

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets turned risk-on as Fed Chair Yellen's testimony reiterated the Fed's plan for gradual policy normalization** of further rate hike and imminent balance sheet reduction this year. The Fed Chair Yellen also downplayed recent softness in inflation but said that the central bank will continue to closely monitor inflation trajectory to ensure it is on track towards the Fed's 2.0% goal. Reflecting the Fed's stance on the economy, **Beige Book reaffirmed that growth in the US economy remains moderate. BOC also came to the fore as it raised its benchmark rate for the first time in seven years by 25bps.**
- **Overnight data flow from the US, EU and the UK were largely positive.** Eurozone's industrial production quickened to 1.30% MOM in May spurred by stronger output growth in the bloc's three major economies. UK's unemployment rate dropped to 4.50% in May, the lowest in 42 years as employers added 175k to payrolls in the three months through May.
- **Back home, industrial production grew at a faster pace for the first time in three months, by 4.60% YOY in May,** reversing two months of moderating trend. Quicker growth in the manufacturing output led by E&E and a turnaround in electricity output offset continuous decline in the mining subsector. The latest IPI print reinforced our view for sustained IPI growth that will continue to underpin overall growth outlook going forward.
- USD ended mixed against the G10s after a volatile day. **The Dollar Index shrugged off losses in Asian session to end higher by 0.10% to 95.76,** following reiteration by Yellen of the Fed's plan for gradual rate increases and balance sheet reduction. **Expect USD to stay soft today after** Fed Chair Yellen signaled no change in the Fed gradual policy normalization outlook. Technically, the Dollar Index exhibits a bearish bias and yesterday's close below 95.78 reinforced this. Losing 95.47 will trigger a drop to 95.00.
- **MYR ended marginally firmer by 0.10% vs the greenback at 4.2935** supported by upside surprises in Malaysia IPI data and a softer greenback ahead of Yellen's testimony. The local unit however weakened against other majors including the EUR, JPY, and AUD. **Expect a slightly bullish MYR against a soft USD and a lower opening in USDMYR.** Upside momentum continues to dissipate. USDMYR remains prone to a decline to 4.2902, below which bears will accelerate and push the pair to 4.2811.
- **SGD advanced 0.33% against the greenback to 1.3775** and gained against 6 other G10s. **We are bullish on SGD against a relatively soft USD.** Bearishness in USDSGD has picked up after closing below 1.3800. We now set sights on further decline to 1.3768.

Overnight Economic Data

Malaysia	↑
US	↑
UK	→
Euro zone	↑
Japan	↓

What's Coming Up Next

Major Data

- US PPI final demand, initial jobless claims
- China exports
- New Zealand ANZ consumer confidence index

Major Events

- BNM overnight policy rate

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1383	1.1408	1.1427	1.1480	1.1500	↗
USDJPY	112.90	113.11	113.27	113.49	114.00	↘
GBPUSD	1.2810	1.2845	1.2902	1.2915	1.2938	↗
AUDUSD	0.7637	0.7659	0.7687	0.7698	0.7708	↗
EURGBP	0.8803	0.8833	0.8858	0.8866	0.8884	↗
USDMYR	4.2844	4.2864	4.2890	4.2985	4.3001	↘
EURMYR	4.8916	4.8966	4.9021	4.9308	4.9400	↘
JPYMYR	3.7654	3.7733	3.7885	3.7923	3.7986	↗
GBPMYR	5.5175	5.5258	5.5357	5.5428	5.5572	↗
SGDMYR	3.1054	3.1100	3.1161	3.1205	3.1226	↗
AUDMYR	3.2824	3.2902	3.2978	3.3019	3.3073	↗
NZDMYR	3.0914	3.1095	3.1193	3.1226	3.1268	↗
USDSGD	1.3709	1.3742	1.3765	1.3785	1.3822	↘
EURSGD	1.5691	1.5718	1.5739	1.5783	1.5861	↗
GBPSGD	1.7727	1.7748	1.7762	1.7779	1.7810	↗
AUDSGD	1.0555	1.0573	1.0582	1.0591	1.0596	↗

