HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **Positive data flow out of the US and China overshadowed moderation in the final print of UK's 1Q GDP growth and milder increase in Eurozone CPI. The barrage of US data staged some positive surprises, setting the stage for sustained growth in the second quarter of the year.** US personal income accelerated to 0.40% MOM even though spending slowed to 0.10% MOM as expected in May as household save a bigger portion of their income. On a brighter note, recovery in manufacturing is on track as Chicago PMI rose to a three-year high of 65.7 in June while University of Michigan consumer sentiment pulled back less than expected to 95.1 in June.

- **China services and manufacturing PMI surged to a three-month high** of 54.9 and 51.7 in June, underscoring resilience growth in the second quarter of the year. Despite ongoing supply side reforms, data show no signs of abrupt economic slowdown in the first half of the year and **post early indication that the economy is poised to achieve its targeted 6.50% annual growth this year.**

- **USD weakened against 6 G10s** risk sensitive majors rallied but the Dollar Index closed unchanged after paring early gains as refuge demand retreated. **Keep a bearish view on USD** in anticipation of growing risk aversion heading into a data-filled week. A strong set of US data could offset recent losses. Rebound remains a possibility but likely bound by circa 96.21 before exhausting upside strength. The Dollar Index is still expected to close below 95.67 going forward.

- **MYR closed unchanged at 4.2933 against USD** last Friday but slipped against 8 G10s on the back of receding risk appetite. **We turn slightly bullish on MYR against USD** in anticipation of firmer demand on the back of improving market activity. Even though USDMYR is still inclined to higher levels, we reckon that softening upside momentum is likely to restrict gains and gradually tilt the pair into a bearish bias going forward. Caution that losing 4.2903 exposes a longer-term drop to 4.2780.

- **SGD strengthened 0.22% to 1.3762 against USD** and advanced against 6 G10s, supported by renewed interest in equities. **SGD remains slightly bullish in anticipation of a soft USD**. We now set sights on a drop below 1.3747; breaking this exposes a potential move to 1.3709. We maintain that this level is likely the bottom of USDSGD's downtrend, and could trigger a rebound to above 1.3812 in the longer term.

Overnight Economic Data

US	↑
UK	→
Euro zone	→
Japan	↓
China	↑

What's Coming Up Next

Major Data
- US Markit manufacturing PMI, ISM manufacturing
- EU Markit manufacturing PMI, unemployment rate
- Japan Tankan outlook
- Australia AiG manufacturing index, building approvals

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1361	1.1392	1.1419	1.1441	1.1480	↗
USDJPY	111.83	112.04	112.24	112.50	112.93	↘
GBPUSD	1.2972	1.3000	1.3011	1.3030	1.3048	↗
AUDUSD	0.7638	0.7667	0.7689	0.7708	0.7720	↗
EURGBP	0.8763	0.8770	0.8777	0.8788	0.8808	↘
USDMYR	4.2870	4.2903	4.2937	4.2970	4.3027	↘
EURMYR	4.8913	4.9000	4.9028	4.9050	4.9122	↗
JPYMYR	3.8139	3.8200	3.8253	3.8295	3.8327	↘
GBPMYR	5.5806	5.5851	5.5856	5.5899	5.5931	↗
SGDMYR	3.1152	3.1175	3.1200	3.1233	3.1251	↗
AUDMYR	3.2938	3.2986	3.2995	3.3033	3.3080	↘
NZDMYR	3.1400	3.1463	3.1484	3.1502	3.1520	↘
USDSGD	1.3720	1.3747	1.3763	1.3771	1.3791	↘
EURSGD	1.5787	1.5700	1.5713	1.5729	1.5750	↘
GBPSGD	1.7827	1.7868	1.7903	1.7943	1.7967	↗
AUDSGD	1.0547	1.0558	1.0577	1.0582	1.0602	↘

