

Global Markets Research

Daily Market Highlights

Key Takeaways

- US equity ended higher with all three main indices posted modest gains led by strength in the tech sector but overall concerns over trade tension remained. The euro pared losses following the announcement that the German Chancellor **Angela Merkel has reached a deal regarding migration policies with her coalition partners**. WTI retraced gains made last Friday **to go below \$74 per barrel** after President Trump called for Saudi Arabia to increase productions to lower prices.
- **Manufacturing activities largely softened in June except in the US, UK, Japan, and Vietnam. US ISM manufacturing index came in stronger than expected** at 60.2 in June on the back of higher productions and supplier delivery. **Manufacturing sector in the Euro Area eased** as seen in the downward revision of the Markit PMI. **Growth in UK manufacturing sector remained subdued** as PMI inched up only slightly.
- **In Asia, the Tankan Large Manufacturers Index slipped to 21 in 2Q18 as large Japanese firms were concerned over potential US tariffs on Japanese auto imports**. Manufacturing sector meanwhile expanded moderately as suggested by higher PMI. The Caixin PMI signalled a slowdown in China manufacturing sector, in line with the official reading. Elsewhere, Vietnam manufacturing sector posted faster growth while Singapore Manufacturing sector softened. At home, **Malaysia manufacturing conditions extended decline but at a slower pace** as the Nikkei Malaysia PMI rose to a three-month high of 49.5.
- **USD rebounded to beat all G10s** while the DXY ended 0.42% higher at 94.87 on gains from Asian / European session after the jump in US morning was mostly overturned in the final hours of trading. **Maintain a slightly bearish view on USD** on potentially softer US data. Despite overnight rebound, DXY has yet to retake 95.08 and is therefore still in a bearish trend. We continue to set sights on a drop to 94.04 in the next leg lower.
- **MYR erased early gains and retreated 0.02% to 4.0392 against USD** amid continued pressure on Asian / emerging majors. MYR managed to beat 5 G10s. **We are neutral on MYR against USD**; gains from improved risk appetite are likely soft given a firm greenback. We maintain that 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** was also pressured as part of the sell-off in Asian / emerging majors, sliding against 8 G10s and **falling 0.5% to 1.3692 against USD**. **Keep a bullish view on SGD against USD** as risk appetite improves. We maintain that USDSGD has initiated a reversal lower and overnight rally is likely a final attempt to revive a bullish bias. We set sights on USDSGD testing 1.3656.

Overnight Economic Data

Malaysia	↑
US	↑
EU	→
UK	↑
Japan	→
China	↓
Singapore	↓
Vietnam	↑

What's Coming Up Next

Major Data

- US Factory Orders, Durable Goods Orders
- EU PPI YOY, Retail Sales MOM
- UK Markit/CIPS UK Construction PMI
- Hong Kong Retail Sales Value YOY, Nikkei Hong Kong PMI
- Australia Building Approvals MOM

Major Events

- RBA Cash Rate Target

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1615	1.1622	1.1639	1.1666	1.1680	↗
USDJPY	110.66	110.74	110.92	111.04	111.19	↗
GBPUSD	1.3085	1.3100	1.3137	1.3155	1.3182	↗
AUDUSD	0.7300	0.7324	0.7338	0.7351	0.7378	↗
EURGBP	0.8833	0.8847	0.8859	0.8868	0.8880	↗
USDMYR	4.0400	4.0417	4.0423	4.0433	4.0460	→
EURMYR	4.6982	4.7000	4.7042	4.7071	4.7140	↗
JPYMYR	3.6374	3.6421	3.6442	3.6455	3.6504	↘
GBPMYR	5.3000	5.3050	5.3101	5.3165	5.3225	→
SGDMYR	2.9469	2.9484	2.9512	2.9521	2.9547	↘
AUDMYR	2.9595	2.9620	2.9672	2.9680	2.9727	↘
NZDMYR	2.7080	2.7100	2.7113	2.7150	2.7180	↘
USDSGD	1.3656	1.3685	1.3695	1.3716	1.3751	↘
EURSGD	1.5900	1.5912	1.5940	1.5944	1.5958	↗
GBPSGD	1.7964	1.7977	1.7991	1.8002	1.8050	↗
AUDSGD	1.0029	1.0046	1.0052	1.0065	1.0084	↗

