

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Minutes of the June FOMC meeting reaffirmed widening divergence among policy makers** with regards to the Fed policy decisions, hence **infusing greater uncertainties over future policy path** notably the pace of interest rate hike and the timing of balance sheet reduction. As we had highlighted earlier, inflationary outlook is becoming increasingly important vis-à-vis growth in influencing the Fed policy decision. With regards to balance sheet reduction, the minutes revealed that some policy makers called for tapering to take off as early as August but others preferred to wait until the later part of the year. **No change to our view that the Fed will pause for the remaining of the year and will begin tapering most probably in September.**
- **USD** climbed ahead of US releases but **closed lower against 7 G10s** as gains were pared amid weaker US data and signs of uncertainty to the timing of the much anticipated Fed balance sheet reduction as revealed by FOMC minutes. The Dollar Index managed to inch 0.07% higher to 96.29. **Stay bullish on USD** amid bullish potential ahead of US data and supported by a still hawkish FOMC. Technical outlook continues to improve even though the Dollar Index remains stuck in a bearish bias. We continue to set sights on a close above 96.32, which will trigger the next leg higher to test 97.44.
- **MYR ended barely changed against USD at 4.2970** but advanced softly against 7 G10s as most majors retreated ahead of US releases. **MYR remains bullish in anticipation of a softer USD** in Asian / European sessions, impacted by FOMC minutes that stoked timing uncertainty of Fed's balance sheet reduction. A fading upside momentum continues to be seen in USDMYR, thus limiting overall gains. We opine that the pair is fragile and prone to a decline to 4.2902; losing this accelerates the bears that could push USDMYR to 4.2811.
- **SGD climbed 0.15% to 1.3808 against USD** and advanced against 7 G10s. **SGD is now bearish in anticipation of a firmer USD.** Downside momentum continues to fade, diminishing potential losses and allowing room for rebounds. Even as bearish bias prevails in USDUSD, we set sights on a rebound to 1.3849 going forward, above which 1.3879 will be targeted.

Overnight Economic Data

US	↓
UK	↓
Euro zone	↑
Japan	↑
China	↓

What's Coming Up Next

Major Data

- US MBA mortgage applications, ADP employment change, initial jobless claims, Markit services PMI, ISM services
- ECB account of monetary policy meeting

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1282	1.1309	1.1339	1.1361	1.1377	↘
USDJPY	112.78	113.06	113.24	113.47	113.69	↗
GBPUSD	1.2907	1.2924	1.2927	1.2948	1.2972	↘
AUDUSD	0.7542	0.7566	0.7594	0.7622	0.7639	↘
EURGBP	0.8757	0.8766	0.8773	0.8790	0.8800	↘
USDMYR	4.2902	4.2926	4.2955	4.2987	4.3000	↘
EURMYR	4.8634	4.8675	4.8717	4.8800	4.8839	↘
JPYMYR	3.7814	3.7900	3.7945	3.8000	3.8057	↘
GBPMYR	5.5446	5.5475	5.5531	5.5612	5.5712	↘
SGDMYR	3.1018	3.1069	3.1110	3.1138	3.1183	↘
AUDMYR	3.2529	3.2579	3.2617	3.2644	3.2667	↘
NZDMYR	3.1157	3.1204	3.1217	3.1283	3.1340	↘
USDUSD	1.3787	1.3800	1.3807	1.3812	1.3824	↗
EURUSD	1.5634	1.5648	1.5661	1.5693	1.5729	↘
GBUSD	1.7810	1.7826	1.7847	1.7854	1.7886	↘
AUDUSD	1.0431	1.0455	1.0482	1.0493	1.0508	↘

*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	1768.2	0.3	7.7	CRB Index	173.7	-1.42	-9.8
Dow Jones Ind.	21478.2	0.0	8.7	WTI oil (\$/bbl)	45.1	-4.10	-16.0
S&P 500	2432.5	0.1	8.7	Brent oil (\$/bbl)	47.8	-3.70	-15.9
FTSE 100	7367.6	0.1	3.1	Gold (\$/oz)	1227.0	0.30	7.0
Shanghai	3207.1	0.8	3.3	CPO (RM/tonne)	2634.0	0.25	-17.7
Hang Seng	25522.0	0.5	16.0	Copper (\$/tonne)	5841.0	-0.87	5.5
STI	3248.7	1.2	12.8	Rubber (sen/kg)	547.0	-1.71	-15.2

