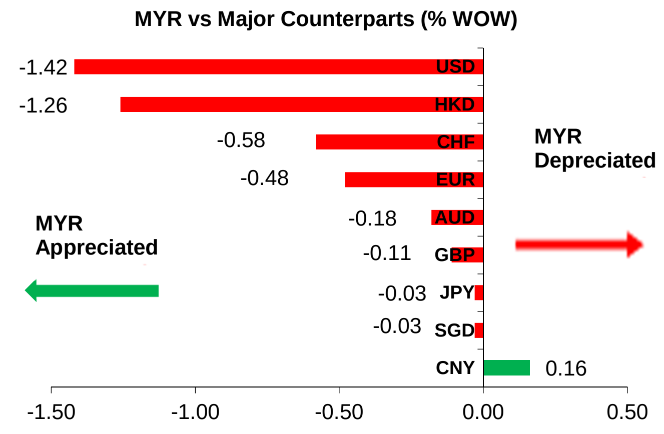
Global Markets Research
Weekly Market Highlights

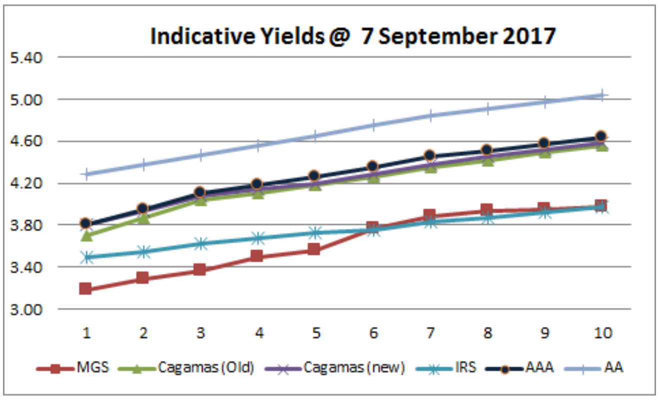
Weekly Performance

	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↓	↓	↓
EU	↔	↑	↑	↓
UK	↔	↑	↓	↓
Japan	↓	↑	↓	↓
Malaysia	↑	↑	↑	↓
China	↑	↑	↑	↓
Hong Kong	↓	↑	↓	↓
Singapore	↑	↑	↓	↓

Weekly MYR Performance



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- Newsflows out of the US took center stage this week, somewhat sidelining geopolitical noises surrounding North Korea. The Trump administration approved an extension in the US debt ceiling deadline for another three months to December and even touted the idea of removing the ceiling altogether. The resignation of Fed Vice Chair Stanley Fischer, a hawk, months before his term expires in June next year also made headlines, somewhat clouding prospects of policy continuity of the FOMC.
- On the monetary policy front, only BOC surprised with a 25bps hike, and left the door open for more hikes. Meanwhile, ECB and BNM stood pat as expected. ECB hinted that the bulk of the decisions surrounding QE will be in October while BNM continued to strike a neutral tone despite the more upbeat growth asessemnt, implying a steady OPR this year.
- Next week calendar is lighter with no major monetary policy meetings scheduled. Key US data on the deck are CPI, retail sales, industrial production, University Michigan consumer sentiments, Empire manufacturing and the usual weekly jobless claims and MBA mortgage applications. Besides the US, Eurozone, Japan, China, and Malaysia will also see the release of industrial production numbers. We shall see if manufacturing production are improving as suggested by the upticks seen in PMI by Markit and other surveys. We expect Malaysia IPI to pick up to increase 7.4% in July, spurred by a lower base effect in the last corresponding month, similar to the case of exports. In the Asia space, the usual China data dump (retail sales, industrial production, fixed asset investment) are on the cards. We expect a set of softer but decent numbers that will reinforce our view for moderately slower growth in the Chinese economy in the second half of the year.

