

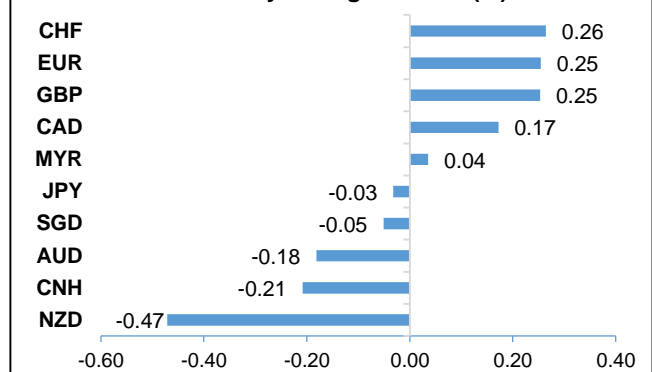
**Key Takeaways**

- US stocks lost momentum on Thursday despite positive jobless claims data as lawmakers remained stuck in a stimulus talk impasse**, unable to agree on a deal to extend pandemic relief aid. House Speaker Nancy Pelosi said that Democrats and Republicans remained “miles apart” on terms. The Dow Jones fell 0.3% and the S&P500 slipped 0.2%. NASDAQ managed to eke out a small 0.3% gain. Nearly all S&P 500 sectors recorded losses (except for info tech and communication services) with the largest drop being recorded in the energy sector.
- Benchmark treasury yields rose across the curve** by between 0.2 to 5.4 basis points, of which 10Y UST yield picked up nearly 4 basis points to 0.72%, hitting an eight-week high after the US Treasury concluded this week’s debt auction with the sale of \$26b 30-year bonds that drew lukewarm demand. Gold prices advanced for the second session, after a sell-off had been triggered by higher bond yields this week. Futures recovered to \$1956.7/ounce (+1.1%) and spot rose nearly 2%. **The agenda today is packed with first-tiered data** as both China and US are releasing their respective industrial production and retail sales number for July. Eurozone second GDP estimate and employment data are also in the pipeline. **Malaysia will see the release of its much anticipated 2Q GDP which is expected to surprise on the downside and reflect a sharp contraction in economic activities at the height of the pandemic.** Futures are pointing to a mixed opening in Asian stock markets.
- Overnight dataflow is largely positive.** In the US, initial jobless claims fell to 963k last week, its first sub-1 mil reading since the onset of the pandemic. Imported price inflation is muted. Australia’s July job reported was positive – job gains came in better than expected but still well below total job losses in April-May. New Zealand manufacturing PMI rose for the second month, at above 50.
- The greenback saw another weaker session with nearly all majors strengthening; Only AUD and NZD were the losers. The dollar index fell slightly (-0.1%) to 93.34. No change to our **neutral outlook on the USD.**
- USD/MYR finished virtually unchanged at 4.1915 on Thursday ahead of today’s GDP data, which will likely surprised on the downside and confirmed that Malaysia slipped into a technical recession. **Daily outlook remains neutral** amid further consolidation in the USD although weekend selloff could tilt the pair slightly higher.

**Market Snapshots**

	Last Price	DoD%	YTD%
Dow Jones Ind.	27,896.72	-0.29	-2.25
S&P 500	3,373.43	-0.20	4.42
FTSE 100	6,185.62	-1.50	-17.99
Hang Seng	25,230.67	-0.05	-10.50
KLCI	1,576.42	1.27	-0.78
STI	2,595.97	1.28	-19.45
Dollar Index	93.34	-0.12	-3.17
WTI oil (\$/bbl)	42.24	-1.01	-30.82
Brent oil (\$/bbl)	44.96	-1.03	-31.88
Gold (\$/oz)	1,956.70	1.13	28.47
CPO (RM/tonne)	2,791.50	-1.57	-7.73

