

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US data flows were a little mixed, showing some softening in the still decent job market but improvement in the services sector.** Markets turned a little jittery as the softer job prints set back expectations for the Fed tightening path. ADP showed the private sector added fewer than expected jobs of 158k in June while weekly initial jobless claims inched up for the 3rd straight week to 248k, though still below 300k. On a more positive note, both PMI and ISM services indices climbed higher to 54.2 and 57.4 in June respectively, pointing to continuous expansion in the services sectors that will help bolster growth in the 2Q.
- **ECB minutes sprang no surprises. Policy makers discussed plans to begin tapering** as the Eurozone economy shows signs of picking up. Nonetheless, there are nothing to suggest an immediate and aggressive move, hence our view that the ECB will trail the Fed in trimming its bond buying programme.
- **USD fell against 7 G10s**, sliding on weak US data as well as rallies in European majors. The Dollar Index tumbled through European and US sessions to settle 0.51% lower at 95.80. **Stay bullish on USD going into US trading session** amid bullish potential in US employment data; however, caution that another set of disappointing data will send USD sharply lower. Downside momentum continues to retreat and thus provides more room for a rebound. We continue to set sights on a close above 96.32, which will trigger the next leg higher to test 97.44.
- **MYR closed 0.06% softer at 4.2995 against USD** and fell against all G10s, gripped by risk aversion ahead of important US data. **MYR could regain some grounds in anticipation of a softer USD** in Asian / European sessions, impacted by mixed US data overnight; surprise upsides in Malaysia external trade data will boost MYR. 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 slipped 0.1% to 1.3822 against USD** and weakened against 7 G10s, pressured by continued retreat in equities. **SGD remains bearish in anticipation of a firmer USD**, and amid pressure from retreating risk appetite. A mild bullish bias has emerged in USDSGD; we continue to set sights on a rebound to 1.3849 going forward, above which 1.3879 will be targeted.

Overnight Economic Data

US



What's Coming Up Next

Major Data

- Malaysia exports, foreign reserves
- US change in non-farm payroll, unemployment rate
- UK Halifax house prices, industrial production, construction output, visible trade balance, NIESR GDP estimate
- Japan leading index, coincident index
- Australia performance of construction index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1381	1.1400	1.1415	1.1445	1.1490	↘
USDJPY	112.78	113.06	113.29	113.47	113.69	↗
GBPUSD	1.2905	1.2944	1.2965	1.2984	1.3000	↘
AUDUSD	0.7542	0.7566	0.7580	0.7596	0.7606	↘
EURGBP	0.8793	0.8800	0.8806	0.8818	0.8847	↘
USDMYR	4.2938	4.2970	4.2980	4.3003	4.3015	↘
EURMYR	4.8921	4.9004	4.9064	4.9122	4.9152	↗
JPYMYR	3.7895	3.7926	3.7954	3.8057	3.8088	↘
GBPMYR	5.5575	5.5700	5.5726	5.5802	5.5848	↘
SGDMYR	3.1026	3.1072	3.1082	3.1094	3.1138	↘
AUDMYR	3.2500	3.2529	3.2572	3.2624	3.2652	↘
NZDMYR	3.1235	3.1265	3.1295	3.1315	3.1352	↘
USDSGD	1.3812	1.3824	1.3828	1.3838	1.3850	↗
EURSGD	1.5738	1.5750	1.5787	1.5800	1.5820	↘
GBPSGD	1.7908	1.7923	1.7928	1.7962	1.8000	↘
AUDSGD	1.0430	1.0462	1.0478	1.0493	1.0512	↘

*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	1770.5	0.1	7.8	CRB Index	174.4	0.45	-9.4
Dow Jones Ind.	21320.0	-0.7	7.9	WTI oil (\$/bbl)	45.5	0.90	-15.3
S&P 500	2409.8	-0.9	7.6	Brent oil (\$/bbl)	48.1	0.70	-15.3
FTSE 100	7337.3	-0.4	2.7	Gold (\$/oz)	1225.2	-0.10	6.6
Shanghai	3212.4	0.2	3.5	CPO (RM/tonne)	2665.5	1.20	-16.7
Hang Seng	25465.2	-0.2	15.7	Copper (\$/tonne)	5851.0	0.17	5.7
STI	3226.3	-0.7	12.0	Rubber (sen/kg)	538.0	-1.65	-16.6

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US MBA mortgage applications	Jun-30	1.40%	-6.20%	--
US ADP employment change	Jun	158k	230k	188k
US initial jobless claims	Jul-01	248k	244k	243k
US Markit services PMI	Jun F	54.2	53.6	53.0
US ISM non-manf. composite	Jun	57.4	56.9	56.5

Source: Bloomberg

- Data from the US labor market was a tad disappointing but suggest that labor market continue to boost economic recovery. Report showed that private employers added 158k jobs to payroll in June, less than the expected 188k and short of May's 230k. Separately, the number of initial jobless claims rose by 4k to 248k last week and continue to stay below the 300k threshold. Despite the softer number, employment data trend have largely been positive in the first half of the year, strengthening the case for tighter monetary policy in the second half of 2017.
- Still on the US, final services sector PMI surged to a five-month high to 54.2 in June (May: 53.6) while another similar gauge from ISM climbed to 57.4 last month (May: 56.9), affirming that industries such retail, healthcare and construction are expanding at a pace that will bolster the economy this quarter.

