

## Global Markets Research

### Daily Market Highlights

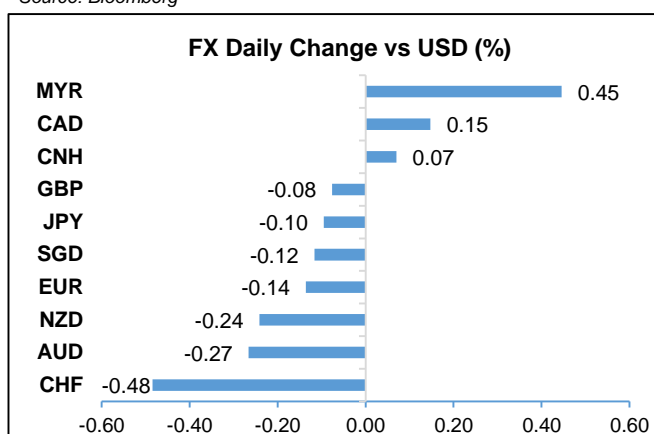
#### Key Takeaways

- US stocks kicked off the week with gains, thanks to optimism surrounding tech companies as well as positive economic data.** The Dow Jones added 236pts or 0.9% while the S&P 500 rose 0.7%. NASDAQ picked up 1.5% to hit a new record high at 10,902.8, of which shares of Apple and Microsoft were top performers. The rally was largely driven by Microsoft's plan to purchase the US operation of Chinese social media company Tik Tok. In fact President Trump demanded that Tik Tok be sold to a "very American company" and threw out a 15-Sep deadline for such a deal. Meanwhile, **an agreement has yet to be reached at Capitol Hill to pass the bill on the next Covid-19 relief aid.** Stocks had rallied in Europe earlier but saw mixed performances in Asia. **Futures are pointing to generally higher openings in Japan and Hong Kong.**
- Amid rising shares prices, treasury yields rose across the curve by 0.4 to 3.9bps – 10Y UST yield picked up 3bps to 0.56%. Gold futures picked up a modest gain (+0.2%) to \$1966/ounce while spot gold was little changed (+0.06%). Crude oil futures rallied nearly 2% in response to positive PMI readings. **Focus shifts to the RBA and a slew of Australia data in the Asian trading session; the central bank is expected to keep cash rate unchanged at 0.25%.**
- Manufacturing PMIs were generally positive** although some countries offered mixed signals on the current economic recovery. US ISM Manufacturing Index beat expectations but construction spending fell for the fourth successive months.
- The greenback reversed some of recent losses, strengthening modestly against nearly all major currencies. CHF was the major loser among G10s. The dollar index gained for the second day by 0.2% to 93.54. **We remain neutral to bearish on USD** over a one-week horizon although it may be in for further technical consolidation.
- USD/MYR trended down by 0.45% to 4.2205 on Monday as the ringgit caught up with global market's movement following a long weekend. **Daily outlook is neutral to slightly bullish for USDMYR** today after the dollar strengthened a little overnight, but the gains (if any) are likely to be limited amid a lack of major market driver in the short term. Huge USD movement and a shift in risk sentiments will remain a key determinant for MYR fate in the short-to-medium term.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,664.40	0.89	-6.57
S&P 500	3,294.61	0.72	1.98
FTSE 100	6,032.85	2.29	-20.01
Hang Seng	24,458.13	-0.56	-13.24
KLCI	1,572.61	-1.94	-1.02
STI	2,484.91	-1.78	-22.90
Dollar Index	93.54	0.21	-2.95
WTI oil (\$/bbl)	41.01	1.84	-32.84
Brent oil (\$/bbl)	44.15	1.96	-33.11
Gold (\$/oz)	1,976.98	0.06	30.06
CPO (RM/tonne)	2,677.50	-1.05	-11.50

