






Global Markets Research

Daily Market Highlights

Key Takeaways

- Markets were in risk-on mode despite anxiety ahead of ECB policy meeting today where rhetoric on policy tightening is closely scrutinized. **Dataflow was decent with the US and Japanese indicators turning in a little rosier.** US housing starts and building permits rebounded more than expected by 8.3% and 7.4% MOM respectively in June, somewhat alleviating concerns on recent softness in the housing market.
- **Japan's Cabinet Office monthly economic report reaffirmed that the Japanese economy is on a moderate recovery path**, citing business spending and exports are recovering. In line with this, final print showed machine tool orders grew 31.1% YOY in June while trade returned to a surplus position on continued expansion in exports.
- **Back home, CPI moderated to 3.6% YOY as expected in June** as a result of smaller gain in non-food prices, coupled with more moderate increase in food prices. We are reaffirming our views for CPI to moderate in the second half, leading to a lower full year average of 3.4% for 2017.
- **USD closed mixed against the G10s** as risk-sensitive majors rallied but the Dollar Index managed to rise 0.18% to 94.77, supported by the retreat in major components EUR, CHF and GBP. **We now turn bullish against USD**, given bearish potential in European majors from the risk event of ECB policy announcement. The Dollar Index has retreated from its lows and downside momentum is gradually receding, opening a path for potential rebound. The 95.10 level remains strong and should block rebounds, otherwise expect the Dollar Index to test 95.82 in the next leg higher.
- **MYR dipped 0.04% to 4.2865 against a rebounding USD** but managed to advance against 5 G10s. **We maintain a bullish view on MYR as USD remains soft overnight**, but given receding risk sentiment in the markets, caution that MYR is vulnerable to a USD rebound. A mild bearish bias continues to prevail, tilting USDMYR further downward. We expect the pair to be heading to 4.2764 in the next leg lower.
- **SGD weakened 0.14% to 1.3684 against a rebounding USD** and fell against 7 G10s, pulling back from recent advances. **Stay bullish on SGD against USD** in anticipation of firmer risk appetite after ECB's policy announcement. Bearish bias continues to prevail in USDSGD and signs point to a close below 1.3665 in the coming days. Breaking above 1.3720 will likely alter current technical outlook.

Overnight Economic Data

US	
Eurozone	
Japan	
Australia	
Malaysia	

What's Coming Up Next

Major Data

- US initial jobless claims
- UK retail sales
- Eurozone consumer confidence
- HK CPI
- Australia unemployment rate

Major Events

- ECB policy meeting, BOJ policy meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1477	1.1496	1.1524	1.1550	1.1588	↘
USDJPY	111.46	111.69	111.83	111.98	112.27	↘
GBPUSD	1.2969	1.3000	1.3024	1.3034	1.3053	↘
AUDUSD	0.7920	0.7944	0.7957	0.7980	0.8000	↗
EURGBP	0.8816	0.8834	0.8847	0.8857	0.8874	↗
USDMYR	4.2831	4.2850	4.2863	4.2879	4.2886	↘
EURMYR	4.9202	4.9325	4.9403	4.9439	4.9494	↘
JPYMYR	3.8224	3.8271	3.8323	3.8349	3.8390	↗
GBPMYR	5.5652	5.5771	5.5839	5.5933	5.6031	↘
SGDMYR	3.1251	3.1287	3.1331	3.1363	3.1373	↗
AUDMYR	3.4000	3.4036	3.4103	3.4169	3.4200	↗
NZDMYR	3.1465	3.1506	3.1547	3.1580	3.1600	↘
USDSGD	1.3630	1.3654	1.3682	1.3688	1.3719	↘
EURSGD	1.5745	1.5760	1.5767	1.5781	1.5800	↘
GBPSGD	1.7795	1.7814	1.7826	1.7830	1.7836	↘
AUDSGD	1.0814	1.0861	1.0889	1.0903	1.0936	↗

