

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- > **Comments from fed speakers suggest that further monetary policy tightening agenda remain on the table this year.** Fed chair Janet Yellen reiterated that "it will be appropriate to raise interest rates very gradually" and the stockpile of bonds would be shrunk "gradually and predictably". In addition, vice chair Stanley Fischer said there will be "notable uptick" in risk appetite but "has not lead to increase leverage across the financial system", suggesting that risks remained well balanced at this juncture.
- > **Shortages of inventory, low mortgage rate and optimistic economic outlook have fueled demand in the US property market, keeping house prices on the rise despite anticipation of tighter monetary policy.** Average home prices in 20 cities climbed 5.70% YOY in April after a revised 5.90% YOY increase in March.
- > **Closer to home, China's industrial profit quickened to +16.70% YOY in May followed a 14.00% YOY increase in April.** Profit increase to 626 billion yuan due to improving sales and better investment returns despite slower factory gate inflation, statement from the National Bureau of Statistics showed.
- > **MYR last closed 0.03% softer at 4.2878 against USD** and retreated against 8 G10s on the back of risk-off sentiment heading into a lengthened weekend. We **expect a bearish MYR against USD**, and further pressured by retreating risk appetite going into the weekend. USDMYR remains technically bullish, more so after an early gap up, and therefore inclined to gains. We set sights on a potential test at 4.2921, above which 4.3030 will be targeted.
- > **USD fell against 7 G10s** while the Dollar Index tumbled fell through European and US sessions to settle at 96.39, 1.06% lower on the back of a rallying EUR and softer US outlook from the IMF. **We now turn bearish on USD**, likely to be weighed down by inflow into European majors particularly EUR and softer US outlook that continues to dampen bets on potential future rate hikes. Technically, a mild bearish bias prevails in the dollar Index. It is susceptible to further losses to 95.90, but we caution that extended closings below reversion level at 96.32 will trigger a rebound above it going forward.
- > **SGD weakened against 7 G10s** on softer demand amid sliding equities but **rose 0.03% to 1.3872 against a soft USD.** We are **slightly bullish on SGD against USD.** USDSGD is likely vulnerable to further losses after losing 1.3881. The pair is poised to head to 1.3845, and breaking below this exposes a drop to 1.3814.

#### Overnight Economic Data

|             |    |
|-------------|----|
| US          | →  |
| UK          | ↑  |
| China       | ↑↓ |
| New Zealand | ↓  |

#### What's Coming Up Next

##### Major Data

- > US MBA mortgage application, wholesale inventories, pending home sales
- > UK Nationwide house prices
- > Japan small business confidence

##### Major Events

- > Nil

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

|        | S2     | S1     | Indicative | R1     | R2     | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1300 | 1.1332 | 1.1341     | 1.1361 | 1.1380 | ↗       |
| USDJPY | 111.74 | 112.00 | 112.12     | 112.25 | 112.51 | ↗       |
| GBPUSD | 1.2787 | 1.2802 | 1.2813     | 1.2827 | 1.2861 | ↘       |
| AUDUSD | 0.7575 | 0.7589 | 0.7597     | 0.7602 | 0.7624 | ↘       |
| EURGBP | 0.8824 | 0.8834 | 0.8851     | 0.8862 | 0.8877 | ↗       |
| USDMYR | 4.2830 | 4.2851 | 4.2875     | 4.2900 | 4.2921 | ↗       |
| EURMYR | 4.8505 | 4.8580 | 4.8616     | 4.8680 | 4.8700 | ↗       |
| JPYMYR | 3.8150 | 3.8200 | 3.8211     | 3.8223 | 3.8327 | ↘       |
| GBPMYR | 5.4820 | 5.4897 | 5.4929     | 5.5000 | 5.5061 | ↗       |
| SGDMYR | 3.0885 | 3.0900 | 3.0921     | 3.0943 | 3.0959 | ↗       |
| AUDMYR | 3.2455 | 3.2492 | 3.2592     | 3.2628 | 3.2652 | ↗       |
| NZDMYR | 3.1078 | 3.1150 | 3.1178     | 3.1200 | 3.1265 | ↘       |
| USDSGD | 1.3845 | 1.3856 | 1.3865     | 1.3882 | 1.3907 | ↘       |
| EURSGD | 1.5683 | 1.5700 | 1.5719     | 1.5729 | 1.5740 | ↘       |
| GBPSGD | 1.7705 | 1.7729 | 1.7759     | 1.7768 | 1.7810 | ↘       |
| AUDSGD | 1.0493 | 1.0518 | 1.0538     | 1.0550 | 1.0560 | ↘       |

