

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street equity was little changed on Friday** with all three major indices posting minor gains while the energy sector continued to outperform other sectors. WTI closed above \$74/barrel for the first time since November 2014 driven by the Trump Administration effort to push for US allies to stop oil imports from Iran. Yield on 10Y US treasuries went up by 2bps to 2.86% on Friday. **The European Council reached an agreement on migration** following a 10-hour meeting marathon leading the euro to appreciate.
- On the data front, the **Fed's preferred inflation measure, the PCE core hit its 2% target in May**. Personal income rose 0.4% MOM while personal spending posted a modest gain of 0.2% MOM. Chicago Manufacturing PMI inched up to 64.1 indicating faster expansion of the manufacturing sector. Final reading of University of Michigan Sentiment confirmed that consumer sentiment slipped to 98.2 in June. Elsewhere, **Eurozone June flash CPI growth came in at 2.0%** hitting ECB's inflation target **but core CPI slowed to 1.0% YOY**. **UK final reading of 1Q18 GDP growth was revised upward from 0.1% to 0.2% QOQ** and in a separate release number of mortgage approvals increased to a four-month high. In Asia, Japan construction orders dipped while housing starts improved but consumer confidence slipped. **China official manufacturing PMI fell to 51.5 indicating slower expansion** while services PMI rose to 55.0. Australia AiG Manufacturing PMI dropped slightly signalling slower expansion.
- **USD tumbled against 9 G10s** while the DXY fell in Asian and US mornings to end 0.88% lower at 94.47 as buying interest were shifted towards European majors amid improved sentiment in the region. **Maintain a slightly bearish view on USD** in anticipation of extended gains in European majors and signs of heightened trade tensions as Canada announced counter-tariffs to that of the US. Caution that strong US data will trigger a rebound in USD. Price-momentum divergence that noted triggered a strong decline last Friday that has turned DXY bearish. It is now exposed to a decline to 94.04 next.
- **MYR advanced 0.1% to 4.0385 against USD** that tumbled in early Asian session on the back of rallies in European majors following signs of easing political concerns at the EU Summit. MYR fell against 8 G10s that climbed against a soft USD. **Expect a bullish MYR against a softer overnight USD**, further supported by improving market sentiment taking cue from gains in US markets. USDMYR appears to be initiating a reversal, which will accelerate lower once 4.0325 is broken. This could trigger losses to circa 4.0146.
- **SGD advanced 0.39% to 1.3624 against USD** but fell against 8 G10s. **SGD remains bullish against USD** on technical reasons. USDSGD has reversed lower as expected and we reckon that further losses are likely, potentially testing 1.3600. Breaking below 1.3600 exposes a move to 1.3553.

Overnight Economic Data

US	➔
Eurozone	⬆️
UK	⬆️
Japan	➔
China	➔
Australia	⬇️
Vietnam	⬇️

What's Coming Up Next

Major Data

- Malaysia and Vietnam Nikkei PMI
- US ISM and Markit Manufacturing PMI, Construction Spending
- Eurozone Markit Manufacturing PMI, PPI, Unemployment Rate
- UK Markit Manufacturing PMI
- Japan Tankan Large Manufacturing Index, Nikkei Japan PMI
- Singapore Purchasing Managers Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1615	1.1635	1.1670	1.1680	1.1700	↗
USDJPY	110.33	110.57	110.76	110.85	110.92	↘
GBPUSD	1.3174	1.3182	1.3199	1.3225	1.3261	↗
AUDUSD	0.7368	0.7384	0.7394	0.7405	0.7423	↗
EURGBP	0.8824	0.8831	0.8840	0.8850	0.8856	↗
USDMYR	4.0303	4.0325	4.0365	4.0400	4.0420	↘
EURMYR	4.7024	4.7053	4.7086	4.7113	4.7154	↗
JPYMYR	3.6405	3.6421	3.6444	3.6474	3.6504	↘
GBPMYR	5.3200	5.3225	5.3261	5.3312	5.3368	↗
SGDMYR	2.9560	2.9580	2.9595	2.9600	2.9619	➔
AUDMYR	2.9778	2.9800	2.9842	2.9882	2.9908	↗
NZDMYR	2.7250	2.7300	2.7319	2.7377	2.7394	↘
USDSGD	1.3600	1.3621	1.3638	1.3654	1.3685	↘
EURSGD	1.5865	1.5900	1.5911	1.5927	1.5949	↘
GBPSGD	1.7952	1.7972	1.7997	1.8002	1.8024	↘
AUDSGD	1.0057	1.0065	1.0083	1.0087	1.0100	↘

