

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Investors remained on the sideline ahead of key addresses by Fed Chair Yellen tonight where we expect her speeches to echo June's FOMC rhetoric:** improving growth outlook, imminent balance sheet reduction as well as downplaying recent softness in inflation. In addition, email revelation by Trump Junior also somewhat stoke markets, reviving geopolitical noises after a "considerable breather".
- Back on Fed speaks, **Fed Williams expressed his support for one more rate hike this year and for the Fed to begin tapering its balance sheet in the next few months but Fed Brainard differed with regards to the case for one more rate hike unless inflation picks up even though she concurred that balance sheet reduction should begin soon.** Over in the UK, there was no new insights on monetary policy from BOE Deputy Governor.
- **On the data front, it was all positive if not because of the bigger than expected pullback in small business optimism and lower job openings in the US.** Japan machine tool orders turned in quicker growth in June, suggesting business spending especially from overseas is still forthcoming. In tandem with improvement in sentiments elsewhere, NAB also showed business conditions and confidence improving in Australia while the rebound in home loans alleviated some concerns of a softening housing market.
- **USD fell against 7 G10s** and tumbled in US session to close 0.37% lower at 95.66 as demand continued to wane on risk aversion ahead of Fed Chair Yellen's Congress testimony. **Expect USD to stay defensive** ahead of Fed Chair Yellen's Congress testimony; hawkish remarks will boost demand for USD. The Dollar Index has lost the initiative to take up a bullish bias and is now tilted downwards. Caution that losing 95.47 will trigger a drop to 95.00, and needs at least a close above 95.78 for bears to relent.
- **MYR advanced against 8 G10s and closed 0.03% softer at 4.2977 against USD. Expect a slightly bullish MYR against a soft USD;** a strong Malaysia IPI data will further boost demand for MYR. Upside momentum thins further, and USDMYR remains prone to a decline to 4.2902, below which bears will accelerate and push the pair to 4.2811.
- **SGD closed mixed against the G10s but managed to advance 0.2% to 1.3820 against a retreating USD. We turn bullish on SGD against a defensive USD.** USDSGD is fragile after losing 1.3841 overnight and is now tilted to the downside. Losing 1.3800 will likely be the onset of another decline that could test 1.3768.

Overnight Economic Data

US
Japan
Australia



What's Coming Up Next

Major Data

- Malaysia industrial production
- US MBA mortgage application
- UK ILO unemployment rate, employment change
- EU industrial production
- Japan PPI, tertiary industry index
- Singapore retail sales

Major Events

- Fed Beige Book
- Yellen testimony to Congress

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1428	1.1445	1.1475	1.1480	1.1500	↗
USDJPY	113.11	113.49	113.73	114.00	114.30	↘
GBPUSD	1.2810	1.2836	1.2863	1.2876	1.2903	↘
AUDUSD	0.7606	0.7622	0.7640	0.7647	0.7667	↗
EURGBP	0.8879	0.8904	0.8920	0.8933	0.8950	↗
USDMYR	4.2930	4.2953	4.2960	4.2985	4.3001	↘
EURMYR	4.9076	4.9152	4.9297	4.9350	4.9400	↗
JPYMYR	3.7654	3.7733	3.7762	3.7857	3.7986	↗
GBPMYR	5.5175	5.5210	5.5266	5.5335	5.5428	↘
SGDMYR	3.1054	3.1100	3.1108	3.1138	3.1158	↗
AUDMYR	3.2756	3.2813	3.2825	3.2837	3.2873	↗
NZDMYR	3.0927	3.0957	3.1034	3.1083	3.1138	↘
USDSGD	1.3832	1.3840	1.3852	1.3880	1.3892	↘
EURSGD	1.5788	1.5800	1.5845	1.5861	1.5880	↗
GBPSGD	1.7727	1.7748	1.7763	1.7779	1.7810	↘
AUDSGD	1.0530	1.0540	1.0551	1.0565	1.0582	↗

