

Global Markets Research

Daily Market Highlights

Key Takeaways

- The Fed left Fed Fund Target rate unchanged at 1.00-1.25% as expected and offered no surprises in its policy rhetoric. Policy makers continued to reiterate cautiousness over subdued inflation, which should not be viewed as a dovish surprise as it is merely a reaffirmation of its recent stance on inflation outlook. The Fed is also moving a step closer to balance sheet reduction, saying balance sheet reduction will begin "relatively soon", which reinforces our view for a September tapering.
- The next focus is on the UK economy, which grew at a slightly faster pace of 0.3% QOQ in 2Q, as expected, marking only a modest pick-up from the 0.2% growth in 1Q. Growth in the services sector (+0.5%) was dampened by declines in manufacturing (-0.4%) and construction (-0.9%). The modest growth traction suggests the UK economy is still plagued by Brexit uncertainties. This, coupled with the softer inflationary prospects, would continue to tie the hands of BOE policy makers in the foreseeable future.
- Closely tracking the softer global inflation, Australia consumer prices softened in 2Q, rising just 1.9% YOY after picking up to 2.1% in the preceding quarter. This was against the expectation of a pick-up to 2.2%, suggesting that inflation has fallen below RBA's target of 2-3%, further dampening recent build-up in rate hike expectations.
- USD tumbled against all G10s while the Dollar Index plunged 0.41% to 93.67 after outlook on the Fed to raise interest rates were further dampened by the Fed's persistently soft inflation view. We maintain a bullish view on USD as we anticipate a potential technical rebound after overnight weakness; expect gains to accelerate if US data picks up. Even though technical outlook remains bearish, we opine that a rebound still cannot be ruled out unless the Dollar Index closes below 93.26.
- MYR dipped 0.08% to 4.2847 against USD and weakened against all G10s on the back of retreat in risk appetite ahead of FOMC announcement. MYR is now bullish against a weakened USD. Bearish bias picked up and points to further losses. Opening below 4.2800 has encouraged the bears, thus a drop to 4.2700 cannot be ruled out.
- SGD tumbled against 9 G10s that rallied on a weak greenback but managed to advance 0.37% to 1.3573 against USD. Stay bearish on SGD against USD amid risk aversion ahead of US data. Despite overnight decline, USDSGD continues to shy away from recent lows. We reckon that losses will be modest, while not ruling out potential rebound going forward.

Overnight Economic Data

US
UK
Japan
Singapore
Australia



What's Coming Up Next

Major Data

- US durable goods orders, initial jobless claims, Chicago Fed and Kansas City Fed indices
- China industrial profits
- HK exports

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1600	1.1631	1.1728	1.1752	1.1780	↘
USDJPY	111.68	112.00	111.07	111.13	111.25	↘
GBPUSD	1.3084	1.3100	1.3111	1.3127	1.3141	↘
AUDUSD	0.7970	0.8000	0.8006	0.8020	0.8050	↘
EURGBP	0.8900	0.8929	0.8942	0.8955	0.8977	↘
USDMYR	4.2733	4.2760	4.2778	4.2800	4.2825	↘
EURMYR	5.0100	5.0118	5.0158	5.0200	5.0246	↗
JPYMYR	3.8428	3.8493	3.8516	3.8586	3.8660	↗
GBPMYR	5.5969	5.6030	5.6054	5.6114	5.6130	↗
SGDMYR	3.1483	3.1500	3.1505	3.1520	3.1550	↗
AUDMYR	3.4089	3.4204	3.4248	3.4280	3.4300	↗
NZDMYR	3.2050	3.2100	3.2167	3.2200	3.2250	↗
USDSGD	1.3595	1.3615	1.3629	1.3648	1.3659	↗
EURSGD	1.5830	1.5846	1.5860	1.5875	1.5900	↘
GBPSGD	1.7704	1.7747	1.7751	1.7761	1.7790	↘
AUDSGD	1.0757	1.0799	1.0815	1.0837	1.0852	↘

*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	1767.9	0.1	7.7	CRB Index	179.5	1.01	-6.8
Dow Jones Ind.	21711.0	0.5	9.9	WTI oil (\$/bbl)	48.8	2.05	-9.3
S&P 500	2477.8	0.0	10.7	Brent oil (\$/bbl)	50.8	1.53	-10.6
FTSE 100	7452.3	0.2	4.3	Gold (S/oz)	1260.6	0.80	9.9
Shanghai	3247.7	0.1	4.6	CPO (RM/tonne)	2604.5	1.09	-18.6
Hang Seng	26941.0	0.3	22.5	Copper (\$/tonne)	6329.0	1.67	14.3
STI	3341.7	0.1	16.0	Rubber (sen/kg)	519.0	-1.05	-19.5