*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	1691.50	1.55	-5.86	CRB Index	200.39	0.75	3.36
Dow Jones Ind.	24271.41	0.23	-1.81	WTI oil (\$/bbl)	74.15	0.95	22.72
S&P 500	2718.37	0.08	1.67	Brent oil (\$/bbl)	79.44	2.04	17.71
FTSE 100	7636.93	0.28	-0.66	Gold (\$/oz)	1252.60	0.35	-3.77
Shanghai	2847.42	2.17	-13.90	CPO (RM/tonne)	2309.50	1.34	-3.37
Hang Seng	28955.11	1.61	-3.22	Copper (\$/tonne)	6626.00	0.05	-8.57
STI	3268.70	0.34	-3.94	Rubber (sen/kg)	437.50	-0.68	-5.41

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US PCE Core YOY	May	2.0%	1.8%	1.9%
US Personal Income	May	0.4%	0.2% (revised)	0.4%
US Personal Spending	May	0.2%	0.5% (revised)	0.4%
US Chicago Purchasing Manager	Jun	64.1	62.7	60.0
US U. of Mich. Sentiment	Jun F	98.2	99.3	99.0
EU CPI Estimate YOY	Jun	2.0%	1.9%	2.0%
UK Mortgage Approvals	May	64.5k	62.9k (revised)	62.3k
UK GDP QOQ	1Q F	0.2%	0.4%	0.1%
JP Construction Orders YOY	May	-18.7%	4.0%	--
JP Housing Starts YOY	May	1.3%	0.3%	-5.7%
JP Consumer Confidence Index	Jun	43.7	43.8	43.8
CN Non-Manufacturing PMI	Jun	55.0	54.9	54.8
CN NBS Manufacturing PMI	Jun	51.5	51.9	51.6
AU AiG Perf of Mfg Index	Jun	57.4	57.5	--
VN Exports YTD YOY	Jun	16.0%	15.8%	15.7%
VN Trade Balance	Jun	-\$100m	-\$815m (revised)	-\$248m
VN CPI YOY	Jun	4.67%	3.86%	4.35%
VN GDP YTD YOY	2Q	7.08%	7.38%	6.95%
VN Industrial Production YOY	Jun	12.3%	7.1%	--
VN Retail Sales YTD YOY	Jun	10.7%	10.1%	--

Source: Bloomberg

➤ Macroeconomics

- US inflation hit Fed's 2% target; sentiments slipped:** The PCE core beat estimates to clock in at 2.0% YOY in May (Apr: +1.8%), the fastest rate in over six years. Headline PCE meanwhile quickened to 2.3% YOY (Apr: +2.2%). Personal income rose 0.4% MOM in May (Apr: +0.2% revised) driven by a 0.3% increase in wages and salary while personal spending posted a softer gain of 0.2% MOM (Apr: +0.5% revised). The overall data painted a solid picture of the US economy and we expect the FOMC to acknowledge the faster pace in inflation in its August meeting and further reaffirm a fourth rate hike this year. In a separate release, the MNI Chicago Business Barometer rose to 64.1 in June (May: 62.7), the highest level since January 2018 attributed to faster expansion in business activity, orders as well as employment. Last but not least, the final reading of University of Michigan Sentiment index fell to 98.2 in June (Apr: 99.3). The slip in confidence level was in line with the lower Conference Board Sentiment Index.
- Eurozone June flash inflation growth estimated at 2.0%, hit ECB objective:** The Eurostat flash reading of the HICP inflation growth came in at 2.0% YOY (Apr: +1.9%), a level last seen in February 2017, driven mainly by higher prices in energy which increased 8.0% YOY (Apr: +6.1%), followed by food, alcohol & tobacco which went up 2.8% YOY (Apr: +2.5%) while services inflation slowed to increase 1.3% YOY (Apr: +1.6%). Core CPI meanwhile increased 1.0% YOY (May: +1.1%). Inflation has quickened in the Eurozone for the past two months on the back of higher oil prices but underlying inflation remained subdued. The ECB has recently announced the timeline to end its asset purchase program (APP) in September 2018 while its key interest rates to stay at current level at least throughout the summer of 2019.
- UK final 1Q18 GDP growth revised upwards:** The seasonally adjusted GDP growth for 1Q18 was revised from 0.1% to 0.2% QOQ (4Q17: +0.4%) reflecting improvement in the measurement of construction output from -2.7% QOQ to -0.8% QOQ. The expenditure approach shows that household spending grew by 0.2% QOQ while business investment decreased 0.4% QOQ. In a separate release, the number of new mortgage approvals increased 2.5% MOM to a four-month high of 64.5k in May (Apr: 62.9k revised). On an annual basis, the number of approvals fell 2.1% YOY (Apr: -6.2%). Data from the BOE also shows that mortgage loans in sterling term increased 3.3% YOY in May (Apr: +3.3%) while consumer credit which exclude mortgages slowed to increase 8.5% YOY (Apr: 8.7%).
- Japan construction orders dipped; housing starts improved:** Construction order fell a whopping 18.7% YOY in May (Apr: +4.0%) nearly reversing the gain made in February 2018 as domestic order dropped 16.6% YOY (Apr: +6.5%). Foreign orders dropped for the second consecutive month by 60.9% YOY (Apr: -41.9%). Housing starts meanwhile rose 1.3% YOY in the same month (Apr: +0.3%) after a slower gain in the previous month. Consumer confidence index slipped to 43.7 in June (May: 43.8).
- China manufacturing slowed, services sector held up:** The official manufacturing PMI released on Saturday by the National Bureau of Statistic fell to 51.5 in June (May: 51.9) after a better-than-expected May on the back of a slower growth in new orders and productions as well as exports. The survey is in line with recent slowdown in fixed investment, industrial output as well as retail sales amidst uncertainties over trade policies. The non-manufacturing PMI meanwhile inched up to 55.0 (May: 54.9) and this brings the composite PMI to 54.4 (May: 54.6).

