

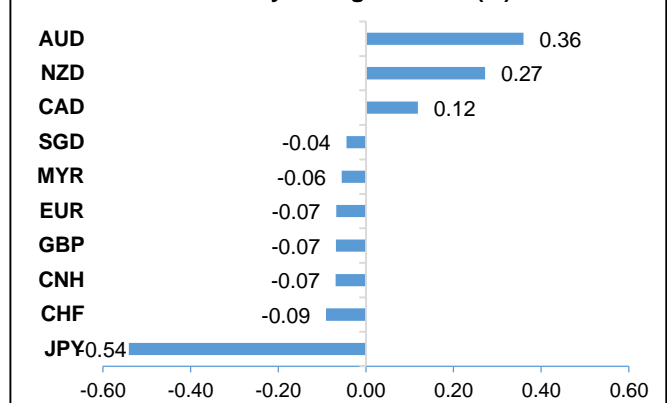
Key Takeaways

- US stocks finished on a mixed note after the Federal Reserve Chair Jerome Powell's speech at the Jackson Hole Symposium announced a shift in its monetary policy to allow a period of higher inflation before raising interest rates.** This would drop its current and long-standing practice of pre-emptively increasing rates to counter inflation, **signaling a longer period of low interest rates in the US.** The S&P500 rose slightly higher by 0.2% to a new record high, led by the rally in financial sector shares led the gains; the Dow Jones added 0.6% while the NASDAQ fell 0.3%.
- Treasury yields at the longer end rose sharply in response to Powell's announcement.** Investors reckoned that a longer period of higher inflation would weigh on longer dated treasuries. 10Y benchmark UST yield picked up 6.4bps to 0.752%. The 30-year yield jumped nearly 10bps. The yield curve steepened. **Gold futures tanked** by nearly 1% to \$1927.6/oz. **Crude oil prices dropped as Hurricane Laura largely spared the Texas Gulf Coast from disruption to oil and gasoline refineries.** Brent lost 1.2% to \$45.09/barrel. WTI was down by 0.8% at \$43.04/barrel.
- US data were mixed** as initial jobless claims stayed above 1mil but other data such as pending home sales and Kansas City Fed Index registering positive readings. 2Q GDP contracted less than initially estimated as well. Elsewhere, **China industrial profit soared; Japan machine tools orders and All-Activity Index showed encouraging improvements. New Zealand consumer sentiment retreated.**
- USD endured a volatile day on Thursday from Powell's speech. DXY dipped to a low of 92.417 but swiftly recovered to a bid for the day. In the process, DXY returned to around 93 levels, after a high of 93.32 to end the day virtually flat. We look for more **dollar weaknesses in the week ahead**, against most other currency pairs.
- USD/MYR closed little changed (+0.06%) at 4.1725 on Thursday ahead of Powell's speech. The dollar has only risen slightly overnight as markets assessed the long term impact of Fed's policy shift. We remain biased towards **neutral to slight bearishness in the MYR**, expecting some consolidations, eyeing a range of 4.16-4.20.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,492.27	0.57	-0.16
S&P 500	3,484.55	0.17	7.85
FTSE 100	5,999.99	-0.75	-20.45
Hang Seng	25,281.15	-0.83	-10.32
KLCI	1,554.78	0.34	-2.14
STI	2,519.81	-0.88	-21.81
Dollar Index	93.00	-0.01	-3.51
WTI oil (\$/bbl)	43.04	-0.81	-29.51
Brent oil (\$/bbl)	45.09	-1.21	-31.68
Gold (\$/oz)	1,921.60	-0.98	26.62
CPO (RM/tonne)	2,730.00	-1.00	-9.77

Source: Bloomberg

FX Daily Change vs USD (%)


Source: Bloomberg

Overnight Economic Data

US	→	China	↑
Japan	↑	New Zealand	↓

Up Next

Date	Event	Prior
28/08	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
29/08	US U. of Mich. Sentiment (Aug F)	--
	JP Retail Sales YoY (Jul)	-1.20%
	JP Industrial Production YoY (Jul P)	--
	CN Manufacturing PMI (Aug)	51.1
	CN Non-manufacturing PMI (Aug)	54.2
	NZ ANZ Business Confidence (Aug F)	-42.4
	US Dallas Fed Manf. Activity (Aug)	-3

Source: Bloomberg

Macroeconomics

- **US GDP contracted less than estimated; initial jobless claims still above 1mil:**
 - The US economy contracted less than initially estimated according to the second GDP report. The annualized rate of second quarter GDP growth was revised higher to -31.7% QOQ (from -32.9% QOQ). The reading also beat analysts' expectation of -32.5%.
 - Initial jobless claims came in at 1.006mil last week (prior: 1.104mil), extending its above 1 mil reading, confirming the fragility of the labour market. First-time claims had briefly fallen below the 1mil mark in the first week of August. Continuous claims (data lagged by one week) fell to 14.54mil (prior: 14.76mil).
 - Pending home sales rose for the third consecutive month by 5.9% MOM in July (Jun: +15.8%); Sales were 15.4% higher compared to the same month last year. This offers signs of upbeat existing home sales performance in the coming month.
 - The Kansas City Fed Manufacturing Index beat expectation at 14 in August (Jul: 3), indicating faster expansion of factory activity.
- **China industrial profits jumped nearly 20%:** China industrial profits soared by a whopping 19.6% YOY in July (Jun: +11.5%), marking its third consecutive month of growth after the economy reopened. This is in line in the recent easing in deflationary pressure at Chinese factories. However YTD, industrial profits were still 8.1% lower compared to the same period (Jan-Jul) last year.
- **More encouraging Japan's data:**
 - Japan All Industry Activity Index rose 6.1% MOM in June (May: -4.1%), marking a growth in economic activity for the first time in five months since the outbreak of the Covid-19 pandemic.
 - Machine tools orders rose 3.9% MOM in July, extending from the 31.1% MOM gain in June, as domestic and foreign demand continued to pick up. YOY, orders were still 31.1% lower (Jun: -32.1%).
- **New Zealand consumer confidence retreated:** The ANZ Consumer Confidence fell 3.9% MOM to 100.2 in August (Jul: 104.3) as the recent community outbreak of Covid-19 sent consumer sentiment lower over fear of a virus resurgence. Consumers were particularly downbeat with the state of economy in the one year ahead. Net 3% of households thought it's a bad time to purchase major household items, pointing to potentially subdued spending ahead.

Forex

MYR (Neutral)

- USD/MYR closed little changed (+0.06%) at 4.1725 on Thursday ahead of Powell's speech.
- **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 endured a volatile day on Thursday from Powell's speech. DXY dipped to a low of 92.417 but swiftly recovered to a bid for the day. In the process, DXY returned to around 93 levels, after a high of 93.32. We look for more dollar weaknesses in the week ahead, against most other currency pairs.
- **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 touched a high of 1.1901 on Powell's speech before dipping to around 1.181 at close. Overall pair was relatively range bound on Thursday.
- **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 had mostly consolidated on Thursday, around the 1.32 big figure. Pair was last trading offered on Friday, dipping below at open.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY surged on Thursday, after a low of 105.61 post-Powell. This brought pair to around 106.6 levels at close. Pair trading on a bid tone on Friday open. JPY may underperform on positive sentiments fuelled by positive official support globally.
- **Factors supporting:** BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD reached a high of 0.7290 from Powell but failed to hold on to that level on Thursday. Pair is now consolidating around the 0.726 mark.
- **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 fell to a low of 1.3625 from Powell but thereafter consolidated around the 1.366 mark. Pair is seeing a slight uptick on Friday open.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

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