

Global Markets Research

Daily Market Highlights

Key Takeaways

- **BNM decided to keep the OPR unchanged at 3.00%** yesterday, and expressed an improved view on global growth prospects that is expected to spill over into the Malaysian economy. On inflation, the central bank expressed that prices are expected to moderate from current level, while core inflation remains contained. We continue to hold on to our view that moderately better growth outlook as well as transitory inflationary pressure will allow **BNM to hold OPR at 3.00% through 2017**.
- **Data flow from the US was mixed**; producer prices softened though less than expected, while jobless claims inched higher, but also less than expected. **China meanwhile, surprised on the upside**, registering another strong print in exports and continue to suggest that growth will hold despite a slowdown view.
- **MYR closed relatively unchanged at 4.2930 against USD** after opening stronger footing, and slipped against 8 G10s. **Expect a slightly bullish MYR against a softer overnight USD**. Upside momentum continues to thin, limiting USDMYR's gains. The 4.2902 level remains vulnerable; a close below it exposes a decline to 4.2764 in the coming weeks.
- **USD fell against 6 G10s** as demand for refuge ebbed and found no support from mixed US data. The Dollar Index reversed an early slump but nonetheless ended 0.03% lower at 95.72. **We turn slightly bullish on USD**, with scope to rally in US session considering bullish potential in US data and ahead of speeches by Fed officials. The Dollar Index tested and bounced off 95.47, which we opine to be the bottom of the recent move. We now expect a rebound though gains may be modest; beating 95.98 exposes a climb to 96.41, while losing 95.47 pushes for a drop to 94.89.
- **SGD was supported by firmer risk appetite to beat 5 G10s and advanced 0.24% to 1.3742 against USD**. **Expect a bearish SGD against USD**, weighed down by retreating risk appetite. Near-term, we expect a technical rebound that is unlikely to sustain beyond 1.3783. Bearish bias continues to prevail, suggesting that there is likely more room for losses before mounting a sustained rebound.

Overnight Economic Data

Malaysia	→
US	→
China	↕
New Zealand	↕

What's Coming Up Next

Major Data

- US CPI, advance retail sales, industrial production, University of Michigan sentiment
- euro zone trade balance
- Japan industrial production

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1361	1.1383	1.1392	1.1401	1.1437	↘
USDJPY	112.86	113.21	113.43	113.61	113.72	↘
GBPUSD	1.2810	1.2836	1.2946	1.2955	1.2971	↗
AUDUSD	0.7700	0.7720	0.7741	0.7750	0.7772	↗
EURGBP	0.8790	0.8800	0.8805	0.8811	0.8816	↘
USDMYR	4.2872	4.2895	4.2910	4.2919	4.2935	↘
EURMYR	4.8839	4.8882	4.8916	4.9003	4.9076	↘
JPYMYR	3.7748	3.7807	3.7813	3.7898	3.7919	↘
GBPMYR	5.5400	5.5446	5.5554	5.5639	5.5681	↗
SGDMYR	3.1158	3.1189	3.1207	3.1233	3.1258	↗
AUDMYR	3.3151	3.3185	3.3210	3.3271	3.3330	↗
NZDMYR	3.1368	3.1400	3.1423	3.1466	3.1500	↘
USDSGD	1.3709	1.3736	1.3752	1.3760	1.3783	↗
EURSGD	1.5633	1.5664	1.5676	1.5687	1.5713	↘
GBPSGD	1.7755	1.7777	1.7803	1.7810	1.7829	↘
AUDSGD	1.0618	1.0637	1.0648	1.0650	1.0672	↗

*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	1753.8	-0.2	6.8	CRB Index	174.3	0.27	-9.4
Dow Jones Ind.	21553.1	0.1	9.1	WTI oil (\$/bbl)	46.1	1.30	-14.2
S&P 500	2447.8	0.2	9.3	Brent oil (\$/bbl)	48.4	1.40	-14.8
FTSE 100	7413.4	0.0	3.8	Gold (\$/oz)	1217.6	-0.20	6.1
Shanghai	3218.2	0.6	3.7	CPO (RM/tonne)	2657.5	0.83	-16.9
Hang Seng	26346.2	1.2	19.8	Copper (\$/tonne)	5876.0	-0.49	6.2
STI	3235.7	0.8	12.3	Rubber (sen/kg)	499.5	1.01	-22.6