- **Australia manufacturing sector expanded at a slower pace:** The AiG Performance of Manufacturing Index fell slightly to 57.4 in June (May: 57.5) led mainly by a decline in new orders and deliveries as all the other categories recorded gains.
- **Vietnam data painted positive picture of economy:** Industrial output increased an impressive 12.3% YOY in June (May: +7.1%) while exports gained modestly by 16.0% YOY (May: +15.8%) and this narrowed the trade deficit to -\$100m (May: -\$815m revised). Inflation rose 4.67% YOY (Apr: +3.86%) while retail sales improved 10.7% (Apr: +10.1%). Year-to-date GDP growth however slowed to increase 7.08% YOY in 2Q18 (1Q18: +7.38%).

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
02/07	Malaysia	Nikkei Malaysia PMI	Jun	--	47.6%	--
02/07	US	Markit US Manufacturing PMI	Jun F	54.7	54.6	--
		Construction Spending MOM	May	0.5%	1.8%	--
		ISM Manufacturing	Jun	58.5	58.7	--
03/07		Factory Orders	May	0.0%	-0.8%	--
		Durable Goods Orders	May F	-0.5%	-0.6%	--
02/07	Eurozone	Markit Eurozone Manufacturing PMI	Jun F	55.0	55.5	--
		PPI YOY	May	2.7%	2.0%	--
		Unemployment Rate	May	8.5%	8.5%	--
03/07		Retail Sales MOM	May	0.1%	0.1%	--
02/07	UK	Markit UK PMI Manufacturing SA	Jun	54.0	54.4	--
03/07		Markit/CIPS UK Construction PMI	Jun	52.5	52.5	--
02/07	Japan	Tankan Large Mfg Index	2Q	22.0	24.0	--
		Nikkei Japan PMI Mfg	Jun F	--	52.8	--
03/07	Hong Kong	Retail Sales Value YOY	May	11.5%	12.3%	--
		Nikkei Hong Kong PMI	Jun	--	47.8	--
02/07	Singapore	Purchasing Managers Index	Jun	52.5	52.7	--
03/07	Australia	Building Approvals MOM	May	0.0%	-5.0%	--
		RBA Cash Rate Target	03-Jul	1.5%	1.5%	--
02/07	Vietnam	Nikkei Vietnam PMI Mfg	Jun	--	53.9	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1684	0.99	1.169	1.1558	-2.8
USDJPY	110.76	0.24	110.94	110.38	-1.7
GBPUSD	1.3207	0.99	1.3214	1.3069	-2.3
AUDUSD	0.7405	0.72	0.741	0.7336	-5.2
EURGBP	0.8847	0.02	0.8891	0.8836	-0.4
USDMYR	4.0385	-0.10	4.0460	4.0355	-0.2
EURMYR	4.7050	0.54	4.7094	4.6746	-3.0
JPYMYR	3.6466	-0.55	3.6638	3.6448	1.4
GBPMYR	5.3138	0.39	5.3225	5.2856	-2.7
SGDMYR	2.9625	0.24	2.9637	2.9539	-2.2
AUDMYR	2.9843	0.53	2.9882	2.9679	-5.6
NZDMYR	2.7336	-0.06	2.7377	2.7249	-5.1

