

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Risk assets took a hit** and haven assets including UST and gold gained on flight to safety **as markets were cautious ahead of UK snap election and ECB meeting tomorrow**. A narrower win by the ruling party led by Theresa May could complicate the Brexit negotiations and progress, adding more anxieties and uncertainties in the process. Meanwhile, we do not expect any surprises from ECB, who will likely signal no urgency in unwinding its stimulus in the near future. **Overnight Eurozone investor confidence and retail sales were positive.**
- **RBA stayed pat at 1.50% at its meeting yesterday and still sounded neutral in our view**. "Inflation is expected to increase gradually as the economy strengthens" and risks surrounding the property market have somewhat softened. The central bank also maintained its expectation for growth to accelerate above 3.00% in the next few years. We continue to expect rates to stay at record low even though markets are split on whether a rate cut is in the pipeline.
- **USD weakened against 8 G10s** after rebound fizzled out while the Dollar Index continued to be weighed down by recent soft US data, unable to sustain a jump in European session and closed 0.17% lower at 96.63. **Expect a bearish daily USD** on technical grounds. Technical outlook indicates increased likelihood of the Dollar Index staying below 96.68 for the coming days, though chances of a rebound thereafter have not diminished.
- **MYR slipped 0.09% to 4.2670 against a rebounding USD**, as well as pressured by risk aversion in the markets. **MYR remains slightly bearish against USD**, weighed down by prevailing risk-off in the markets. A soft bullish bias has emerged in USDMYR, coupled with grossly oversold conditions and improving upside momentum, are likely to keep the pair on an upside direction. Gains could potentially test 4.2735.

#### Overnight Economic Data

Eurozone

Australia



#### What's Coming Up Next

##### Major Data

- Malaysia foreign reserves
- US MBA mortgage application
- UK Halifax house price
- EU 1Q GDP
- Australia 1Q GDP
- New Zealand manufacturing activity volume

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1225	1.1250	1.1275	1.1285	1.1300	↗
USDJPY	109.04	109.20	109.48	109.60	109.87	↘
GBPUSD	1.2859	1.2900	1.2908	1.2915	1.1941	↗
AUDUSD	0.7485	0.7490	0.7503	0.7528	0.7539	↗
EURGBP	0.8714	0.8730	0.8733	0.8742	0.8750	↗
USDMYR	4.2600	4.2618	4.2665	4.2708	4.2735	↗
EURMYR	4.8000	4.8021	4.8101	4.8130	4.8206	↗
JPYMYR	3.8900	3.8946	3.8990	3.9000	3.9105	↗
GBPMYR	5.5000	5.5013	5.5087	5.5094	5.5230	↗
SGDMYR	3.0869	3.0900	3.0921	3.0935	3.0961	↗
AUDMYR	3.1978	3.2000	3.2030	3.2085	3.2100	↗
NZDMYR	3.0554	3.0600	3.0617	3.0630	3.0671	↗

\*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	1791.0	0.2	9.1	CRB Index	178.1	0.44	-7.5
Dow Jones Ind.	21136.2	-0.2	7.0	WTI oil (\$/bbl)	48.2	1.67	-10.3
S&P 500	2429.3	-0.3	8.5	Brent oil (\$/bbl)	50.1	1.30	-11.8
FTSE 100	7525.0	0.0	5.3	Gold (\$/oz)	1294.4	1.10	12.7
Shanghai	3102.1	0.3	0.0	CPO (RM/tonne)	2749.5	-1.17	-14.0
Hang Seng	25997.1	0.5	18.2	Copper (\$/tonne)	5616.0	-0.21	1.5
STI	3235.8	-0.1	12.3	Rubber (sen/kg)	605.0	-2.65	-6.2

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
EU Sentix investor confidence	Jun	28.4	27.4	27.4
EU retail sales YoY	Apr	2.50%	2.50%	2.10%
AU RBA cash rate	Jun	1.50%	1.50%	1.50%

Source: Bloomberg

## ➤ Macroeconomics

- RBA stayed pat and maintained its cash rate at 1.50% in its monetary policy meeting yesterday. “Inflation is expected to increase gradually as the economy strengthens” and risks surrounding the property market have somewhat softened, sparking speculation that the central bank’s next policy move may be a cut instead of a hike to spur GDP growth in the medium term. Tone of the accompanying policy statement was somewhat neutral and the central bank still expect growth to accelerate above 3.00% in the next few years, giving no indication that the central bank intend to cut benchmark rate anytime soon.
- Eurozone’s Sentix investor’s confidence surged to 28.4 in June (May: 27.4), the highest in nearly a decade amid signs that economic recovery is on track. Elevated household sentiments and signs of sustained GDP growth increase the likelihood of ECB reducing the size of its stimulus package although timing of when the central bank may shrink its asset size is still vastly unknown. In tandem, retail sales growth was at four-month high, advancing 2.50% YOY in April after a revised 2.50% YOY increase in March.

