

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Dallas Fed President Robert Kaplan would prefer to wait for more signs that inflation is on track** towards the Federal Reserve's target of 2%, indicating that **future policy tightening "should be done in a gradual and patient manner"**. He opines that the US would expand slightly quicker than 2% this year, which will tighten the labour market further and push prices upward. While he is of the view that current soft inflation is transitory, he is open about the potential that it is not.
- The latest release showed US CPI took an unexpected reversal to increase at a softer pace of 1.6% YOY in June as energy prices continued to exert a drag. Retail sales disappointing and contracted for the 2nd straight month, likely posing points of consideration for further Fed rate hikes, on which markets are currently having a softer outlook. Elsewhere, data suggests conditions continue to improve in the Eurozone and to a certain extent Japan, while New Zealand holds firm.
- **USD tumbled against all G10s** while the Dollar Index slumped after US reports to close 0.6% lower at 95.15 as US data came in on the softer side and dampened sentiment of another Fed rate hike soon. **We now turn bearish on USD**, anticipating downside pressure from suggestions that Fed rate hikes will be further in the future given recent data softness. Sharp downside break of 95.46 hints at further losses for the Dollar Index going forward, with scope to test 94.66 before downside abate. In any case, expect the Dollar Index to stay below 95.71 until at least mid-week.
- **MYR was mostly unchanged against USD at 4.2922** last Friday after overturning early losses as the greenback sagged going into European trade, but slipped against 7 G10s, weighed down by receding risk appetite. **Expect a mildly bullish MYR against USD**, supported by firmer risk appetite and a weak greenback. Upside momentum continues to lose traction, limiting gains in USDMYR. We reckon that 4.2886 – 4.2900 will prevent further gains, pushing the pair lower to 4.2785 in the next leg lower.
- **SGD fell against all G10s but managed to beat a weak USD by 0.17% to close at 1.3719. SGD is now bullish against a weak USD**, further supported by firm risk appetite in the markets. Bearish bias has emerged in USDSGD, exposing it to further losses and likely to test 1.3650 going forward. Given rising downside momentum, a test at 1.3600 cannot be ruled out.

Overnight Economic Data

US
Eurozone
UK
Japan
New Zealand



What's Coming Up Next

Major Data

- US Empire manufacturing
- China 2Q GDP, industrial production, retail sales, fixed asset investment
- Singapore non-oil domestic exports

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1427	1.1456	1.1467	1.1480	1.1500	↗
USDJPY	111.78	111.96	112.48	112.65	113.16	↘
GBPUSD	1.3048	1.3100	1.3110	1.3120	1.3149	↗
AUDUSD	0.7740	0.7798	0.7823	0.7850	0.7880	↘
EURGBP	0.8719	0.8728	0.8750	0.8768	0.8783	↘
USDMYR	4.2785	4.2851	4.2880	4.2886	4.2919	↘
EURMYR	4.9076	4.9133	4.9162	4.9251	4.9358	↗
JPYMYR	3.7996	3.8065	3.8110	3.8129	3.8295	↗
GBPMYR	5.6022	5.6083	5.6181	5.6244	6.6360	↗
SGDMYR	3.1258	3.1296	3.1305	3.1323	3.1363	↗
AUDMYR	3.3361	3.3493	3.3551	3.3616	3.3670	↗
NZDMYR	3.1388	3.1466	3.1502	3.1543	3.1614	↗
USDSGD	1.3650	1.3680	1.3696	1.3706	1.3736	↘
EURSGD	1.5647	1.5679	1.5706	1.5729	1.5759	↘
GBPSGD	1.7891	1.7922	1.7946	1.7967	1.7990	↗
AUDSGD	1.0672	1.0703	1.0713	1.0749	1.0764	↘

*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	176.3	1.11	-8.4
Dow Jones Ind.	21637.7	0.4	9.5	WTI oil (\$/bbl)	46.5	1.00	-13.4
S&P 500	2459.3	0.5	9.8	Brentoil (\$/bbl)	48.4	1.00	-13.7
FTSE 100	7378.4	-0.5	3.3	Gold (S/oz)	1228.7	0.90	7.3
Shanghai	3222.4	0.1	3.8	CPO (RM/tonne)	2630.0	-1.03	-17.8
Hang Seng	26389.2	0.2	19.9	Copper (\$/tonne)	5926.0	0.85	7.1
STI	3287.4	1.6	14.1	Rubber (sen/kg)	498.0	-0.30	-22.8