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
BNM overnight policy rate	Jul-13	3.00%	3.00%	3.00%
US PPI final demand YoY	Jun	2.00%	2.40%	1.90%
US initial jobless claims	Jul-08	247k	250k	245k
China exports YoY	Jun	11.30%	8.70%	8.90%
New Zealand ANZ consumer confidence index	Jul	125.4	127.8	--
New Zealand business NZ manufacturing PMI	Jun	56.2	58.2	--

- BNM maintained OPR unchanged at 3.00% as expected and the policy statement continued to strike a neutral tone. BNM painted a rosier picture of the global growth prospects which is anticipated to spill over to the Malaysian economy. The central bank also reiterated that headline inflation is poised to moderate from here and that core inflation has remained contained. The domestic financial markets have been resilient and liquidity in the banking system remains sufficient while financing to the private sector has improved along with the pace of economic activity. We continue to hold on to our view that moderately better growth outlook as well as transitory inflationary pressure will allow BNM to keep OPR unchanged at 3.00% through 2017.
- US initial jobless claims dropped 3k to 247k last week as labor market continued to show signs of tightening. Claims hovered close to the lowest level in over 40 years, reflecting optimistic domestic outlook amid global economic recovery. On a second report, producer prices edged down to 2.00% YOY in June (May: +2.40% YOY).
- The rebound in May sustained its momentum as China exports accelerate for two straight months and increased 11.30% YOY to USD 196.59 billion in June. After rising 8.70% YOY in May, robust shipments to major destinations such as US, European Union and Japan contributed to the improvement in headline exports and alleviated the decline in exports to Malaysia and Singapore. Imports expanded 17.20% YOY to USD 153.83 billion in June (May: +14.80% YOY), underscoring robust domestic demand even as the government tightened borrowing requirements to curb borrowing and property investment. Trade surplus rose to a five month high of USD 42.80 billion in June after a surplus of USD 40.79 billion in May.
- New Zealand's ANZ consumer confidence index slipped to 125.4 in July (June: 127.8) but despite the slight deterioration, confidence level was broadly optimistic. On a separate report, business manufacturing PMI dropped to 56.2 in June from a sixteen month high of 58.2 in May.

Economic Calendar Release Date

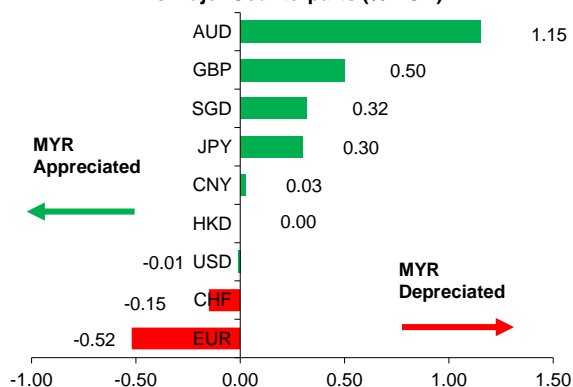
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	07/14	CPI YoY	Jun	1.70%	1.90%	--
		Retail Sales Advance MoM	Jun	0.10%	-0.30%	--
		Industrial Production MoM	Jun	0.30%	0.00%	--
		U. of Mich. Sentiment	Jul P	95.0	95.1	--
	07/17	Empire Manufacturing	Jul	15.0	19.8	--
UK	07/17	Rightmove House Prices YoY	Jul	--	1.80%	--
Euro zone	07/14	Trade Balance SA	May	20.2b	19.6b	--
Japan	07/14	Industrial Production MoM	May F	--	-3.30%	--
China	07/17	Retail Sales YoY	Jun	10.60%	10.70%	--
		Fixed Assets Ex Rural YTD YoY	Jun	8.50%	8.60%	--
		Industrial Production YoY	Jun	6.50%	6.50%	--
		GDP YoY	2Q	6.80%	6.90%	--
Singapore	07/17	Non-oil Domestic Exports YoY	Jun	5.10%	-1.20%	--
New Zealand	07/17	Performance Services Index	Jun	--	58.8	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1398	-0.12	1.1456	1.1371	8.4
USDJPY	113.28	0.10	113.53	112.86	-3.1
GBPUSD	1.2939	0.42	1.2955	1.2881	4.9
AUDUSD	0.7731	0.69	0.774	0.7675	7.4
EURGBP	0.8809	-0.54	0.8874	0.8802	3.2
USDMYR	4.2930	-0.01	4.2935	4.2872	-4.4
EURMYR	4.8925	-0.52	4.9153	4.8882	3.5
JPYMYR	3.7968	0.30	3.7996	3.7799	-1.3
GBPMYR	5.5476	0.50	5.5558	5.5273	0.7
SGDMYR	3.1174	0.32	3.1189	3.1116	0.7
AUDMYR	3.3221	1.15	3.3225	3.2910	2.4
NZDMYR	3.1461	1.30	3.1466	3.1116	0.7