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US factory orders	May	-0.80%	-0.30%	-0.50%
US durable goods orders	May F	-0.80%	-1.10%	-0.80%
UK Markit/CIPS services PMI	Jun	53.4	53.8	53.5
EU Markit services PMI	Jun F	55.4	54.7	54.7
EU retail sales YoY	May	2.60%	2.60%	2.30%
JP Nikkei PMI services	Jun	53.3	53.0	--
CH Caixin PMI services	Jun	51.6	52.8	--
HK Nikkei PMI	Jun	51.1	50.5	--
SG Nikkei PMI	Jun	50.7	51.4	--

Source: Bloomberg

- Factory orders in the US dropped 0.80% MOM in May after a 0.30% MOM decline in April. Core capital goods orders rose for five straight months and increased 0.20% MOM but defense goods orders slumped 8.20% MOM, the latter dragging overall capital goods orders to slump 2.90% MOM. Durable goods orders was sluggish and contracted 0.80% MOM from April to May.
- Eurozone services PMI increased to 55.4 in June from 54.7 in May, reflecting firm expansion in the services sector. On the contrary, UK's services sector indicator ticked down to a four-month low of 53.4 in June (May: 53.8).
- Japan's Nikkei services PMI jumped to a 22-month high of 53.3 in June (May: 53.0) as new orders led to faster pace of hiring. The rise in new work resulted to accumulation of backlog. Quicker expansion in the services sector helped to offset cooling momentum in the manufacturing sector, elevating downside risk to labor market since the start of the year. Unemployment rate hovered around a two-decade low in May.
- Singapore's Nikkei PMI slipped to 50.7 in June (May: 55.1), marking the softest pace of expansion in eight months. Slower flow of new businesses enabled firms to work through their backlogs. In tandem, employment numbers dropped for the first time since last October.
- China Caixin services PMI slipped to 51.6 in June (May: 52.8), pointing to softer pace of expansion in the services industries in the second quarter compared to the previous quarter. New order rose at the softest pace in a year.
- Hong Kong's Nikkei PMI increased for three straight months in June, boosted by the fastest exports to China in the past three years. The index climbed to 51.1 last month (May: 50.5) as new orders and production picked up steam, leading to inventories build-up and quicker pace of hiring. Despite a broadly upbeat second quarter, confidence among private sector companies remained downbeat.