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US MBA mortgage applications	Jul 21	0.4%	6.3%	--
US new home sales MOM	Jun	0.8%	4.9%	0.8%
Fed Fund Rate (upper bound)	Jul 26	1.25%	1.25%	1.25%
Fed Fund Rate (lower bound)	Jul 26	1.00%	1.00%	1.00%
UK GDP QOQ	2Q A	0.3%	0.2%	0.3%
UK Index of services 3M/3M	May	0.4%	0.2%	0.4%
JP small biz confidence	Jul	50.0	49.2	49.8
SG industrial production YOY	Jun	13.1%	4.4%	8.5%
AU CPI YOY	2Q	1.9%	2.1%	2.2%

Source: Bloomberg

- In the US, focus was on the 2-day FOMC meeting, with the Fed Fund Target Rate being kept unchanged at 1.00%-1.25%. Meanwhile US policymakers narrowed the implementation window for tapering plans from an earlier phrase "this year" to "relatively soon", suggesting that balance sheet reduction plans may be announced as soon as the next FOMC meeting scheduled in September. In terms of growth assessment, the FOMC committee commented that labour market in the US has continued to strengthen and that economic activity has been rising moderately so far this year. In terms of inflation outlook, on a 12-month basis, overall inflation (excluding food and energy prices) have declined and are running below the 2% target. On the data front, growth in new home sales moderated to 0.8% MOM in June, versus a prior gain of 4.9%.
- The UK economy expanded 0.3% QOQ in 2Q as expected, marking a modest increase from a prior level of 0.2%. Growth in the 2Q was led by services which rose 0.5%. Production and construction meanwhile were a drag to overall growth prospects, declined by -0.4% and -0.9% respectively during the same period. Overall the 2Q growth reading was lower than the 0.4% predicted by the BOE.
- Japan's small business confidence edged up to 50.0 in Jul from 49.2 in the previous month, suggesting that sentiment amongst small business owners improved. Amongst the industries that implied better sentiment include textile, chemical, iron & steel, general machinery, real estate and truck transport.
- Industrial output of Singapore surged 13.1% YOY in Jun, up sharply from 4.4% in May. Expansion was broad-based but output was mostly driven by sharp increase in biomedical products and robust growth in electronics.
- Inflationary pressure in Australia softened in 2Q, rising just 1.9% YOY after picking up to 2.1% in the preceding quarter. This was against the expectation of a pick-up to 2.2%, suggesting that inflation has fallen below RBA's target of 2-3%, further dampening recent build-up in rate hike expectations.