## Economic Calendar Release Date

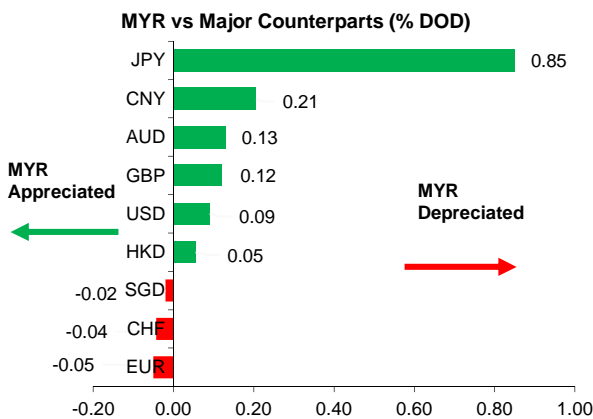
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	06/07	Foreign Reserves	May-31	--	\$97.3b	--
US	06/07	MBA Mortgage Applications	Jun-02	--	-3.40%	--
	0/08	Consumer Credit	Apr	\$15.000b	\$16.431b	--
		Initial Jobless Claims	Jun-03	240k	248k	--
UK	06/07	Halifax House Price 3Mths/Year	May	3.00%	3.80%	--
	06/08	RICS House Price Balance	May	20%	22%	22%
Euro zone	06/07	GDP SA QoQ	1Q F	0.50%	0.50%	--
	06/08	ECB Main Refinancing Rate	Jun-08	0.00%	0.00%	--
		ECB Asset Purchase Target	Jun	EU 60b	EU60b	--
Japan	06/08	GDP SA QoQ	1Q F	0.60%	0.50%	--
		BoP Current Account Adjusted	Apr	¥1624.4b	¥1731.2b	--
		Eco Watchers Survey Current SA	May	48.6	48.1	--
		Eco Watchers Survey Outlook SA	May	48.5	48.8	--
China	06/08	Exports YoY	May	7.20%	8.00%	--
Australia	06/07	GDP SA QoQ	1Q	0.30%	1.10%	--
	06/08	Trade Balance	Apr	A\$2000m	A\$3107m	--
New Zealand	06/07	Mfg Activity Volume QoQ	1Q	--	-1.80%	-2.00%

Source: Bloomberg

**FX Table**

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1277	0.20	1.1284	1.1240	7.2
USDJPY	109.41	-0.94	110.53	109.2300	-6.4
GBPUSD	1.2911	0.05	1.295	1.2872	4.6
AUDUSD	0.7506	0.25	0.7522	0.7457	4.2
EURGBP	0.8734	0.16	0.87555	0.8692	2.3
USDMYR	4.2670	0.09	4.2695	4.2550	-4.9
EURMYR	4.7999	-0.05	4.8060	4.7933	1.8
JPYMYR	3.8906	0.85	3.8953	3.8556	1.7
GBPMYR	5.5093	0.12	5.5231	5.4950	-0.2
SGDMYR	3.0886	-0.02	3.0929	3.0813	-0.3
AUDMYR	3.1930	0.13	3.1958	3.1756	-1.1
NZDMYR	3.0610	0.61	3.0627	3.0348	-1.8

Source: Bloomberg



## Forex

### MYR

- **MYR slipped 0.09% to 4.2670 against a rebounding USD**, as well as pressured by risk aversion in the markets.
- **MYR remains slightly bearish against USD**, weighed down by prevailing risk-off in the markets. A soft bullish bias has emerged in USDMYR, coupled with grossly oversold conditions and improving upside momentum, are likely to keep the pair on an upside direction. Gains could potentially test 4.2735.

### USD

- **USD weakened against 8 G10s** after rebound fizzled out while the Dollar Index continued to be weighed down by recent soft US data, unable to sustain a jump in European session and closed 0.17% lower at 96.63.
- **Expect a bearish daily USD** on technical grounds. Technical outlook indicates increased likelihood of the Dollar Index staying below 96.68 for the coming days, though chances of a rebound thereafter have not diminished.

### EUR

- **EUR rose 0.20% to 1.1277 against USD** but ended lower against 5 G10s as upside strength remains lacking ahead of UK elections.
- **Expect a bullish daily EUR on the back of USD weakness**. Bearish bias still prevails, indicating that EURUSD could be at the onset of a sustained downward move. However, we caution that a break higher to test 1.1300 – 1.1320 is likely ahead of the downward move.

### GBP

- **GBP remains pressured by risk aversion** ahead of UK elections, sliding against 7 G10s but **inched 0.05% higher to 1.2911 against a soft USD**.
- **Stay bullish on GBP against a soft USD**. GBPUSD still looks poised to move higher with 1.2968 in sight. Nonetheless, we reckon that this upward direction is not for the long-term and would likely fizzle out before 1.3048.

### JPY

- **JPY jumped 0.94% to 109.41 against USD** and beat all G10s amid firmer refuge demand.
- **Keep a bullish view on JPY against USD** in anticipation of rising refuge demand. Firm break below 109.60 affirmed that bears remain in control. Further losses are expected for USDJPY, with the next leg lower likely to target 108.72.

### AUD

- **AUD rose 0.25% to 0.7506 against a soft USD** and advanced against 6 G10s, supported by firmer commodities.
- **We remain slightly bullish on AUD against a soft USD**, supported by firmer commodities though softer risk appetite in the markets would keep gains moderate. An emerging bullish bias currently points at further gains going forward. AUDUSD is on track to test 0.7539, which if broken exposes the next move to circa 0.7590.

### SGD

- **SGD climbed 0.15% to 1.3795 against a soft USD** but slipped against 6 G10s.
- **SGD is now bullish against a soft USD**. Technical outlook deteriorated after downside break of 1.3806 and we reckon that USDSGD is now poised for extended decline to circa 1.3732 before attempting a rebound.

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

Email: HLMarkets@hlbb.hongleong.com.my

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.