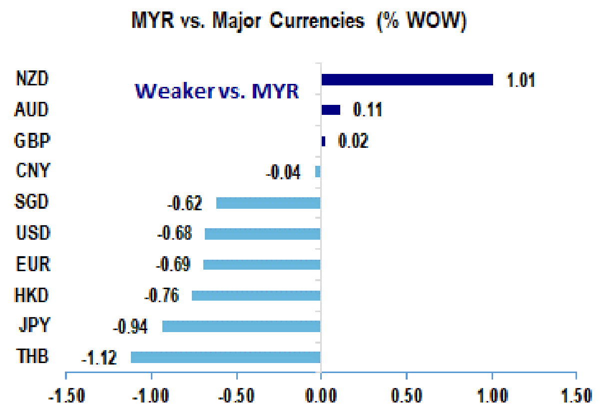
Global Markets Research

Weekly Market Highlights

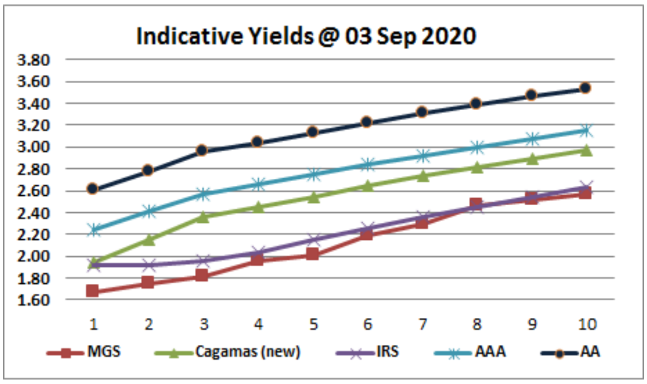
Weekly Performance

	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

- US stocks sold off on Thursday, reversing prior gains as investors exited tech stocks in an abrupt fashion. The S&P500 had been on a positive territory on Wednesday but Thursday's rout sent the index to a week-to-date loss of 1.5%. Looking at other asset classes, gold futures turned lower (-1.7% WTD) amid stronger dollar and higher demand for treasuries (yields fell this week). Crude oil prices dropped as well on the back of mixed data (higher draw in crude stocks but lower refinery runs).
- The past week focus mainly on PMI data which continue to display unevenness of global economic recovery. It is noted that the momentum of expansion is firmer in the US, UK and China and has turned weaker in the Eurozone and other parts of the world such as Japan, Malaysia, Singapore and Hong Kong. Other key US indicators confirmed that a recovery is underway. Focus turns to tonight's nonfarm pay roll job report. Data are lighter next week with key ones include China interntational trade, US CPI and UK industrial production. Main events next week are BNM OPR decision and the ECB Governing Council meeting. Our house view is for another 25bps cut in the OPR.

Forex

- **MYR**: USDMYR defied expectations and gapped down to the 4.13 handle earlier this week before bouncing back up slightly to end the week 0.68% stronger at 4.1440. This made the MYR the best performing Asian currencies in the week through to Thursday, beneiftting from a combo of USD weakness and demand for the local unit. The momentum in USDMYR remains negative despite being in oversold position for some time. While we expect an eventual reversal in the pair from recent down move, we see **room for USDMYR to test 4.12-4.13 next week**. BNM OPR decision will be a key event risk where a pause may further reinforce MYR bulls.
- **USD**: The dollar has strengthened over the past week, since 1 September. DXY touched 93 after being as low as 91.75. Some risk aversion now is tapering dollar gains. Performance is also now more mixed, with MYR and CNH registering MTD gains, as all G10 faltered. This comes despite positive ISM data prints in August (manufacturing: 56, new orders: 67.6). We are **neutral-to-bearish** on the USD for the week ahead. However, performances will likely be mixed. USD will likely rely on global sentiments for direction ahead. Non-farm payrolls will be key data point for the week ahead.

