

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Better than expected headline nonfarm job print bolstered expectations the Fed could be on track for another rate hike before the year ends.** Nonfarm payroll added 222k jobs in June, more than expected, and markets shrugged off an increase in unemployment rate (4.4% vs 4.3%) which was a result of higher participation rate (62.8% vs 62.7%) and subdued wage gains (+0.2% vs +0.1%). **Fed Chair Yellen's upcoming semi-annual testimony to the Congress will be scrutinized.**
- **Back home, exports continued to report exceptional performance in May, growing at its best pace in over seven years by 32.50% YOY in May** (April: revised to +20.40% YOY) lifted by continued robust growth in manufacturing and commodity exports underpinned by global demand in addition to favorable base effect in May last year. **Despite the upbeat trade performance in May, we expect growth to pull back in June on Hari Raya seasonal factor. Beyond that, we expect exports to continue register its double digit growth albeit at a more moderate pace in 2H** of the year in anticipation of a more subdued global growth outlook going into the later part of the year.
- **SD rose against 6 G10s** while the Dollar Index climbed 0.22% to 96.00, supported by a set of better than expected US nonfarm payrolls. **Stay bullish on USD** as demand is likely to improve, supported by expectations that the Fed remains on track to tighten policy further on continued expansion in the job market. Downside momentum continues to retreat and thus provides more room for a rebound. We continue to set sights on the Dollar Index inching above 96.32, which will trigger the next leg higher to test 97.44.
- **MYR advanced against 8 G10s and closed 0.03% firmer at 4.2982 against USD** after narrowing early gains on better than expected Malaysia trade data. **Expect a mildly bullish MYR against USD**, supported by firmer risk appetite. 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 closed unchanged against USD at 1.3822** and climbed against 6 G10s, supported by firmer risk appetite. **SGD is expected to stay slightly bearish against a firm USD**, but we reckon that firmer risk appetite could cushion losses. A mild bullish bias continues to prevail 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

Malaysia	↑
US	↑
UK	↓
Japan	→
Australia	↓

What's Coming Up Next

Major Data

- Eurozone Sentix investor confidence
- Japan machine orders, BoP current account balance, Eco Watcher outlook
- China CPI, PPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1361	1.1392	1.1402	1.1425	1.1445	↘
USDJPY	113.69	113.87	113.98	114.18	114.41	↗
GBPUSD	1.2867	1.2880	1.2892	1.2900	1.2912	↘
AUDUSD	0.7590	0.7600	0.7605	0.7612	0.7622	↘
EURGBP	0.8823	0.8834	0.8841	0.8852	0.8860	↗
USDMYR	4.2952	4.2968	4.2980	4.2990	4.3003	↘
EURMYR	4.8921	4.8962	4.9012	4.9056	4.9074	↘
JPYMYR	3.7541	3.7651	3.7697	3.7757	3.7828	↘
GBPMYR	5.5304	5.5376	5.5419	5.5436	5.5513	↘
SGDMYR	3.1056	3.1094	3.1105	3.1138	3.1158	→
AUDMYR	3.2624	3.2667	3.2674	3.2689	3.2740	↘
NZDMYR	3.1214	3.1244	3.1253	3.1265	3.1326	↘
USDSGD	1.3800	1.3812	1.3816	1.3827	1.3836	↗
EURSGD	1.5724	1.5739	1.5754	1.5781	1.5800	↘
GBPSGD	1.7789	1.7810	1.7817	1.7852	1.7878	↘
AUDSGD	1.0470	1.0493	1.0507	1.0515	1.0524	↘

*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	1759.9	-0.6	7.2	CRB Index	172.6	-1.07	-10.4
Dow Jones Ind.	21414.3	0.4	8.4	WTI oil (\$/bbl)	44.2	-2.30	-17.7
S&P 500	2425.2	0.6	8.3	Brent oil (\$/bbl)	46.7	-2.90	-17.4
FTSE 100	7350.9	0.2	2.9	Gold (\$/oz)	1212.5	-1.00	5.7
Shanghai	3218.0	0.2	3.7	CPO (RM/tonne)	2658.0	-0.32	-16.9
Hang Seng	25340.9	-0.5	15.2	Copper (\$/tonne)	5828.0	-0.39	5.3
STI	3229.0	0.1	12.1	Rubber (sen/kg)	504.0	-6.32	-21.9

