

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Overnight dataflow was positive**, further reinforcing views that global economic recovery is firmly on track. **US data suggest labour market continues to improve steadily while expansions in economic activities across different Fed districts were somewhat uneven.** Headline durable goods orders were strong but core orders fell and fortunately the negative impact was mitigated by upward revision in previous gain, lending support to 2Q GDP growth due out tonight.
- From the Asian sphere, we saw upbeat numbers from China, Japan and Hong Kong. **The quicker and broad-based 19.1% YOY growth in industrial profits in China further boost optimism that growth remains resilient in China** despite all the slowdown concerns and **Hong Kong will continue to enjoy the spillovers from China**, as evident in the latest jump in exports by 11.1% YOY in June. The slew of Japanese data was also positive by and large, reaffirming moderate growth prospects. Core CPI ex-food and energy was stagnant for the 3<sup>rd</sup> straight month, adding to signs of **sluggish price pressure that would continue to keep CPI way below the BOJ's target in the foreseeable future.**
- **USD rebounded against all G10s** while the Dollar Index stemmed its losses by Asian trade and climbed higher thereafter, rising 0.2% to 93.86 on the back of firmer US data. **USD remains bullish in our view** as we anticipate extended rebound from recent losses, with bullish potential from US data. Bearish outlook still prevails but we reckon that losses, if any, will become more moderate gradually. Thinning downside momentum hints at a turnaround for the Dollar Index going forward, with scope to test 94.26.
- **MYR advanced 0.19% to 4.2767 against a weak USD** but slipped against 6 G10s as risk appetite remains soft ahead of US data. **Expect a bearish MYR against a rebounding USD**, further weighed down by rising risk aversion ahead of the weekend. Downside momentum thinned and an early gap up in USDMYR suggests a build-up in potential rebound. Closing above 4.2814 exposes a climb to 4.2878 in the next leg higher.
- **SGD slipped 0.15% to 1.3594 against a firmer USD** but climbed against 9 G10s. **Stay bearish on SGD against USD** amid risk aversion ahead of US data, and potential extended greenback rebound if data improves. USDSGD continues to shy away from lows, a sign that the recent decline may have bottomed. We still do not rule out a rebound going forward, with scope to test 1.3681.

#### Overnight Economic Data

US	➔
China	➡
Hong Kong	➡
Japan	➡

#### What's Coming Up Next

##### Major Data

- US 2Q GDP, Uni Michigan consumer confidence
- EU economic confidence, consumer confidence, biz climate indicator
- Australia PPI

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1625	1.1639	1.1689	1.1700	1.1712	➡
USDJPY	110.83	111.00	111.02	111.25	111.50	➡
GBPUSD	1.3046	1.3063	1.3076	1.3085	1.3100	➡
AUDUSD	0.7926	0.7949	0.7975	0.7989	0.8000	➡
EURGBP	0.8920	0.8927	0.8937	0.8940	0.8955	➡
USDMYR	4.2754	4.2775	4.2803	4.2814	4.2845	➡
EURMYR	4.9932	4.9963	5.0008	5.0025	5.0094	➡
JPYMYR	3.8433	3.8491	3.8556	5.8586	5.8612	➡
GBPMYR	5.5888	5.5929	5.5962	5.6000	5.6031	➡
SGDMYR	3.1466	3.1483	3.1509	3.1520	3.1550	➡
AUDMYR	3.4000	3.4043	3.4095	3.4142	3.4204	➡
NZDMYR	3.2000	3.2050	3.2097	3.2100	3.2150	➡
USDSGD	1.3556	1.3580	1.3583	1.3608	1.3626	➡
EURSGD	1.5834	1.5861	1.5871	1.5881	1.5900	➡
GBPSGD	1.7729	1.7742	1.7759	1.7772	1.7788	➡
AUDSGD	1.0780	1.0800	1.0831	1.0835	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	1770.1	0.2	7.8	CRB Index	181.1	0.94	-5.9
Dow Jones Ind.	21796.6	0.4	10.3	WTI oil (\$/bbl)	49.0	0.59	-8.7
S&P 500	2475.4	-0.1	10.6	Brent oil (\$/bbl)	51.5	1.02	-14.1
FTSE 100	7443.0	-0.1	4.2	Gold (\$/oz)	1259.1	-0.10	8.1
Shanghai	3249.8	0.1	4.7	CPO (RM/tonne)	2619.0	0.56	-18.1
Hang Seng	27131.2	0.7	23.3	Copper (\$/tonne)	6329.0	1.67	14.3
STI	3354.7	0.5	16.5	Rubber (sen/kg)	513.0	-1.16	-20.5