Fixed Income

- The week under review saw US Treasuries end stronger due to several factors that included release of private payroll processor ADP's weaker-than-expected job growth for August coupled with weaker equities and a need for safe-haven assets. **Overall benchmark yields rallied between 3-15bps with the curve bull-flattening sharply; with the long-ends much richer.** The 2Y benchmark; reflective of interest rate predictions ended 2bps lower at 0.13% whilst the much-watched 10Y (which traded within a wider 0.64%-0.75% range); rallied 11bps, to end the week at 0.64%. The Fed's Beige book covering 12 Fed districts noted some modest increases in economic activity. Long-dated UST's are expected to drift lower as investors show concern over the fragility of the US economy. Expect bond traders to shift attention to the all-important monthly jobs report for August tonight.
- Local govvies which were weaker last Friday were well-bid in the middle of the week before succumbing to profit-taking activities yesterday following tepid bidding metrics for the 7Y MGS auction which resulted in a mere BTC ratio of 1.538x. **Overall benchmark MGS/GII yields closed mixed between -10 to +6bps with the 7-10Y tenures pressured the most.** Interest was seen mainly in the off-the-run 20-22's, 3Y and 10Y benchmark MGS/GII. The 5Y MGS 9/25 yields declined 6bps at 2.00% levels whilst the 10Y benchmark MGS 8/29 yields edged 1bps up instead at 2.56%. Total weekly market volume however remained decent despite the holiday-shortened week @ RM15.1b; translating into average daily volume of RM3.77m versus prior week's daily volume of RM3.55m. Meanwhile FTSE Russell will publish its Fixed Income Country clasification annual announcement on the 24th Sep; according to a statement released on 26th Aug. Expect momentum to ease in range-bound trading ahead of the important MPC meeting on OPR next week.

Contents

Macroeconomics

6-month Macro Outlook

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

The Week in Review

- US stocks sold off on Thursday, reversing prior gains as investors exited tech stocks in an abrupt fashion. The S&P500 had been on a positive territory on Wednesday but Thursday's rout sent the index to a week-to-date loss of 1.5%. Same goes to the NASDAQ (-2%) and Dow Jones Industrial Average (-1.3%). Looking at other asset classes, gold futures turned lower (-1.7% WTD) amid stronger dollar and higher demand for treasuries (yields fell this week). Crude oil prices dropped as well on the back of mixed data (higher draw in crude stocks but lower refinery runs). Brent futures fell 2.2% to $44.07/barrel on Thursday while WTI lost 3.7% to $41.37/barrel.

- The past week focus mainly on PMI data which continue to display unevenness of global economic recovery. It is noted that the momentum of expansion is firmer in the US, UK and China and has turned weaker in the Eurozone and other parts of the world such as Japan, Malaysia, Singapore and Hong Kong. Other key US indicators confirmed that a recovery is underway - initial jobless claims fell to 881k last week. Factory orders rose for the third month. The Kansas City Fed Manufacturing Index beat expectations Residential construction spending rose. ADP private payroll howver disappointed with a mere 428k gains The Federal Reserve's latest Beige Book said that economic activity is rising in most Districts.

- Elsewhere, Euzone retails sales retreated from the recent pent-up demand driven growth. Its inflation turned negative and unemployment rate rose Japan industrial production rose by a record 8% MOM but retail sales pulled back. Hong Kong retail sales saw another double-digit decline. Australia's GDP contracted by 7% QOQ in the second quarter, its largest fall on record.The RBA earlier had left cash rate unchanged but expanded and extended its Term Funding Facility

The Week Ahead

- Data flow is lighter at the start of the week, which kicks off with the release of China trade data as well as the Eurozone Sentix Investor Confidence Index on Monday.

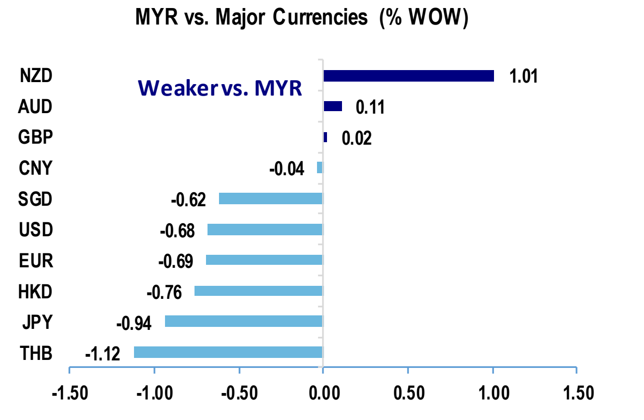
- Japan's second GDP estimate, labour cash earnings as well as household spending dominate Tuesday morning, followed by Australia's business confidence index, Eurozone's final GDP estimate and US Small Business Optimism Index in the evening.