*at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %	Name	Last Price	DoD %	YTD %
KLCI	1763.7	0.4	7.4	CRB Index	174.8	1.68	-9.2
Dow Jones Ind.	21349.6	0.3	8.0	WTI oil ($/bbl)	46.0	2.50	-14.3
S&P 500	2423.4	0.2	8.2	Brent oil ($/bbl)	47.9	1.05	-13.8
FTSE 100	7312.7	0.5	2.4	Gold (S/oz)	1241.6	-0.30	8.2
Shanghai	3192.4	0.1	2.9	CPO (RM/tonne)	2589.5	-1.26	-19.0
Hang Seng	25764.6	0.8	17.1	Copper ($/tonne)	5937.0	-0.05	7.3
STI	3226.5	1.0	12.0	Rubber (sen/kg)	567.5	2.34	-12.0

Source: Bloomberg

Macroeconomics

Economic Data

	For	Actual	Last	Survey
US personal income	May	0.40%	0.30%	0.30%
US personal spending	May	0.10%	0.40%	0.10%
US Chicago purchasing manager	Jun	65.7	59.4	58.0
US U. of Mich. sentiment	Jun F	95.1	97.1	94.5
UK GDP QoQ	1Q F	0.20%	0.70%	0.20%
UK index of services 3M/3M	Apr	0.20%	0.10%	0.30%
EU CPI estimate YoY	Jun	1.30%	1.40%	1.30%
JP housing starts YoY	May	-0.30%	1.90%	-0.70%
JP construction orders YoY	May	-0.50%	-0.20%	--
CH manufacturing PMI	Jun	51.7	51.2	51.0
CH non-manufacturing PMI	Jun	54.9	54.5	--

Source: Bloomberg

- The barrage of US data staged some positive surprises, setting the stage for sustained growth in the second quarter of the year. Personal income accelerated to 0.40% MOM (April: +0.30% MOM) but spending slowed to 0.10% MOM as expected in May (April: +0.40% MOM) as household save a bigger portion of their income. On a brighter note, recovery in manufacturing is on track as Chicago purchasing manager rose to a three-year high of 65.7 in June (May: 59.4). A third report showed that the University of Michigan sentiment declined less than expected to 95.1 in June (May: 97.1).

- In tandem with downside risks from Brexit and heightened political risks, a final report showed that the UK economy expanded 0.20% QOQ in the first quarter of the year on the heels of much quicker 0.70% QOQ growth in 4Q. Separately, index of services increased 0.20% in the three months through April, building on a 0.10% growth in the three months through March.

- Eurozone's consumer prices rose 1.30% YOY in June after growing 1.40% YOY in May, strengthening the case for gradual exit from ECB's stimulus program. On a brighter note, core CPI increased at a quicker pace of 1.10% YOY (May: +0.90% YOY).

- Data showed that Japan's housing starts and construction orders were on a decline in May, signaling modest expansion in the housing market this quarter. Housing starts dropped 0.30% YOY (April: +1.90% YOY) while construction orders slipped 0.50% YOY in May (April: -0.20% YOY).

- China services and manufacturing PMI surged to a three-month high of 54.9 and 51.7 in June, underscoring resilience growth in the second quarter of the year. Despite ongoing supply side reforms, data show no signs of abrupt economic slowdown in the first half of the year and post early indication that the economy is poised to achieve its targeted 6.50% annual growth this year.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	07/03	Nikkei Malaysia PMI	Jun	--	48.7	--
US	07/03	Markit US Manufacturing PMI	Jun F	52.1	52.1	--
		ISM Manufacturing	Jun	55.2	54.9	--
UK	07/03	Markit UK PMI Manufacturing SA	Jun	56.3	56.7	--
	07/04	Markit/CIPS UK Construction PMI	Jun	55.0	56.0	--
Euro zone	07/03	Markit Eurozone Manufacturing PMI	Jun F	57.3	57.3	--
		Unemployment Rate	May	9.30%	9.30%	--
	07/04	PPI YoY	May	3.50%	4.30%	--
Japan	07/03	Tankan Large Mfg Outlook	2Q	14	11	--
		Tankan Large Non-Mfg Outlook	2Q	21	16	--
China	07/03	Caixin China PMI Mfg	Jun	49.8	49.6	--
Australia	07/03	AiG Perf of Mfg Index	Jun	--	54.8	--
		Building Approvals MoM	May	-1.30%	4.40%	--
	07/04	Retail Sales MoM	May	0.20%	1.00%	--
		RBA Cash Rate Target	Jul-04	1.50%	1.50%	--
Vietnam	07/03	Nikkei Vietnam PMI Mfg	Jun	--	51.6	--

