# Global Markets Research

# Daily Market Highlights

## Key Takeaways

- **The S&P500 rose 0.2% to close at an all-time high** of 3389.78 overnight, beating its previous record of 3386.15 on 19 Feb prior to the Covid-19 outbreak in the US. Gains were seen in consumer discretionary, telecommunications, infotech as well as consumer staples stocks. **This comes as investors eyed continuous economic recovery as well as a much-anticipated stimulus deal at Capitol Hill, despite tough relation between the US and China.** The Dow Jones fell 0.24% while NASDAQ picked up 0.7%.

- Meanwhile, **treasury yields slipped around 1-4 basis points**; the benchmark 10Y UST yield was 2bps lower at 0.67%. This helped weaken the dollar further despite positive economic data. On the commodity front, gold futures added 0.7%, closing just below $2000/oz as the bull run resumed after a brief retreat. **Crude oil prices were little changed** – Brent edged up slightly by 0.2% to $45.46/barrel while WTI was steady at $42.89/barrel.

- On the data front, **US housing starts and building permits both recorded double-digit growth** rates that beat analysts' expectations. **Japan data remained weak** with core machine orders and exports recorded declines. **Malaysia CPI fell for the fifth consecutive month.**

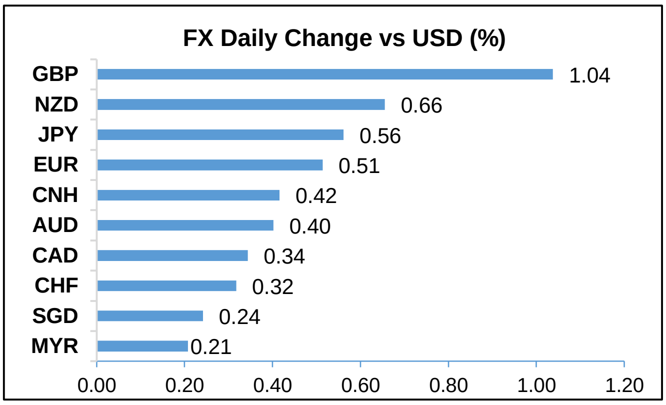
- The Dollar Index slipped for the fifth consecutive session, but bounced back from an intraday low of 92.13 to close 0.6% weaker at 92.27, its lowest since May 2018. The GBP was the top gainer among the major currencies, followed by the NZD and JPY. EUR climbed to a 2-year high of 1.1913. The greenback has now falling for seven weeks within a two-month period, with year-to-date loss of 4.3%. The downward momentum was seen on Wednesday open. We are **neutral to bearish on USD outlook** in the next one week.

- USD/MYR weakened by 0.2% to 4.1835 on Thursday. The bearish dollar overnight is likely to undermine our neutral outlook, sending **USDMYR lower** today. The pair remained oversold and expectation of further consolidation and probably bearish resumption in the USD will likely to keep it in range-bound mode.

## Market Snapshots

| | Last Price | DoD % | YTD % |
|---|---|---|---|
| Dow Jones Ind. | 27,778.07 | -0.24 | -2.66 |
| S&P 500 | 3,389.78 | 0.23 | 4.92 |
| FTSE 100 | 6,076.62 | -0.83 | -19.43 |
| Hang Seng | 25,367.38 | 0.08 | -10.01 |
| KLCI | 1,577.85 | 1.10 | -0.69 |
| STI | 2,563.09 | -0.33 | -20.47 |
| Dollar Index | 92.27 | -0.62 | -4.27 |
| WTI oil ($/bbl) | 42.89 | 0.00 | -29.76 |
| Brent oil ($/bbl) | 45.46 | 0.20 | -31.12 |
| Gold (S/oz) | 1,999.40 | 0.73 | 31.27 |
| CPO (RM/tonne) | 2,793.50 | 0.34 | -7.67 |

*Source: Bloomberg*




*Source: Bloomberg*

### Overnight Economic Data

| | | | |
|---|---|---|---|
| US | ↑ | Japan | ↓ |
| Malaysia | ↑ | | |

### Up Next

| Date | Event | Prior |
|---|---|---|
| 19/08 | AU Westpac Leading Index MoM (Jul) | 0.44% |
| | UK CPI YoY (Jul) | 0.6% |
| | EU CPI YoY (Jul F) | 0.3% |
| | US MBA Mortgage Applications (14 Aug) | 6.8% |
| 20/08 | US FOMC Meeting Minutes (29/07) | -- |
| | CN 1-Year Loan Prime Rate () | 3.85% |
| | HK CPI Composite YoY (Jul) | 0.70% |
| | US Philadelphia Fed Business Outlook | 24.1 |
| | US Initial Jobless Claims (15 Aug) | -- |
| | US Leading Index (Jul) | 2.00% |

*Source: Bloomberg*

## Macroeconomics

- ***Robust homebuilding activity in the US:***
  - Housing starts beat expectation with a 22.6% MOM jump in July (Jun: +17.5%) to a seasonally adjusted annual rate of 1.496mil units. A Bloomberg survey was expecting only a modest 5% increase.
  - Building permits also crushed expectation, recording 18.8% MOM growth in July (Jun: +3.5%) to 1.495mil units. Positive homebuilding data reaffirmed that housing demand still firm amid a pandemic, adding to yesterday's upbeat NAHB Housing Market Index.