- On Wednesday, data mostly come out in the morning and they include Australia consumer confidence and home loan numbers, New Zealand business confidence, China CPI and PPI inflation data.

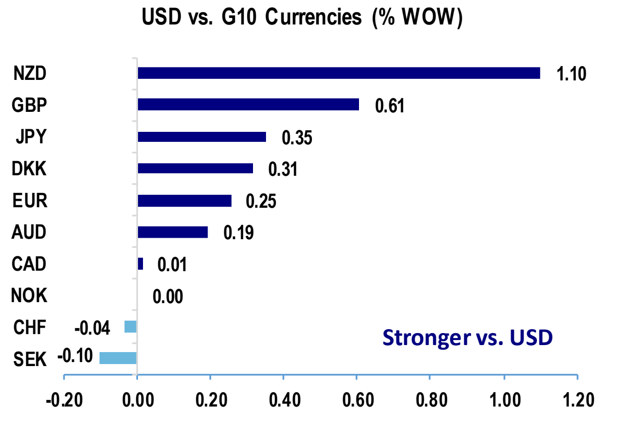
- Thursday are crucial on the local front as BNM is expected to announce its latest OPR decision. We are expecting the central bank to slash the benchmark rate by another 25bps to 1.5%. The ECB is also scheduled to announce its latest monetary policy decision on the same day in the evening. Data releases include New Zealand retail card spending, UK RICS house price balance index, USPPI and the weekly jobless claims data.

- On Friday, New Zealand manufacturing PMI, Malaysia industrial production, UK monthly GDP, industrial production and trade balance are in the pipeline. US CPI data are due later of the day as well.

Forex



Source: Bloomberg



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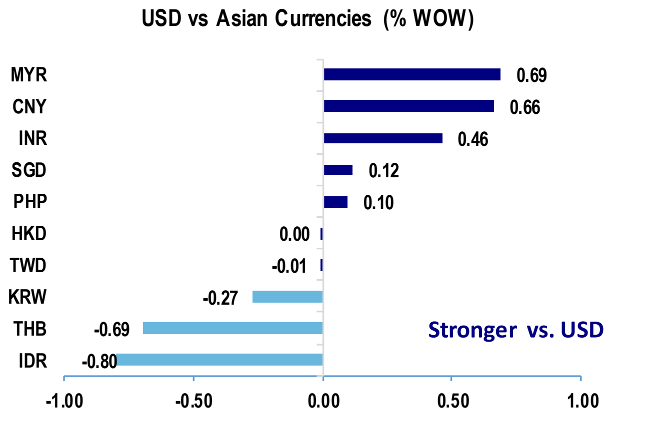

Source: Bloomberg

Review and Outlook

- **MYR**: USDMYR defied expectations and gapped down to the 4.13 handle earlier this week before bouncing back up slightly for the MYR to end the week 0.68% stronger at 4.1440 vs the greenback. This made the MYR the best performing Asian currencies in the week through to Thursday, beneiftting from a combo of USD weakness and demand for the local unit. The momentum in USDMYR remains negative despite being in oversold position for some time. While we expect an eventual reversal in the pair from recent down move, we see room for USDMYR to test 4.12-4.13 next week. BNM OPR decision will be a key event risk where a pause may further reinforce MYR bulls.

- **USD**: The dollar has strengthened over the past week, since 1 September. DXY touched 93 after being as low as 91.75. Some risk aversion now is tapering dollar gains. Performance is also now more mixed, with MYR and CNH registering MTD gains, as all G10 faltered. This comes despite positive ISM data prints in August (manufacturing: 56, new orders: 67.6). We are **neutral-to-bearish** on the USD for the week ahead. However, performances will likely be mixed. USD will likely rely on global sentiments for direction ahead. Non-farm payrolls will be key data point for the week ahead.