*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	1757.2	0.1	7.0	CRB Index	173.9	-0.03	-9.7
Dow Jones Ind.	21532.1	0.6	9.0	WTI oil (\$/bbl)	45.5	1.00	-15.3
S&P 500	2443.3	0.7	9.1	Brent oil (\$/bbl)	47.7	0.50	-16.0
FTSE 100	7416.9	1.2	3.8	Gold (\$/oz)	1220.5	0.20	6.3
Shanghai	3197.5	-0.2	3.0	CPO (RM/tonne)	2635.5	-1.11	-17.6
Hang Seng	26043.6	0.6	18.4	Copper (\$/tonne)	5905.0	0.51	6.7
STI	3208.9	-0.3	11.4	Rubber (sen/kg)	494.5	-0.20	-23.3

Source: Bloomberg

► Macroeconomics

Economic Data

	For	Actual	Last	Survey
MY industrial production YoY	May	4.60%	4.20%	4.30%
US MBA mortgage applications	Jul-07	-7.40%	1.40%	--
UK jobless claims change	Jun	5.9k	7.7k	--
UK ILO unemployment rate 3Mths	May	4.50%	4.60%	4.60%
UK employment change 3M/3M	May	175k	109k	134k
EU industrial production SA MoM	May	1.30%	0.30%	0.30%
JP PPI YoY	Jun	2.10%	2.10%	2.00%
JP tertiary industry index MoM	May	-0.10%	1.40%	-0.50%
SG retail sales YoY	May	0.90%	2.70%	2.20%
AU Westpac consumer confidence index	Jul	96.6	96.2	--

Source: Bloomberg

- Fed chair Janet Yellen said in her testimony to Congress that progress in economic recovery will allow further monetary policy tightening but the central bank will continue to closely monitor inflation trajectory to ensure that it is on track toward the 2.00% goal. Yellen also said that policy rate “would not have to rise all that much further” and she anticipates that the Fed will start reducing its balance sheet “this year” although size of the reduction is still uncertain. On the data front, MBA mortgage application declined 7.40% last week after increasing 1.40% in the previous week.
- UK’s unemployment rate dropped to 4.50% in May, the lowest in 42 years as employers added 175k to payrolls in the three months through May. Despite a tighter labor market, wage growth remained subdued, strengthening the case for BOE to stay pat at its record low level of 0.25% even as inflation hovers close to 3.00%.
- Eurozone’s industrial production rose 1.30% MOM in May following a revised 0.30% MOM increase in April. Output in the bloc’s largest economies registered stronger growth, with Germany’s output surging 1.40% (previous: +0.80%), France 1.90% (previous: -0.60%) and Italy 0.70% (previous: -0.50%).
- Japan’s tertiary industry index slipped 0.10% MOM in May after a 1.40% MOM increase in April. On the other hand, producer’s prices rose 2.10% YOY in June (May: +2.10% YOY).
- Singapore’s retail sales softened to 0.90% YOY in May (April: +2.70% YOY) largely due to the drop in food & beverages and wearing apparel & footwear sales. Separately, Australia’s Westpac consumer confidence index climbed to 96.6 in July (June: 96.2).
- Back home, industrial production grew at a faster pace for the first time in three months, by 4.60% YOY in May, reversing two months of moderating trend. Quicker growth in the manufacturing output led by E&E and a turnaround in electricity output offset continuous decline in the mining subsector. The latest IPI print reinforced our view for sustained IPI growth that will continue to underpin overall growth outlook going forward.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	07/13	BNM Overnight Policy Rate	Jul-13	3.00%	3.00%	--
US	07/13	PPI Final Demand YoY	Jun	1.90%	2.40%	--
		Initial Jobless Claims	Jul-08	245k	248k	--
	07/14	CPI YoY	Jun	1.70%	1.90%	--
		Retail Sales Advance MoM	Jun	0.10%	-0.30%	--
		Industrial Production MoM	Jun	0.30%	0.00%	--
		U. of Mich. Sentiment	Jul P	95.0	95.1	--
Euro zone	07/14	Trade Balance SA	May	20.2b	19.6b	--
Japan	07/14	Industrial Production MoM	May F	--	-3.30%	--
China	07/13	Exports YoY	Jun	8.90%	8.70%	--
New Zealand	07/13	ANZ Consumer Confidence Index	Jul	--	127.8	--
	07/14	Business NZ Manufacturing PMI	Jun	--	58.5	--

