July 5, 2017

Global Markets Research

Daily Market Highlights

Key Takeaways

- US markets ended mixed amid a shortened trading day in observation of US Independence Day holiday. **Bigger than expected moderation in Eurozone PPI** to a 6-month low stole the limelight, accentuating ECB's stance to keep monetary policy accommodate at this juncture and **reinforcing our view that ECB will not raise rates this year.**

- **RBA maintained cash rate at 1.50% as expected yesterday. Tone of the accompanying policy statement was neutral** contrary to market's expectation of a hawkish stance after CPI surged above 2.00% in 1Q for the first time since 2014. The central bank governor Philip Lowe raised concern on household debt which may drag consumption as "growth in housing debt outpaced the slow growth in household incomes".

- **USD climbed against 7 G10s** amid rising risk aversion in the markets supporting haven majors while the Dollar Index closed unchanged at 96.21. While downsides may prevail leading up to US session, **we nonetheless expect a bullish USD** amid rising market activity supporting buying demand and bullish potential from US data as well as FOMC minutes. Technical outlook continues to improve even though the Dollar Index remains mired in a bearish bias. We now set sights on a rally to beat 96.32, and closing above this will set the next target at 97.44.

- **MYR gained 0.03% to close at 4.2975 against USD** and advanced against all G10s on the back of the majors' weakness as the greenback rebounded. **Stay slightly bullish on MYR in anticipation of a softer USD** going into European trade amid risk aversion ahead of US releases. Technical outlook suggests a fading upside momentum in USDMYR, thus limiting overall gains. We opine that the pair is fragile and prone to a decline to 4.2903; losing this accelerates the bears.

- **SGD** beat 7 G10s but **dipped 0.01% to 1.3815 against a firmer USD**. **SGD is now bearish in anticipation of USD rebounding**, further weighed down by retreating risk appetite in the markets ahead of US data and FOMC minutes. Downside momentum continues to fade, diminishing potential losses and allowing room for rebounds. Even as bearish bias prevails in USDSGD, we set sights on a rebound to 1.3849 going forward, above which 1.3879 will be targeted.

Overnight Economic Data

UK	↓
Euro zone	↓
Australia	→

What's Coming Up Next

Major Data
- US factory orders, durable goods orders
- UK Markit/CIPS services PMI
- EU Markit services PMI, retail sales
- Japan, Hong Kong and Singapore PMI

Major Events
- FOMC meeting minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1295	1.1350	1.1362	1.1377	1.1392	↘
USDJPY	112.25	112.57	112.95	113.06	113.47	↗
GBPUSD	1.2870	1.2907	1.2939	1.2972	1.3000	↘
AUDUSD	0.7566	0.7592	0.7616	0.7622	0.7639	↘
EURGBP	0.8766	0.8771	0.8779	0.8784	0.8794	↘
USDMYR	4.2903	4.2933	4.2960	4.2987	4.3000	↘
EURMYR	4.8641	4.8734	4.8801	4.8860	4.8921	↘
JPYMYR	3.7937	3.7952	3.8014	3.8073	3.8122	↘
GBPMYR	5.5509	5.5560	5.5587	5.5663	5.5723	↘
SGDMYR	3.1016	3.1058	3.1102	3.1138	3.1169	↘
AUDMYR	3.2632	3.2652	3.2717	3.2758	3.2791	↘
NZDMYR	3.1234	3.1293	3.1312	3.1358	3.1380	↘
USDSGD	1.3800	1.3812	1.3818	1.3834	1.3849	↗
EURSGD	1.5647	1.5686	1.5693	1.5704	1.5729	↘
GBPSGD	1.7848	1.7862	1.7874	1.7890	1.7908	↘
AUDSGD	1.0493	1.0507	1.0520	1.0529	1.0547	↘

*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	1762.1	-0.4	7.3	CRB Index	176.2	0.79	-8.5
Dow Jones Ind.	21479.3	0.6	8.7	WTI oil ($/bbl)	47.1	0.00	-12.4
S&P 500	2429.0	0.2	8.5	Brent oil ($/bbl)	49.6	-0.10	-12.7
FTSE 100	7357.2	-0.3	3.0	Gold (S/oz)	1220.2	0.00	6.8
Shanghai	3182.8	-0.4	2.6	CPO (RM/tonne)	2627.5	1.04	-17.9
Hang Seng	25389.0	-1.5	15.4	Copper ($/tonne)	5892.0	-0.61	6.4
STI	3211.2	-0.4	11.5	Rubber (sen/kg)	556.5	-1.42	-13.7

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
UK Markit/CIPS construction PMI	Jun	54.8	56.0	55.0
EU PPI YoY	May	3.30%	4.30%	3.50%
AU retail sales MoM	May	0.60%	1.00%	0.20%
AU RBA cash rate target	Jul-04	1.50%	1.50%	1.50%
AU AiG services index	Jun	54.8	51.5	--

Source: Bloomberg

➢ Macroeconomics

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- On the data front, retail sales rose 0.60% MOM in May after growing 1.00% MOM in April. Sales value increased to AUD 26.08 billion as food sales climbed 0.10% from April to May and department stores sales dropped 0.70% in the same period. Separately, performance of services index showed that the sector expanded at a quicker pace in June as the index surged to a six-month high of 54.8 after a reading of 51.5 in May.

- UK's gauge of the construction sector registered a weaker print in June but underlying details suggest that the sector continued to expand at a firm pace in the face of Brexit negotiation. Construction PMI dropped to 54.8 in June from a seventeen-month high of 56.0 in May.

