

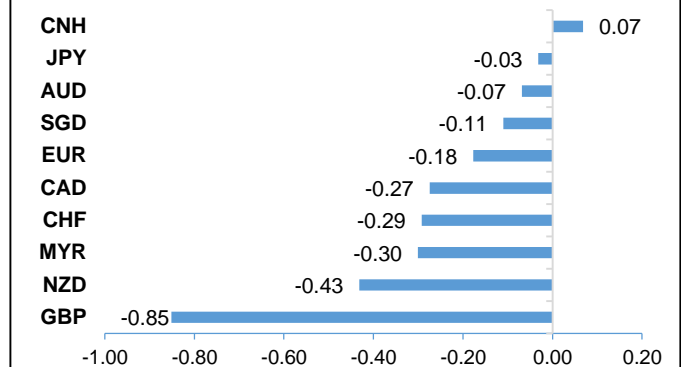
**Key Takeaways**

- US markets were closed for Labour Day holiday.** Stocks rose in Europe. The pan-European STOXX Europe 600 rose 1.8% DOD. France's CAC 40 and Germany's DAX closed 1.8% and 2% higher respectively. The FTSE 100 rallied 2.4% despite rising fear of a no-deal Brexit. Earlier, stocks fell in Japan, Hong Kong and China. Gold futures rose slightly (+0.1%) to \$1928.50 this morning as market reopened (Market was closed on Monday). **Brent crude fell for the fourth session by 1.5% to \$42.01/barrel as Saudi Arabia cut its official selling prices that signals fragile recovery.**
- On the data front, **Eurozone Sentix Investor Confidence Index rose** to -8 in September, a sign of less pessimistic outlook among investors. **Japan data worsened** - GDP revised lower, household spending and wages continued to fall. **China trade surplus narrowed slightly in August, but surplus with the US widened.**
- The USD continued its upward trend over the past week and strengthened against major currencies. GBP was the biggest loser, followed by the NZD. EUR weakened slightly by 0.2% and JPY was flat, resulting in a flat dollar index at 92.719. **USD outlook remains neutral to bearish** in our view as we view the recent recovery as transitory.
- USD/MYR recovered by 0.3% to 4.1600 on Monday as dollar strength gathered momentum. We are still expecting an eventual and gradual **reversal in the pair from recent down move**, but the upside could be limited in anticipation of BNM's OPR decision. We are calling for a 25bps cut. A pause however may further reinforce MYR bulls.

**Market Snapshots**

	Last Price	DoD%	YTD%
Dow Jones Ind.	28,133.31	-0.56	-1.42
S&P 500	3,426.96	-0.81	6.07
FTSE 100	5,937.40	2.39	-21.28
Hang Seng	24,589.65	-0.43	-12.77
KLCI	1,516.38	0.03	-4.56
STI	2,511.21	0.06	-22.08
Dollar Index	92.72	0.00	-3.81
WTI oil (\$/bbl)	39.77	-3.87	-34.87
Brent oil (\$/bbl)	42.01	-1.52	-36.35
Gold (\$/oz)	1,926.20	-0.21	26.70
CPO (RM/tonne)	2,916.50	-0.83	-3.60

Source: Bloomberg

**FX Daily Change vs USD (%)**


Source: Bloomberg

**Overnight Economic Data**

Eurozone	↑	Japan	↓
China	→		

**Up Next**

Date	Event	Prior
08/09	AU NAB Business Confidence (Aug)	-14
	EU Employment QoQ (2Q F)	-2.80%
	EU GDP SA QoQ (2Q F)	-12.10%
	US NFIB Small Business Optimism (Aug)	98.8
10/09	AU Westpac Consumer Conf Index (Sep)	79.5
	NZ ANZ Business Confidence (Sep P)	--
	CH PPI YoY (Aug)	-2.40%
	CH CPI YoY (Aug)	2.70%
	AU Home Loans Value MoM (Jul)	6.20%
	US MBA Mortgage Applications (38231)	--

Source: Bloomberg

## Macroeconomics

- **Eurozone Investors less pessimistic in September:** The Sentix Investor Confidence Index improved to -8 in September, from -13.4 in August. The headline index has now resided in negative territory for the sixth consecutive month, but September's higher reading signalled less pessimistic sentiment among investors. This was driven by better expectation gauge (20.8); current situation index also increased albeit still at -33.
- **Japan data continued to worsen:**
  - The final reading for 2Q GDP growth was revised downward from -7.8% to -7.9% QOQ. The annualized fall was revised from -27.8% to -28.1% QOQ, the worst on record.
  - Household spending for July fell 7.6% YOY (Jun: -1.2%), its tenth consecutive month of decline since October last year, underlining the challenge for consumption to recover.
  - Labour cash earnings, a key gauge of wage growth fell for the fourth consecutive month by 1.3% YOY in July (Jun: -2%) as overtime's pay-out continued to record double digit decline for the fourth month. The fall in overtime's payment is a sign of weak corporate activity.
- **China's trade surplus faded slightly in August:**
  - China's trade surplus pulled back to USD 58.93bn from USD 62.33bn a month ago. Trade with the US grew by double digits for a second consecutive month (16.1% YOY), different from official rhetoric. Trade surplus with the US widened to USD 34.24bn from USD 32.46bn a month ago.
  - This was supported by exports growth, up 9.5% YOY. Base effects inflated this figure. Exports had been supported by electronics and medical products. Exports to US (+20% YOY), UK (37.6%), ASEAN (12.9%), Russia (17.5%) were strong. Drags came from EU (-6.5%).
  - Imports contracted 2.1% YOY from a 1.4% fall a month ago. Raw materials import volumes fell in August. YTD demand is weak for coal, refined oil products, copper and natural gas. Imports from Australia fell 26.2% YOY while imports from US rose 1.8% YOY. This is better than double digit falls in Mar-May but easing from double digit expansion in June. The result confirms our view that net exports will remain modestly supportive of GDP growth in 3Q.

## Forex

### MYR (Neutral)

- USD/MYR recovered by 0.3% to 4.1600 on Monday as dollar strength gathered momentum.
- **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)

- DXY climbed on Monday, now above 93 big figure. This continued an upward trend over the past week
- **Factors supporting:** Risk aversion, US-China relations
- **Factors against:** Complacent markets, positive developments from global policymakers, poor US economy, US stimulus

### EUR (Neutral-to-Bullish)

- EUR/USD dipped slightly on Monday, crawling along the way. This brought pair close to the 1.18 big figure.
- **Factors supporting:** Solid fiscal support on confidence, recovering economy, USD weakness
- **Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections

### GBP (Neutral)

- GBP/USD underperformed and dropped by almost 0.9% from Brexit news. This has brought the pair around 1.316.1.317. At the time of writing, the pair is consolidative.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

### JPY (Neutral-to-Bullish)

- USD/JPY crawled upwards on Monday, now close to 106.30 level. Overall, the pair was mostly stable against the USD, more resilient compared to other G10 peers. This comes as Japan 2Q GDP was revised downwards.
- **Factors supporting:** New prime minister's directives, BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

### AUD (Neutral)

- AUD/USD crawled down but was mostly range bound around 0.728. Pair remains horizontal moving above the 4 September low of 0.7222.
- **Factors supporting:** Current account, resilient economy, USD weakness
- **Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections, China-Australia relations

### SGD (Neutral)

- USD/SGD edged up on Monday but failed to reach the high on 1.3689 on 4 September. Pair steadying around 1.367 level on Tuesday open.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanela

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.