

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- Global financial markets ended mixed after **ECB President signaled tapering discussion could begin in autumn**. EUR was the biggest overnight gainer among the majors in the FX space, advancing 1.01% to 1.1631 at close, after hitting an intraday high of 1.1658. The Dollar Index plunged to 94.30 as a result.
- While there was no discussion on tapering and no change on all its policy rates and asset purchase target, ECB President Draghi did imply that tapering discussion could begin in autumn, hence **putting September in the radar when ECB could begin outlining some tapering plans before actually implementing it well into next year, in our view**. In relative, **BOJ's policy pause attracted lesser attention and focus was on downgrades in its inflation forecasts** for the next two years to 1.1% and 1.5% respectively (prior: 1.4% and 1.7%).
- **Data flow was largely positive** pointing to healthy recovery in the labour market in the US and Australia. The pick-up in leading index to its best in five months points to quicker growth in the US economy in 2Q while bigger than expected rebound in UK retail sales suggests domestic consumption will continue to provide support to the overall UK economy amid Brexit uncertainties.
- **USD fell against 9 G10s** while the Dollar Index weakened 0.5% to 94.30 after plummeting on the back of rallies in European majors and to a certain extent, risk aversion amid growing political woes of President Trump. **USD is now bearish** as pressure will likely build on the back of renewed interest in European majors and rising negative sentiment as investigation into President Trump's presidential campaign widens. Expect further losses in the Dollar Index after strong rejection by 95.01 and inclined to fall to as low as 93.72 in the coming days.
- **MYR slipped 0.11% to 4.2910 against USD** that rallied in European trade but advanced against 8 G10s. **Stay slightly bullish on MYR against a weak overnight USD** tough gains may be limited by softer risk appetite going into the weekend. Bearish bias continues to build and USDMYR remains inclined to further losses. We expect the pair to be heading to 4.2764 in the next leg lower.
- **SGD climbed 0.16% to 1.3662 against a weak USD** but closed mixed against the G10s. **SGD is now slightly bearish against USD** in anticipation of softer risk appetite as the week ends. USDSGD is still inclined to losses and poised to close below 1.3665 by next week but given softer downside momentum, we caution that a rebound to higher levels may be on the horizon.

#### Overnight Economic Data

US  
Eurozone  
UK  
Australia  
Hong Kong



#### What's Coming Up Next

##### Major Data

- Malaysia foreign reserves
- UK public sector finance
- Japan nationwide departmental store sales

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1586	1.1600	1.1624	1.1658	1.1680	↗
USDJPY	111.35	111.81	111.93	112.07	112.57	↘
GBPUSD	1.2908	1.2942	1.2957	1.2969	1.2984	↘
AUDUSD	0.7846	0.7909	0.7943	0.7959	0.7978	↘
EURGBP	0.8933	0.8952	0.8970	0.8977	0.8990	↗
USDMYR	4.2815	4.2836	4.2865	4.2883	4.2900	↘
EURMYR	4.9720	4.9808	4.9824	4.9850	4.9900	↗
JPYMYR	3.8224	3.8271	3.8299	3.8346	3.8371	↗
GBPMYR	5.5377	5.5446	5.5540	5.5596	5.5652	↘
SGDMYR	3.1341	3.1363	3.1373	3.1400	3.1430	↗
AUDMYR	3.3895	3.4030	3.4067	3.4142	3.4248	↗
NZDMYR	3.1609	3.1674	3.1709	3.1750	3.1812	↗
USDSGD	1.3636	1.3654	1.3666	1.3680	1.3706	↗
EURSGD	1.5861	1.5880	1.5887	1.5904	1.5918	↗
GBPSGD	1.7634	1.7665	1.7704	1.7747	1.7768	↘
AUDSGD	1.0800	1.0820	1.0857	1.0875	1.0892	↘

\*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	1755.6	-0.1	6.9	CRB Index	178.4	-0.14	-7.3
Dow Jones Ind.	21611.8	-0.1	9.4	WTI oil (\$/bbl)	46.8	-0.70	-12.9
S&P 500	2473.5	0.0	10.5	Brent oil (\$/bbl)	49.3	-0.80	-17.8
FTSE 100	7487.9	0.8	4.8	Gold (\$/oz)	1244.5	0.30	8.4
Shanghai	3244.9	0.4	4.6	CPO (RM/tonne)	2581.5	-0.75	-19.3
Hang Seng	26740.2	0.3	21.5	Copper (\$/tonne)	5958.5	-0.13	7.6
STI	3293.1	-1.0	14.3	Rubber (sen/kg)	518.0	2.07	-19.7