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US CPI YOY	Jun	1.60%	1.70%	1.90%
US advance retail sales MOM	Jun	-0.20%	-0.10%	0.10%
US industrial production MOM	Jun	0.40%	0.30%	0.10%
US Uni. of Michigan sentiment	Jul P	93.1	95.0	95.1
UK Rightmove house prices	Jul	2.80%	1.80%	--
EU Trade balance	May	€19.7b	€18.6b	€20.2b
JP industrial production YOY	May F	6.50%	6.80%	--
NZ services index	Jun	58.6	58.8	--

Source: Bloomberg

- Dallas Fed President Robert Kaplan would prefer to wait for more signs that inflation is on track towards the Federal Reserve's target of 2%, indicating that future policy tightening "should be done in a gradual and patient manner". He opines that the US would expand slightly quicker than 2% this year, which will tighten the labour market further and push prices upward. While he is of the view that current soft inflation is transitory, he is open about the potential that it is not.
- Macro flow from the US mostly came through on a softer tone. CPI rose 1.6% YOY in Jun, slowing from 1.7% previously as energy prices continues to drag and missed estimates of a pick-up to 1.9%. Meanwhile, retail spending declined for a second consecutive month, dipping 0.2% MOM in Jun from a 0.1% contraction in May. Excluding the volatile automobile purchases, sales still registered a 0.2% drop, overturning the 0.1% growth previously. Both reports will likely catch the attention of the Fed; recent cooling of US data will weigh onto the Fed's consideration of quicker than intended policy tightening.
- Further signs of softer spending in the US is reflected by dimmer consumer sentiment; the University of Michigan gauge unexpectedly fell to 93.1 in Jul early print from 95.0 in Jun, while expectations of future conditions fell to 80.2 from 84.4. The only saving grace was that industrial production growth quickened to 0.4% MOM in Jun, up from 0.3% and beating estimates of a slowdown to 0.1%. Production in manufacturing sector rose 0.2%, rebounding from a 0.4% fall in May, while output in utilities steadied at 0.8%.
- Elsewhere, data improved; firmer in Eurozone, the UK and Japan except in New Zealand. Eurozone trade surplus widened in May, rising to €19.7b from €18.6b, though it was estimated that excesses would increase to €20.2b. House prices in the UK bounced back from its slowest growth since Apr 2013, rising 2.8% YOY in Jul from 1.8% in Jun.
- In Japan, industrial production climbed 6.5% YOY in May, slightly lower than 6.8% in an early gauge but nonetheless the quickest growth since Mar 2014. This indicates external demand continues to improve, likely offsetting signs of slowdown on the domestic front. As for New Zealand, expansion in the services sector extended in Jun but at a slightly softer pace, pulling the index lower to 58.6 from 58.8.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	07/17	Empire Manufacturing	Jul	15.0	19.8	--
	07/18	NAHB Housing Market Index	Jul	68	67	--
UK	07/18	CPI YOY	Jun	2.90%	2.90%	--
		RPI YOY	Jun	3.60%	3.70%	--
		PPI Output NSA YOY	Jun	--	3.60%	--
Eurozone	07/18	CPI YOY	Jun F	1.30%	1.40%	--
		ZEW Survey Expectations	Jul	--	37.7	--
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%	--
Hong Kong	07/18	Unemployment Rate SA	Jun	--	3.20%	--
Singapore	07/17	Non-oil Domestic Exports YOY	Jun	-4.00%	-1.20%	--
Australia	07/18	RBA July Meeting Minutes	Jul	--	--	--
New Zealand	07/18	CPI YOY	2Q	2.00%	2.20%	--