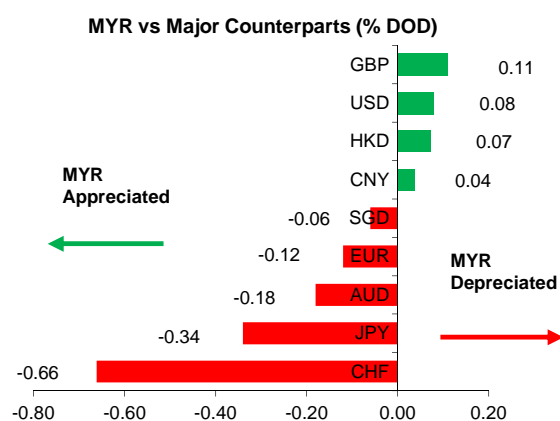
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	7/27	Durable goods orders	Jun P	3.7%	-0.8%	--
		Initial jobless claims	Jul 22	240k	233k	--
		Chicago Fed nat activity index	Jun	0.35	-0.26	--
		Kansas City Fed manf. activity	Jul 22	11	11	--
	7/28	GDP annualized QOQ	2Q A	2.5%	1.4%	--
		Personal consumption	2Q A	2.9%	1.1%	--
EU	7/28	Uni. Of Michigan sentiment	Jul F	93.1	93.1	--
		Economic confidence	Jul	110.8	111.1	--
		Business climate indicator	Jul	1.13	1.15	--
		Consumer confidence	Jul F	-1.7	-1.7	--
UK	7/28	GfK consumer confidence	Jul	-11	-10	--
		Nationwide house price NSA YOY	Jul	2.6%	3.1%	--
Japan	7/28	Jobless rate	Jun	3.0%	3.1%	--
		Overall household spending YOY	Jun	0.5%	-0.1%	--
		CPI YOY	Jun	0.4%	0.4%	--
		Retail sales YOY	Jun	2.4%	2.0%	2.1%
China	7/27	Industrial profits YOY	Jun	--	16.7%	--
Hong Kong	7/27	Exports YOY	Jun	6.4%	4.0%	--
Singapore	7/28	Unemployment rate SA	2Q	2.3%	2.3%	2.2%
Australia	7/28	PPI YOY	2Q	--	1.3%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1734	0.75	1.174	1.1613	11.5
USDJPY	111.18	-0.63	112.2	111.06	-5.1
GBPUSD	1.3122	0.74	1.3124	1.3000	6.3
AUDUSD	0.8005	0.86	0.8014	0.7878	11.0
EURGBP	0.8943	0.00	0.8955	0.8904	4.8
USDMYR	4.2847	0.08	4.2857	4.2830	-4.7
EURMYR	4.9834	-0.12	4.9932	4.9753	6.1
JPYMYR	3.8296	-0.34	3.8321	3.8203	0.5
GBPMYR	5.5777	0.11	5.5877	5.5716	1.7
SGDMYR	3.1425	-0.06	3.1466	3.1400	1.6
AUDMYR	3.3873	-0.18	3.4021	3.3759	5.6
NZDMYR	3.1821	0.10	3.1863	3.1752	3.1

Source: Bloomberg



Forex

MYR

- **MYR dipped 0.08% to 4.2847 against USD** and weakened against all G10s on the back of retreat in risk appetite ahead of FOMC announcement.
- **MYR is now bullish against a weakened USD.** Bearish bias picked up and points to further losses. Opening below 4.2800 has encouraged the bears, thus a drop to 4.2700 cannot be ruled out.

USD

- **USD tumbled against all G10s** while the Dollar Index plunged 0.41% to 93.67 after outlook on the Fed to raise interest rates were further dampened by the Fed's persistently soft inflation view.
- **We maintain a bullish view on USD** as we anticipate a potential technical rebound after overnight weakness; expect gains to accelerate if US data picks up. Even though technical outlook remains bearish, we opine that a rebound still cannot be ruled out unless the Dollar Index closes below 93.26.

EUR

- **EUR surged 0.75% to 1.1734 against a weak USD** and beat 5 G10s.
- **Expect a bearish EUR against USD** in line with our expectation of a potential technical pullback after recent sharp gains. Upside momentum remains subdued despite overnight rally, and this casts doubt as to whether EURUSD has sufficient strength to push higher going forward. Expect upsides to fizzle out before 1.1800.

GBP

- **GBP soared 0.74% to 1.3122 against a weak USD** and climbed against 5 G10s.
- **We maintain a slight bearish view on GBP against USD** in anticipation of a technical pullback after recent sharp gains. Upside momentum and relative strength remains subdued despite strong overnight jump, hinting that GBPUSD may be in exhaustion. We set sights on a drop to 1.3030 soon.

JPY

- **JPY fell against 6 G10s** as FX markets turned risk-on but **rallied 0.63% to 111.18 against a weak USD.**
- **JPY is now bearish against USD,** expect risk appetite in the FX space to improve and dampen its demand. USDJPY remains fragile after losing 111.25 but as long as 110.63 is not breached, the chance for a rebound sustains.

AUD

- **AUD overturned early losses** from softer Australia CPI to beat 7 G10s and **surged 0.86% to 0.8005 against a weak USD.**
- **We stay bearish on AUD against USD** as we expect bearish bias from recent dovish comments to continue weighing down AUD. Signs of reversal continue to persist despite overnight rally, indicating that AUDUSD gains may be limited going forward. A drop back to 0.7935 cannot be ruled out.

SGD

- **SGD tumbled against 9 G10s** that rallied on a weak greenback but **managed to advance 0.37% to 1.3573 against USD.**
- **Stay bearish on SGD against USD** amid risk aversion ahead of US data. Despite overnight decline, USDSGD continues to shy away from recent lows. We reckon that losses will be modest, while not ruling out potential rebound going forward.

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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