

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Market sentiments took a turn lower as doubts over the effectiveness of President Trump administration reemerged** after setback in proposed healthcare reform measures. **On the data front, focus was on inflation prints from the UK and New Zealand, both came in softer than expected and reinforced believes that the abating inflationary risks across the globe will keep major central banks on hold longer.** UK CPI unexpectedly eased to 2.6% YOY in June and may take the pressure off for BOE in its near term monetary policy decision.
- Meanwhile, we opine **RBA minutes has turned somewhat hawkish.** The expression made by the RBA and that the fact the current cash rate is now 200 bps below the neutral rate is expected to push up inflation going forward. Renewed catalyst seen emerging for AUD following the release of the RBA minutes.
- Meanwhile in the Eurozone, ZEW survey expectations saw readings moderated to 35.6 versus a prior level of 37.7. **All eyes on ECB policy decision meeting tomorrow**, as market players will be focusing closely on the ECB rhetoric for further clarity on potential tapering measures.
- **USD weakened against 8 G10s** while the Dollar Index tumbled in early Asian and European sessions to close 0.55% lower at 94.60 amid receding sentiment over the effectiveness of President Trump's administration. **USD remains bearish** in the absence of positive catalysts to drive a rebound while also pressured by fading sentiment over President Trump's agenda. The Dollar Index remains technically weak and prone for further losses. The 94.21 is likely the next target, while rebound, if any, looks to be limited by 95.01.
- **MYR inched 0.07% firmer to 4.2850 against USD** after overturning early losses but fell against 8 G10s that rallied on the back of a weak greenback. **We maintain a bullish view on MYR against a weak USD**, but given receding risk sentiment in the markets, caution that MYR is vulnerable to a USD rebound. A mild bearish bias has emerged, tilting USDMYR further downward. We expect the pair to be heading to 4.2764 in the next leg lower.
- **SGD climbed 0.2% to 1.3665 against a weak USD** but fell against 8 G10s that rallied on the back of a sliding greenback. **Stay bullish on SGD against a weak USD**; similarly, we caution that SGD is vulnerable to a USD rebound. Bearish bias continues to prevail in USDSGD; the pair is poised to break 1.3650 going forward, below which a decline to 1.3600 will be exposed.

Overnight Economic Data

US	↓
Eurozone	↓
UK	↓
HK	↑
New Zealand	↓

What's Coming Up Next

Major Data

- Malaysia CPI
- US housing starts and building permits
- UK construction output
- Japan machine tool orders

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1500	1.1520	1.1548	1.1550	1.1597	↗
USDJPY	111.66	111.90	111.95	112.27	112.72	↘
GBPUSD	1.2969	1.3030	1.3035	1.3047	1.3080	↘
AUDUSD	0.7834	0.7894	0.7925	0.7935	0.7950	↗
EURGBP	0.8845	0.8855	0.8859	0.8874	0.8896	↗
USDMYR	4.2764	4.2800	4.2815	4.2835	4.2869	↘
EURMYR	4.9280	4.9358	4.9428	4.9527	4.9550	↗
JPYMYR	3.8102	3.8224	3.8252	3.8284	3.8327	↗
GBPMYR	5.5603	5.5652	5.5803	5.5892	5.6031	↘
SGDMYR	3.1300	3.1331	3.1344	3.1363	3.1391	↗
AUDMYR	3.3730	3.3826	3.3963	3.4000	3.4031	↘
NZDMYR	3.1375	3.1425	3.1490	3.1554	3.1576	↘
USDSGD	1.3620	1.3645	1.3655	1.3680	1.3708	↘
EURSGD	1.5729	1.5760	1.5775	1.5800	1.5831	↘
GBPSGD	1.7747	1.7775	1.7806	1.7836	1.7864	↘
AUDSGD	1.0790	1.0814	1.0831	1.0852	1.0866	↗

*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	1754.9	0.0	6.9	CRB Index	176.9	0.57	-8.1
Dow Jones Ind.	21574.7	-0.3	9.2	WTI oil (\$/bbl)	46.5	0.83	-13.6
S&P 500	2460.6	0.1	9.9	Brent oil (\$/bbl)	48.4	1.00	-14.3
FTSE 100	7390.2	-0.2	3.5	Gold (\$/oz)	1242.5	0.70	8.3
Shanghai	3187.6	0.3	2.7	CPO (RM/tonne)	2626.0	0.56	-17.9
Hang Seng	26524.9	0.2	20.6	Copper (\$/tonne)	6007.0	0.18	8.5
STI	3306.1	0.2	14.8	Rubber (sen/kg)	507.5	1.30	-21.3