- **EUR**: EUR/USD has been in a consolidation mode for most of the week, being in a weekly range of 1.1754 to 1.1901. This comes as Eurozone PMI (51.6 vs. 54.9 prior) showed a more subdued pace of pickup in August compared to July. We are **neutral-to-bullish** for the week ahead. Levels are stretched, and 1.20 will likely be a psychological resistance to overcome. Risk aversion may taper EUR gains. This is particularly as cases in Europe are climbing, and may derail current recovery.

- **GBP**: GBP/USD came off from a high of 1.3482 on the first day of the month, to sub-1.33 levels. This was soured by poor market sentiments. Services PMI stayed positive, although Covid-19 second waves are affecting sentiments. We turn **neutral** on the GBP, and flag its vulnerabilities. Being a smaller and open economy, the UK is vulnerable to global downside risks. Industrial production for July is the pick of the bunch of data for the coming week.

- **JPY**: USD/JPY was mostly in a bid tone over the past week, stretching to 106.5 levels from 105.3 levels on 28 August. The job to applicant ratio continues to fall, highlighting at challenging labour market conditions. Markets repricing policy shifts in Japan, and the next Prime Minister may be pivotal in shaping JPY expectations. We are **neutral-to-bullish** on the JPY due to potential risk aversion. For the coming week, the eco watchers survey and core machinery orders are released, and may provide small updates to economic outlook.

- **AUD**: AUD/USD moved down in an linear fashion since 1 September, after the high of 0.7414. After falling to around 0.727 levels, pair was clearly affected by risk aversion. This comes as RBA increased and extended its lending facility. GDP numbers were also poorer than expected. Australia and China relations remain sour at this stage. We turn **neutral** on the AUD, and may review to bearish should AUD/USD fall below 0.7150. Global sentiments will be key to AUD's fate over the coming week.

- **SGD**: USD/SGD has steadily moved higher since 1 September, where the pair hit a high of 1.3650. Pair has now moved higher by almost one big figure, hovering around 1.364 on Friday open. Singapore's PMI showed that manufacturing sector remains more resilient in August (manufacturing PMI: 50.1, electronics: 50.6), as whole economy Markit PMI stays negative (43.6). For the week ahead, attention will likely be on market sentiments. We turn **neutral** on the SGD, keeping the outlook under review. There is a likelihood of further correction towards 1.37 big figure.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1847	55.8080	1.1732	1.1947	1.1826	1.1341	1.1185	Positive
GBPUSD	1.3280	60.6610	1.2953	1.3417	1.3138	1.2664	1.2740	Positive
USDJPY	106.1800	50.4480	105.3200	106.9600	105.9100	106.9100	107.9000	Positive
USDCNY	6.8420	27.7030	6.8192	6.9843	6.9277	7.0274	7.0148	Negative
USDSGD	1.3652	42.8870	1.3584	1.3763	1.3695	1.3934	1.3888	Negative
AUDUSD	0.7270	56.7970	0.7076	0.7385	0.7210	0.6887	0.6746	Positive
NZDUSD	0.6702	58.5340	0.6454	0.6785	0.6630	0.6412	0.6386	Positive
USDMYR	4.1477	22.2600	4.1396	4.2105	4.1964	4.2751	4.2276	Neutral
EURMYR	4.9140	44.7430	4.8997	4.9883	4.9559	4.8387	4.7326	Positive
GBPMYR	5.5084	52.6480	5.4506	5.5564	5.5047	5.4040	5.3891	Positive
JPYMYR	3.9065	40.5920	3.8942	3.9695	3.9561	3.9936	3.9229	Positive
CHFMYR	4.5592	43.7440	4.5434	4.6382	4.6011	4.5299	4.4244	Positive
SGDMYR	3.0384	37.6160	3.0375	3.0689	3.0603	3.0643	3.0472	Neutral
AUDMYR	3.0157	49.4250	2.9709	3.0636	3.0206	2.9373	2.8528	Positive
NZDMYR	2.7798	51.5570	2.7066	2.8161	2.7773	2.7347	2.6998	Positive

Trader's Comment:

Speculation on fresh currency war was brewing as continued US dollar weakness raised concerns on implications to global monetary policy. Though global PMI data showed some sign of recovery, concerns on demand factor continued to linger as we see weak inflation data. EUR retraced from the peak of 1.20 as ECB official Philip Lane raised concerns on strength of EUR.; next week's ECB policy meeting will be key event to watch to assess the strength of EUR. Commodity currencies were the worst performer during the week with kiwi and AUD tanking WoW.