\*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           | 1779.5     | 0.1   | 8.4   | CRB Index          | 170.0      | 0.86  | -11.7 |
| Dow Jones Ind. | 21310.7    | -0.5  | 7.8   | WTI oil (\$/bbl)   | 44.2       | 2.00  | -17.7 |
| S&P 500        | 2419.4     | -0.8  | 8.1   | Brent oil (\$/bbl) | 46.7       | 1.80  | -17.9 |
| FTSE 100       | 7434.4     | -0.2  | 4.1   | Gold (\$/oz)       | 1247.2     | 0.20  | 8.9   |
| Shanghai       | 3191.2     | 0.2   | 2.8   | CPO (RM/tonne)     | 2586.0     | -0.81 | -19.2 |
| Hang Seng      | 25840.0    | -0.1  | 17.5  | Copper (\$/tonne)  | 5858.0     | 1.10  | 5.8   |
| STI            | 3219.5     | 0.3   | 11.8  | Rubber (sen/kg)    | 539.0      | -0.83 | -16.4 |

Source: Bloomberg

## Economic Data

|                                     | For | Actual | Last   | Survey |
|-------------------------------------|-----|--------|--------|--------|
| US S&P CoreLogic CS US HPI YoY NSA  | Apr | 5.70%  | 5.90%  | --     |
| US Richmond fed manufacturing index | Jun | 7      | 1      | 5      |
| UK CBI retailing reported sales     | Jun | 12     | 2      | --     |
| China industrial profits YoY        | May | 16.70% | 14.00% | --     |
| New Zealand exports NZD             | May | 4.95b  | 4.70b  | 4.93b  |

## ➤ Macroeconomics

- Shortages of inventory, low mortgage rate and optimistic economic outlook have fueled demand in the property market, keeping house prices on the rise despite anticipation of tighter monetary policy. Average home prices in 20 US cities climbed 5.70% YOY in April after a revised 5.90% YOY increase in March. A second report showed that Richmond's gauge of the manufacturing sector rose to 7 in June after a reading of 1 in May, signaling that manufacturing gathered steam as global demand picked up.
- Survey from the Confederation of British Industry showed that retailers were expecting sales to surge higher in June despite concerns on Brexit negotiation. The gauge for sales volume climbed from 2 in May to 12 in June even as inflation rose to a multi-year high in May, indicating that retailers do not expect a significant cut in household purchases even as real wages were dampened by inflationary pressure.
- China's industrial profit quickened to +16.70% YOY in May followed a 14.00% YOY increase in April. Profit increase to 626 billion yuan due to improving sales and better investment returns despite slower factory gate inflation, statement from the National Bureau of Statistics showed.
- New Zealand's exports rose 5.40% MOM to NZD 4.95 billion in May. On the other hand, imports rose by 16.50% MOM to NZD 4.85 billion in May, narrowing trade balance to NZD 0.10 billion (previous: NZD 0.50 billion).

## Economic Calendar Release Date

| Country     | Date  | Event                       | Reporting Period | Survey | Prior  | Revised |
|-------------|-------|-----------------------------|------------------|--------|--------|---------|
| US          | 06/28 | MBA Mortgage Applications   | Jun-23           | --     | 0.60%  | --      |
|             |       | Wholesale Inventories MoM   | May P            | 0.20%  | -0.50% | --      |
|             |       | Pending Home Sales MoM      | May              | 1.00%  | -1.30% | --      |
| UK          | 06/29 | GDP Annualized QoQ          | 1Q T             | 1.20%  | 1.20%  | --      |
|             |       | Nationwide House Px NSA YoY | Jun              | 1.90%  | 2.10%  | --      |
|             |       | Net Consumer Credit         | May              | 1.4b   | 1.5b   | --      |
| Euro zone   | 06/29 | Mortgage Approvals          | May              | 64.0k  | 64.6k  | --      |
|             |       | Economic Confidence         | Jun              | 109.5  | 109.2  | --      |
|             |       | Business Climate Indicator  | Jun              | 0.94   | 0.9    | --      |
| Japan       | 06/28 | Consumer Confidence         | Jun F            | -1.3   | -1.3   | --      |
|             |       | Small Business Confidence   | Jun              | 49.2   | 48.9   | --      |
|             |       | Retail Sales MoM            | May              | -1.00% | 1.40%  | --      |
| Hong Kong   | 06/29 | Retail Sales Value YoY      | May              | 1.50%  | 0.10%  | --      |
| Australia   | 06/29 | HIA New Home Sales MoM      | May              | --     | 0.80%  | --      |
| New Zealand | 06/29 | ANZ Activity Outlook        | Jun              | --     | 38.3   | --      |
|             |       | ANZ Business Confidence     | Jun              | --     | 14.9   | --      |
| Vietnam     | 06/29 | CPI YOY                     | Jun              | 2.75%  | 3.19%  | --      |
|             |       | GDP YTD YoY                 | 2Q               | 5.50%  | 5.10%  | --      |
|             |       | Exports YTD YoY             | Jun              | 19.60% | 17.40% | --      |
|             |       | Retail Sales YTD YoY        | Jun              | --     | 10.20% | --      |
|             |       | Industrial production YoY   | Jun              | --     | 7.20%  | --      |