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US NAHB Housing Market Index	Jul	64	66	67
UK CPI YoY	Jun	2.6%	2.9%	2.9%
UK RPI YoY	Jun	3.5%	3.7%	3.6%
UK House Price Index YoY	May	4.7%	5.3%	3.0%
EU ZEW Survey Expectations	Jul	35.6	37.7	
HK Unemployment Rate	Jun	3.1%	3.2%	3.2%
NZ CPI YoY	2Q	1.7%	2.2%	1.9%

Source: Bloomberg

- US NAHB housing market index unexpectedly pulled back to a reading of 64 in July, trailing softer data that added to signs of a softening housing market in the US.
- Meanwhile in the Eurozone, ZEW survey expectations saw readings moderated to 35.6 versus a prior level of 37.7. ZEW survey expectations which is somewhat a gauge for direction of economic activities, may be pointing towards more moderate growth prospects for the Eurozone going into the 3Q. All eyes on ECB policy decision meeting this week, as market players will be focusing closely on the ECB rhetoric for further clarity on potential tapering measures.
- Inflationary pressure moderated for the UK economy, with latest level easing to 2.6%, which was the first drop since October. (Market consensus: 2.9%). Easing inflation outlook may take pressure off for BOE in terms of near term monetary policy direction, Signs are suggesting that economic growth for the UK economy may potentially cool as consumers start to rein in on spending. The next BOE rate decision is scheduled on Aug 3. Recall officials voted 5-3 to keep rates on hold last month, with recent interest emerging on the battle lines on whether to stifle rising inflation.
- Over in Australia, RBA minutes revealed that outlook for the Australian economy has improved. Policymakers continued to be encouraged by strong labour market data, which saw jobless rate declining to a rate of 5.5% in May paving the way for recovery in wages growth. Policymakers opined that they believe a cash target rate of 3.5% is the new neutral real interest rate for the Aussie economy compared to the current level of 1.5%. It added that monetary policy had been clearly expansionary for the preceding 5-years or so. The expression made by the RBA and that the fact the current cash rate is now 200 bps below the neutral rate is expected to push up inflation going forward.
- In New Zealand, CPI moderated further for the month of June with levels easing to 1.7% YOY versus market expected level of 1.9% and prior level of 2.2%. We opine the softer inflation outlook may pave the way for the RBNZ to remain accommodative. Recall, the RBNZ has projected inflation of 2.1% in 2Q and had not priced in a drop to 1.7% until 4Q. In Asia, Hong Kong's unemployment rate moderated to 3.1% in June which was in line with market consensus. (Prior: 3.2%)

Economic Calendar Release Date

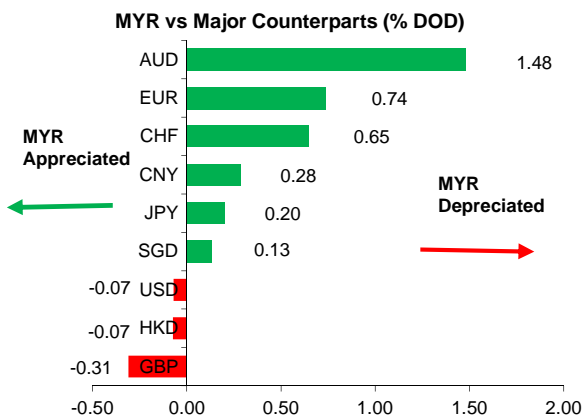
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	07/19	CPI YoY	Jun	3.9%	3.9%	--
US	07/19	Housing starts MOM	Jun	6.2%	-5.5%	--
		Building permits MOM	Jun	2.7%	-4.9%	--
	7/20	Jobless Claims	Jul 15	245K	247K	--
		Leading Index	Jun	0.4%	0.3%	--
UK	07/20	Philadelphia Fed Business Outlook	Jul	23.7	27.6	--
		Retail Sales EX Auto Fuel YoY	Jun	2.5%	0.6%	--
Eurozone	07/19	Construction output YOY	May	--	3.2%	--
	07/20	ECB Main Refinancing Rate	Jul 20 th	0.00%	0.00%	--
Japan	07/19	Consumer Confidence	Jul	-1.2	1.3	--
		Machine tool orders YOY	Jun F	--	31.1%	--
	07/20	BOJ policy rate	-	-0.10%	0.10%	--
Australia	07/20	Unemployment Rate	Jun	5.6%	5.5%	--
		Employment Change	Jun	15K	42K	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1554	0.66	1.1583	1.1472	9.8
USDJPY	112.07	-0.50	112.69	111.69	-4.3
GBPUSD	1.3040	-0.11	1.3126	1.3005	5.6
AUDUSD	0.7916	1.47	0.7943	0.7786	9.9
EURGBP	0.8860	0.77	0.8899	0.8782	3.8
USDMYR	4.2850	-0.07	4.2915	4.2835	-4.5
EURMYR	4.9501	0.74	4.9527	4.9188	4.7
JPYMYR	3.8182	0.20	3.8271	3.8068	-0.1
GBPMYR	5.5900	-0.31	5.6259	5.5782	1.3
SGDMYR	3.1372	0.13	3.1373	3.1276	1.1
AUDMYR	3.4012	1.48	3.4031	3.3390	4.7
NZDMYR	3.1512	0.36	3.1554	3.1188	1.0