Economic Calendar Release Date

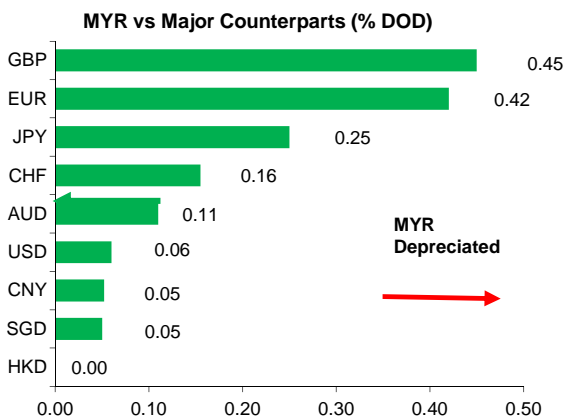
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	07/07	Exports YoY	May	23.40%	20.60%	--
		Foreign reserves	Jun 30	--	\$98.7b	--
US	07/07	Change in Nonfarm Payrolls	Jun	177k	138k	--
		Unemployment Rate	Jun	4.30%	4.30%	--
UK	07/07	Halifax House Price 3Mths/Year	Jun	3.10%	3.30%	--
		Industrial Production MoM	May	0.40%	0.20%	--
		Construction Output SA MoM	May	0.70%	-1.60%	--
		Visible Trade Balance GBP/Mn	May	-£10850	-£10383	--
		NIESR GDP Estimate	Jun	--	0.20%	--
Japan	07/07	Leading Index CI	May P	104.5	104.2	--
		Coincident Index	May P	115.5	117.1	--
	07/10	Machine Orders MoM	May	1.40%	-3.10%	--
		BoP Current Account Balance	May	¥1778.5b	¥1951.9b	--
		Eco Watchers Survey Current SA	Jun	49.0	48.6	--
China	07/10	Eco Watchers Survey Outlook SA	Jun	--	49.6	--
		CPI YoY	Jun	1.50%	1.50%	--
		PPI YoY	Jun	5.50%	5.50%	--
Singapore	07/10-14	GDP YoY	2Q A	2.80%	2.70%	--
Australia	07/07	AiG Perf of Construction Index	Jun	--	56.7	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1423	0.63	1.1425	1.1330	8.6
USDJPY	113.22	-0.04	113.47	112.89	-3.1
GBPUSD	1.2971	0.29	1.2984	1.2920	5.1
AUDUSD	0.7586	-0.22	0.7615	0.7577	5.2
EURGBP	0.8806	0.33	0.8818	0.8757	3.1
USDMYR	4.2995	0.06	4.3015	4.2952	-4.2
EURMYR	4.8862	0.42	4.8879	4.8704	3.9
JPYMYR	3.7923	0.25	3.8065	3.7895	-1.0
GBPMYR	5.5741	0.45	5.5806	5.5519	1.1
SGDMYR	3.1075	0.05	3.1133	3.1061	0.2
AUDMYR	3.2670	0.11	3.2740	3.2607	0.5
NZDMYR	3.1286	0.25	3.1330	3.1217	0.4

Source: Bloomberg



Forex

MYR

- **MYR closed 0.06% softer at 4.2995 against USD** and fell against all G10s, gripped by risk aversion ahead of important US data.
- **MYR is expected to regain some grounds in anticipation of a softer USD** in Asian / European sessions, impacted by mixed US data overnight; surprise upsides in Malaysia external trade data will boost MYR. 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 fell against 7 G10s**, sliding on weak US data as well as rallies in European majors. The Dollar Index tumbled through European and US sessions to settle 0.51% lower at 95.80.
- **Stay bullish on USD going into US trading session** amid bullish potential in US employment data; however, caution that another set of disappointing data will send USD sharply lower. Downside momentum continues to retreat and thus provides more room for a rebound. We continue to set sights on a close above 96.32, which will trigger the next leg higher to test 97.44.

EUR

- **EUR jumped 0.63% to 1.1423 against a soft USD** and advanced against 8 G10s as ECB meeting minutes suggest the governing council is turning attention towards policy normalization as growth in Eurozone picks up.
- **Expect a bearish EUR against USD**; after an overnight rally, EUR will be prone to a sharp decline in the even that USD rallies. We maintain that EURUSD is more inclined to losses than gains; any rebound that fails to beat 1.1450 remains prone to downsides, which points to drop to 1.1282 next.

GBP

- **GBP climbed 0.29% to 1.2971 against a soft USD** and rose against 5 G10s, lifted along by renewed interest in European majors
- **Stay bearish GBP in anticipation of a firmer 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 0.04% firmer to 113.22 against USD** but retreated against 6 G10s amid rallies in European majors.
- **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 fell 0.22% to 0.7586 against USD** and fell against all G10s, weighed down extended weakness in market risk appetite.
- **Expect a bearish AUD against USD**, pressured by extended risk-off in the markets ahead of US data. AUDUSD remains inclined to further losses amid firmer bearish bias, and we set sights on a test at 0.7566 next. Losing this will target 0.7521 next.

SGD

- **SGD slipped 0.1% to 1.3822 against USD** and weakened against 7 G10s, pressured by continued retreat in equities.
- **SGD remains bearish in anticipation of a firmer USD**, and amid pressure from retreating risk appetite. A mild bullish bias has emerged in USDSGD; we continue to set sights on a rebound to 1.3849 going forward, above which 1.3879 will be targeted.

Hong Leong Bank Berhad

Fixed Income & 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@hbb.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.