* 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	1,685.05	-0.38	-6.22	CRB Index	197.50	-1.44	1.88
Dow Jones Ind.	24,307.18	0.15	-1.67	WTI oil (\$/bbl)	73.94	-0.28	22.38
S&P 500	2,726.71	0.31	1.99	Brent oil (\$/bbl)	77.30	-2.69	15.60
FTSE 100	7,547.85	-1.17	-1.82	Gold (\$/oz)	1,242.04	-0.84	8.10
Shanghai	2,775.56	-2.52	-16.07	CPO (RM/tonne)	2,295.50	-0.61	-3.95
Hang Seng	28,955.11	1.61	-3.22	Copper (\$/tonne)	6,523.00	-1.55	-9.99
STI	3,238.94	-0.91	-4.82	Rubber (sen/kg)	439.50	0.46	-4.97

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
MY Nikkei Malaysia PMI	Jun	49.5	47.6	--
US Markit Manufacturing PMI	Jun F	55.4	54.6	54.7
US Construction Spending MOM	May	0.4%	0.9% (revised)	0.5%
US ISM Manufacturing	Jun	60.2	58.7	58.5
EU Markit Manufacturing PMI	Jun F	54.9	55.5	55.0
EU Unemployment Rate	May	8.4%	8.4% (revised)	8.5%
UK Markit PMI Manufacturing	Jun	54.4	54.3 (revised)	54.0
JP Tankan Large Mfg Index	2Q	21.0	24.0	22.0
JP Nikkei PMI Mfg	Jun F	53.0	52.8	--
CH Caixin PMI Mfg	Jun	51.0	51.1	--
SG Purchasing Managers Index	Jun	52.5	52.7	52.5
VN Nikkei Vietnam PMI Mfg	Jun	55.7	53.9	--

Source: Bloomberg

- US manufacturing sector remained solid; construction spending rose:** The ISM Manufacturing Index came in stronger than expected rising to 60.2 in June (May: 58.7) led by faster gains in productions and supplier deliveries. The surge in supplier delivery by 6.2ppts suggests that manufacturer took substantially longer time to meet demand potentially reflecting the struggle to obtain materials amidst uncertainty over trade policies. Leading indicators such as new orders and employment slowed as firms have trouble filling positions with qualified workers. Outlook on trade improved with new export orders growing at a faster pace following two consecutive months of slowdown. Prices paid meanwhile continued to display upward movement albeit slowly (76.8 in June vs. 79.5 in May) indicating that input cost remained elevated as widely reported throughout the country and this is bound to be passed on to consumer prices leading to higher inflation ahead. Meanwhile the private IHS Markit Manufacturing PMI signaled a softer rate growth in the manufacturing sector as the final reading was revised upwards from the initial of 54.6 to 55.4 in June (May: 56.4). In another release, construction spending rose 0.4% MOM in May while data for the previous month was revised from 1.8% to 0.9%, led by an increase in residential construction spending.
- Eurozone unemployment rate fell, manufacturing sector eased:** Unemployment rate beat expectations to register at 8.4% in June while number for the previous month was revised lower from 8.5% to 8.4%. The figure was the lowest recorded since December 2008, a welcoming sign for policy makers as it signalled tighter labour market conditions in the Euro Area which could lead to potentially higher wage growth in an economy where underlying inflation remained subdued. Meanwhile, the final reading of the Eurozone Manufacturing PMI was revised downward to 54.9 from the flash reading of 55.0 (May: 55.5) as growth of output and new orders slowed further while supply chain pressure and rising oil prices led input cost inflation to four-month high.
- UK manufacturing sector growth remained subdued:** The IHS Markit/CIPS Manufacturing PMI inched up slightly to 54.4 in June (May: 54.3 revised) as output growth slows from May's five-month high while selling prices increased due to a pick-up in input cost inflation.
- Japan large manufacturers' confidence slipped in 2Q; manufacturing sector expanded moderately:** The quarterly BOJ Tankan Headline Large Manufacturer Index, a survey of business confidence among Japanese large manufacturers slipped to 21.0 in 2Q (1Q: 24), dragged down by the car and oil industry over concerns that the US might implement tariffs on Japanese auto imports. That said, the survey showed that firms still planned to raise capital spending ahead of the 2020 Tokyo Olympic Games. The final reading of the Nikkei Japan Manufacturing PMI came in at 53.0 in June (May: 52.8) indicating a stronger improvement in the sector. Output and employment rose at faster rates while new export orders declined for the first time since August 2016. Total inflows of new works gained at softest pace in ten months.
- China manufacturing sector slowed:** The Caixin China General Manufacturing PMI came in a tad softer at 51.0 in June (May: 51.1) in line with the official PMI figure published by the National Bureau of Statistics. The slowdown was attributed to subdued demand from overseas as new exports fell for the third consecutive month. Output rose at the quickest rate in four months while inflationary pressure picked up as well with input costs and output charges rising at faster pace.