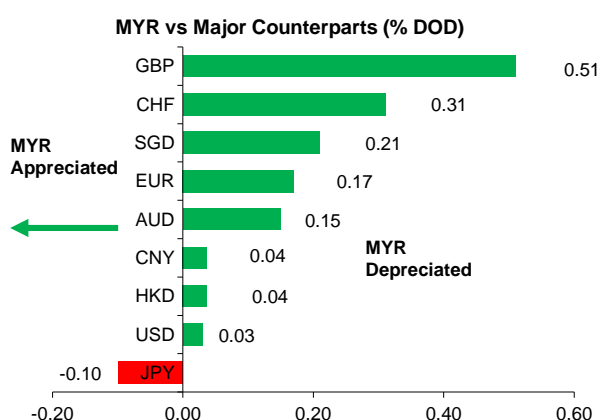
Source: Bloomberg

### FX Table

| Name   | Last Price | DoD % | High   | Low    | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1339     | 1.40  | 1.1349 | 1.1179 | 7.8   |
| USDJPY | 112.35     | 0.44  | 112.47 | 111.46 | -4.1  |
| GBPUSD | 1.2814     | 0.72  | 1.2861 | 1.2717 | 3.8   |
| AUDUSD | 0.7583     | -0.03 | 0.7624 | 0.7577 | 5.3   |
| EURGBP | 0.8848     | 0.66  | 0.8863 | 0.8783 | 3.7   |
| USDMYR | 4.2878     | 0.03  | 4.2905 | 4.2870 | -4.4  |
| EURMYR | 4.7864     | 0.17  | 4.7929 | 4.7839 | 2.9   |
| JPYMYR | 3.8549     | -0.10 | 3.8582 | 3.8498 | -0.3  |
| GBPMYR | 5.4543     | 0.51  | 5.4662 | 5.4346 | -0.4  |
| SGDMYR | 3.0916     | 0.21  | 3.0943 | 3.0830 | -0.3  |
| AUDMYR | 3.2442     | 0.15  | 3.2523 | 3.2320 | 0.4   |
| NZDMYR | 3.1246     | 0.32  | 3.1265 | 3.1090 | -0.1  |

Source: Bloomberg

\* MYR pairs last closed on 23 Jun 2017



## Forex

### MYR

- **MYR last closed 0.03% softer at 4.2878 against USD** and retreated against 8 G10s on the back of risk-off sentiment heading into a lengthened weekend.
- **Stay bearish on MYR against USD** as market sentiment remains soft, hampering bids. USDMYR is still inclined to higher levels, though we reckon that on the back of softening upside momentum, gains are likely to fizzle out near 4.2980.

### USD

- **USD fell against 7 G10s** while the Dollar Index tumbled fell through European and US sessions to settle at 96.39, 1.06% lower on the back of a rallying EUR and softer US outlook from the IMF.
- **We now turn bearish on USD**, likely to be weighed down by inflow into European majors particularly EUR and softer US outlook that continues to dampen bets on potential future rate hikes. Technically, a mild bearish bias prevails in the Dollar Index . It is susceptible to further losses to 95.90, but we caution that extended closings below reversion level at 96.32 will trigger a rebound above it going forward.

### EUR

- **EUR surged 1.40% to 1.1339 against a tumbling USD** and climbed against 8 G10s, supported by a soft greenback and ECB remarks that currently soft inflation is temporary.
- **Expect a bullish EUR against a soft USD**, further supported by improving expectations that the ECB will soon unwind its dovish monetary policy. EURUSD is now on a bullish tone, but we note that such hefty gains are hardly sustainable in the longer term. As such, we caution on a potential failure to beat 1.1361 – 1.3680 that could trigger a decline to 1.1274 going forward.

### GBP

- **GBP jumped 0.72% to 1.2814 against a weak USD** and advanced against 5 G10s on sustained expectations that the BOE is geared for a tighter policy.
- **Expect a bearish GBP against USD** on lingering Brexit concerns and likelihood of firmer European majors. We opine that the strong overnight surge in GBPUSD is unsustainable and likely to pullback, at least for a short while, before extending further gains. In any case, we anticipate failure near 1.2909.

### JPY

- **JPY slumped against all G10s and weakened 0.44% to 112.35 against USD**, weighed down by sliding demand for refuge as European majors rallied.
- **Keep a bearish view on JPY against USD** as refuge demand in the FX space is likely to recede on the back of firmer European majors. Taking 112.25 adds a bullish tone to USDJPY, thus we set sights on further gains, likely to circa 112.80 – 113.06 before upsides abate.

### AUD

- **AUD dipped 0.03% to 0.7583 against USD** and fell against 7 G10s, weighed down by retreating risk appetite in equities.
- **AUD is bearish against USD**, continued to be weighed down by retreating equities. Despite signs of rebound, we anticipate AUDUSD failing to beat 0.7624 – 0.7640, thus triggering a longer-term decline to circa 0.7539. Firm break at 0.7640 will alter current technical landscape.

### SGD

- **SGD weakened against 7 G10s** on softer demand amid sliding equities but **rose 0.03% to 1.3872 against a soft USD**.
- **We are slightly bullish on SGD against USD**. USDUSD is likely vulnerable to further losses after losing 1.3881. The pair is poised to head to 1.3845, and breaking below this exposes a drop to 1.3814.

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