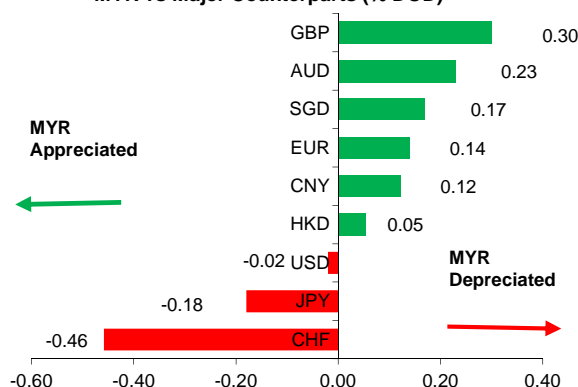
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1470	0.63	1.1472	1.1392	9.1
USDJPY	112.53	-0.66	113.58	112.27	-3.8
GBPUSD	1.3098	1.23	1.3114	1.2936	6.2
AUDUSD	0.7832	1.31	0.7834	0.7727	8.6
EURGBP	0.8754	-0.63	0.88173	0.8743	2.5
USDMYR	4.2922	-0.02	4.2963	4.2820	-4.3
EURMYR	4.8994	0.14	4.9042	4.8877	3.7
JPYMYR	3.7901	-0.18	3.7940	3.7789	-1.1
GBPMYR	5.5642	0.30	5.5687	5.5505	0.9
SGDMYR	3.1226	0.17	3.1267	3.1181	0.7
AUDMYR	3.3297	0.23	3.3323	3.3182	2.8
NZDMYR	3.1400	-0.19	3.1506	3.1392	0.7

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



Forex

MYR

- **MYR was mostly unchanged against USD at 4.2922** last Friday after overturning early losses as the greenback sagged going into European trade, but slipped against 7 G10s, weighed down by receding risk appetite.
- **Expect a mildly bullish MYR against USD**, supported by firmer risk appetite and a weak greenback. Upside momentum continues to lose traction, limiting gains in USDMYR. We reckon that 4.2886 – 4.2900 will prevent further gains, pushing the pair lower to 4.2785 in the next leg lower.

USD

- **USD tumbled against all G10s** while the Dollar Index slumped after US reports to close 0.6% lower at 95.15 as US data came in on the softer side and dampened sentiment of another Fed rate hike soon.
- **We now turn bearish on USD**, anticipating downside pressure from suggestions that Fed rate hikes will be further in the future given recent data softness. Sharp downside break of 95.46 hints at further losses for the Dollar Index going forward, with scope to test 94.66 before downside abate. In any case, expect the Dollar Index to stay below 95.71 until at least mid-week.

EUR

- **EUR jumped 0.63% to 1.1470 on USD weakness** and advanced against 5 G10s.
- **Expect a bullish EUR to the extent of USD's weakness**; we caution that a surprisingly soft Eurozone CPI could trigger downside acceleration. Despite its resilience, we maintain the view the EURUSD is technically fragile as it hovers below 1.1500. We cannot rule out tests at 1.1500 – 1.1520 but remain unconvinced that current upside strength can be sustained.

GBP

- **GBP rallied to beat all G10s and surged 1.23% to 1.3098 against a weak USD** as markets continue to bet on a near-term BOE policy tightening.
- **GBP is bullish to the extent of weakness in USD**, and weighed down by recent disappointing UK data. Technical outlook is positive for GBPUSD after bypassing several strong resistances. We now set sights on a potential test at 1.3150 next.

JPY

- **JPY strengthened 0.66% to 112.53 against a weak USD** and advanced against 6 G10s as refuge demand within the FX space turned firmer.
- **We now turn bullish on JPY on the back of a weak USD**. Strong break at 113.16 has exposed USDJPY to further losses. We now set sights on a drop to 111.66 in the next leg lower.

AUD

- **AUD soared 1.31% to 0.7832 against USD** and beat all G10s, lifted by much improved risk appetite in the markets and to some extent, commodities.
- **AUD remains slightly bearish in our view against USD** in anticipation of risk aversion ahead of RBA minutes tomorrow. Near-term outlook for AUDUSD has improved and we do not rule out a test at 0.7880 – 0.7900. However, we continue to caution that the pair remains trending within a territory that has historically rejected further advances, thus further gains may be soft.

SGD

- **SGD fell against all G10s but managed to beat a weak USD by 0.17% to close at 1.3719.**
- **SGD is now bullish against a weak USD**, further supported by firm risk appetite in the markets. Bearish bias has emerged in USDSGD, exposing it to further losses and likely to test 1.3650 going forward. Given rising downside momentum, a test at 1.3600 cannot be ruled out.

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