*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	1755.0	-0.1	6.9	CRB Index	173.9	0.68	-9.7
Dow Jones Ind.	21409.1	0.0	8.3	WTI oil (\$/bbl)	45.0	1.44	-16.2
S&P 500	2425.5	-0.1	8.3	Brent oil (\$/bbl)	47.5	1.37	-20.7
FTSE 100	7329.8	-0.5	2.6	Gold (S/oz)	1217.8	0.30	6.1
Shanghai	3203.0	-0.3	3.2	CPO (RM/tonne)	2665.0	0.95	-16.7
Hang Seng	25877.6	1.5	17.6	Copper (\$/tonne)	5875.0	0.88	6.1
STI	3218.8	-0.8	11.7	Rubber (sen/kg)	495.5	-3.03	-23.2

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US NFIB small biz optimism	Jun	103.6	104.5	104.4
JP machine tool orders YoY	Jun P	31.10%	24.50%	--
AU NAB business conditions	Jun	15	11	--
AU NAB business confidence	Jun	9	8	--
AU home loans MoM	May	1.00%	-1.90%	1.50%

Source: Bloomberg

➤ Macroeconomics

- US small business optimism retreated more than expected to 103.6 in June, a 7-month low, as small businesses timed hiring plans amid dampened optimism over economic growth outlook. A separate release also showed job openings disappointed, coming in at a 3-month low of 5.67m in May, but this was somewhat cushioned by a higher hiring rate of 3.7% (Apr: 3.5%).
- Japan machine tool orders picked up to increase at a faster pace of 31.1% YOY in June, extending its 4th straight month of double-digit gains given continuous hefty increases in overseas orders (+51.5%) as domestic orders showed more moderate gains (+7.8%), a sign business spending is still forthcoming.
- Tracking improvement seen in sentiments recently, Australia business conditions and confidence as surveyed by NAB climbed higher in June. Business conditions printed 15, up from 11 in May and marked its best level since Jan-08 while business outlook edged higher from 8 to 9 in June. Home loans also rebounded albeit at a less than expected pace to increase 1.00% MOM in May, snapping three straight months of decline. Number of loans for construction, new and existing homes all increased, alleviating some concerns on a softening housing market.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	07/12	Industrial Production YoY	May	4.10%	4.20%	--
	07/13	BNM Overnight Policy Rate	Jul-13	3.00%	3.00%	--
US	07/12	MBA Mortgage Applications	Jul-07	--	1.40%	--
	07/13	U.S. Federal Reserve Releases Beige Book				
		PPI Final Demand YoY	Jun	1.90%	2.40%	--
		Initial Jobless Claims	Jul-08	245k	248k	--
UK	07/12	Jobless Claims Change	Jun	--	7.3k	--
		ILO Unemployment Rate 3Mths	May	4.60%	4.60%	--
		Employment Change 3M/3M	May	120k	109k	--
Euro zone	07/12	Industrial Production SA MoM	May	1.00%	0.50%	--
Japan	07/12	PPI YoY	Jun	2.00%	2.10%	--
		Tertiary Industry Index MoM	May	-0.50%	1.20%	--
China	07/13	Exports YoY	Jun	8.90%	8.70%	--
Singapore	07/12	Retail Sales YoY	May	2.20%	2.60%	--
Australia	07/12	Westpac Consumer Conf Index	Jul	--	96.2	--
New Zealand	07/13	ANZ Consumer Confidence Index	Jul	--	127.8	--