Forex

- MYR surged 1.42% WOW to 4.2105 against a weak USD and beat 8 G10s, supported by a more upbeat tone on growth by BNM. We reckon that firm sentiment on MYR is likely to still linger next week, while sell-off in USD could persist. Further upsides in MYR may occur if Malaysia's industrial production data outperforms. Technical perspective suggests that strong bearish bias is likely to prevail over next week, but caution on potential for a modest rebound to circa 4.2100 as a retracement of recent sharp downside move in USDMYR. Sustaining current downside strength may see USDMYR testing 4.1600 in the next leg lower.
- USD tumbled against all G10s while the Dollar Index plunged 1.09% WOW to 91.66, attributable to concerns over potential impact of Hurricane Irma on the US economy and renewed geopolitical tensions between the US and North Korea. These factors could still dominate the FX space, putting the lid on any recovery in USD, more so, given the absence of strong macro catalysts from the US. USD recovery will be externally driven, by sell-off in EUR and JPY, amongst others. The Dollar Index is technically bearish and is now a threat to 90, a strong support that if broken will trigger further losses to circa 87.90 in the weeks to come. Losses are likely next week, with scope to break 90.50.

Fixed Income

- UST yields continue to ease lower this week as investors sought flight to safety amid lingering concerns over geopolitical tensions from North Korea as well as Hurricane Irma which may delay scope for Fed rate hiking plans. 10-year yields saw yields shaved lower to close at 2.04% as per Thursday's level. However, we opine the pace of Fed tapering remains on the cards, with September FOMC potentially emerging as a window for the announcement of actual timeline by US policymakers.
- Local govvies meanwhile traded tighter this week, tracking the positive vibes from rebound from the local currency performance. Trading volume for MYR govvies were also boosted higher tracking the rally in UST as well as renewed bargain hunting interest. As widely expected, the OPR was held unchanged at 3.00%, with the rhetoric of the policy statement maintaining a neutral stance. We expect trading momentum to improve going into next week.

Contents

Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Interest Rate	Currency
US	↔	↔	↔	↔
EU	↑	↔	↔	↔
UK	↓	↔	↔	↓
Japan	↔	↔	↔	↓
Australia	↔	↔	↔	↔
China	↓	↔	↔	↓
Malaysia	↓	↓	↔	↑
Thailand	↔	↔	↔	↑
Indonesia	↔	↔	↔	↑
Singapore	↔	↔	↔	↑

Review

- Newsflows out of the US took center stage this week, somewhat sidelining geopolitical noises surrounding North Korea. The Trump administration approved an extension in the US debt ceiling deadline for another three months to December and even touted the idea of removing the ceiling altogether. The resignation of Fed Vice Chair Stanley Fischer, a hawk, months before his term expires in June next year also made headlines, somewhat clouding prospects of policy continuity of the FOMC after his departure. Meanwhile, Fed Mester remains hawkish and continued to call for gradual increase in interest rates.

- To flash back on the three monetary policy meetings this week, only BOC surprised by delivering a 25bps rate hike to 1.00%, its second this year, and left the door open for more hikes. ECB kept all its benchmark interest rates and asset purchase target unchanged as expected but revealed that it has begun formal talks on its plan for asset purchases and hinted that the bulk of the decisions will be in October, very much in line with earlier cues of a autumn timeline. Eurozone data mainly 2Q GDP and PMI manufacturing has remained largely positive recently, prompted the ECB to upgrade this year's growth forecast to 2.2% (previous 1.9%) but growth forecasts are maintained at 1.8% and 1.7% for 2018 and 2019. However, inflation remains a key policy concern and projections for the next two years have been adjusted marginally lower by 0.1ppt to 1.2% and 1.5% (2017: 1.5%).

- On the local front, BNM kept OPR unchanged at 3.00% and policy tone remained neutral as expected. Assessment on the global economy continues to turn a tad more upbeat with more entrenched and synchronized growth across countries. The domestic economy is also expected to turn in stronger th. an earlier expected, benefiting from the stronger spillovers from the external sector. The Malaysian economy expanded by 5.7% YOY in 1H17, way above the official forecast of 4.3-4.8% for the full year. We expect this to be revised upwards to 5.0-5.5% (ours 5.4%) when MOF tables 2018 Budget on 27-October. Resilient growth, contained inflationary pressure coupled with a sound and steady financial markets, are expected to reinforce the case for BNM to keep OPR unchanged at 3.00% through 2017.