Source: Bloomberg

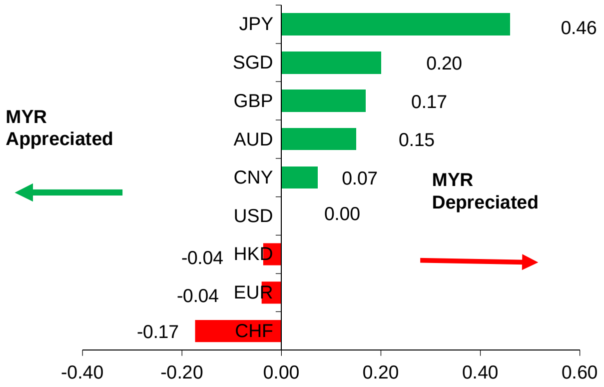
➢Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1426	-0.13	1.1445	1.1392	8.6
USDJPY	112.39	0.19	112.6	111.73	-4.0
GBPUSD	1.3025	0.14	1.303	1.2946	5.5
AUDUSD	0.7689	0.08	0.7712	0.7667	6.7
EURGBP	0.8771	-0.29	0.8814	0.8764	2.8
USDMYR	4.2933	0.00	4.2968	4.2900	-4.3
EURMYR	4.8983	-0.04	4.9152	4.8913	3.8
JPYMYR	3.8358	0.46	3.8428	3.8289	-0.2
GBPMYR	5.5775	0.17	5.5957	5.5717	1.3
SGDMYR	3.1193	0.20	3.1199	3.1130	0.6
AUDMYR	3.2996	0.15	3.3123	3.2938	1.9
NZDMYR	3.1463	0.32	3.1490	3.1380	1.0

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

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USD

- **USD weakened against 6 G10s** risk sensitive majors rallied but the Dollar Index closed unchanged after paring early gains as refuge demand retreated.
- **Keep a bearish view on USD** in anticipation of growing risk aversion heading into a data-filled week. A strong set of US data could offset recent losses. Rebound remains a possibility but likely bound by circa 96.21 before exhausting upside strength. The Dollar Index is still expected to close below 95.67 going forward.

EUR

- **EUR slipped 0.13% to 1.1426 against USD** and fell against 7 G10s amid fading upsides on hawkish ECB expectations.
- **Stay bullish on EUR on the back of a potentially bearish USD**; upside surprise in Eurozone data will boost gains. We set sights on EURUSD closing above1.1441 in the coming days, but anything short of 1.1500 will be a sign that exhaustion has set in, which could set the pair on a reversal to 1.1361.

GBP

- **GBP** remained supported by recent hawkish tones from BOE officials, **rising 0.14% to 1.3025 against USD** and against 5 G10s.
- **GBP remains bullish against USD** on the back of rising market expectations of a near-term BOE policy action; expect upsides to be boosted if UK data outperforms. GBPUSD is still technically bullish and poised to test 1.3048. Beating this triggers a move to 1.3121.

JPY

- **JPY weakened 0.19% to 112.39 against USD** and fell against all G10s, stemmed by receding demand for refuge.
- **We turn slightly bullish on JPY against USD**, supported by potential rise in refuge demand going into crucial US data. While USDJPY gains may prevail going forward, we reckon that it will be modest and held back by loss of upside momentum that could potentially tilt the back into a bearish bias.

AUD

- **AUD inched 0.08% higher to 0.7689 against USD** but closed lower against 5 G10s, outperformed by other commodity majors.
- **Stay bullish on AUD against a soft USD**, supported further by recovery in commodities. We maintain that AUDUSD is likely to soon test 0.7720 – 0.7750. Closing above 0.7720 is possible, but likely unsustainable as it is a firm reversion level that could trigger a near-term decline below it whenever it is surpassed.

SGD

- **SGD strengthened 0.22% to 1.3762 against USD** and advanced against 6 G10s, supported by renewed interest in equities.
- **SGD remains slightly bullish in anticipation of a soft USD**. We now set sights on a drop below 1.3747; breaking this exposes a potential move to 1.3709. We maintain that this level is likely the bottom of USDSGD's downtrend, and could trigger a rebound to above 1.3812 in the longer term.

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