- Eurozone's factory gate inflation rose 3.30% YOY in May, slowing down from the 4.30% YOY increase in April amid moderating price growth in Germany, France and Italy. CPI dropped to a six-month low in June, accentuating ECB's stance to keep monetary policy accommodate at this juncture.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	07/05	Factory Orders	May	-0.50%	-0.20%	--
		Durable Goods Orders	May F	-1.00%	-1.10%	--
	07/06	FOMC Meeting Minutes	Jun-14	--	--	--
		MBA Mortgage Applications	Jun-30	--	-6.20%	--
		ADP Employment Change	Jun	183k	253k	--
		Initial Jobless Claims	Jul-01	243k	244k	--
		Markit US Services PMI	Jun F	53.0	53.0	--
		ISM Non-Manf. Composite	Jun	56.5	56.9	--
UK	07/05	Markit/CIPS UK Services PMI	Jun	53.5	53.8	--
Euro zone	07/05	Markit Eurozone Services PMI	Jun F	54.7	54.7	--
		Retail Sales YoY	May	2.30%	2.50%	--
	07/06	ECB account of the monetary policy meeting				
Japan	07/05	Nikkei Japan PMI Services	Jun	--	53	--
China	07/05	Caixin China PMI Services	Jun	--	52.8	--
Hong Kong	07/05	Nikkei Hong Kong PMI	Jun	--	50.5	--
Singapore	07/05	Nikkei Singapore PMI	Jun	--	51.4	--

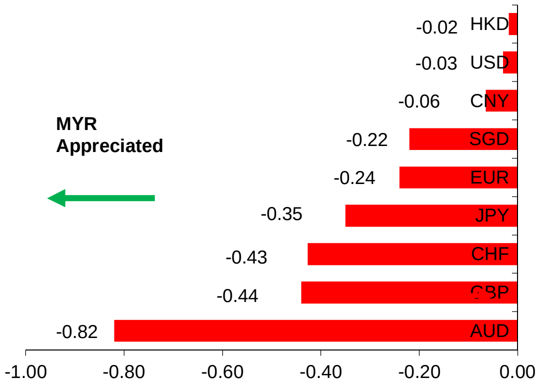
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1346	-0.16	1.1377	1.1336	8.0
USDJPY	113.28	-0.09	113.46	112.74	-3.4
GBPUSD	1.2920	-0.15	1.2959	1.2913	4.8
AUDUSD	0.7606	-0.72	0.7683	0.7591	5.6
EURGBP	0.8781	0.00	0.8791	0.8764	2.9
USDMYR	4.2975	-0.03	4.3003	4.2950	-4.2
EURMYR	4.8774	-0.24	4.8921	4.8734	3.3
JPYMYR	3.7952	-0.35	3.8122	3.7898	-0.9
GBPMYR	5.5530	-0.44	5.5712	5.5509	0.7
SGDMYR	3.1077	-0.15	3.1134	3.1076	0.2
AUDMYR	3.2642	-0.82	3.3019	3.2624	0.7
NZDMYR	3.1241	-0.39	3.1340	3.1214	0.2

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



Forex

MYR

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- **Stay slightly bullish on MYR in anticipation of a softer USD** going into European trade amid risk aversion ahead of US releases. Technical outlook suggests a fading upside momentum in USDMYR, thus limiting overall gains. We opine that the pair is fragile and prone to a decline to 4.2903; losing this accelerates the bears.

USD

- **USD climbed against 7 G10s** amid rising risk aversion in the markets supporting haven majors while the Dollar Index closed unchanged at 96.21.
- While downsides may prevail leading up to US session, **we nonetheless expect a bullish USD** amid rising market activity supporting buying demand and bullish potential from US data as well as FOMC minutes. Technical outlook continues to improve even though the Dollar Index remains mired in a bearish bias. We now set sights on a rally to beat 96.32, and closing above this will set the next target at 97.44.

EUR

- **EUR fell 0.16% to 1.1346 against USD** and slipped against 5 G10s on the back of risk-off markets in Europe.
- **EUR is now bearish in anticipation of USD's rebound**; downsides will accelerate if Eurozone data disappoints. We maintain that EURUSD is more inclined to losses than gains; any rebound that fails to beat 1.1450 sustains current technical outlook, which points to a near-term drop to 1.1295.

GBP

- **GBP fell 0.15% to 1.2920 against USD** and closed mixed against the G10s as UK data remained uninspiring.
- **Expect a bearish GBP on the back of a rebounding USD**; disappointing UK data will add to the downsides. Overnight close below 1.2926 has altered the technical outlook; GBPUSD is now inclined to further losses, and losing 1.2907 will accelerate the bears that could push the pair down to 1.2810.

JPY

- **JPY inched 0.09% firmer to 113.28 against USD** and rose against 7 G10s, supported by firmer refuge demand.
- **Stay bearish on JPY in anticipation of a firmer USD**. Upside momentum appears to be slowing in USDJPY; gains remain possible but softer. Caution that closing below 113.06 likely alters the technical landscape that could tilt the pair's inclination towards downside.

AUD

- **AUD** tumbled to the bottom of the G10 list and **slumped 0.72% to 0.7606 against USD** on selling pressure as market sentiment dipped while hopes of the RBA turning hawkish in line with other major central banks faded.
- **We now turn bearish on AUD against USD**, pressured by risk aversion in the markets. Sharp decline overnight has altered the technical landscape; AUDUSD is now prone to further losses while below 0.7639, and we set sights on a test at 0.7566 next.

SGD

- **SGD** beat 7 G10s but **dipped 0.01% to 1.3815 against a firmer USD**.
- **SGD is now bearish in anticipation of USD rebounding**, further weighed down by retreating risk appetite in the markets ahead of US data and FOMC minutes. Downside momentum continues to fade, diminishing potential losses and allowing room for rebounds. Even as bearish bias prevails in USDSGD, we set sights on a rebound to 1.3849 going forward, above which 1.3879 will be targeted.

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