Locally, USDMYR traded within range of 4.1340-4.1590. Bond curve flattened this week as long end attractive yields caught buyer's attention. 20y & 30y MGS yield are 16bp lower whereas the 10-15yrs yields are 4-5bp lower. All eyes will be on upcoming MPC meeting; expect USDMYR to remain in 4.13-4.18 for the coming week.

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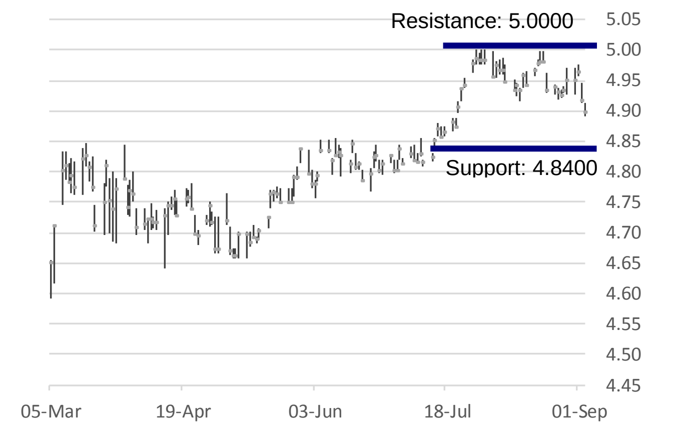
Technical Charts

USDMYR

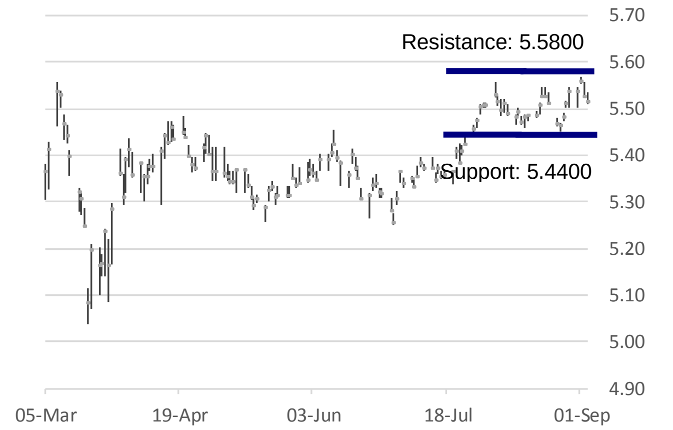
Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