Economic Calendar Release Date

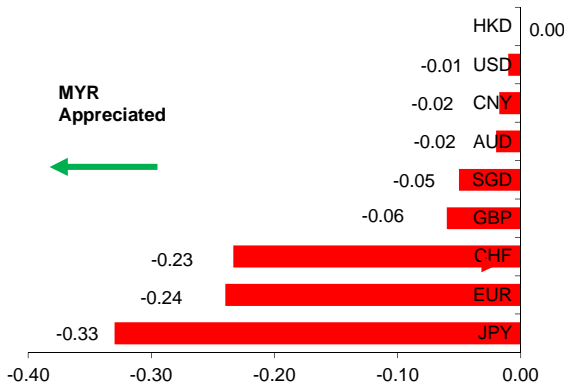
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	07/07	Exports YoY	May	23.40%	20.60%	--
		Foreign Reserves	Jun-30	--	\$98.7b	--
US	07/06	MBA Mortgage Applications	Jun-30	--	-6.20%	--
		ADP Employment Change	Jun	185k	253k	--
		Initial Jobless Claims	Jul-01	243k	244k	--
		Markit US Services PMI	Jun F	53.0	53.0	--
		ISM Non-Manf. Composite	Jun	56.5	56.9	--
		Change in Nonfarm Payrolls	Jun	177k	138k	--
UK	07/07	Unemployment Rate	Jun	4.30%	4.30%	--
		Halifax House Price 3Mths/Year	Jun	3.10%	3.30%	--
		Industrial Production MoM	May	0.30%	0.20%	--
		Construction Output SA MoM	May	0.70%	-1.60%	--
		Visible Trade Balance GBP/Mn	May	-£10850	-£10383	--
Euro zone	07/06	NIESR GDP Estimate	Jun	--	0.20%	--
		ECB account of the monetary policy meeting				
Japan	07/07	Leading Index CI	May P	104.5	104.2	--
		Coincident Index	May P	115.5	117.1	--
Australia	07/07	AiG Perf of Construction Index	Jun	--	56.7	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1352	0.05	1.1369	1.1313	7.8
USDJPY	113.26	-0.02	113.69	112.83	-3.1
GBPUSD	1.2934	0.11	1.2948	1.2894	4.8
AUDUSD	0.7603	-0.04	0.7632	0.7571	5.3
EURGBP	0.8777	-0.05	0.8809	0.8762	2.8
USDMYR	4.2970	-0.01	4.2987	4.2930	-4.2
EURMYR	4.8657	-0.24	4.8839	4.8634	3.2
JPYMYR	3.7828	-0.33	3.8057	3.7825	-1.0
GBPMYR	5.5494	-0.06	5.5613	5.5399	0.7
SGDMYR	3.1061	-0.05	3.1133	3.1051	0.3
AUDMYR	3.2634	-0.02	3.2787	3.2629	0.7
NZDMYR	3.1207	-0.11	3.1358	3.1194	0.2

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR ended barely changed against USD at 4.2970** but advanced softly against 7 G10s as most majors retreated ahead of US releases.
- **MYR remains bullish in anticipation of a softer USD** in Asian / European sessions, impacted by FOMC minutes that stoked timing uncertainty of Fed's balance sheet reduction. A fading upside momentum continues to be seen in USDMYR, thus limiting overall gains. We opine that the pair is fragile and prone to a decline to 4.2902; losing this accelerates the bears that could push USDMYR to 4.2811.

USD

- **USD** climbed ahead of US releases but **closed lower against 7 G10s** as gains were pared amid weaker US data and signs of uncertainty to the timing of the much anticipated Fed balance sheet reduction as revealed by FOMC minutes. The Dollar Index managed to inch 0.07% higher to 96.29.
- **Stay bullish on USD** amid bullish potential ahead of US data and supported by a still hawkish FOMC. Technical outlook continues to improve even though the Dollar Index remains stuck in a bearish bias. We continue to set sights on a close above 96.32, which will trigger the next leg higher to test 97.44.

EUR

- **EUR inched 0.05% to 1.1352 against USD** and climbed against 6 G10s, supported by firmer Eurozone data.
- **EUR remains bearish in anticipation of a firmer USD**, but has room to rally if ECB meeting minutes reveal discussion regarding the tapering of stimulus programme. 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 1.1282.

GBP

- **GBP rose 0.11% to 1.2934 against USD** and beat 7 G10s after refuge demand firmed up post-FOMC minutes.
- **Expect a bearish GBP on the back of a rebounding USD**; disappointing UK data will add to the downsides. GBPUSD is still inclined to further losses, and losing 1.2907 will accelerate the bears that could push the pair down to 1.2810.

JPY

- **JPY inched 0.02% firmer to 113.26 against USD** and advanced softly against 5 G10s, supported by refuge demand post-FOMC minutes.
- **JPY remains bearish as we anticipate a firmer USD**. Upside momentum appears to be slowing in USDJPY, suggesting that 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 dipped 0.04% to 0.7603 against USD** and retreated against 7 G10s, weighed down by risk-off in the markets and softer commodities.
- **Keep a bearish bias in AUD to prevail against USD**, pressured by renewed weakness in commodities. A clear bearish bias has emerged; AUDUSD is inclined to further losses while below 0.7639, and we set sights on a test at 0.7566 next.

SGD

- **SGD climbed 0.15% to 1.3808 against USD** and advanced against 7 G10s.
- **SGD is now bearish in anticipation of a firmer USD**. 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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