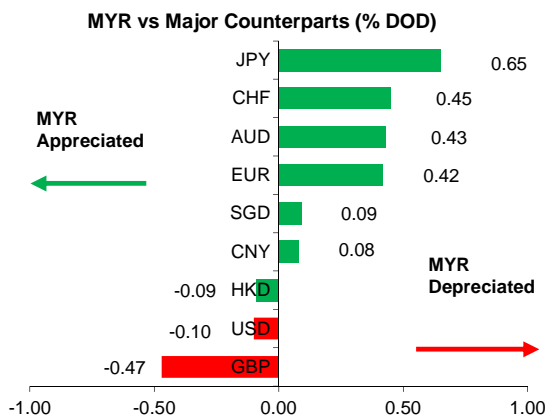
Source: Bloomberg

Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1412	-0.48	1.1489	1.1392	8.6
USDJPY	113.17	-0.68	113.97	112.93	-3.1
GBPUSD	1.2885	0.29	1.2907	1.2812	4.5
AUDUSD	0.7678	0.52	0.7685	0.7635	6.5
EURGBP	0.8857	-0.76	0.8949	0.8839	3.8
USDMYR	4.2935	0.10	4.2965	4.2933	-4.3
EURMYR	4.9180	0.42	4.9358	4.9151	4.1
JPYMYR	3.7853	0.65	3.7898	3.7748	-1.2
GBPMYR	5.5199	-0.47	5.5268	5.5034	0.1
SGDMYR	3.1074	0.09	3.1139	3.1074	0.2
AUDMYR	3.2843	0.43	3.2921	3.2796	1.4
NZDMYR	3.1057	0.14	3.1118	3.0995	-0.4

Source: Bloomberg



MYR

- **MYR ended marginally firmer by 0.10% vs the greenback at 4.2935** supported by upside surprises in Malaysia IPI data and a softer greenback ahead of Yellen's testimony. The local unit however weakened against other majors including the EUR, JPY, and AUD.
- **Expect a slightly bullish MYR against a soft USD and a lower opening in USDMYR.** Upside momentum continues to dissipate. USDMYR remains prone to a decline to 4.2902, below which bears will accelerate and push the pair to 4.2811.

USD

- USD ended mixed against the G10s after a volatile day. **The Dollar Index shrugged off losses in Asian session to end higher by 0.10% to 95.76**, following reiteration by Yellen of the Fed's plan for gradual rate increases and balance sheet reduction.
- **Expect USD to stay supported today after** Fed Chair Yellen signaled no change in the Fed gradual policy normalization outlook. Technically, the Dollar Index exhibits a bearish bias and yesterday's close below 95.78 reinforced this. Losing 95.47 will trigger a drop to 95.00.

EUR

- **EUR fell 0.48% to 1.1412 against USD** and underperformed most G10s as the EUR plunged in US trading session.
- **We expect slight bullishness in EUR today** as the EUR attempts to rebound. EURUSD remains bullish but positive momentum was dampened by yesterday's lower closing. We still think the pair would attempt to test 1.1500 but rejection here could trigger a decline to 1.1361.

GBP

- **GBP advanced 0.29% to 1.2885 against USD** and gained against 5 G10s boosted by better than expected UK job data that spurred expectations the BOE could join the policy tightening bandwagon.
- **GBP may still eke out some minor gains today** on the back of a subdued USD. Technically, the pair is near neutral suggesting the pair is at a turning point. We maintain our view that losing 1.2836 will trigger an extended decline that could test 1.2721 in the coming weeks.

JPY

- **JPY strengthened 0.68% against a relatively flat USD to 113.17** and advanced against all G10s except the loonie which was boosted by BOC's first rate hike in seven years.
- **We are slightly bullish on JPY in anticipation of a lackluster USD.** Upside momentum in USDJPY continues to fade and yesterday's closing below 113.49 set the course for USDJPY to test 112.43 in the next leg down.

AUD

- **AUD climbed 0.52% to 0.7678 against USD** and beat 7 G10s, driven by revived risk appetite in the market.
- **Stay bullish on AUD in anticipation of a soft USD.** Breaking above 0.7667 has reinforced the bulls but we remain unconvinced that an extended rally can sustain given prevailing bearish bias. Expect failure circa 0.7686 – 0.7695 to push AUDUSD back on a downward trend again.

SGD

- **SGD advanced 0.33% against the greenback to 1.3775** and gained against 6 other G10s.
- **We are bullish on SGD against a relatively soft USD.** Bearishness in USDSGD has picked up after closing below 1.3800. We now set sights on further decline to 1.3768.

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@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.