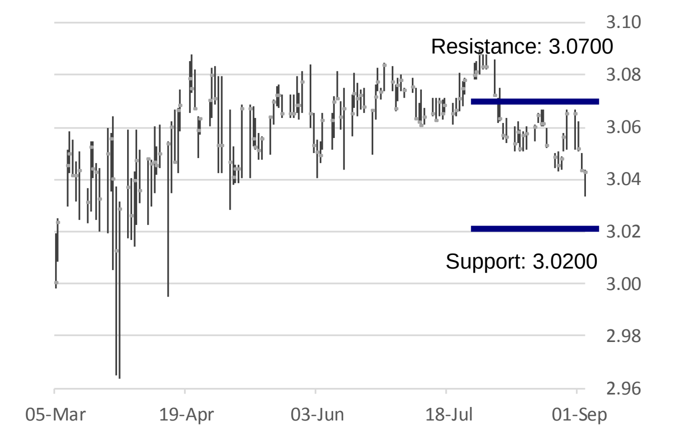
JPYMYR

Source: Bloomberg

AUDMYR

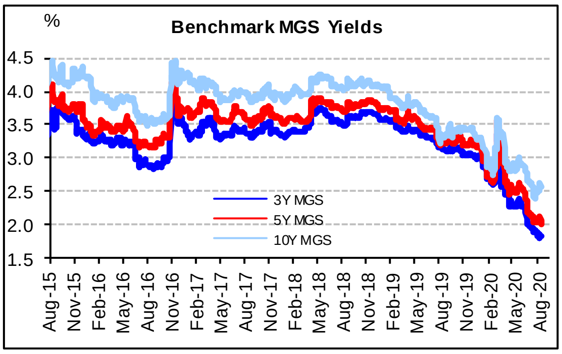
Source: Bloomberg

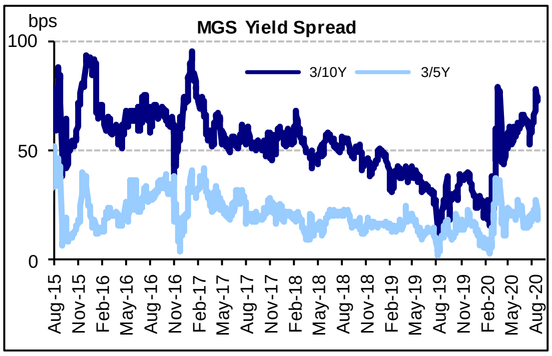
SGDMYR

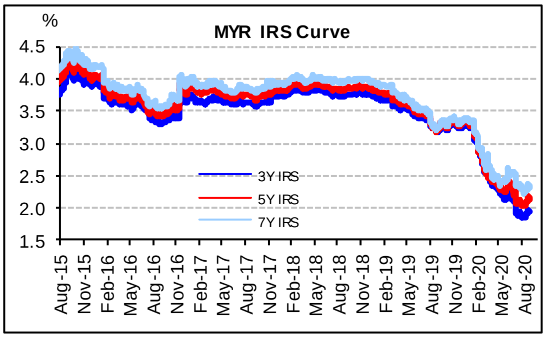


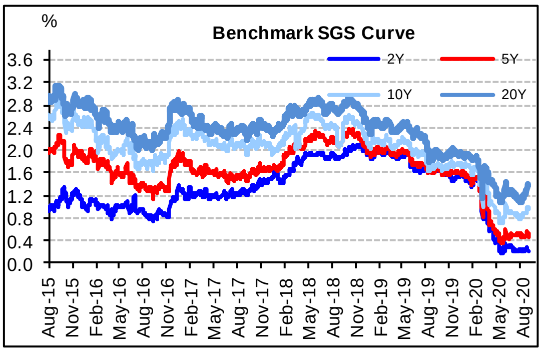
Source: Bloomberg

Fixed Income









Review & Outlook

- The week under review saw US Treasuries end stronger due to several factors that included release of private payroll processor ADP's weaker-than-expected job growth for August coupled with weaker equities and a need for safe-haven assets. **Overall benchmark yields rallied between 3-15bps with the curve bull-flattening sharply; with the long-ends much richer.** The 2Y benchmark; reflective of interest rate predictions ended 2bps lower at 0.13% whilst the much-watched 10Y (which traded within a wider 0.64%-0.75% range); rallied 11bps, to end the week at 0.64%. The Fed's Beige book covering 12 Fed districts noted some modest increases in economic activity. Long-dated UST's are expected to drift lower as investors show concern over the fragility of the US economy. Expect bond traders to shift attention to the all-important monthly jobs report for August tonight.

- Local govvies which were weaker last Friday were well-bid in the middle of the week before succumbing to profit-taking activities yesterday following tepid bidding metrics for the 7Y MGS auction which resulted in a mere BTC ratio of 1.538x. **Overall benchmark MGS/GII yields closed mixed between -10 to +6bps with the 7-10Y tenures pressured the most.** Interest was seen mainly in the off-the-run 20-22's, 3Y and 10Y benchmark MGS/GII. The 5Y MGS 9/25 yields declined 6bps at 2.00% levels whilst the 10Y benchmark MGS 8/29 yields edged 1bps up instead at 2.56%. Total weekly market volume however remained decent despite the holiday-shortened week @ RM15.1b; translating into average daily volume of RM3.77m versus prior week's daily volume of RM3.55m. Meanwhile FTSE Russell will publish its Fixed Income Country clasification annual announcement on the 24th Sep; according to a statement released on 26th Aug. Expect momentum to ease in range-bound trading ahead of the important MPC meeting on OPR next week.