- **Vietnam manufacturing sector posted faster growth:** The Nikkei Vietnam Manufacturing PMI edged up to 55.7 in June (May: 53.9) indicating healthy improvement of the manufacturing sector. Output and new orders accelerated due to higher demand and this led to record rise in staffing levels. Sharper increases in both input costs and output prices signalled intensifying inflationary pressure.
- **Singapore Manufacturing sector softened:** The Singapore Institute of Purchasing and Materials Management PMI fell to 52.5 in June (May: 52.7) on the back of slower new orders and output. Input prices fell while the employment increased slightly. The electronic sector PMI dropped to 51.9 (May: 52.3).
- **Malaysia manufacturing conditions extended decline but at a slower pace:** The Nikkei Malaysia PMI rose to a three-month high of 49.5 in June (May: 47.6) indicating that the manufacturing condition continued to deteriorate but at a slower pace. This slowdown in contraction was attributed to slowest falls in both output and new orders since March. Cost pressures also eased to the weakest level since March 2015.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
03/07	US	Factory Orders	May	0.0%	-0.8%	--
		Durable Goods Orders	May F	-0.5%	-0.6%	--
04/07		MBA Mortgage Applications	29-Jun	--	-4.9%	--
03/07	Eurozone	PPI YOY	May	2.7%	2.0%	
		Retail Sales MOM	May	0.1%	0.1%	--
04/07		Markit Eurozone Services PMI	Jun F	55.0	53.8	--
03/07	UK	Markit/CIPS UK Construction PMI	Jun	52.5	52.5	--
04/07		Markit/CIPS UK Services PMI	Jun	54.0	54.0	--
04/07	Japan	Nikkei Japan PMI Services	Jun	51.0	51.0	--
03/07	Hong Kong	Retail Sales Value YOY	May	11.5%	12.3%	--
		Nikkei Hong Kong PMI	Jun	--	47.8	--
04/07	China	Caixin China PMI Services	Jun	52.7	52.9	--
04/07	Singapore	Nikkei Singapore PMI	Jun	--	56.8	--
03/07	Australia	Building Approvals MOM	May	0.0%	-5.0%	--
		RBA Cash Rate Target	03-Jul	1.5%	1.5%	--
04/07		AiG Perf of Services Index	Jun	--	59.0	--
		Trade Balance	May	A\$1,200m	A\$977m	--
04/07	New Zealand	Retail Sales MOM	May	0.3%	0.4%	--
		QV House Prices YOY	Jun	--	6.9%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1639	-0.39	1.1693	1.1591	-3.1
USDJPY	110.90	0.13	111.06	110.51	-1.6
GBPUSD	1.3143	-0.48	1.3209	1.3095	-2.8
AUDUSD	0.7340	-0.88	0.7416	0.7311	-6.0
EURGBP	0.8856	0.09	0.8869	0.8832	-0.3
USDMYR	4.0392	0.02	4.0417	4.0360	-0.1
EURMYR	4.7017	-0.07	4.7164	4.6982	-3.0
JPYMYR	3.6466	0.00	3.6518	3.6350	1.3
GBPMYR	5.3225	0.16	5.3338	5.3115	-2.8
SGDMYR	2.9560	-0.22	2.9630	2.9534	-2.5
AUDMYR	2.9806	-0.12	2.9879	2.9772	-6.2
NZDMYR	2.7301	-0.13	2.7387	2.7269	-5.9