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
US initial jobless claims	Jul 22	244k	234k	240k
US durable goods orders	Jun P	6.5%	-0.1%	3.9%
US Chicago Fed national activity	Jun	0.13	-0.30	0.37
US Kansas City Fed manufacturing index	Jul	10	11	12
CH industrial profits YOY	Jun	19.1%	16.7%	--
HK exports YOY	Jun	11.1%	4.0%	6.4%
JP jobless rate	Jun	2.8%	3.1%	3.0%
JP overall household spending	Jun	2.3%	-0.1%	0.5%
JP CPI YOY	Jun	0.4%	0.4%	0.4%
JP retail trade YOY	Jun	2.1%	2.1%	2.4%

Source: Bloomberg

## ➤ Macroeconomics

- US durable goods orders rebounded more than expected to increase 6.5% MOM in June, marking its best gain in three years spurred by new orders in aircraft. Excluding this one-off aircraft orders, core orders fell 0.1% MOM pointing to still sluggish business investment, even though May's gain was revised significantly higher from 0.2% to 0.7% MOM, somewhat cushioning the impact and suggests investment will continue to lend support to 2Q GDP.
- In separate releases, data pointed to sustained recovery in the labour market and uneven economic activities across different Fed districts. Initial jobless claims climbed more than expected by 10k to 244k in the week ended 22-July, but remaining below the 300k mark for a good 2.5 years now while continuing claims slipped to 1964k. Chicago Fed national activity index rebounded albeit at a less than expected pace to 0.13 in June led by production but Kansas City Fed showed slower expansion in its manufacturing activities in the month of July as slower production and fall in shipment offset increases in new orders.
- The slew of Japanese data was also positive by and large, reaffirming moderate uptick and sustained inflation in the Japanese economy. Jobless rate improved more than expected to 2.8% in June, matching its lowest since 1994 while participation rate rose to 61.0%. The number of employed rose 120k during the month while the number of unemployed fell 160k. Overall household spending rebounded more than expected by 2.3% YOY in June, its first positive gain in 16 months, driven by spending on housing, transport, medical care and education. In line with this, retail trade maintained a 2.1% YOY growth in June, as sales at departmental store and supermarkets all rebounded MOM. CPI sustained a 0.4% YOY increase in June supported by energy prices, while core CPI ex-food and energy was stagnant for the 3<sup>rd</sup> straight month, adding to signs of sluggish price pressure that would continue to keep CPI way below the BOJ's target in the foreseeable future.
- Over in China, industrial profit picked up pace to increase at a faster rate of 19.1% YOY in June and was up 22.0% YOY YTD on the back of a 13.6% YOY increase in sales. Growth was broad-based across many industrial sectors from mining to manufacturing, as lower costs alleviated some pressure on industry players. This shall further boost optimism that growth remains resilient in China despite all the slowdown concerns.
- Hong Kong exports accelerated more than expected, registering a 11.1% YOY increase in June, spearheaded by a 12.2% YOY jump in exports to China, offsetting the slower shipment to the US. Resilient growth in China will continue to spillover to Hong Kong, keeping overall growth in more upbeat tone this year.