- Transactions remained active across the GG-AA part of the curve for Corporate bonds/Sukuk (including Govt-guaranteed bonds) as overall yields closed mostly mixed-to-lower. Total weekly market volume however remain decent despite the holiday-shortened week @ RM2.0b (prior RM3.34bn); translating into average daily volume of RM500m versus prior week's daily volume of RM668m. Topping the weekly volume was GOVCO 9/32 and 2/32 tranches (GG); which closed between 5-6bps higher at 3.03% and 2.97% each; followed by SEB 22/28 (AAA) which rose 6bps at 2.86%. Frequent trades were noted in DANAINFRA, PASB and utility giants i.e. TENAGA and TELEKOM bonds. The prominent new issuance for the week was DRB-Hicom Bhd's A1-rated 5-10Y bonds with coupons ranging between 4.43-5.08% totalling RM400m and PTP Sdn Bhd's AA3-rated 5Y, 7Y and 10 bonds amounting to RM995m.

- For the week under review, SGS (govvies) ended mixed between -6 to +8bps with the the longer-ends pressured as the curve steepened; opposite of UST movements. The 2Y rallied 6bps at 0.20% levels whilst the 10Y yields ended 2bps higher instead at 0.96%; having traded within a narrower 8bps range. Meanwhile the SGD was seen weakening through the larger part of this week following data reflecting a potential deterioration in business conditions and the economy as the Markit Whole Economy PMI indicatora slid in August. MAS is expected to provide dollar-funding facilities covering 1-month and 3-month tenors to local banks as a pre-emptive measure due to concerns over the COVID-19 pandemic infused economic crunch.. Separately, S&P Global has assigned its BBB+ long-term issue rating to the issuance of USD1.0b of Tier-2 subordinated notes by OCBC. Expect range-bound SGS activities to dictate next week.

Rating Action			
Issuer	**PDS Description**	**Rating/Outlook**	**Action**
Projek Lintasan Sungai Besi-Ulu Klang Sdn Bhd (PLSUKE)	Sukuk Wakalah Programme (Sukuk Wakalah) of up to RM2.0 billion	A+IS(s)/Stable	Affirmed with outlook raised from negative to stable
Solar Management (Seremban) Sdn Bhd	Proposed RM260 mil ASEAN Green SRI Sukuk (2020/2038)	AA3/Stable	Assigned
Puncak Wangi Sdn Bhd	Guaranteed IMTN Programme of up to RM200 mil (2014/2022)	AAA(FG)/stable	Reaffirmed
Bank Kerjasama Rakyat Malaysia Berhad	Proposed RM10 bil Sukuk Wakalah Programme (2020/2050)	AA2(s)/Stable	Assigned

