (Neutral-to-Bullish)

- USD/JPY finished 0.52% higher at 105.9 as risk aversion retreated.
- **Factors supporting:** BOJ policy, risk aversion, USD weakness
- **Factors against:** Weak fundamentals

### AUD (Neutral-to-Bullish)

- AUD/USD rose 0.15% to 0.7376, strengthening for the sixth consecutive session on the back of weak dollar.
- **Factors supporting:** Current account, resilient economy
- **Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections, China-Australia relations, stretched levels

### SGD (Neutral-to-Bullish)

- USD/SGD rebounded by 0.16% to 1.3603 after Friday's sharper loss.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

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