*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	1757.3	0.1	7.0	CRB Index	178.7	1.01	-7.2
Dow Jones Ind.	21640.8	0.3	9.5	WTI oil (\$/bbl)	46.5	1.55	-12.3
S&P 500	2473.8	0.5	10.5	Brent oil (\$/bbl)	48.4	1.00	-12.5
FTSE 100	7430.9	0.6	4.0	Gold (\$/oz)	1242.5	-0.10	8.1
Shanghai	3231.0	1.4	4.1	CPO (RM/tonne)	2601.0	-0.95	-18.7
Hang Seng	26672.2	0.6	21.2	Copper (\$/tonne)	5966.5	-0.67	7.8
STI	3325.1	0.6	15.4	Rubber (sen/kg)	507.5	1.30	-21.3

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
MY CPI YoY	Jun	3.6%	3.9%	3.9%
US Housing starts MOM	Jun	8.3%	-2.8%	6.2%
US Building permits MOM	Jun	7.4%	-4.9%	2.8%
EU Construction output YOY	May	2.6%	3.3%	-
JP Machine tool orders YOY	Jun F	31.1%	31.1%	-
JP Exports YoY	Jun	9.7%	14.9%	9.5%
JP Imports YoY	Jun	15.5%	17.8%	14.4%
AU Westpac Leading Index	Jun	-0.14%	-0.01%	--

Source: Bloomberg

- Macro releases from the US came in more optimistic, with both housing starts and building permits climbed more than expected for the month of June, by 8.3% and 7.4% MOM respectively, somewhat alleviating concerns on recent softness in the housing market. Renewed optimism for the US economy may warrant a stronger case for the Fed to continue with its rate normalization cycle.
- In the Eurozone, construction output moderated to increase 2.6% YOY in May versus a prior print of 3.3%. All eyes on ECB policy meeting today, with a close watch on the rhetoric for further hints on signs of tapering measures.
- In Australia, latest Westpac leading index fell 0.14% to 97.28 in June, versus previous level of 97.42. The lower leading index was due to declining growth in commodity prices and dwelling approvals, which tempered the overall index level. We expect investors focus to shift towards upcoming unemployment levels for the month of June. Prospects of lower unemployment levels may suggest that the job market outlook for the Aussie economy to gradually improve going forward.
- Over in Japan, June's machine order tools came in flat with 31.1% gain, unchanged from earlier estimated level for June. Machine orders continue to be anchored by demand from China. East Asia and other parts of Asia, whilst demand from Europe and US also rebounded higher, supporting overall machine tool orders for the month of June. Meanwhile Japan's Cabinet Office monthly economic report addressed that the Japanese economy is on a moderate recovery path. On trade, trade position returned to a surplus of ¥439.9 billion in June although it still fell short of the ¥488 billion estimate. All eyes on BOJ meeting today.
- Back home, inflation moderated for a 3rd straight month, with CPI eased lower to 3.6% YOY in June versus May's 3.9%. Smaller gains in non-food prices, coupled with more moderate increase in food prices seen dampening price pressure in June. We are reaffirming our views for CPI to moderate in the second half, leading to a lower full year average of 3.4% for 2017.

Economic Calendar Release Date

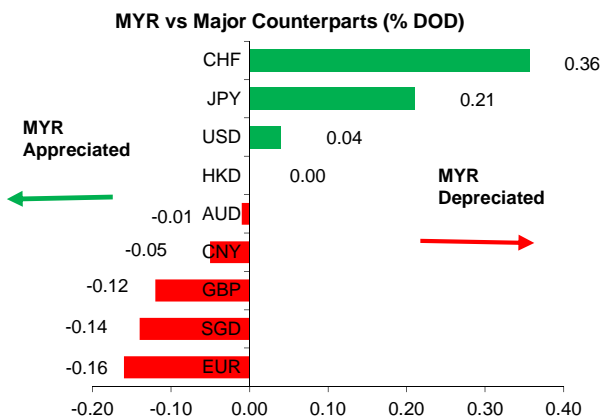
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	7/20	Initial hjobless Claims	Jul 15	245K	247K	--
		Leading Index	Jun	0.4%	0.3%	--
		Philadelphia Fed Business Outlook	Jul	23.7	27.6	--
UK	07/20	Retail Sales EX Auto Fuel YoY	Jun	2.5%	0.6%	--
Eurozone	07/20	ECB Main Refinancing Rate	Jul 20 th	0.00%	0.00%	--
		Consumer Confidence	Jul	-1.2	1.3	--
Japan	07/20	BOJ Monetary Policy Meeting, policy rate	-	-0.10%	0.10%	--
	07/21	Nationwide Dept Sales YoY	Jun	-	0.0%	--
Australia	07/20	Unemployment Rate	Jun	5.6%	5.5%	--
		Employment Change	Jun	15K	42K	--
HK	07/20	CPI Composite YoY	Jun	2.1%	2.0%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1515	-0.34	1.1557	1.1510	9.6
USDJPY	111.97	-0.09	112.23	111.56	-4.4
GBPUSD	1.3022	-0.14	1.3053	1.3011	5.6
AUDUSD	0.7952	0.45	0.7959	0.7909	10.5
EURGBP	0.8842	-0.21	0.8867	0.8829	3.7
USDMYR	4.2865	0.04	4.2878	4.2815	-4.5
EURMYR	4.9423	-0.16	4.9494	4.9353	4.6
JPYMYR	3.8263	0.21	3.8284	3.8197	0.0
GBPMYR	5.5834	-0.12	5.5910	5.5771	1.3
SGDMYR	3.1327	-0.14	3.1372	3.1287	1.0
AUDMYR	3.4007	-0.01	3.4043	3.3913	5.4
NZDMYR	3.1589	0.24	3.1645	3.1456	1.2