- ***Weak Japan's data highlight economy's struggle to recover:***
  - Japan core machine orders fell 7.6% MOM in June after having just rebounded by a mere 1.7% in May. The index is a gauge of capital spending and the sharp decline indicates bearish business sentiments in Japan. Compared to the same month last year, orders were 22.5% lower, its largest YOY decrease in more than 10 years.
  - A separate report shows that exports fell 19.2% YOY in July (Jun: -26.2%), extending its current losing streak to 20-month long since late 2018. Imports also fell 22.3% YOY (Jun:-14.4%). International trades remained subdued despite reopening of economy. The country is now experiencing its third virus wave with weekly new cases ranging about 7,000-9,000 since early August.

- ***RBA meeting minutes reaffirmed dovishness:*** RBA August meeting minutes further confirmed its dovishness. At its most recent meeting on 4 Aug, the central bank has left its cash rate unchanged at 0.25%. Among the key points being picked up from the record was that board members reaffirmed there was no need to adjust its package of measures in the current environment. The policy package continued to work broadly as expected. It would also stand ready to purchase Australian Government bonds. It recognised that the "substantial, coordinated and unprecedented easing of fiscal and monetary policy" in Australia was helping to sustain the economy through this difficult period. Its actions were keeping funding costs low and supporting the supply of credit to households and businesses. This accommodative approach would be maintained for as long as necessary.

- ***Smaller decline in Malaysia's consumer prices:*** Consumer Price Index (CPI) continued to see extended declines for the 5th consecutive month, albeit falling at a more modest pace of 1.3% YOY in July (Jun: -1.9% YOY). Similar to the preceding month, recovering oil prices that resulted in a smaller decline in transport prices (-10.3% vs -14.3% YOY) was the key driving factor behind the smaller negative July CPI reading. Food prices moderated to a 1.4% YOY gain (Jun: +1.6% YOY) whole housing & utilities continued to register steady decline of 2.6% YOY in July. Overall inflationary outlook remains very soft and there appears to be downside risks to our full year projection of -0.7% assuming global oil prices continue to hover at current levels. BNM has reiterated last week that headline CPI will be negative this year even though it kept its forecast range unchanged at -1.5% to +0.5%. Continuous decline in transport and electricity prices, as well as subdued demand amid a softer growth outlook and consumer sentiments, are expected to suppress price pressure going forward, cushioning the rise in costs of doing business.

## Forex

**MYR (Neutral to Bearish)**

- USD/MYR weakened by 0.2% to 4.1835 on Thursday. The bearish dollar overnight is likely to undermine our neutral outlook, sending the pair lower today.
- **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 fell further on Tuesday, with DXY weakening by a relatively large percentage of 0.62% for the day. This placed the USD at lowest levels for more than 2 years. DXY touched a low of 92.127. The downward momentum continues on Wednesday open.
- **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 headed higher on Tuesday, touching a high of 1.1966 in the process and placing 1.20 within reach.
- **Factors supporting**: Solid fiscal support on confidence, recovering economy, USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections

**GBP (Neutral-to-Bullish)**

- GBP/USD surged on Tuesday with a 1.0% gain. In the process, GBP/USD reached a high of 1.3265. We turn more bullish on the GBP given current momentum on USD weakness.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits

**JPY (Neutral-to-Bullish)**

- USD/JPY headed southwards for a second consecutive session. This moved the pair to a low of 105.1 on Wednesday open.
- **Factors supporting**: BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

**AUD (Neutral-to-Bullish)**

- AUD/USD extended gains on Tuesday and reached a high of 0.7265. Pair is trading with a bid tone on Wednesday, looking to move to 0.73 big figure. Concerns on China-Australia relations not materialising.
- **Factors supporting**: Current account, resilient economy, USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

**SGD (Neutral-to-Bullish)**

- USD/SGD reached a low of 1.3636 on Wednesday open, after reaching a similar low on Tuesday. The momentum is bringing USD/SGD close to our 2Q-2021 forecast of 1.36.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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