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
US initial jobless claims	Jul-15	233k	248k	245k
US leading index	Jun	0.6%	0.2%	0.4%
US Philly Fed biz outlook	Jul	19.5	27.6	23.0
UK retail sales incl auto fuel	Jun	0.6%	-1.1%	0.4%
EU ECB main refinancing rate	Jul	0.0%	0.0%	0.0%
EU consumer confidence	Ju	-1.7	-1.3	-1.2
JP BOJ policy rate	Jul	-0.1%	-0.1%	-0.1%
JP all industry activity index	May	-0.9%	2.3%	-0.8%
AU NAB biz confidence	2Q	7	7	--
AU unemployment rate	Jun	5.6%	5.6%	5.6%
AU employment change	Jun	14.0k	38.0k	15.0k
HK CPI	Jun	1.9%	2.0%	2.1%

Source: Bloomberg

## ➤ Macroeconomics

- US data continued to come in on a more upbeat note, save for the pullback in Philly Fed business outlook to an 8-month low dragged by lower new orders, shipment, and employment. Initial jobless claims fell more than expected by 15k to 233k in the week ended Jul-15 reaffirming steady recovery in the labour market. Forward looking leading index picked up to increase 0.6% MOM in June, its best in five months adding to signs of quicker growth in the US economy in 2Q.
- ECB left its main refinancing rate and all other benchmark interest rates unchanged as expected. There was also no change to its monthly asset purchase target of €60bn as policy makers were cautious over subdued price pressure. While there was no discussion on tapering, ECB President Draghi did imply that discussion could begin in autumn, hence putting September in the radar when ECB could begin outlining some tapering plans before actually implementing it well into next year, in our view. Despite improving growth prospects in the region recently, consumer confidence has indeed taken a slight beating, sliding to -1.7 in July but remaining near its best level since the global financial crisis.
- In a 7-2 vote (unchanged from the previous MPC meeting), BOJ kept its policy rate unchanged at -0.1% as expected and maintained its bond yield target unchanged at near zero percent amid moderate growth prospects that would still require the support of an accommodative monetary policy. In addition, BOJ has trimmed its inflation forecasts for the next two years to 1.1% and 1.5% respectively (prior: 1.4% and 1.7%). On the data front, all industry activity index reversed course and fell 0.9% MOM in May while convenience store sales also took a turn and contracted 0.1% YOY in June, adding to softness in domestic activities.
- UK retail sales rebounded more than expected to increase 0.6% MOM while sales ex-auto fuel also registered a similar rebound and increased 0.9% MOM in June, offering signs that despite Brexit uncertainties, consumers continued to spend on non-food and household goods, providing some support to domestic consumption.
- Australian data pointed to a healthy labour market. The job market continue to add jobs in June, albeit at a slower pace of 14k vs preceding month's revised 38k jobs. Despite a slightly higher participation rate of 65.0%, unemployment rate held steady at 5.6%. In a separate release, NAB business confidence stabilized at a 3-year high in 2Q, underpinned by broad-based improvement in current condition and future expectations.
- Trailing recent softer inflation prints, CPI unexpectedly moderated to 1.9% YOY in June in Hong Kong, as declines in utilities, durable goods, clothing/ footwear, and alcohol & tobacco offset slight quicker increase in food prices.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	7/21	Foreign reserves	Jul 14	--	\$98.9bn	
US	7/24	Markit PMI manufacturing	Jul P	--	52.0	--
	7/24	Markit PMI services	Jul P	--	54.2	--
	7/24	Existing home sales MOM	Jun	-1.4%	1.1%	--
UK	07/21	Public sector net borrowings	Jun	£4.2b	£6.0b	--
Eurozone	07/24	Markit PMI manufacturing	Jul P	--	57.4	--
		Markit PMI services	Jul P	--	55.4	--
Japan	07/21	Nationwide Dept Sales YoY	Jun	-	0.0%	--
	07/24	Nikkei PMI manufacturing	Jul P	--	52.4	--
	07/24	Leading index	May F	--	104.7	--
	07/24	Coincident index	May F	--	115.5	--
Singapore	07/24	CPI YOY	Jun	0.8%	1.4%	--