Source: Bloomberg



Source: Bloomberg

#### Overnight Economic Data

US	→	Eurozone	↑
UK	↑	Japan	↑
China	↑	Australia	↑
Singapore	↑	Malaysia	↓

#### Up Next

Date	Event	Prior
04/08	AU Trade Balance (Jun)	A\$8025m
	AU Retail Sales MoM (Jun)	16.9%
	AU RBA Cash Rate Target (04 Aug)	0.25%
	EU PPI YoY (Jun)	-5.0%
05/08	US Factory Orders (Jun)	8.0%
	NZ Unemployment Rate (2Q)	4.2%
	JP Jibun Bank Japan PMI Services (Jul F)	--
	HK Markit Hong Kong PMI (Jul)	49.6
	SG Markit Singapore PMI (Jul)	43.2
	CN Caixin China PMI Services (Jul)	58.4
	SG Retail Sales YoY (Jun)	-52.1%
	EU Markit Eurozone Services PMI (Jul F)	--
	UK Markit/CIPS UK Services PMI (Jul F)	--
	EU Retail Sales MoM (Jun)	17.8%
	US ADP Employment Change (Jul)	2369k
	US Trade Balance (Jun)	-\$54.6b
	US Markit US Services PMI (Jul F)	--
	US ISM Non-Manufacturing Index (Jul)	57.1

Source: Bloomberg

## Macroeconomics

- **Manufacturing prints trended up amid reopening of economies:**
  - US ISM Manufacturing Index rose to 54.2 in July, from 52.6 in June. The reading beats analysts' expectation of 52.6. The US Markit Manufacturing PMI however offered a slightly different picture, sliding to 50.9 in July (Jun: 51.3), indicating a slower rate of expansion of the manufacturing industry.
  - Eurozone Markit manufacturing PMI was revised higher to 51.8 in July (Jun: 47.4). This is the index's first above 50 reading in 18 months, mainly because factories reopened after the lockdown. The overall manufacturing remains weak.
  - The UK Markit manufacturing PMI was revised slightly lower to 53.3 in July in the final reading (Jun: 50.1), reflecting an ongoing recovery.
  - The Japan Markit/Jibun Bank Manufacturing PMI rose to 45.2 in July (Jun: 40.1), still well below the neutral level, indicating that the sector is still struggling to regain footing.
  - China Caixin PMI rose to 52.8 (Jun: 51.2), in line with general view that the sector is on track for recovery.
  - Malaysia Markit Manufacturing PMI slipped to 50 neutral level in July (Jun: 51), but still above long run average of 49.
  - Vietnam Markit Manufacturing PMI fell to 47.6, back below 50 (Jun: 51.1) amid resurgence of Covid-19 cases.
  - Singapore official PMI rose to 50.2 in July (Jun: 48.0), its first above-50 reading in six months.
  - Australia AiG Performance of Manufacturing PMI climbed to 53.5 in July (Jun: 51.5) indicating ongoing recovery.
- **US construction spending fell in June:** Construction spending fell for the fourth straight month by 0.7% MOM in June, after the 1.7% MOM decline in May. Spending on residential construction fell for the fourth successive month; while non-residential spending was little changed.

## Forex

### MYR (Neutral to Slightly Bullish)

- USD/MYR trended down by 0.45% to 4.2205 on Monday as the ringgit caught up with global market's movement following a long weekend. Daily outlook is neutral to slightly bullish today after the dollar strengthened a little overnight, but the gains (if any) are likely to be limited amid a lack of major market driver in the short term. Huge USD movement and a shift in risk sentiments will remain a key determinant for MYR fate in the short-to-medium term.
- **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)

- USD gained a second consecutive day, with 0.21% increase in DXY. This was brought about by most G10 pairs weakening against the dollar. After the low of 92.5 on 31 July, DXY has now returned to 93.5 levels.
- **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 eased further on Monday, slightly down to around 1.176 levels at close. This came after further consolidation from the 1.1909 high reached on 31 July.
- **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)

- GBP/USD dipped to a low of 1.3005 after the 1.3170 high. Pair subsequently recovered and closed near the 1.31 big figure.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

### JPY (Neutral-to-Bullish)

- USD/JPY stabilised on Monday after the low of 104.19 on 31 July. At this moment, USD/JPY is staying close to 106 and looking for further movements downwards. If consolidation stays, it may be within 106-108 band once again.
- **Factors supporting:** BOJ policy, risk aversion, USD weakness
- **Factors against:** Weak fundamentals

### AUD (Neutral)

- AUD/USD touched a low of 0.7077 after a high of 0.7227 on 31 July. Pair slightly recovered, albeit with a downward bias on Tuesday open. RBA decision may weaken AUD if stance is more dovish than expected.
- **Factors supporting:** Current account, resilient economy
- **Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections, China-Australia relations, stretched levels, RBA

### SGD (Neutral-to-Bullish)

- USD/SGD recovered on Monday after the low of 1.3689 on Friday. The rebound brought USD/SGD closer to 1.377, although it appears to be consolidating.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

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