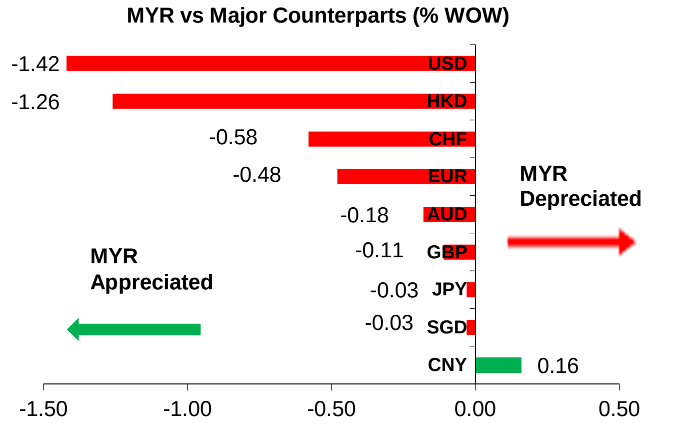
- Moving on to economic releases, GDP readings out of the Eurozone, Japan and Australia all showed better growth momentum in 2Q, reaffirming continuous improvement in the global economy. Gorwth quickened to 0.6% QOQ in the Eurozone, driven by robust domestic demand while growth in the Australian economy picked up to 0.8% QOQ, thanks to quicker growth in consumption and exports. Real GDP growth of Japan also doubled from 1Q's 0.3% to 0.6% QOQ, marking its best growth pace since 1Q15, although this final print was a tad softer than the initial estimate due to downward revision to private consumption and business spending.

The Week Ahead…

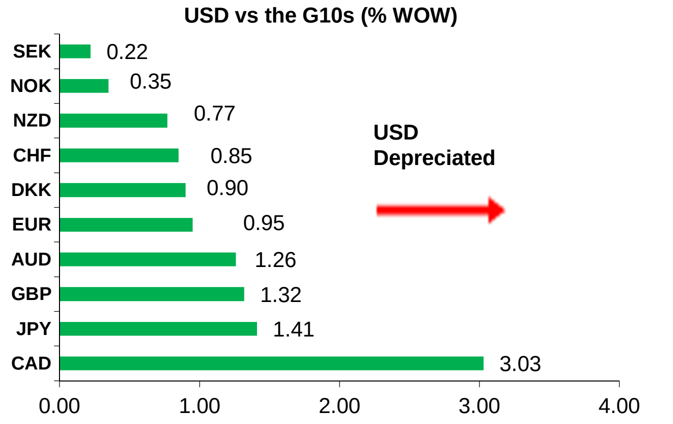
- Next week calendar is lighter with no major monetary policy meetings scheduled. Key US data on the deck are CPI, retail sales, industrial production, University Michigan consumer sentiments, Empire manufacturing and the usual weekly jobless claims and MBA mortgage applications. Besides the US, Eurozone, Japan, China, and Malayisa will also see the release of industrial production numbers. We shall see if manufacturing production are improving as suggested by the upticks seen in PMI by Markit and other surveys. We expect Malaysia IPI to pick up to increase 7.4% in July, spurred by a lower base effect in the last corresponding month, similar to the case of exports.

- In the Asia space, the usual China data dump (retail sales, industrial production, fixed asset investment) are on the cards, after today's exports. We expect a set of decent numbers that will reinforce our view for moderately slower growth in the Chinese economy in the second half of the year. In Japan, a number of first tier data are due – machine orders, tertiary industry index, machine tool orders, PPI, and the quarterly BSI ourlook. Other economic releases on the deck are Singapore retail sales, Austalia business and consumer confidence, job reports, and New Zealand PMI manufacturing, services index, and Wespac consumer confidence.

Forex



Source: Bloomberg



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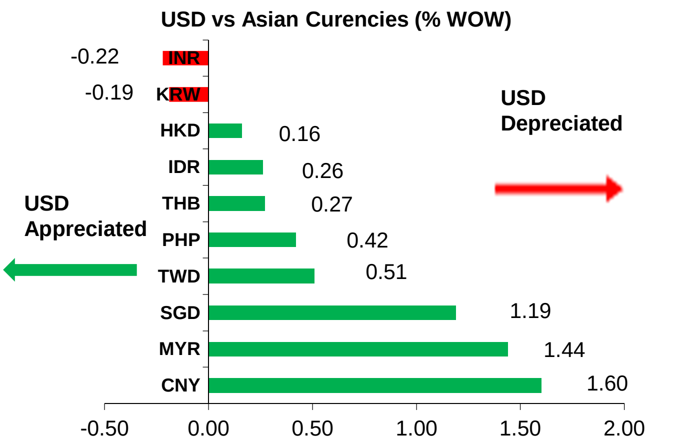


