

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Major focus was on China as macro flow continued to surprise to the upside.** Economic growth sustained its recommendable pace in 2Q, despite continued efforts to rein in credit growth. Meanwhile, quicker growth in industrial output and retail sales add to signs that domestic and external demand remain firm. These mean China has room to maneuver in the coming quarters to beat its projected target of 6.5% this year.
- **Singapore was another outperformer; non-oil domestic exports increased more than expected in Jun,** by 8.2% YOY from a soft 0.4% previously. **Other data were mostly flat or softer.** Dataflow showed slower manufacturing sector in the NY Fed district, while inflation receded in New Zealand to below RBNZ's target, hinting that the central bank may not be making any policy moves anytime soon.
- **MYR closed against USD at 4.2880, inching 0.1% firmer** after the greenback lost traction in European trade yesterday, and fell against 8 G10s. **We keep a mildly bullish view on MYR against a soft USD,** supported by firm regional sentiment. Despite an early rally, we note that upside momentum continues to thin and will likely overturn current gains, possibly into losses even. Losing 4.2870 exposes a drop to 4.2764 in the next leg lower.
- **USD closed mixed against the G10s,** rebounding from its recent sharp drop while the Dollar Index was mostly range-bound but nonetheless ended 0.03% lower at 95.12 amid prevailing downside pressure from softer Fed outlook. **Stay bearish on USD** in the absence of positive catalysts to drive further rebound. The Dollar Index is likely to remain subdued and inclined towards losses. We continue to expect the Dollar Index to stay below 95.71 until at least mid-week, but would not rule out a sharp rebound thereafter.
- **SGD rallied to beat 8 G10s and advanced 0.19% to 1.3693 against USD,** supported by firmer than expected Singapore data. **We stay bullish on SGD against a weak USD,** further supported by improved sentiment in Singapore amid recent firm data. Bearish bias continues to prevail in USDSGD; the pair is 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
China
Singapore
New Zealand



What's Coming Up Next

Major Data

- US NAHB housing market index
- UK CPI, RPI and PPI
- Eurozone ZEW survey expectations

Major Events

- RBA July meeting minutes

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1435 | 1.1467 | 1.1476 | 1.1487 | 1.1500 | ↗ |
| USDJPY | 111.88 | 111.97 | 112.57 | 112.71 | 113.00 | ↘ |
| GBPUSD | 1.3000 | 1.3021 | 1.3054 | 1.3062 | 1.3080 | ↘ |
| AUDUSD | 0.7731 | 0.7750 | 0.7791 | 0.7813 | 0.7838 | ↘ |
| EURGBP | 0.8732 | 0.8770 | 0.8790 | 0.8809 | 0.8834 | ↘ |
| USDMYR | 4.2870 | 4.2886 | 4.2913 | 4.2919 | 4.2951 | ↘ |
| EURMYR | 4.9111 | 4.9188 | 4.9276 | 4.9358 | 4.9420 | ↗ |
| JPYMYR | 3.8042 | 3.8115 | 3.8146 | 3.8266 | 3.8327 | ↗ |
| GBPMYR | 5.5859 | 5.5969 | 5.6051 | 5.6079 | 5.6146 | → |
| SGDMYR | 3.1276 | 3.1300 | 3.1333 | 3.1344 | 3.1363 | ↗ |
| AUDMYR | 3.3358 | 3.3390 | 3.3459 | 3.3466 | 3.3500 | ↘ |
| NZDMYR | 3.1182 | 3.1244 | 3.1262 | 3.1305 | 3.1377 | ↘ |
| USDSGD | 1.3650 | 1.3688 | 1.3696 | 1.3706 | 1.3723 | ↘ |
| EURSGD | 1.5692 | 1.5713 | 1.5724 | 1.5734 | 1.5759 | ↘ |
| GBPSGD | 1.7836 | 1.7868 | 1.7888 | 1.7919 | 1.7962 | ↘ |
| AUDSGD | 1.0638 | 1.0672 | 1.0680 | 1.0712 | 1.0749 | ↘ |

*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 | 1755.2 | 0.0 | 6.9 | CRB Index | 175.9 | -0.23 | -8.6 |
| Dow Jones Ind. | 21629.7 | 0.0 | 9.4 | WTI oil (\$/bbl) | 46.0 | -1.12 | -14.3 |
| S&P 500 | 2459.1 | 0.0 | 9.8 | Brent oil (\$/bbl) | 48.4 | -1.00 | -14.8 |
| FTSE 100 | 7404.1 | 0.3 | 3.7 | Gold (S/oz) | 1234.1 | 0.40 | 7.5 |
| Shanghai | 3176.5 | -1.4 | 2.3 | CPO (RM/tonne) | 2611.5 | -0.70 | -18.4 |
| Hang Seng | 26470.6 | 0.3 | 20.3 | Copper (\$/tonne) | 5996.0 | 1.18 | 8.3 |
| STI | 3298.2 | 0.3 | 14.5 | Rubber (sen/kg) | 501.0 | 0.60 | -22.3 |