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
Malaysia exports YoY	May	32.50%	20.40%	23.40%
Malaysia foreign reserves	Jun 30	\$98.9b	\$98.7b	--
US change in nonfarm payrolls	Jun	222k	138k	177k
US unemployment rate	Jun	4.40%	4.30%	4.30%
UK Halifax house price 3Mths/Year	Jun	2.60%	3.30%	3.10%
UK industrial production MoM	May	-0.10%	0.20%	0.40%
UK construction output SA MoM	May	-1.20%	-1.10%	0.70%
UK visible trade balance	May	-£11863m	-£10595m	-£10850m
UK NIESR GDP estimate	Jun	0.30%	0.20%	--
Japan leading index CI	May P	104.7	104.2	104.5
Japan coincident index	May P	115.5	117.1	115.5
Australia AiG construction index	Jun	56.0	56.7	--

Source: Bloomberg

Macroeconomics

- US non-farm payroll rose more than expected to 222k in June (May: 138k), reiterating diminishing slacks in the labor market. Unemployment rate was slightly higher at 4.40% after sliding to a sixteen-year low of 4.30% in May as labor force participation rate edged higher to 62.80% (previous: 62.70%). Average hourly earnings rose by 0.20% MOM in June (May: +0.10% MOM).
- The slew of UK data reiterated that Brexit uncertainties were dragging household consumption and investment. Survey by Halifax showed that house prices rose a mere 2.60% YOY in the three months to June (three months through May: +3.30% YOY), the slowest pace on record, while industrial production contracted 0.10% MOM in May. Production contracted in four out of the first five months of the year and May's number was weighed down by the biggest decline in vehicle production in more than a year coupled with a decline in utilities output. Signs of softer investment also put building activities to a halt as construction output slipped 1.20% MOM in May (April: -1.10% MOM). Trade deficits widened to £11.86 billion in May (April: £10.60 billion) due to quicker jump in imports (+3.80%) compared to exports (+0.90% MOM).
- Japan's leading index climbed higher to 104.7 in May followed a reading of 104.2 in April. On the other hand, the coincident index dropped to 115.5 (April: 117.1), indicating slight deterioration in current working conditions.
- Australia's performance of construction index slipped by 0.7 point to 56.0 in June, remaining at optimal level even as RBA kept strict mortgage requirement amid concerns of overinflating Sydney and Melbourne's property prices.
- On the local front, exports continued to report exceptional performance in May, growing at its best pace in over seven years by 32.50% YOY in May (April: +20.40% YOY revised) lifted by continued robust growth in manufacturing and commodity exports underpinned by global demand in addition to favorable base effect in May last year. Despite the upbeat trade performance in May, we expect growth to pull back in June on Hari Raya seasonal factor. Beyond that, we expect exports to continue register double digit growth albeit at a more moderate pace in 2H of the year in anticipation of a more subdued global growth outlook into the later part of the year. Malaysia's foreign reserves position increased to \$98.90 billion as at June 30th, the highest since July 2015. The position was sufficient to finance 7.9 months of retained imports and was 1.1x short term external debt.