Source: Bloomberg

Review & Outlook

- **MYR**: MYR surged 1.42% WOW to 4.2105 against a weak USD and beat 8 G10s, supported by a more upbeat tone on growth by BNM. We reckon that firm sentiment on MYR is likely to still linger next week, while sell-off in USD could persist. Further upsides in MYR may occur if Malaysia's industrial production data outperforms. Technical perspective suggests that strong bearish bias is likely to prevail over next week, but caution on potential for a modest rebound to circa 4.2100 as a retracement of recent sharp downside move in USDMYR. Sustaining current downside strength may see USDMYR testing 4.1600 in the next leg lower.

- **USD**: USD tumbled against all G10s while the Dollar Index plunged 1.09% WOW to 91.66, attributable to dovish Fed speak, concerns over potential impact of Hurricane Irma on the US economy and renewed geopolitical tensions between the US and North Korea. These factors could still dominate the FX space, putting the lid on any recovery in USD, more so, given the absence of strong macro catalysts from the US. USD recovery will be externally driven, by sell-off in EUR and JPY, amongst others. The Dollar Index is technically bearish and is now a threat to 90, a strong support that if broken will trigger further losses to circa 87.90 in the weeks to come. Losses are likely next week, with scope to break 90.50.

- **EUR**: EUR jumped 0.95% WOW to 1.2023 against a weak USD and advanced against 5 G10s, supported by firmer market expectations that ECB is prepared for QE tapering in Oct. Despite reiterations that inflation continues to undershoot ECB's target and that accommodative policy is still needed, EUR gains. We concede that market expectations are likely still in effect next week, supporting a firmer EUR against USD. Technically, EURUSD may stay elevated circa 1.2000 – 1.2180 range in the coming week. Thereafter, we are eyeing a potential reversal from likelihood of a rejection by 1.2200, and also on emerging signs of reversal. This reversal, if happens, could target 1.1730.

- **GBP**: GBP surged 1.32% WOW to 1.3101 against a weak USD and climbed against 7 G10s, supported by risk aversion in the markets. We are slightly bullish on GBP in anticipation of USD remaining soft week. Nonetheless, Brexit worries and a slowing UK economy remains pertinent in determining GBP, thus we caution that softer UK data next week could potentially push it into losses against USD. GBPUSD retains a bullish tone while above 1.3079, and has scope to climb higher, potentially testing 1.3200. Even so, we caution that protracted closing above reversion level at 1.3164 will likely culminate into a decline below it.

- **JPY**: JPY soared 1.41% WOW to 108.45 against a weak USD and strengthened against 8 G10s on the back of heightened risk aversion. Expect JPY to hold firm against USD next week, still supported by lingering risk-off in the markets as demand for the greenback remains soft. Bearish bias still prevails in USDJPY, and there is scope for further losses in the coming week. Caution that losing 108 will increase the chances of an extended decline towards 106.64.

- **AUD**: AUD strengthened 1.26% WOW to 0.8047 against a weak USD despite risk-off sentiment in the markets and rose against 6 G10s. AUD is slightly bullish in our view against USD, but extend of gains will be determined by performance of the greenback. We expect gains to be kept modest by lingering risk-off in the markets. Expect AUDUSD to at least stay elevated circa 0.8000 – 0.8150 next week. However, caution that reversal signs are emerging, and a decline to back below 0.7980 may be in the works.

