

## Global Markets Research

### Daily Market Highlights

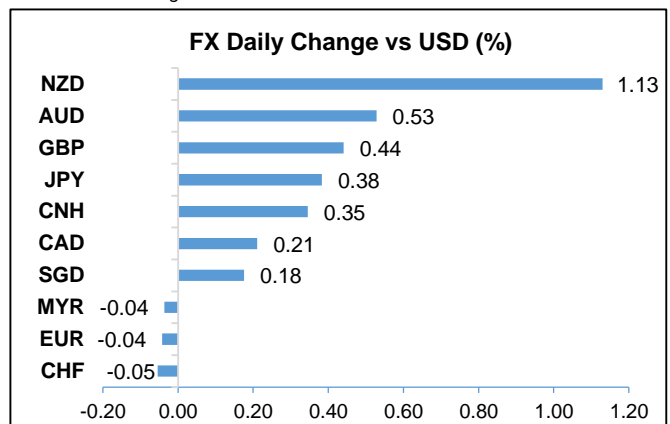
#### Key Takeaways

- **US stocks extended winning streak as risk-on sentiment powered the equity market.** The S&P500 rose another 1% to a fresh high, its fourth record close since last week, led by tech shares. NASDAQ also edged up by 1.7% to all-time-high. The Dow gained 0.3%. **UST yields closed little changed across the curve.** 10Y UST yield retreated from the intraday high of 0.72% to 0.688%. Gold futures staged a 1.5% comeback to \$1940/oz after two back-to-back losing sessions. This happened alongside a **weaker dollar** as markets await Fed Chair Jerome Powell's Jackson Hole Symposium speech today.
- **Crude oil futures saw mixed performances as US EIA reported larger-than-expected draw on crude stocks and hurricane Laura is expected disrupt production** at certain oil & gas companies near the Gulf of Mexico. Brent crude retreated by 0.5% to \$45.64/barrel after recent rally; WTI was flattish at \$43.39/barrel.
- On the data front, **US durable goods order beat expectations** and headline mortgage applications were weighed down by sharper fall in refinancing activity. **Hong Kong exports fell** for the 20<sup>th</sup> month and **Singapore industrial production declined** for the third month. **Focus turns to Powell's speech, the second estimate of US GDP growth as well as last week's initial jobless claims data.**
- The dollar weakened against most of the G10 currencies (NZD, AUD, GBP, JPY). CHF and EUR were flat. The Dollar index closed virtually unchanged at 93.01. A range of 92.575-93.473 is forming the past week. Pair could consolidate in this range near-term. Maintain our **neutral to bearish view on the USD.**
- USD/MYR closed little changed (+0.04%) at 4.1702 on Wednesday ahead of key event. We remain biased towards **neutral to slight bearishness in the MYR**, expecting some consolidations. We are still eyeing a range of 4.16-4.20 for USDMYR. All eyes are on Powell's speech tonight.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,331.92	0.30	-0.72
S&P 500	3,478.73	1.02	7.67
FTSE 100	6,045.60	0.14	-19.85
Hang Seng	25,491.79	0.02	-9.57
KLCI	1,549.58	-0.35	-2.47
STI	2,542.08	-0.66	-21.12
Dollar Index	93.01	-0.01	-3.51
WTI oil (\$/bbl)	43.39	0.09	-28.94
Brent oil (\$/bbl)	45.64	-0.48	-30.85
Gold (\$/oz)	1,940.70	1.51	27.42
CPO (RM/tonne)	2,757.50	-0.74	-8.86

Source: Bloomberg



Source: Bloomberg

#### Overnight Economic Data

US	→	Hong Kong	↓
Singapore	↓		

#### Up Next

Date	Event	Prior
27/08	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
28/08	NZ ANZ Consumer Confidence Index	104.3
	MA Exports YoY (Jul)	8.80%
	EU Economic Confidence (Aug)	82.3
	US PCE Core Deflator YoY (Jul)	0.90%
	US Personal Income (Jul)	-1.10%
	US Advance Goods Trade Balance (Jul)	-\$70.6b
	US Personal Spending (Jul)	5.60%
	US MNI Chicago PMI (Aug)	51.9
	US U. of Mich. Sentiment (Aug F)	--

Source: Bloomberg

## Macroeconomics

- **US durable goods order surprised with double digit jump; mortgage applications slipped on easing refinancing activity:**
  - Durable goods orders beat expectation with an 11.2% MOM gain in July (Jun: +7.7%) according to preliminary report, driven continuously by the gain in orders of transportations (+35.6%). Vehicles and parts orders rose nearly 22%. This marks durable goods orders' third consecutive month of growth since May after the economy reopened. Core capital goods, a gauge of business capex also picked up for the third month by 1.9% MOM (Jun: +4.3%).
  - MBA mortgage applications fell 6.5% for the week ended 21 Aug (previous: -3.3%) mainly because of the sharper fall in refinancing applications (-10.2%). Applications to purchase a home rose for the third week by 0.4%. The 30-year mortgage rate was at 3.11% last week, still historically low level.
- **Hong Kong exports fell in July; shipments to China rose:** Hong Kong exports fell 3% YOY in July (Jun: -1.3% YOY), marking its fifth consecutive month of decline after a brief February growth. This reflects mainly the ongoing weakness in global demand except from its largest trading partner, mainland China. Shipments to China gained for the sixth consecutive month by 5.2% YOY (Jun: +8.8%) while shipments to the US, Japan, Germany, Singapore and India declined, painting a divergent picture of growth. Imports meanwhile continued to fall 3.4% YOY (Jun: -7.1%), its 20<sup>th</sup> back-to-back contraction since late 2018, as domestic demand remained poor.
- **Singapore industrial production contracted a third consecutive month in July:** Industrial production fell by 8.4% YOY from -6.5% a month ago. Growth was supported by precision engineering; a rare bright spot. Biomedical was a large drag for the second consecutive month. Electronics growth faded in July. The result highlights continued challenges ahead. Upsides to manufacturing sector capped by limited global economy. We see modest and gradual improvements for the coming months. We had previously downgraded GDP growth forecast for 2020 (-5.9% from -4.8%) on this weaker momentum

## Forex

### MYR (Neutral)

- USD/MYR closed little changed (+0.04%) at 4.1702 on Wednesday ahead of key event.
- **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 slightly dipped on Wednesday, with the dollar index down to 92.82 from 93 a day earlier. A range of 92.575-93.473 is forming the past week. Pair could consolidate in this range near-term.
- **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 slightly crawled up after a dip on Wednesday, although 5pips down overall. This came after a low of 1.1772 before rebounding above to around 1.184.
- **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 was in a bid tone on Wednesday, one of the outperformers in G10 FX. This brought pair to a high of 1.3223 on Thursday open.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

### JPY (Neutral-to-Bullish)

- USD/JPY dipped lower on Wednesday, bringing pair to a low of 105.81 on Thursday open. The move on Wednesday erased the move higher on Tuesday. Pair still looks staying within a range of 105.44-106.58 (1 week range) for now.
- **Factors supporting:** BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

### AUD (Neutral-to-Bullish)

- AUD/USD outperformed other G10 pairs on Wednesday and headed up to a high of 0.7250 on Thursday open. Pair is now looking to surpass the 19 August high of 0.7276.
- **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 headed off on Wednesday, hitting a low of 1.3650 on Thursday open. We still see some scope for SGD gains given previous momentum, but 1.36 should be an important psychological hurdle to clear.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

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