Source: Bloomberg

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


Source: Bloomberg

**Overnight Economic Data**

US	→	Australia	↑
New Zealand	↑		

**Up Next**

Date	Event	Prior
14/08	CN Fixed Assets Ex Rural YTD YoY (Jul)	-3.1%
	CN Retail Sales YoY (Jul)	-1.8%
	CN Industrial Production YoY (Jul)	4.8%
	MA GDP YoY (2Q)	0.7%
	HK GDP YoY (2Q F)	-9.0%
	EU Trade Balance SA (Jun)	8.0b
	EU Employment QoQ (2Q P)	-0.2%
	EU GDP SA QoQ (2Q P)	-12.1%
	US Retail Sales Advance MoM (Jul)	7.5%
	US Industrial Production MoM (Jul)	5.4%
17/08	US U. of Mich. Sentiment (Aug P)	72.5
	NZ Performance Services Index (Jul)	54.1
	UK Rightmove House Prices YoY (Aug)	--
	JP GDP SA QoQ (2Q P)	-0.60%
	SG Non-oil Domestic Exports YoY (Jul)	16.10%
	JP Industrial Production YoY (Jun F)	-17.70%
	US Empire Manufacturing (Aug)	17.2
	US NAHB Housing Market Index (Aug)	72

Source: Bloomberg

## Macroeconomics

- **US initial jobless claims fell below 1mil for first time since pandemic:** Initial jobless claims fell to 963k for the week ended 8 Aug, marking its first below-one million reading for the first time since the pandemic hit the labour market. The previous week's claims were revised slightly higher to 1.19mil. Continuous claims also fell to 15.49mil for the week ended 1 Aug (previous: 16.09mil). Both indicators show that more Americans have been rehired back to the job market as businesses reopened.
- **US import price inflation eased in July:** Import price index rose 0.7% MOM in July, easing from the 1.4% gain in June, mainly because of the smaller increase in prices of imported petroleum (+7.8% vs +23.1%), industrial supplies (+3.1%) as well as the fall in prices of foods & beverages and autos & parts. The annual rate of imported price inflation remained at negative for the sixth straight month (Jul: -3.3%), indicating a lack of imported inflation into the system.
- **Australia's July job report better than expected:** The Australian economy added 114.7k jobs in July, better than consensus estimate of 30k gains. Unemployment rate rose slightly to 7.5% in July (Jun: 7.4%; consensus: 7.8%), thanks to higher labour participation rate (+64.7% vs 64.1% prior). Job gains came from both full-time (+43.5k) and part-time (+71.2k) sectors. This marks the second straight month of job growth (Jun: +228k), which if added cumulatively to June's number, resulting in a total job gains of 343k since the economy reopened by phases in June. However, this is still barely half of the total job losses recorded in April-May (Total: -871k), triggered by the pandemic lockdown, indicating that businesses are still struggling to rehire amid uncertain growth outlook. Uncertainties have risen ever since the state of Victoria was put into lockdown after the resurgence of a second wave. The slowest wage growth on record (+0.2% QOQ released yesterday) also dampened consumer spending and inflation outlook.
- **New Zealand manufacturing recovered further:** The BusinessNZ Manufacturing PMI edged up to 58.8 in July (Jun: 56.2) as factory activity extended recovery after the containment of the virus in New Zealand. This marked the PMI's second straight month of above-50 level.

## Forex

### MYR (Neutral)

- USD/MYR finished virtually unchanged at 4.1915 on Thursday ahead of today's GDP data, which will likely surprised on the downside and confirmed that Malaysia slipped into a technical recession.
- **Factors supporting:** Economic recovery
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

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

- USD consolidated on Thursday. This was mixed, as NZD weakened while CHF and EUR gained. This is consistent with our neutral outlook and we see this continuing. This came after some positive initial jobless claims data. Import price inflation eased in July.
- **Factors supporting:** Risk aversion, US-China relations, stretched low DXY levels
- **Factors against:** Complacent markets, positive developments from global policymakers, poor US economy, US stimulus

### EUR (Neutral)

- EUR/USD was in a bid tone on Thursday before consolidating. Pair touched a daily high of 1.1864 before consolidating below 1.182 on Friday open.
- **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 strengthened on Thursday, with the pair almost reaching 11 August high of 1.3065. However, momentum tapered down and soon came off to around 1.3050.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

### JPY (Neutral-to-Bearish)

- USD/JPY moved in a bid tone mostly on Thursday. Pair touched a high of 107.05 in the process. However, momentum looks to be more subdued compared to previous days.
- **Factors supporting:** BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

### AUD (Neutral)

- AUD/USD came off on Thursday, with pair reaching a low of c. 0.7140. The job report was better than expected but failed to boost the AUD as the economy hits by the second Covid-19 wave.
- **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)

- USD/SGD was moving in a narrow range bound fashion on Thursday. Overnight, the pair saw a bid tone up to around 1.373.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

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