- **SGD**: SGD jumped 1.19% WOW to 1.3399 against a weak USD and advanced against 6 G10s even as market risk-off persisted. SGD is likely to hold a slight bullish tone on the back of a soft USD next week, but overall gains are expected to be modest given lingering risk-off in the markets. Losing 1.3400 has tilted USDSGD to the downsides; there is now scope for a decline to 1.3320. The 1.3300 level is a firm support that could provide a moderate bounce higher, but USDSGD must beat 1.3400 to stand a chance of sustained recovery.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.2078	69.4470	1.1669	1.2061	1.1845	1.1417	1.1023	Positive
GBPUSD	1.3139	66.7640	1.2750	1.3107	1.2980	1.2926	1.2679	Positive
USDJPY	107.7100	34.3470	108.1300	110.7800	109.6900	111.1800	112.3800	Negative
USDCNY	6.4474	10.6250	6.4671	6.7501	6.6399	6.7734	6.8357	Negative
USDSGD	1.3357	23.0550	1.3414	1.3725	1.3582	1.3768	1.3973	Negative
AUDUSD	0.8122	70.7910	0.7814	0.8072	0.7938	0.7689	0.7607	Positive
NZDUSD	0.7334	57.0410	0.7144	0.7349	0.7293	0.7194	0.7135	Positive
USDMYR	4.1850	11.5830	4.2143	4.3304	4.2757	4.3018	4.3733	Negative
EURMYR	5.0548	53.2760	4.9990	5.1090	5.0507	4.8793	4.8024	Positive
GBPMYR	5.4987	41.3980	5.4644	5.5852	5.5573	5.5493	5.5333	Positive
JPYMYR	3.8842	48.7760	3.8678	3.9436	3.8919	3.8754	3.8940	Positive
CHFMYR	4.4306	47.3980	4.3976	4.4912	4.4389	4.4216	4.4164	Positive
SGDMYR	3.1330	43.1030	3.1321	3.1562	3.1462	3.1203	3.1257	Positive
AUDMYR	3.3993	56.3120	3.3657	3.4065	3.3928	3.3007	3.3209	Positive
NZDMYR	3.0693	40.3950	3.0424	3.1648	3.1309	3.0877	3.1178	Positive

➢ Trader's Comment:

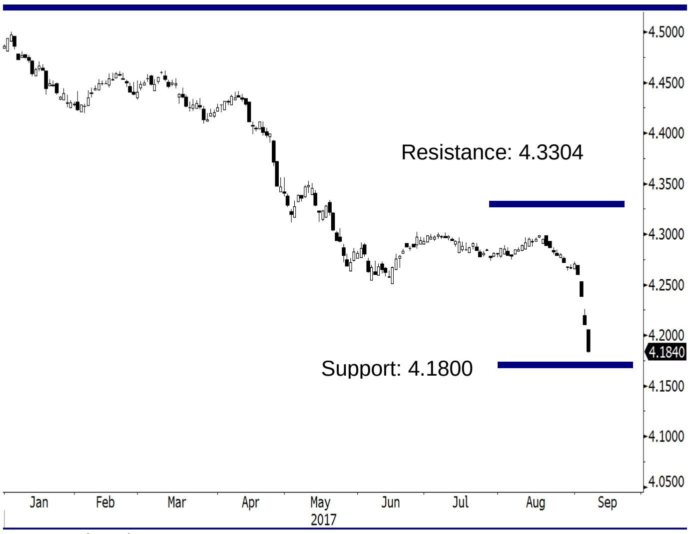
After the disappointing unemployment data out of the US last Friday night, coupled with hurricane Harvey and hurricane Irma having a greater impact on US than initially expected, theme of the week was simply to sell USD. It has been an eventful week with RBA, RBC, our MPC, ECB and a few other Tier 1 data. Of interest to note is RBC making a surprise 25bps hike, which led USDCAD about 2% lower from 1.2415 to 1.2150 within minutes, crossing its 200-week moving average. ECB maintained rates but indicated that tapering plans are taking shape and should begin in October. EURUSD eventually traded past its previous recent high of 1.2070 and made a new high of 1.2092, a level last seen in January 2015.

The move in USDCAD and EURUSD exacerbated USD weakness globally and we have subsequently seen other pairs overshooting their 200-week moving averages and making new multiyear highs/lows against the USD, especially in USD/Asia. Particularly interesting would be onshore USDCNY as well as USDCNH which have both reversed more than 50% of its gains since early 2014 within a mere 2-3 months. DXY too convincingly pierced through its 200-week MA and made new low of 91.08, a level last seen in January 2015. Gold and oil also did very well mainly due to the shortage of supply caused by the hurricane. After such a big move, one would think a reversal is due soon, however the USD selling momentum still feels strong and trader would not want to be standing in front of the steam train yet at this point.