Source: Bloomberg

➤ Macroeconomics

Economic Data

| | For | Actual | Last | Survey |
|--------------------------------------|-------|--------|-------|--------|
| US Empire manufacturing | Jun | 9.8 | 19.8 | 15.0 |
| EU CPI YOY | Jun F | 1.3% | 1.3% | 1.3% |
| China retail sales YOY | Jun | 11.0% | 10.7% | 10.6% |
| China industrial production YOY | Jun | 7.6% | 6.5% | 6.5% |
| China fixed asset investment YTD YOY | Jun | 8.6% | 8.6% | 8.5% |
| China GDP YOY | 2Q | 6.9% | 6.9% | 6.8% |
| SG non-oil domestic exports YOY | Jun | 8.2% | 0.4% | 5.0% |
| NZ CPI YOY | 2Q | 1.7% | 2.2% | 1.9% |

- The only US data overnight continued recent downsides as manufacturing sector in the NY Fed district grew slower in Jul. The index tumbled to 9.8 from 19.8, surpassing an expected drop to just 15.0.
- Inflationary pressures in the Eurozone eased to 1.3% YOY in Jun in the final print, dipping from 1.4% in May. The softest increase this year was within expectations. On the other hand, core inflation rose 1.1%, up from 0.9% in May, suggesting that price upticks continues to extend after ignoring impact of energy, food and alcohol.
- China churned out some resilient figures, suggesting that there may be upsides to growth outlook even as the government looks to rein in corporate debt levels. Industrial output accelerated to its quickest growth in 3 months, rising 7.6% YOY in Jun from 6.5% previously, along with recent strong trade data, suggest that external demand remains healthy. Retail sales also showed that consumer sentiment remains firm as spending rose 11.0% YOY in Jun, up from 10.7% in May. Fixed asset investment steadied at 8.6% YTD YOY in Jun, led by stronger growth durable-goods industries that offset declines in mining-related sectors.
- China's economy grew 6.9% YOY in 2Q, steadying from 1Q and beating expected dip to 6.8%. GDP remains largely driven by the services sector (~52% of total GDP), followed by manufacturing (~42%) and agriculture. Given commendable data in the first 2 quarters, it appears that China has room to maneuver in the coming quarters to beat its projected growth target of 6.5% this year, at the same time continuing its agenda to curb excessive debt levels, reduce financial risks and address overcapacity issues in the industries.
- Singapore's non-oil domestic exports surprised with an 8.2% YOY increase in Jun, accelerating from a soft 0.4% gain in May and bested estimates of a 5.0% rise. A robust 9.3% rebound in Jun from 8.6% contraction by non-electronic products lifted the headline figure as electronics exports underperformed, slowing sharply from 23.3% previous to 5.4% in Jun.
- Over in New Zealand, inflation slowed to 1.7% YOY in 2Q, down from 2.2% in 1Q. With inflation sliding back below RBNZ's target of around 2.0% and could slip even lower, the likelihood of the central bank raising interest rate anytime soon fades.

Economic Calendar Release Date

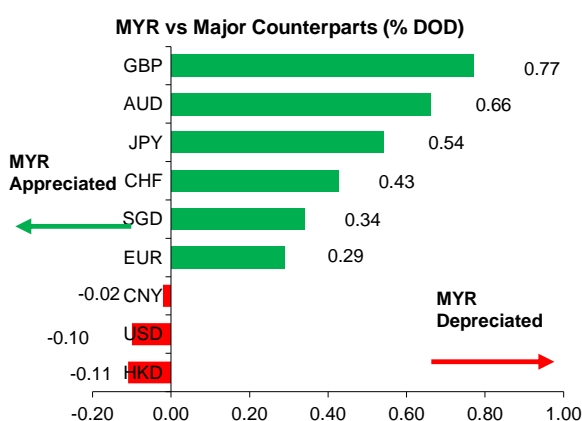
| Country | Date | Event | Reporting Period | Survey | Prior | Revised |
|-----------|-------|---------------------------|------------------|--------|-------|---------|
| US | 07/18 | NAHB Housing Market Index | Jul | 67 | 67 | -- |
| | 07/19 | Housing starts MOM | Jun | 6.2% | -5.5% | -- |
| | | Building permits MOM | Jun | 2.7% | -4.9% | -- |
| UK | 07/18 | CPI YOY | Jun | 2.9% | 2.9% | -- |
| | | RPI YOY | Jun | 3.6% | 3.7% | -- |
| | | PPI Output NSA YOY | Jun | 3.4% | 3.6% | -- |
| Eurozone | 07/18 | ZEW Survey Expectations | Jul | -- | 37.7 | -- |
| | 07/19 | Construction output YOY | May | -- | 3.2% | -- |
| Japan | 07/19 | Machine tool orders YOY | Jun F | -- | 31.1% | -- |
| Hong Kong | 07/18 | Unemployment Rate SA | Jun | 3.2% | 3.2% | -- |
| Australia | 07/18 | RBA July Meeting Minutes | Jul | -- | -- | -- |

