

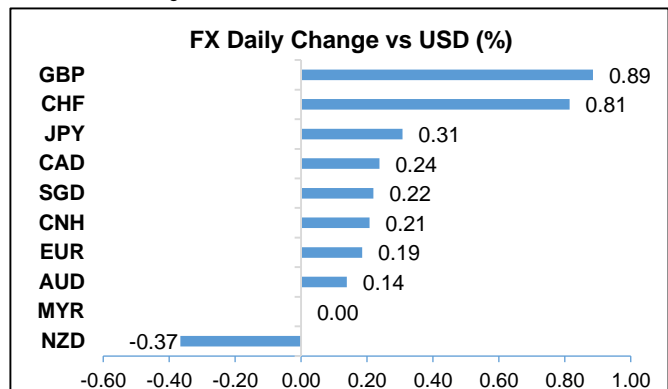
**Global Markets Research**
**Daily Market Highlights**
**Key Takeaways**

- US stocks edged up modestly** overnight after having retreated in the previous session, driven by the rise in technology shares. The Dow Jones rose 0.2%, the S&P500 was up by 0.3% of which shares of info tech and communication services sector each picked up more than 1%. NASDAQ outperformed with 1.1% gain. This come after stock markets in Europe and Asia Pacific have all ended in the reds. Global bond yields generally fell. On the commodity front, gold futures settled lower for the second session (-1.3% DOD). As of writing, both spot and futures are up. Brent crude slipped 1% to \$44.9/barrel; WTI was 0.8% lower at \$42.58/barrel. **Stock futures are pointing to positive openings in Asia later this morning. Preliminary PMI data for key developed economies (US, Eurozone, UK, Japan) will be in focus today.**
- US data point to sluggish recovery** with initial jobless claims rising back above 1mil last week. Smaller gain in leading index and lower Philly Fed Manufacturing Index suggest slower growth. UK GfK Consumer Confidence remained at -27, reflecting poor sentiment. Japan CPI inflation held at 0% for the second month. Hong Kong CPI fell on government's one-off relief measures for public housing.
- The dollar index fell slightly (-0.1%) to 92.79 overnight after 0.7% gain on Wednesday. Gains were led by GBP and CHF, followed by JPY and CAD. EUR was up just a little. The index came off 93 big figure to below 92.8 levels at close. We maintain a **neutral to bearish outlook on the USD.**
- USD/MYR weakened for second day by 0.2% to 4.1727 on Wednesday, breaking below our expected range of 4.18-4.22 this week ahead of Thursday's public holiday. The broader greenback has retreated after a boost on Wednesday; the USD/MYR remains oversold. This makes consolidation and rebound all the more likely in the short term. Maintain a **neutral view on MYR.**

**Market Snapshots**

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,739.73	0.17	-2.80
S&P 500	3,385.51	0.32	4.79
FTSE 100	6,013.34	-1.61	-20.27
Hang Seng	24,791.39	-1.54	-12.06
KLCI	1,575.38	-0.16	-0.84
STI	2,527.92	-1.29	-21.56
Dollar Index	92.79	-0.10	-3.73
WTI oil (\$/bbl)	42.58	-0.82	-30.27
Brent oil (\$/bbl)	44.90	-1.04	-31.97
Gold (\$/oz)	1,933.80	-1.27	26.96
CPO (RM/tonne)	2,740.00	-1.92	-9.44