Source: Bloomberg

Forex

MYR

- **MYR erased early gains and retreated 0.02% to 4.0392 against USD** amid continued pressure on Asian / emerging majors. MYR managed to beat 5 G10s.
- **We are neutral on MYR against USD**; gains from improved risk appetite are likely soft given a firm greenback. We maintain that 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 rebounded to beat all G10s** while the DXY ended 0.42% higher at 94.87 on gains from Asian / European session after the jump in US morning was mostly overturned in the final hours of trading.
- **Maintain a slightly bearish view on USD** on potentially softer US data. Despite overnight rebound, DXY has yet to retake 95.08 and is therefore still in a bearish trend. We continue to set sights on a drop to 94.04 in the next leg lower.

EUR

- **EUR fell 0.39% to 1.1639 against USD**, retracing the rally a day before but managed to beat 5 G10s.
- **Stay slightly bullish on EUR against USD**, with room for further gains if Eurozone data improves. EURUSD retraced its recent rally but remains in a minor bullish trend; this suggests a climb above 1.1684 is likely going forward, above which 1.1723 will be targeted. Breaking above this level is to us a completion of a bullish pattern that could send EURUSD to 1.1855.

GBP

- **GBP retreated against 7 G10s and fell 0.48% to 1.3143 against a firm USD**, weighed down by risk aversion ahead of PM May's Brexit talks in Berlin on Thursday.
- **Stay slightly bullish on GBP against USD**, with room for further upsides if UK data outperforms again. A minor bullish trend has emerged in GBPUSD, suggesting a potential close above 1.3207 before the week is out. The bullish trend will be nullified if GBPUSD closes below 1.3113 today, or below 1.3085 tomorrow.

JPY

- **JPY strengthened against 9 G10s**, supported by renewed risk aversion in the markets but **slipped 0.13% to 110.90 against a firmer USD**.
- **We turn bearish on JPY against USD** on softer demand for refuge as risk appetite improved towards the closing of US markets overnight. We reiterate that despite a minor bullish trend, USDJPY remains fragile near rejection levels circa 110.95 – 111.04 and could see a decline to circa 110.15.

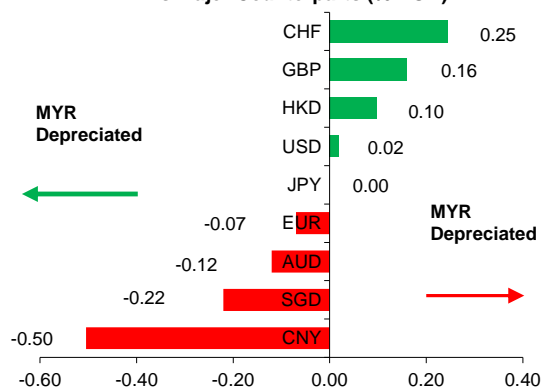
AUD

- **AUD tumbled 0.88% to 0.7340 against USD** and fell against all G10s as risk appetite wanes amid rising trade tensions, further pressured ahead of RBA policy decision today.
- **Stay bullish on AUD against USD** as risk appetite improves. Caution that a dovish RBA policy statement today will trigger sharp losses, otherwise, we expect a firmer AUD post-announcement. AUDUSD remains in a bearish trend after failure to close above 0.7394 yesterday. There is another chance to overturn this trend today if AUDUSD closes above 0.7340, followed by beating 0.7352 tomorrow. This will provide AUDUSD with firmer upside strength to challenge 0.7405 next.

SGD

- **SGD** was also pressured as part of the sell-off in Asian / emerging majors, sliding against 8 G10s and **falling 0.5% to 1.3692 against USD**.
- **Keep a bullish view on SGD against USD** as risk appetite improves. We maintain that USDSGD has initiated a reversal lower and overnight rally is likely a final attempt to revive a bullish bias. We set sights on USDSGD testing 1.3656 next.

MYR vs Major Counterparts (% DOD)



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