Locally, the MPC kept OPR unchanged. Nevertheless, USDMYR was still one of the best performers in Asia, finally breaking below its 4.2500-4.3000 range, touching a low of 4.1820 today. Foreign interest seems to have returned with bonds getting bidded up as well. Expect the selling momentum to slowdown but global USD weakness should still continue to drive in foreign investors. Will go with a range of 4.1500-4.2000 in the coming week.

Technical Charts

USDMYR

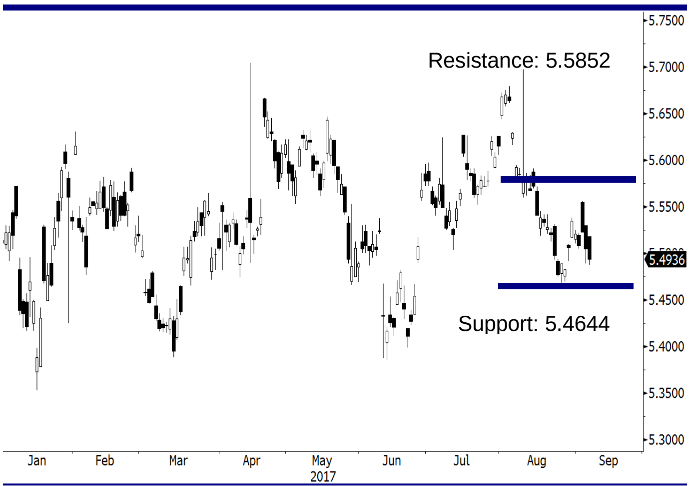


Source: Bloomberg

EURMYR

Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR

Source: Bloomberg

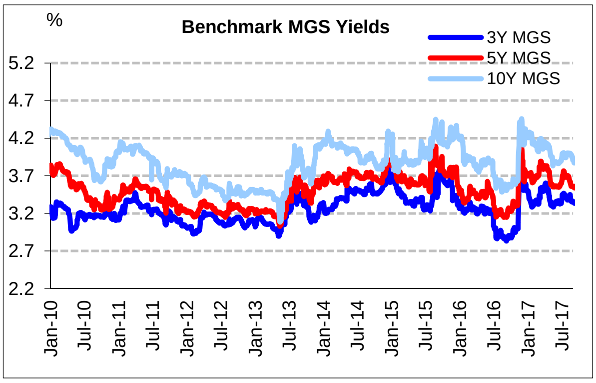
AUDMYR

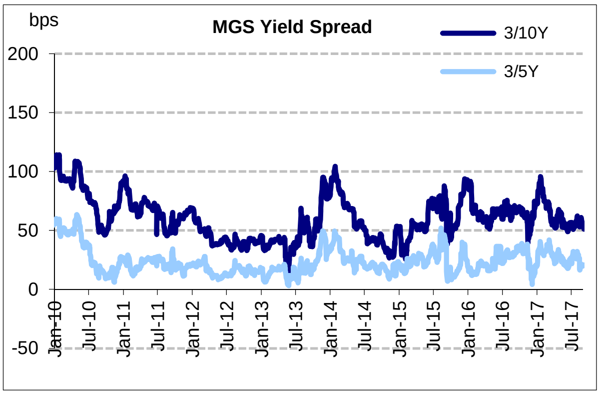
Source: Bloomberg

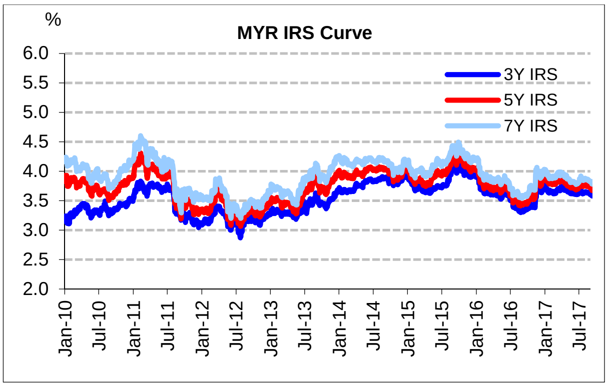
SGDMYR

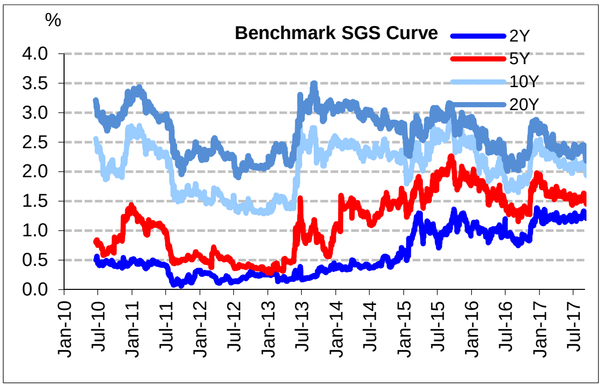
Source: Bloomberg

Fixed Income









Review & Outlook

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- Local govvies meanwhile traded tighter this week, tracking the positive vibes from rebound from the local currency performance. Trading volume for MYR govvies were also boosted higher tracking the rally in UST as well as renewed bargain hunting interest. As widely expected, the OPR was held unchanged at 3.00%, with the rhetoric of the policy statement maintaining a neutral stance.

- Trading for corporate bonds/sukuk meanwhile seen improving towards mid week, with transacted volumes generally higher. As of Thursday's close we saw SEB '22 and '31 crossed at 4.32% and 4.98% level respectively. TNB '8/37 meanwhile saw levels changing hands at 5.07% level. With the pickup in MGS/GII traded volume, we expect positive vibes to potentially flow into the credit trading space.

- In the SGS space, tracking the lower bond yields in UST, SGS bond yields saw a similar momentum. 10-year SGS ended at 1.93%, circa 13-14 bps lower versus last week's session. On the data front, PMI reading improved with levels at 51.8 versus a prior level of 51.0. Focus on upcoming retail sales next week.

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Axis REIT Sukuk Berhad	RM110.0 million of Class A, Class B, Class C and Class D sukuk (collectively, the First Sukuk)	AAA / Stable AA1 / Stable AA2 / Stable AA3 / Stable	Affirmed
Bahrain Mumtalakat Holding Company BSC	RM3 billion Sukuk Murabahah Programme (2012/2032)	A3 / Stable	Downgraded from A1