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR closed relatively unchanged at 4.2930 against USD** after opening stronger footing, and slipped against 8 G10s.
- **Expect a slightly bullish MYR against a softer overnight USD.** Upside momentum continues to thin, limiting USDMYR's gains. The 4.2902 level remains vulnerable; a close below it exposes a decline to 4.2764 in the coming weeks.

USD

- **USD fell against 6 G10s** as demand for refuge ebbed and found no support from mixed US data. The Dollar Index reversed an early slump but nonetheless ended 0.03% lower at 95.72.
- **We turn slightly bullish on USD,** with scope to rally in US session considering bullish potential in US data and ahead of speeches by Fed officials. The Dollar Index tested and bounced off 95.47, which we opine to be the bottom of the recent move. We now expect a rebound though gains may be modest; beating 95.98 exposes a climb to 96.41, while losing 95.47 pushes for a drop to 94.89.

EUR

- **EUR slipped 0.12% to 1.1398 against USD** and fell against 8 G10s amid an absence of positive catalyst to drive further gains.
- **In accordance with our bullish USD view, we are now bearish on EUR.** A mild bearish bias has emerged and EURUSD is now inclined to further downsides. We set sights on a close below 1.1361 soon, which will then allow an easier passage to 1.1304 thereafter.

GBP

- **GBP climbed 0.42% to 1.2939 against a soft USD** and advanced against 6 G10s as interest in European majors waned.
- **Expect a slightly bullish GBP against USD,** supported by general retreat in European majors. Overnight break through various firm resistances is likely to sustain an extended gain for GBPUSD, with scope to test or even break 1.2971. We foresee this rally to fizzle out before 1.3000.

JPY

- **JPY fell 0.1% to 113.28 against USD** and retreated against 6 G10s as refuge demand ebbed further.
- **Stay bullish on JPY against USD** as we anticipate risk aversion to build ahead of Fed officials' speeches and into the week's close. USDJPY continues to lose upside momentum and tilted slightly to the downside. Gains will likely be rejected near 113.61 and head to 112.65, otherwise a new course towards 114.50 will be charted.

AUD

- **AUD** was buoyed by firmer risk appetite and strong set of China trade data to **jump 0.69% to 0.7731 against USD** and advanced against 7 G10s.
- **AUD is now bearish against USD,** in anticipation of retreating risk appetite going into the weekend. Despite a prevailing bullish bias, we note that AUDUSD has entered a territory that is more likely than not to reject further advances. The 0.7720 – 0.7778 range appears strong and could push AUDUSD back to 0.7659.

SGD

- **SGD** was supported by firmer risk appetite to beat 5 G10s and **advanced 0.24% to 1.3742 against USD.**
- **Expect a bearish SGD against USD,** weighed down by retreating risk appetite. Near-term, we expect a technical rebound that is unlikely to sustain beyond 1.3783. Bearish bias continues to prevail, suggesting that there is likely more room for losses before mounting a sustained rebound.

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