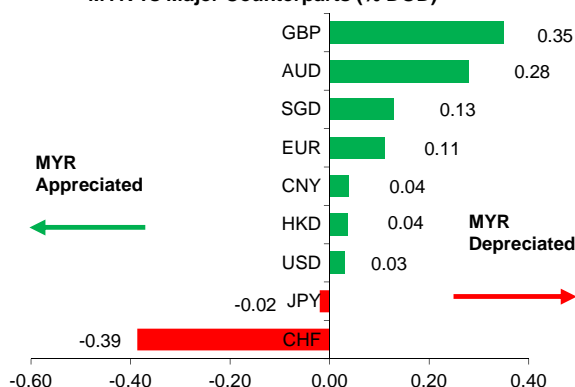
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1467	0.60	1.148	1.1383	9.1
USDJPY	113.94	-0.09	114.49	113.72	-2.7
GBPUSD	1.2848	-0.26	1.2927	1.2831	4.2
AUDUSD	0.7638	0.42	0.7643	0.7603	6.0
EURGBP	0.8926	0.85	0.8933	0.8815	4.6
USDMYR	4.2977	0.03	4.2985	4.2935	-4.2
EURMYR	4.8973	0.11	4.9003	4.8918	3.7
JPYMYR	3.7609	-0.02	3.7654	3.7543	-1.8
GBPMYR	5.5458	0.35	5.5550	5.5289	0.6
SGDMYR	3.1046	0.13	3.1059	3.0995	0.1
AUDMYR	3.2704	0.28	3.2771	3.2650	0.9
NZDMYR	3.1015	-0.69	3.1182	3.1015	-0.6

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



Forex

MYR

- **MYR advanced against 8 G10s and closed 0.03% softer at 4.2977 against USD.**
- **Expect a slightly bullish MYR against a soft USD;** a strong Malaysia IPI data will further boost demand for MYR. Upside momentum thins further, and USDMYR remains prone to a decline to 4.2902, below which bears will accelerate and push the pair to 4.2811.

USD

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- **Expect USD to stay defensive** ahead of Fed Chair Yellen's Congress testimony; hawkish remarks will boost demand for USD. The Dollar Index has lost the initiative to take up a bullish bias and is now tilted downwards. Caution that losing 95.47 will trigger a drop to 95.00, and needs at least a close above 95.78 for bears to relent.

EUR

- **EUR jumped 0.60% to 1.1467 against USD** and beat 8 G10s as demand for European majors remained firm.
- **EUR remains bullish in line with our expectation of a softer USD;** strong Eurozone IPI will boost upsides. Breaking 1.1450 now sets a course to 1.1500 for EURUSD; we caution that 1.1500 – 1.1520 is a strong resistance range that could thwart the pair's advance and set off a decline to 1.1361.

GBP

- **GBP weakened 0.26% to 1.2848 against USD** and fell against 8 G10s as support from hawkish expectations retreated further after BOE deputy governor offered no insights on monetary policy in his speech yesterday.
- **Stay bearish on GBP against USD,** weighed down by bearish potential in UK data. Upside momentum is now negligible and we reckon that it is a matter of time before bearish bias emerges. GBPUSD losing 1.2836 will trigger an extended decline that could test 1.2721 in the coming weeks.

JPY

- **JPY inched 0.09% firmer to 113.94 against a soft USD** but retreated against 6 G10s as markets remained supportive of riskier assets.
- **We now turn bullish on JPY against USD** as risk aversion in the greenback is likely to push demand towards safety. USDJPY is gradually losing upside momentum and failure to beat 114.54 has raised doubts if the pair could push any higher. Expect some weakness time being. Losing 113.49 will accelerate the downsides and set a course for 112.43.

AUD

- **AUD climbed 0.42% to 0.7638 against USD** and beat 6 G10s, supported by markets that were relatively risk-on.
- **Stay bullish on AUD in anticipation of a soft USD.** Closing above 0.7622 has further bolstered the bulls and we expect AUDUSD will be looking to test 0.7667 next. However, we remain unconvinced that an extended rally can sustain given prevailing bearish bias. Expect failure circa 0.7686 – 0.7695.

SGD

- **SGD closed mixed against the G10s but managed to advance 0.2% to 1.3820 against a retreating USD.**
- **We turn bullish on SGD against a defensive USD.** USDSGD is fragile after losing 1.3841 overnight and is now tilted to the downside. Losing 1.3800 will likely be the onset of another decline that could test 1.3768.

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