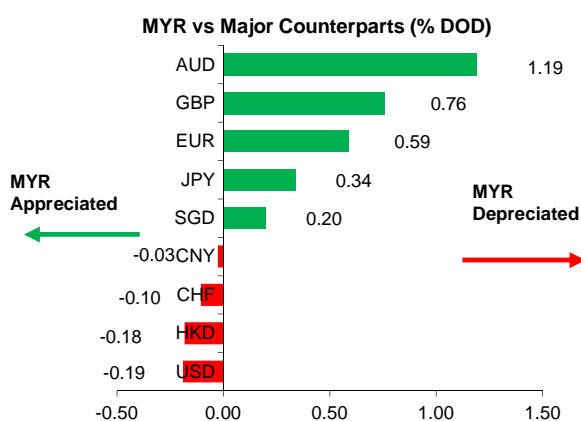
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	7/28	GDP annualized QOQ	2Q A	2.7%	1.4%	--
		Personal consumption	2Q A	2.8%	1.1%	--
		Uni. Of Michigan sentiment	Jul F	93.1	93.1	--
	7/31	Chicago PMI	Jul	59.0	65.7	--
		Pending home sales MOM	Jun	1.0%	-0.8%	--
		Dallas Fed manufacturing	Jul	14.0	15.0	--
EU	7/28	Economic confidence	Jul	110.8	111.1	--
		Business climate indicator	Jul	1.14	1.15	--
		Consumer confidence	Jul F	-1.7	-1.7	--
	7/31	Unemployment rate	Jun	9.2%	9.3%	--
		CPI estimate YOY	Jul	1.2%	1.3%	--
UK	7/31	Net consumer credit	Jun	--	1.7b	--
		Mortgage approvals	Jun	--	65.2k	--
Japan	7/31	Industrial production MOM	Jun P	1.5%	-3.6%	--
		Housing starts YOY	Jun	0.2%	-0.3%	--
China	7/31	Manufacturing PMI	Jul	51.5	51.7	--
		Non-manufacturing PMI	Jul	--	54.9	--
		Unemployment rate SA	2Q	2.3%	2.3%	2.2%
Singapore	7/28	PPI YOY	2Q	--	1.3%	--
Australia	7/28	Building permits MOM	Jun	--	7.0%	--
New Zealand	7/31	CPI YOY	Jul	2.45%	2.54%	--
		Retail sales YTD YOY	Jul	--	10.1%	--
		Exports YTD YOY	Jul	19.7%	18.9%	--
		Industrial production YOY	Jul	--	8.6%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1677	-0.49	1.1777	1.1650	11.2
USDJPY	111.26	0.07	111.71	110.78	-5.0
GBPUSD	1.3066	-0.43	1.3159	1.3052	6.0
AUDUSD	0.7967	-0.47	0.8066	0.7957	10.7
EURGBP	0.8938	-0.06	0.8955	0.8891	4.7
USDMYR	4.2767	-0.19	4.2787	4.2733	-4.6
EURMYR	5.0126	0.59	5.0345	5.0094	5.9
JPYMYR	3.8427	0.34	3.8585	3.8422	0.5
GBPMYR	5.6200	0.76	5.6254	5.6041	1.5
SGDMYR	3.1488	0.20	3.1568	3.1488	1.6
AUDMYR	3.4276	1.19	3.4485	3.4204	5.3
NZDMYR	3.2189	1.16	3.2312	3.2157	3.0

Source: Bloomberg



## Forex

### MYR

- **MYR advanced 0.19% to 4.2767 against a weak USD** but slipped against 6 G10s as risk appetite remains soft ahead of US data.
- **Expect a bearish MYR against a rebounding USD**, further weighed down by rising risk aversion ahead of the weekend. Downside momentum thinned and an early gap up in USDMYR suggests a build-up in potential rebound. Closing above 4.2814 exposes a climb to 4.2878 in the next leg higher.

### USD

- **USD rebounded against all G10s** while the Dollar Index stemmed its losses by Asian trade and climbed higher thereafter, rising 0.2% to 93.86 on the back of firmer US data.
- **USD remains bullish in our view** as we anticipate extended rebound from recent losses, with bullish potential from US data. Bearish outlook still prevails but we reckon that losses, if any, will become more moderate gradually. Thinning downside momentum hints at a turnaround for the Dollar Index going forward, with scope to test 94.26.

### EUR

- **EUR fell 0.49% to 1.1677 against a rebounding USD** but nonetheless held firm against 5 G10s.
- **EUR is bearish to the extent of a bullish USD**. Even as a bullish bias prevails, we expect some losses to prevail time being given magnitude of recent gains. Technically, we suspect EURUSD bulls may be exhausted and possibly aiming for lower levels. We set sights on a decline to below 1.1586.

### GBP

- **GBP retreated 0.43% to 1.3066 against a rebounding USD** but managed to beat 8 G10s as demand for European majors sagged.
- **We maintain a slight bearish view on GBP in anticipation of further rebound in USD**. GBPUSD bulls are losing strength. While we do not rule out potential tests of higher levels, continued failure to close above 1.3140 will exhaust current upsides and tilt the pair downwards.

### JPY

- **JPY advanced against 9 G10s** as refuge demand in the FX space increased but **eased 0.07% to 111.26 against a firmer USD**.
- **We turn bullish on JPY against USD** again, as we expect refuge demand within the FX space to build ahead of US data. USDJPY remains fragile after recent decline below 111.25. We expect losses to prevail for the time being, but declines may be repelled before 110.39.

### AUD

- **AUD fell 0.47% to 0.7967 against a firmer USD** but advanced against 6 G10s of mostly European majors.
- **Continue to expect a bearish AUD against USD**, weighed down by risk aversion ahead of US data and ahead of the weekend. Despite recent gains, AUDUSD still fail to challenge crucial resistance above which will enhance further upsides. As such, we maintain a bearish view and set sights on a drop to 0.7914, below which a path to 0.7802 will firm up.

### SGD

- **SGD slipped 0.15% to 1.3594 against a firmer USD** but climbed against 9 G10s.
- **Stay bearish on SGD against USD** amid risk aversion ahead of US data, and potential extended greenback rebound if data improves. USDSGD continues to shy away from lows, a sign that the recent decline may have bottomed. We still do not rule out a rebound going forward, with scope to test 1.3681.

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