Source: Bloomberg



Forex

MYR

- **MYR dipped 0.04% to 4.2865 against a rebounding USD** but managed to advance against 5 G10s.
- **We maintain a bullish view on MYR as USD remains soft overnight**, but given receding risk sentiment in the markets, caution that MYR is vulnerable to a USD rebound. A mild bearish bias continues to prevail, tilting USDMYR further downward. We expect the pair to be heading to 4.2764 in the next leg lower.

USD

- **USD closed mixed against the G10s** as risk-sensitive majors rallied but the Dollar Index managed to rise 0.18% to 94.77, supported by the retreat in major components EUR, CHF and GBP.
- **We now turn bullish against USD**, given bearish potential in European majors from the risk event of ECB policy announcement. The Dollar Index has retreated from its lows and downside momentum is gradually receding, opening a path for potential rebound. The 95.10 level remains strong and should block rebounds, otherwise expect the Dollar Index to test 95.82 in the next leg higher.

EUR

- **EUR retreated 0.34% to 1.1515 against USD** and fell against all G10s as risk aversion rises ahead of ECB policy announcement.
- **Expect a bearish EUR to prevail against USD**, at least until ECB policy announcement. Signs of a reversal to lower levels in EURUSD continue to build. We reckon that upsides will fizzle out approaching 1.1588, and rejection could push the pair back to circa 1.1403.

GBP

- **GBP slipped 0.14% to 1.3022 against USD** and fell against 7 G10s, weighed down by Brexit uncertainties and risk aversion ahead of UK data.
- **GBP remains slightly bearish against USD**, weighed down by Brexit concerns; expect further downsides if UK retail sales disappoint. GBPUUSD is now below a firm resistance at 1.3034, which will likely limit upside movements. We set sights on a decline to 1.2933 in the next leg lower.

JPY

- **JPY inched 0.09% firmer to 111.97 against USD** and rose against 5 G10s, supported by risk-off in European majors.
- **Expect a bullish JPY against USD**, and supported by firmer refuge demand in anticipation of softer European majors. We maintain that USDJPY remains poised to drop to 111.66, below which 111.25 will be targeted.

AUD

- **AUD** remained supported by recent upbeat RBA tone as it beat all G10s and **climbed 0.45% to 0.7952 against USD**.
- **Stay slightly bullish on AUD against USD** as risk appetite is expected to resume post-ECB announcement. Technically, AUDUSD sustains a bullish bias while above 0.7909. While the pair is inclined to test 0.8000 – 0.8020 range, we reckon that this could potentially reject further advances.

SGD

- **SGD weakened 0.14% to 1.3684 against a rebounding USD** and fell against 7 G10s, pulling back from recent advances.
- **Stay bullish on SGD against USD** in anticipation of firmer risk appetite after ECB's policy announcement. Bearish bias continues to prevail in USDSGD and signs point to a close below 1.3665 in the coming days. Breaking above 1.3720 will likely alter current technical outlook.

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