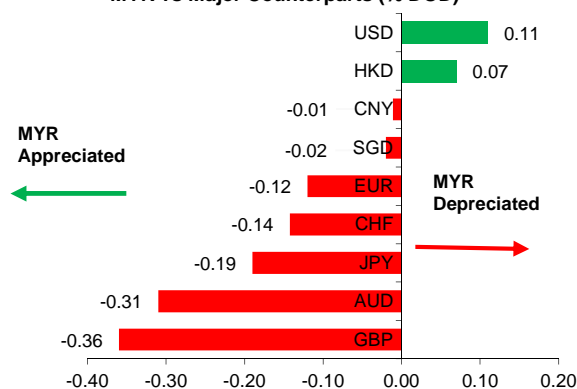
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1631	1.01	1.1658	1.1479	10.6
USDJPY	111.91	-0.05	112.42	111.48	-4.4
GBPUSD	1.2973	-0.38	1.3033	1.2933	5.1
AUDUSD	0.7958	0.08	0.7989	0.7898	10.3
EURGBP	0.8966	1.41	0.8978	0.8833	5.1
USDMYR	4.2910	0.11	4.2915	4.2850	-4.4
EURMYR	4.9362	-0.12	4.9457	4.9320	5.6
JPYMYR	3.8190	-0.19	3.8349	3.8173	0.0
GBPMYR	5.5633	-0.36	5.5905	5.5589	0.8
SGDMYR	3.1320	-0.02	3.1350	3.1304	1.2
AUDMYR	3.3901	-0.31	3.4248	3.3895	5.2
NZDMYR	3.1477	-0.35	3.1609	3.1465	1.8

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



## Forex

### MYR

- **MYR slipped 0.11% to 4.2910 against USD** that rallied in European trade but advanced against 8 G10s.
- **Stay slightly bullish on MYR against a weak overnight USD** though gains may be limited by softer risk appetite going into the weekend. Bearish bias continues to build and USDMYR remains inclined to further losses. We expect the pair to be heading to 4.2764 in the next leg lower.

### USD

- **USD fell against 9 G10s** while the Dollar Index weakened 0.5% to 94.30 after plummeting on the back of rallies in European majors and to a certain extent, risk aversion amid growing political woes of President Trump.
- **USD is now bearish** as pressure will likely build on the back of renewed interest in European majors and rising negative sentiment as investigation into President Trump's presidential campaign widens. Expect further losses in the Dollar Index after strong rejection by 95.01 and inclined to fall to as low as 93.72 in the coming days.

### EUR

- **EUR surged 1.01% to 1.1631 against USD** and beat all G10s as markets focused on only the possibility of QE tapering discussion in the upcoming ECB meeting and chose to ignore all dovish signals.
- **A bullish EUR is expected to prevail against USD** amid rising bets that the ECB is drawing closer to unwind its stimulus programme. Strong overnight surge has improved EURUSD's chances of extending current upsides and it is now poised to soon test 1.1680. Nonetheless, we caution that signs of reversal continue to persist.

### GBP

- **GBP fell 0.38% to 1.2973 against USD** and sank to the bottom of the G10 list due to outflow to rallying European majors and prevailing Brexit concerns.
- **Expect GBP to stay soft against USD**, weighed down by Brexit concerns and continued outflow into the more appealing European majors. Upside momentum thins further in GBPUSD, limiting gains and gradually tilting the pair into a bearish bias. Caution that losing 1.2942 will trigger a longer-term decline to 1.2858.

### JPY

- **JPY was 0.05% firmer at 111.91 against a weak USD** but retreated against 8 G10s as FX market turned risk-on.
- **JPY remains slightly bullish against a weak USD.** We maintain that USDJPY remains poised to drop to 111.66, below which 111.25 will be targeted.

### AUD

- **AUD inched 0.08% higher to 0.7958 against USD** but fell against 7 G10s, as gains from firmer risk appetite were limited by retreat in commodities.
- **We turn bearish on AUD against USD**, weighed down by risk aversion going into the weekend and signs of weakness in commodities. We suspect that AUDUSD has reached the peak of its recent upward move and will likely reverse first before resuming its ascend. Gains will likely fizzle approaching 0.7980 – 0.8000.

### SGD

- **SGD climbed 0.16% to 1.3662 against a weak USD** but closed mixed against the G10s.
- **SGD is now slightly bearish against USD** in anticipation of softer risk appetite as the week ends. USDSGD is still inclined to losses and poised to close below 1.3665 by next week. But given softer downside momentum, we caution that a rebound to higher levels may be on the horizon.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 6, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur  
Tel: 603-2773 0469  
Fax: 603-2164 9305  
Email: HLMarkets@hlbb.hongleong.com.my

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