

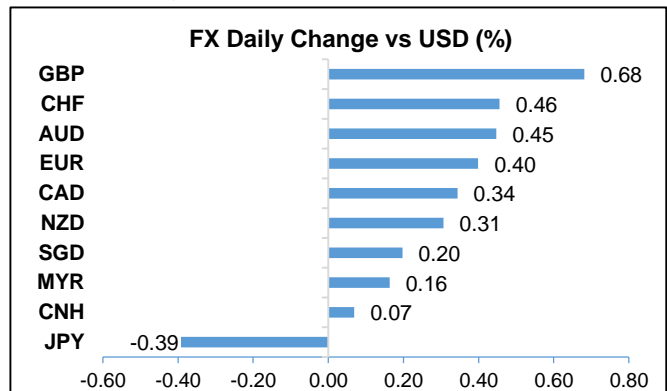
Key Takeaways

- US stocks generally rose overnight.** The S&P500 hit another fresh high (+0.4%) and NASDAQ was up by 0.8%. The Dow Jones however slipped by 0.21%. This was **driven by trade optimism** following a teleconference between US trade representative Robert Lighthizer, Secretary Mnuchin and China Vice Premier Liu He. **UST yields generally rose across the curve** save for the 2s; the benchmark 10Y UST yield rose 2.9bps to 0.683%; 2-year yield was little changed. The curve steepened amid better risk appetite; the Treasury department sold \$50b worth of 2-year floating rate note that drew solid demand.
- Gold futures fell for the second session** (-0.8%) to \$1911.8/oz, its lowest since late July as risk sentiment improved. **The greenback lost momentum;** the DXY was down by 0.3% to 93.02 after rising for two sessions. GBP was the top gainer; JPY weakened. **Crude oil prices rallied by 1.6-1.7% on large draw in API crude;** Brent settled at \$45.86/barrel and WTI at \$43.35/barrel.
- Tuesday data were all from the US - **the Conference Board Consumer Confidence Index fell for the second month; housing data remained robust. Data remain limited today with US durable goods orders taking center stage.** Markets continue to anticipate Fed Chair Jerome Powell's speech at the annual Jackson Hole Symposium on Thursday as well as the second estimate of US GDP growth.
- USD softened on Tuesday after an inconclusive Monday session. DXY was overall down 0.3%, as GBP led gains against the greenback. This brought DXY down to around 93 at close. This was partly due to better than expected manufacturing and housing data, alongside some progress in US-China trade deal. No change to our **neutral to bearish view on the USD.**
- USD/MYR fell 0.16% to 4.1685 on Tuesday. The pair may open lower today after a weaker dollar overnight. This will continue to put USD/MYR at the currently stretched oversold level. We remain biased towards **neutral to slight bearishness in the MYR,** expecting some consolidations and eyeing a range of 4.16-4.20 for USDMYR.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,248.44	-0.21	-1.02
S&P 500	3,443.62	0.36	6.59
FTSE 100	6,037.01	-1.11	-19.96
Hang Seng	25,486.22	-0.26	-9.59
KLCI	1,554.96	-0.87	-2.13
STI	2,559.03	0.80	-20.60
Dollar Index	93.02	-0.30	-3.50
WTI oil (\$/bbl)	43.35	1.71	-29.33
Brent oil (\$/bbl)	45.86	1.62	-30.52
Gold (\$/oz)	1,911.80	-0.82	25.52
CPO (RM/tonne)	2,778.00	-0.34	-8.18

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

 US ➔ New Zealand ⬆
Up Next

Date	Event	Prior
26/08	SG Industrial Production YoY (Jul)	-6.70%
	HK Exports YoY (Jul)	-1.30%
	US MBA Mortgage Applications (21/08)	--
	US Cap Goods Orders Nondef Ex Air (Jul)	3.40%
27/08	US Durable Goods Orders (Jul P)	7.60%
	CN Industrial Profits YoY (Jul)	11.50%
	JP All Industry Activity Index MoM (Jun)	-3.50%
	US Initial Jobless Claims (22/08)	--
	US GDP Annualized QoQ (2Q S)	-32.90%
	US Pending Home Sales MoM (Jul)	16.60%
	US Kansas City Fed Manf. Activity (Aug)	3

Source: Bloomberg

Macroeconomics

- **US consumer confidence fell for second month:** The Conference Board Consumer Confidence Index retreated to 84.8 in August, from 91.7 in July. This marks the headline index's second month of decline; the gauges for present situation and expectations both weakened, reflecting their concerns over short-term economic outlook and their financial prospects with the pandemic remaining out of control in the US. Lawmakers meanwhile are still at an impasse on extending stimulus aid relief. Less optimistic sentiment is expected to dampen spending in the coming months.
- **Housing remains a bright spot in the US thanks to low interest rates:**
 - New Home sales beat expectations with a 13.9% MOM gain in July to an annualized pace of 901k units, its highest level in almost 14 years. Analysts had been expecting a small 1.8% growth. June's MOM increase was also revised higher to 15.1%.
 - The FHFA House Price Index rebounded 0.9% MOM in June (May: -0.2%), its sharpest increase in nine months.
 - The S&P Core Logic Case Schiller National Home Price Index rose 0.2% MOM in June (May: +0.03%). This translated to a 4.3% YOY gain. The 20-city index was flat MOM.
- **Richmond Fed Manufacturing Index beat expectation:** Richmond Fed manufacturing Index unexpectedly edged up to 18 in August (Jul: 10). This was better than analysts' expectation of a flat reading, indicating increase in business activity in the mid-Atlantic region.
- **New Zealand posted smallest annual deficit in six years:** New Zealand annual trade deficit narrowed sharply to NZD115m in the 12 months to July (Jun: NZD1.1b), its smallest in six years. In July alone, exports was down by 3.4% MOM (Jun:-5.9%) while imports were flat (+0.4% vs +12.1%).

Forex

MYR (Neutral)

- USD/MYR fell 0.16% to 4.1685 on Tuesday. The pair may open lower today after a weaker dollar overnight. This will continue to put USD/MYR at the currently stretched oversold level.
- **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 softened on Tuesday after an inconclusive Monday session. DXY was overall down 0.3%, as GBP led gains against the greenback. This brought DXY down to around 93 at close. This was partly due to better than expected manufacturing and housing data, alongside some progress in US-China trade deal.
- **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 gradually recovered on Tuesday, matching Monday's high of around 1.184. Pair continues to trade in a bid on Wednesday open.
- **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 outperformed other G10 currencies and strengthened from just above 1.3050 to around 1.3150 at close. This was supported by vaccine hopes and improving market sentiments.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY traded on a bid tone as the JPY underperformed from improving risk sentiments. Pair moved above 106 big figure to close at around 106.4. Pair traded on a further upside bias on Wednesday open, above 105.5.
- **Factors supporting:** BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD climbed on Tuesday, surpassing levels seen on Monday. Pair is now above the 0.72 big figure and is biased on further upsides at the moment.
- **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 grinded downwards steadily on Tuesday. Pair moved below the 1.37 big figure and moved to around 1.360, matching lows seen on Monday.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

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