Source: Bloomberg



Forex

MYR

- **MYR inched 0.07% firmer to 4.2850 against USD** after overturning early losses but fell against 8 G10s that rallied on the back of a weak greenback.
- **We maintain a bullish view on MYR against a weak USD**, but given receding risk sentiment in the markets, caution that MYR is vulnerable to a USD rebound. A mild bearish bias has emerged, tilting USDMYR further downward. We expect the pair to be heading to 4.2764 in the next leg lower.

USD

- **USD weakened against 8 G10s** while the Dollar Index tumbled in early Asian and European sessions to close 0.55% lower at 94.60 amid receding sentiment over the effectiveness of President Trump's administration.
- **USD remains bearish** in the absence of positive catalysts to drive a rebound while also pressured by fading sentiment over President Trump's agenda. The Dollar Index remains technically weak and prone for further losses. The 94.21 is likely the next target, while rebound, if any, looks to be limited by 95.01.

EUR

- **EUR jumped 0.66% to 1.1554 against a weak USD** and climbed against 5 G10s, ignoring softer Eurozone data.
- **A bullish EUR will continue to prevail given USD's weakness**, but caution that a pullback cannot be ruled out as risk aversion rises ahead of ECB policy decision. EURUSD remains inclined to further gains and likely to test 1.1598 in the next leg higher. However, bearish signs have emerged and we remain doubtful that the pair can continue trending higher before first sliding lower.

GBP

- **GBP slipped 0.11% to 1.3040 against USD** and retreated against 8 G10s, weighed down by signs of slower UK inflation that dimmed markets' outlook on BOE's policy.
- **GBP remains slightly bearish against USD**, weighed down by Brexit concerns and improved demand for European majors. GBPUSD still failed to pierce through crucial resistance levels, thus we maintain that recent rally will soon be overturned. The pair is poised to close below 1.3030, and if so, is exposed to a drop to 1.2969 next.

JPY

- **JPY advanced 0.5% to 112.07 against a weak USD**, but eased against 6 G10s that rallied on the back of a sliding greenback.
- **Expect a bullish JPY on the back of a weak USD**, and supported by firmer refuge demand as market sentiment fade. We maintain that USDJPY remains poised to drop to 111.66, below which 111.25 will be targeted.

AUD

- **AUD surged 1.47% to 0.7916 against USD** and advanced against all G10s, lifted by an upbeat RBA minutes that tilted markets' view that the central bank is turning more hawkish.
- **We now turn bullish on AUD given a weak USD**; there is an absence of catalyst to drive AUD, therefore, caution that it will be vulnerable to a USD rebound. Closing above 0.7900 has increased the likelihood of AUDUSD sustaining gains for an extended period of time. Nonetheless, we point to 0.8000 as another strong resistance that could stop AUDUSD in its tracks.

SGD

- **SGD climbed 0.2% to 1.3665 against a weak USD** but fell against 8 G10s that rallied on the back of a sliding greenback.
- **Stay bullish on SGD against a weak USD**; similarly, we caution that SGD is vulnerable to a USD rebound. Bearish bias continues to prevail in USDUSD; the pair is poised to break 1.3650 going forward, below which a decline to 1.3600 will be exposed.

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