Source: RAM, MARC

Economic Calendar Release Date

Date	Country	Event	Reporting Period	Survey	Prior	Revised
9/11	**Malaysia**	**Industrial production**	**Jul**	**--**	**4.0%**	**--**
9/20		CPI YOY	Aug	--	3.2%	--
9/22		Foreign reserves	Sept 15	--	$100.5b	--
9/12	**US**	**NFIB small biz optimism**	**Aug**	**--**	**105.2**	**--**
9/13		**MBA mortgage applications**	**Sept 8**	**--**	**3.3%**	**--**
		PPI final demand MOM	**Aug**	**0.3%**	**-0.1%**	**--**
9/14		**Initial jobless claims**	**Sept 9**	**--**	**298k**	**--**
		CPI YOY	**Aug**	**1.8%**	**1.7%**	**--**
9/15		**Empire manufacturing**	**Sept**	**18.0**	**25.2**	**--**
		Retail sales MOM	**Aug**	**0.2%**	**0.6%**	**--**
		Industrial production MOM	**Aug**	**0.1%**	**0.2%**	**--**
		Uni Michigan consumer sentiments	**Sept P**	**95.0**	**96.8**	**--**
9/18		NAHB housing market index	Sept	67	68	--
9/19		Housing starts MOM	Aug	-0.7%	-4.8%	--
		Building permits MOM	Aug	-2.0%	-4.1%	-3.5%
9/20		MBA mortgage applications	Sept 15	--	--	--
		Existing home sales MOM	Aug	0.8%	-1.3%	--
9/21		FOMC rate decision	Sept 20	1.00-1.25%	1.00-1.25%	--
		Initial jobless claims	Sept 16	--	--	--
		Leading index	Aug	0.1%	0.3%	--
9/22		Markit PMI manufacturing	Sept P	--	52.8	--
		Markit PMI services	Sept P	--	56.0	--
9/13	**EU**	**Industiral production MOM**	**JUl**	**0.2%**	**-0.6%**	**--**
9/15		**Trade balance SA**	**Jul**	**--**	**€22.3b**	**--**
9/18		CPI YOY	Aug F	--	1.3%	1.3%
9/19		ECB current account	Jul	--	21.2b	--
		ZEW expectations	Sept	--	29.3	--
9/21		ECB economic bulletin				
		Consumer confidence	Sept A	--	-1.5	--
9/22		Markit PMI manufacturing	Sept P	--	57.4	--
		Markit PMI services	Sept P	--	54.7	--
9/12	**UK**	**CPI YOY**	**Aug**	**2.7%**	**2.6%**	**--**
		RPI YOY	**Aug**	**--**	**3.6%**	**--**
		PPI Output YOY	**Aug**	**--**	**3.2%**	**--**
9/13		**Jobless claims change**	**Aug**	**--**	**-4.2k**	**--**
		ILO unemployment rate	**Jul**	**--**	**4.4%**	**--**
		Employment change	**Jul**	**--**	**125k**	**--**
9/14		**RICS house price balance**	**Aug**	**--**	**1%**	**--**
		BOE bank rate	**Sept 14**	**0.25%**	**0.25%**	**--**
		BOE asset purchase target	**Sept 14**	**£435b**	**£435b**	**--**
9/18		Rightmove house prices YOY	Sept	--	3.1%	--
9/20		Retial sales incl auto fuel MOM	Aug	--	0.3%	--
9/21		PSNCR	Aug	--	-3.9b	--
9/11	**Japan**	**Machine orders MOM**	**Jul**	**5.0%**	**-1.9%**	**--**
		Tertiary industry index MOM	**Jul**	**0.1%**	**0.0%**	**--**
		Machine tool orders YOY	**Aug P**	**--**	**28.0%**	**--**
9/13		**BSI large all industry QOQ**	**3Q**	**--**	**-2.0**	**--**
		BSI large manufacturing QOQ	**3Q**	**--**	**-2.9**	**--**
		PPI YOY	**Aug**	**3.0%**	**2.6%**	**--**
9/14		**Industrial production MOM**	**Jul F**	**--**	**-0.8%**	**--**
9/15-20		**Nationwide dept store sales YOY**	**Aug**	**--**	**-1.4%**	**--**
9/20		Trade balance	Aug	--	¥418.8b	¥421.7b

9/21		All industry activity indexc MOM	Jul	--	0.4%	--
		Supermarket sales YOY	Aug	--	0.0%	--
		BOJ policy balance	Sept 21	--	-0.10%	--
9/14	**China**	**Retail sales YOY**	**Aug**	**10.5%**	**10.4%**	--
		Fixed asset investment YTD YOY	**Aug**	**8.2%**	**8.3%**	--
		Industrial production YOY	**Aug**	**6.6%**	**6.4%**	--
9/18	Hong Kong	Unemployment rate	Aug	--	3.1%	--
9/21		CPI YOY	Aug	--	2.0%	--
9/12	**Singapore**	**Retail sales**	**Jul**	**--**	**1.9%**	--
9/18		NODX YOY	Aug	--	8.5%	--
9/12	**Australia**	**NAB business conditions**	**Aug**	**--**	**15**	--
		NAB business confidence	**Aug**	**--**	**12**	--
9/13		**Westpac consumer confidence**	**Sept**	**--**	**95.5**	--
9/14		**Employment change**	**Aug**	**20.0k**	**27.9k**	--
		Unemployment rate	**Aug**	**5.6%**	**5.6%**	--
9/19		RBA minutes				--
9/20		Westpac leading index	Aug	--	0.12%	--
9/15	**New Zealand**	**Biz NZ PMI manufacturing**	**Aug**	**--**	**55.4**	--
		Perfomrance serives index	**Aug**	**--**	**56.0**	--
		Westpac consumer confidence	**3Q**	**--**	**113.4**	--
9/21		GDP SA QOQ	2Q	--	0.5%	--
9/7-9/13	**Vietnam**	**Domestic vehicle sales YOY**	**Aug**	**--**	**-21.3%**	--

Source: Bloomberg

Source: Bloomberg

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