Source: Bloomberg

Forex

MYR

- **MYR advanced 0.1% to 4.0385 against USD** that tumbled in early Asian session on the back of rallies in European majors following signs of easing political concerns at the EU Summit. MYR fell against 8 G10s that climbed against a soft USD.
- **Expect a bullish MYR against a softer overnight USD**, further supported by improving market sentiment taking cue from gains in US markets. USDMYR appears to be initiating a reversal, which will accelerate lower once 4.0325 is broken. This could trigger losses to circa 4.0146.

USD

- **USD tumbled against 9 G10s** while the DXY fell in Asian and US mornings to end 0.88% lower at 94.47 as buying interest were shifted towards European majors amid improved sentiment in the region.
- **Maintain a slightly bearish view on USD** in anticipation of extended gains in European majors and signs of heightened trade tensions as Canada announced counter-tariffs to that of the US. Caution that strong US data will trigger a rebound in USD. Price-momentum divergence that noted triggered a strong decline last Friday that has turned DXY bearish. It is now exposed to a decline to 94.04 next.

EUR

- **EUR surged 0.99% to 1.1684 against USD** and jumped against 8 G10s, lifted by consensus on immigration issues at the EU Summit that is seen as a dial-down of political standoffs between Italy and other countries.
- **Stay slightly bullish on EUR against a soft USD**, with room for further gains if Eurozone data improves. The strong rally last Friday has tilted EURUSD into a minor bullish trend and suggests a test at 1.1723 next. Breaking above this level is to us a completion of a bullish pattern that could send EURUSD to 1.1855.

GBP

- **GBP surged 0.99% to 1.3207 against USD** and advanced against 7 G10s, lifted initially by improved sentiment in Eurozone region and later on by upside surprise in UK 1Q GDP figures.
- **We turn slightly bullish on GBP against a soft USD**, with room for further upsides is UK data outperforms again. Strong support at 1.3085 has bounced GBPUSD higher though gains are likely limited to below 1.3225 as suggested by current bearish trend. A close above 1.3225 will nullified the bearish trend and allow for more gains going forward.

JPY

- **JPY slipped 0.24% to 110.76 against USD** and fell against all G10s as demand for refuge retreated amid improved sentiment in the markets.
- **JPY remains slightly bullish against USD** in our view following signs of increased trade tensions as Canada announces counter-tariffs to that of the US. We reiterate that despite a minor bullish trend, USDJPY remains fragile near rejection levels circa 110.85 – 110.95 and could see a decline to circa 110.15.

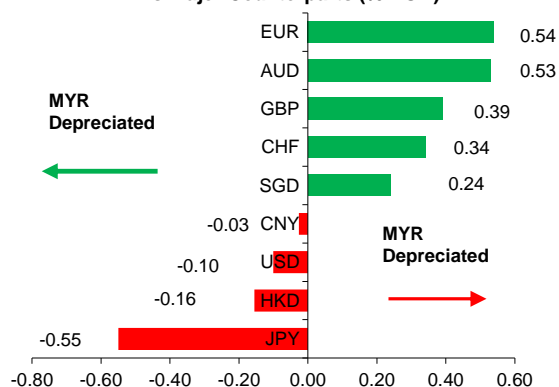
AUD

- **AUD jumped 0.72% to 0.7405 against USD**, lifted by improved sentiment in the markets but slipped against 5 G10s.
- **We turn bullish on AUD against a soft USD**, but could still fall into losses if risk appetite wanes on the back of rising trade tensions. The rally last Friday has tilted AUDUSD into a minor bullish trend but requires a close above 0.7394 today to sustain it. Failure to hold above this level, AUDUSD remains at risk of a return to below 0.7340 soon. Otherwise, a rebound to 0.7474 is expected.

SGD

- **SGD advanced 0.39% to 1.3624 against USD** but fell against 8 G10s.
- **SGD remains bullish against USD** on technical reasons. USDSGD has reversed lower as expected and we reckon that further losses are likely, potentially testing 1.3600. Breaking below 1.3600 exposes a move to 1.3553.

MYR vs Major Counterparts (% DOD)



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