Economic Calendar Release Date

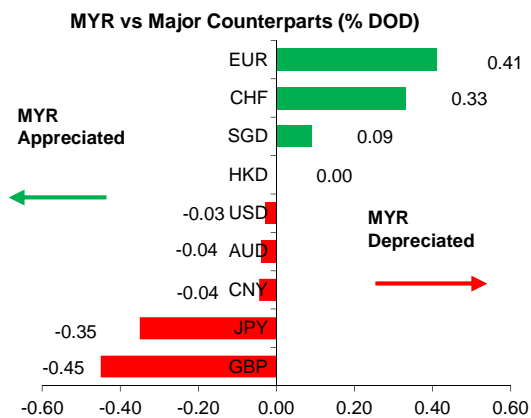
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	07/11	Consumer Credit	May	\$13.500b	\$8.197b	--
		NFIB Small Business Optimism	Jun	104.4	104.5	--
Euro zone	07/10	Sentix Investor Confidence	Jul	28.1	28.4	--
Japan	07/10	Machine Orders MoM	May	1.70%	-3.10%	--
		BoP Current Account Balance	May	¥1792.8b	¥1951.9b	--
		Eco Watchers Survey Current SA	Jun	49.0	48.6	--
		Eco Watchers Survey Outlook SA	Jun	50.3	49.6	--
		Machine Tool Orders YoY	Jun P	--	24.50%	--
China	07/10	CPI YoY	Jun	1.60%	1.50%	--
		PPI YoY	Jun	5.50%	5.50%	--
Australia	07/11	NAB Business Conditions	Jun	--	12	--
		NAB Business Confidence	Jun	--	7	--
		Home Loans MoM	May	1.50%	-1.90%	--
New Zealand	07/10-14	REINZ House Sales YOY	Jun	--	-18.40%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1401	-0.19	1.144	1.1380	8.4
USDJPY	113.92	0.62	114.18	113.11	-2.6
GBPUSD	1.2890	-0.62	1.2975	1.2867	4.5
AUDUSD	0.7601	0.20	0.7623	0.7572	5.5
EURGBP	0.8846	0.45	0.8861	0.8797	3.6
USDMYR	4.2982	-0.03	4.2987	4.2950	-4.2
EURMYR	4.9060	0.41	4.9519	4.9019	3.8
JPYMYR	3.7792	-0.35	3.8295	3.7757	-1.5
GBPMYR	5.5488	-0.45	5.6244	5.5488	0.5
SGDMYR	3.1104	0.09	3.1113	3.1064	0.3
AUDMYR	3.2656	-0.04	3.2873	3.2551	0.9
NZDMYR	3.1284	-0.01	3.1614	3.1248	0.3

Source: Bloomberg



Forex

MYR

- **MYR advanced against 8 G10s and closed 0.03% firmer at 4.2982 against USD** after narrowing early gains on better than expected Malaysia trade data.
- **Expect a mildly bullish MYR against USD**, supported by firmer risk appetite. 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 rose against 6 G10s** while the Dollar Index climbed 0.22% to 96.00, supported by a set of better than expected US nonfarm payrolls.
- **Stay bullish on USD** as demand is likely to improve, supported by expectations that the Fed remains on track to tighten policy further on continued expansion in the job market. Downside momentum continues to retreat and thus provides more room for a rebound. We continue to set sights on the Dollar Index inching above 96.32, which will trigger the next leg higher to test 97.44.

EUR

- **EUR narrowed its losses in US session to close 0.19% lower at 1.1401 against USD** and slipped against 5 G10s.
- **Expect a bearish EUR on the back of a firm USD**. Upside momentum continues to thin for EURUSD, limiting its gains. EURUSD remains inclined to losses as it continues to shy from 1.1450. Caution that losing 1.1361 exposes a drop to 1.1282.

GBP

- **GBP tumbled 0.62% to 1.2890 against USD** and fell to the bottom of the G10 list, weighed down by weak UK data.
- **GBP is likely to retain a bearish bias in anticipation of a firmer USD**, and weighed down by recent disappointing UK data. GBPUSD is still biased to the downsides. We set sights on further losses to circa 1.2824 going forward.

JPY

- **JPY weakened 0.62% to 113.92 against USD** and fell against 8 G10s as refuge demand retreated after US data risk event.
- **Stay bearish on JPY as we continue to expect a firm USD** as well as improving risk appetite that dampens refuge demand. Bullish bias has improved and is likely to push USDJPY higher, potentially testing 114.88 before receding.

AUD

- **AUD rallied to beat 8 G10s and climbed 0.2% to 0.7601 against USD**, lifted by firmer risk appetite after a strong US nonfarm payrolls boosted sentiment.
- **We are slightly bearish on AUD, pressured by a firm USD** though improving risk appetite in the markets could keep losses contained. Bearish bias has increased and we continue to set sights on a test at 0.7566 next. Losing this level exposes a drop to 0.7521 next.

SGD

- **SGD closed unchanged against USD at 1.3822** and climbed against 6 G10s, supported by firmer risk appetite.
- **SGD is expected to stay slightly bearish against a firm USD**, but we reckon that firmer risk appetite could cushion losses. A mild bullish bias continues to prevail in USDSGD; we continue to set sights on a rebound to 1.3849 going forward, above which 1.3879 will be targeted.

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