Source: RAM; MARC

Economic Calendar

Date	Time	Country	Event	Period	Prior
07/09	16:30	EC	Sentix Investor Confidence	Sep	-13.4
	00:00	CH	Exports YoY	Aug	7.2%
	00:00	CH	Imports YoY	Aug	-1.4%
08/09	07:30	JN	Labor Cash Earnings YoY	Jul	-2.0%
	07:30	JN	Household Spending YoY	Jul	-1.2%
	07:50	JN	GDP SA QoQ	2Q F	-7.8%
	09:30	AU	NAB Business Confidence	Aug	-14
	17:00	EC	Employment QoQ	2Q F	-2.8%
	17:00	EC	GDP SA QoQ	2Q F	-12.1%
	18:00	US	NFIB Small Business Optimism	Aug	98.8
	00:00	JN	Eco Watchers Survey Current SA	Aug	41.1
	00:00	JN	Eco Watchers Survey Outlook SA	Aug	36
09/09	08:30	AU	Westpac Consumer Conf Index	Sep	79.5
	09:00	NZ	ANZ Business Confidence	Sep P	--
	09:30	CH	PPI YoY	Aug	-2.4%
	09:30	CH	CPI YoY	Aug	2.7%
	09:30	AU	Home Loans Value MoM	Jul	6.2%
	19:00	US	MBA Mortgage Applications	01/09	--
10/09	06:45	NZ	Card Spending Retail MoM	Aug	1.2%
	07:01	UK	RICS House Price Balance	Aug	12.0%
	07:50	JN	Foreign Buying Japan Stocks	01/09	--
	07:50	JN	Core Machine Orders MoM	Jul	-7.6%
	15:00	MA	BNM Overnight Policy Rate	01/09	1.8%
	19:45	EC	ECB Deposit Facility Rate	01/09	-0.5%
	20:30	US	PPI Final Demand MoM	Aug	0.6%
	20:30	US	Initial Jobless Claims	01/09	--
11/09	06:30	NZ	BusinessNZ Manufacturing PMI	Aug	58.8
	12:00	MA	Industrial Production YoY	Jul	-0.4%
	14:00	UK	Monthly GDP (MoM)	Jul	8.7%
	14:00	UK	Industrial Production MoM	Jul	9.3%
	14:00	UK	Visible Trade Balance GBP/Mn	Jul	-£5116m
	20:30	US	CPI MoM	Aug	0.6%
	20:30	US	CPI YoY	Aug	1.0%
14/09	06:30	NZ	Performance Services Index	Aug	54.3
	12:30	JN	Industrial Production YoY	Jul F	--
	17:00	EC	Industrial Production SA MoM	Jul	9.10%
15/09	09:30	AU	RBA Minutes of Sep. Policy Meeting		
	10:00	CH	Industrial Production YoY	Aug	4.80%
	10:00	CH	Retail Sales YoY	Aug	-1.10%
	10:00	CH	Fixed Assets Ex Rural YTD YoY	Aug	-1.60%
	14:00	UK	Jobless Claims Change	Aug	94.4k
	14:00	UK	Average Weekly Earnings 3M/YoY	Jul	-1.20%
	14:00	UK	ILO Unemployment Rate 3Mths	Jul	3.90%
	16:30	UK	Employment Change 3M/3M	Jul	-220k
	17:00	EC	ZEW Survey Expectations	Sep	64
	20:30	US	Empire Manufacturing	Sep	3.7
	20:30	US	Import Price Index YoY	Aug	-3.30%
	21:15	US	Industrial Production MoM	Aug	3.00%
16/09	07:50	JN	Trade Balance	Aug	¥11.6b
	07:50	JN	Exports YoY	Aug	-19.20%
	08:30	AU	Westpac Leading Index MoM	Aug	0.05%
	14:00	UK	CPI YoY	Aug	1.00%
	17:00	EC	Trade Balance SA	Jul	17.1b
	19:00	US	MBA Mortgage Applications	Sep-11	--
	20:30	US	Retail Sales Advance MoM	Aug	1.20%
	22:00	US	NAHB Housing Market Index	Sep	78
17/09	02:00	US	FOMC Rate Decision (Upper Bound)	Sep-16	0.25%
	06:45	NZ	GDP SA QoQ	2Q	-1.60%
	08:30	SI	Non-oil Domestic Exports YoY	Aug	6.00%
	09:30	AU	Employment Change	Aug	114.7k
	09:30	AU	Unemployment Rate	Aug	7.50%
	17:00	EC	CPI YoY	Aug F	0.40%
	19:00	UK	Bank of England Bank Rate	Sep-17	0.10%

	20:30	US	Building Permits MoM	Aug	17.90%
	20:30	US	Housing Starts MoM	Aug	22.60%
	20:30	US	Philadelphia Fed Business Outlook	Sep	17.2
	20:30	US	Initial Jobless Claims	Sep-12	--
	00:00	JN	BOJ Policy Balance Rate	Sep-17	-0.10%
18/09	07:30	JN	Natl CPI Ex Fresh Food YoY	Aug	0.00%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Aug	3.60%
	22:00	US	Leading Index	Aug	1.40%
	22:00	US	U. of Mich. Sentiment	Sep P	--

Source: Bloomberg

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