Source: Bloomberg

FX Table

| Name | Last Price | DoD % | High | Low | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1478 | 0.07 | 1.1487 | 1.1435 | 9.1 |
| USDJPY | 112.63 | 0.09 | 112.87 | 112.33 | -3.7 |
| GBPUSD | 1.3055 | -0.33 | 1.3117 | 1.3047 | 5.8 |
| AUDUSD | 0.7801 | -0.40 | 0.7838 | 0.7792 | 8.1 |
| EURGBP | 0.8793 | 0.44 | 0.8798 | 0.8743 | 3.0 |
| USDMYR | 4.2880 | -0.10 | 4.2923 | 4.2828 | -4.4 |
| EURMYR | 4.9138 | 0.29 | 4.9251 | 4.9045 | 4.0 |
| JPYMYR | 3.8107 | 0.54 | 3.8182 | 3.8042 | -0.5 |
| GBPMYR | 5.6072 | 0.77 | 5.6270 | 5.6031 | 1.7 |
| SGDMYR | 3.1331 | 0.34 | 3.1341 | 3.1250 | 1.0 |
| AUDMYR | 3.3517 | 0.66 | 3.3584 | 3.3466 | 3.4 |
| NZDMYR | 3.1399 | 0.00 | 3.1580 | 3.1372 | 0.7 |

Source: Bloomberg



Forex

MYR

- **MYR closed against USD at 4.2880, inching 0.1% firmer** after the greenback lost traction in European trade yesterday, and fell against 8 G10s.
- **We keep a mildly bullish view on MYR against a soft USD**, supported by firm regional sentiment. Despite an early rally, we note that upside momentum continues to thin and will likely overturn current gains, possibly into losses even. Losing 4.2870 exposes a drop to 4.2764 in the next leg lower.

USD

- **USD closed mixed against the G10s**, rebounding from its recent sharp drop while the Dollar Index was mostly range-bound but nonetheless ended 0.03% lower at 95.12 amid prevailing downside pressure from softer Fed outlook.
- **Stay bearish on USD** in the absence of positive catalysts to drive further rebound. The Dollar Index is likely to remain subdued and inclined towards losses. We continue to expect the Dollar Index to stay below 95.71 until at least mid-week, but would not rule out a sharp rebound thereafter.

EUR

- **EUR inched 0.07% higher to 1.1478 against USD** and rose against 5 G10s.
- **Expect a bullish EUR to the extent of USD's weakness**; we caution that soft Eurozone data would trigger a reversal to the downside. We maintain the view the EURUSD is technically fragile as it approaches 1.1500 with a price-momentum divergence. Soft gains are expected and we cannot rule out tests at 1.1500 – 1.1520 but remain unconvinced that current upside strength can be sustained.

GBP

- **GBP fell 0.33% to 1.3055 against USD** and retreated against 6 G10s as risk aversion rose ahead of Brexit negotiations.
- **GBP is now slightly bearish against USD**, weighed down by bearish potential ahead of various UK prices reports and rising risk aversion ahead of Brexit negotiations. Even though bullish bias prevails, we note that signs of exhaustion have emerged, leading to us believing that recent surge will unlikely sustain an extended gain. A break at 1.3144 will alter this view.

JPY

- **JPY eased 0.09% to 112.63 against USD** and slipped against 5 G10s risk appetite in the FX space prevailed.
- **JPY remains on the back of a soft USD**, and supported by firmer refuge demand ahead of Brexit negotiations, ECB and BOJ meetings. USDJPY remains inclined to further losses while below 112.71. We now set sights on a drop to 111.66 in the next leg lower.

AUD

- **AUD fell 0.40% to 0.7801 against USD** and weakened against 8 G10s, pressured by risk aversion ahead of RBA meeting minutes.
- **AUD remains slightly bearish in our view against USD** in anticipation of risk aversion ahead of RBA minutes; caution on potentially sharp losses if RBA emerges with a dovish tone. Bullish bias in AUDUSD means we cannot rule out a test at 0.7880 – 0.7900. However, we continue to express skepticism that the pair could muster enough strength to venture higher given that it still trends within a territory that has historically rejected further advances.

SGD

- **SGD rallied to beat 8 G10s and advanced 0.19% to 1.3693 against USD**, supported by firmer than expected Singapore data.
- **We stay bullish on SGD against a weak USD**, further supported by improved sentiment in Singapore amid recent firm data. Bearish bias continues to prevail in USDSGD; the pair is likely to test 1.3650 going forward. Given rising downside momentum, a test at 1.3600 cannot be ruled out.

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