Source: Bloomberg



Source: Bloomberg

**Overnight Economic Data**

US	➔	UK	➔
Japan	➔	Hong Kong	⬇

**Up Next**

Date	Event	Prior
21/08	JP Jibun Bank Japan PMI Services (Aug P)	45.4
	JP Jibun Bank Japan PMI Mfg (Aug P)	45.2
	NZ Credit Card Spending MoM (Jul)	14.0%
	UK Retail Sales Inc Auto Fuel MoM (Jul)	13.9%
	MA Foreign Reserves (14/08)	--
	EU Markit Eurozone Services PMI (Aug P)	54.7
	EU Markit Eurozone Manufacturing PMI	51.8
	UK Markit UK PMI Manufacturing SA (Aug)	53.3
	UK Markit/CIPS UK Services PMI (Aug P)	56.5
	US Markit US Manufacturing PMI (Aug P)	50.9
24/08	US Markit US Services PMI (Aug P)	50.0
	US Existing Home Sales MoM (Jul)	20.7%
	EU Consumer Confidence (Aug A)	-15.0
	NZ Retail Sales Ex Inflation QoQ (2Q)	-0.7%
	SI CPI YoY (Jul)	-0.5%
	US Chicago Fed Nat Activity Index (Jul)	4.11

Source: Bloomberg

## Macroeconomics

- **US data highlights slower rate of recovery:**
  - Initial jobless claims unexpectedly rose to 1.1mil for the week ended 15 Aug (previous: 971k) after having just fallen below 1mil in the previous week. Analysts were expecting first-time claims to fall to 920k. This highlights the fragility of the job market amid an uncertain recovery prospect. Continuous claims which lagged by one week, fell to 14.8mil (previous: 15.5mil).
  - The Conference Board Leading Index rose for the third month by 1.4% MOM in July (Jun: +3%). The smaller July gain compared to June's was a result of negative contributions from average consumer expectations as well as consumer goods orders and core capital orders.
  - The Philadelphia Fed Manufacturing Index slipped to 17.2 in August (July: 24.1), indicating slower rate of expansion.
- **UK Consumer Confidence stayed depressed in August:** The GfK Consumer Confidence Index stayed at -27 in August (Jul: -27), reflecting very poor consumer sentiment in the UK. The index has ranged between -34 to -27 since April during the onset of the pandemic.
- **Japan CPI inflation at 0% for second month:** The BOJ's main inflation gauge, CPI ex fresh food was unchanged in July for the second consecutive month, recording 0% change (Jun: 0%). This comes after inflation recorded two months of negative changes in April and May when the country was in lockdown. This indicates severely subdued inflation in the Japanese economy despite the central bank's multi-year effort to prop it to its 2% target.
- **Hong Kong consumer prices fell on government's public rental relief:** Hong Kong CPI unexpectedly fell 2.3% YOY in July (Jun: +0.7%). This compares to the Bloomberg median estimate of 0.5% gain. The fall in consumer prices was driven by the government's one off relief measures on public housing rentals. Public rent was 92.8% lower compared to the same month last year. Other than that, prices of food also rose at a much slower pace (+0.8% vs +2.7%) while cost of transports also saw substantial decline (-3.7% vs 0%). The underlying CPI which excludes government's relief measures was 0.2% YOY higher (Jun: +1.2%).

## Forex

### MYR (Neutral)

- USD/MYR weakened for second day by 0.2% to 4.1727 on Wednesday, breaking below our expected range of 4.18-4.22 this week ahead of Thursday's public holiday.
- **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 eased on Thursday, with DXY slightly down after Wednesday's rebound. Pair came off 93 big figure to below 92.8 levels at close.
- **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 consolidated before registering modest gains on Thursday, moving above the 1.184 level closer to 1.19 by Friday open.
- **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-to-Bullish)

- GBP/USD rebounded sharply on Thursday, almost hitting the high seen on Tuesday. Pair ended Thursday above 1.32 big figure and looking to close in on the 1.3267 YTD high.
- high.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

### JPY (Neutral-to-Bullish)

- USD/JPY came off 106 level on Thursday, slightly retreating from the rebound seen on Wednesday. Pair ended Thursday below 105.7 levels.
- **Factors supporting:** BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

### AUD (Neutral-to-Bullish)

- AUD/USD consolidated before seeing a late rebound on Thursday. This brought pair above 0.72 big figure and looking to retake the 0.7276 high seen on 19 August.
- **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-to-Bullish)

- USD/SGD consolidated around the 1.37 big figure on Thursday, before dipping to around 1.367 at close. Pair was last trading with a downward bias on Friday 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.