

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks fell overnight as all major indices posted loss weighed down by **tech sell off** following news that the Chinese court has temporarily banned sales of Micron Technology chips in the country as well as a report claiming that more government agencies will join the federal probe of Facebook-Cambridge Analytica data sharing scandal. **The WTI briefly touched \$75** per barrel on larger than expected draw on crude inventories. **The yuan pared losses** after PBOC governor assured that the currency won't be used as weapon in ongoing trade disputes. **The RBA left its cash rate unchanged at 1.5% as expected.**
- **US factory orders rose 0.4% MOM in May** reversing loss posted in the previous month, a sign that demand for US manufactured goods remained healthy. **However, the drop in durable goods order and non-defense capital goods excluding aircrafts (a gauge of business spending) signal softer manufacturing activities ahead. Eurozone producer prices surged 3.0% YOY driven by higher energy prices.** UK construction sector expanded at a faster pace in June as indicated by the Markit/CIPS construction PMI on the back of higher order following a softer first quarter. In Asia, Hong Kong retail sales improved for the second consecutive month. Australia services sector strengthened further according to the AiG Service PMI while house prices in New Zealand posed slowest growth in 8 months.
- **USD slipped against all G10s** while the DXY fell most in European session before staying subdued to end 0.3% lower at 94.59, owing to lack of buying interest ahead of closure of US market for 4th of July holiday. **Stay bearish on USD** on continued ease in buying interest amid closure of the US market. Downside momentum has increased, thus further pushing DXY lower. We continue to set sights on a drop to 94.04, below which would target 93.12 in the coming weeks.
- **MYR fell 0.26% to 4.0498 against a firmer USD** while sliding against 8 G10s as regional markets remained under pressure. **We turn bullish on MYR against a potentially softer USD**, on top of improving risk appetite in the markets. 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** lost out to 6 G10s that were climbing on a soft greenback but managed to **advance 0.32% to 1.3648 against USD. Keep a bullish view on SGD against a soft USD** and as risk appetite improves. We maintain that USDSGD has initiated a reversal lower and has tested 1.3656 overnight. While below 1.3661, there is scope for USDSGD to slide to circa 1.3600 – 1.3620, below which 1.3579 will be targeted.

Overnight Economic Data

US	→
EU	↑
Hong Kong	↑
Australia	→
New Zealand	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications
- Eurozone Markit Services PMI
- UK Markit/CIPS Services PMI
- Japan Nikkei PMI Services
- China Caixin PMI Services
- Singapore Nikkei PMI
- Australia Trade Balance, Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1623	1.1661	1.1663	1.1680	1.1700	↗
USDJPY	110.00	110.26	110.42	110.63	110.97	↘
GBPUSD	1.3156	1.3182	1.3200	1.3214	1.3234	↗
AUDUSD	0.7352	0.7378	0.7392	0.7407	0.7446	↗
EURGBP	0.8821	0.8833	0.8836	0.8840	0.8860	↘
USDMYR	4.0417	4.0450	4.0472	4.0490	4.0520	↘
EURMYR	4.7129	4.7154	4.7215	4.7291	4.7311	↗
JPYMYR	3.6554	3.6598	3.6659	3.6715	3.6798	↗
GBPMYR	5.3368	5.3400	5.3425	5.3459	5.3510	↗
SGDMYR	2.9613	2.9643	2.9654	2.9668	2.9676	↗
AUDMYR	2.9879	2.9900	2.9911	2.9932	2.9959	↗
NZDMYR	2.7310	2.7336	2.7350	2.7394	2.7415	↗
USDSGD	1.3620	1.3642	1.3661	1.3675	1.3692	↘
EURSGD	1.5900	1.5908	1.5922	1.5944	1.5958	↗
GBPSGD	1.7977	1.8002	1.8016	1.8040	1.8064	↗
AUDSGD	1.0059	1.0073	1.0088	1.0090	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	1,680.37	-0.28	-6.48	CRB Index	197.48	-0.01	1.86
Dow Jones Ind.	24,174.82	-0.54	-2.20	WTI oil (\$/bbl)	74.14	0.27	22.71
S&P 500	2,713.22	-0.49	1.48	Brent oil (\$/bbl)	77.76	0.60	16.29
FTSE 100	7,593.29	0.60	-1.28	Gold (\$/oz)	1,252.73	0.86	8.10
Shanghai	2,786.89	-0.41	-15.78	CPO (RM/tonne)	2,313.50	0.78	-3.20
Hang Seng	28,545.57	-1.41	-4.59	Copper (\$/tonne)	6,491.00	-0.49	-10.43
STI	3,235.90	-0.09	-4.91	Rubber (sen/kg)	429.50	-1.15	-7.14

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Factory Orders	May	0.4%	-0.4% (revised)	0.0%
US Durable Goods Orders	May F	-0.4%	-0.6%	-0.5%
EU PPI YOY	May	3.0%	1.9% (revised)	2.7%
EU Retail Sales MOM	May	0.0%	-0.1% (revised)	0.1%
UK Markit/CIPS Construction PMI	Jun	53.1	52.5	52.5
HK Retail Sales Value YOY	May	12.9%	12.3%	12.0%
AU RBA Cash Rate Target	03-Jul	1.5%	1.5%	1.5%
AU Building Approvals MOM	May	-3.2%	-5.6% (revised)	0.0%
AU AiG Perf. of Services Index	June	63.0	59.0	--
New Zealand QV House Price YOY	June	5.7%	6.9%	--

Source: Bloomberg

➤ Macroeconomics

- US factory orders rose, beat expectations:** Factory orders (a measure of new orders of US-made goods) unexpectedly increased 0.4% MOM in May (Apr: -0.4% revised) reversing loss posted in the previous month, suggesting a still healthy demand for US goods. That said, a key subcomponent, the durable goods orders (goods last longer than three years) extended its second month decline by 0.4% (Apr: -1.0%) while orders for non-defense capital goods excluding aircraft, a proxy of business spending slowed to increase 0.3% MOM (Apr: +2.0%), signaling softer manufacturing activities ahead. This is in line with the recent ISM Manufacturing Index as well where the surge in PMI was largely powered by productions and supply deliveries while leading indicators came in lighter.
- Eurozone retail sales remained unchanged, producer prices surged signalling higher inflation:** Retail sales growth came in at 0.0% in May (Apr: -0.1%) as growth across categories were mixed – sales in food, drink & tobacco rebounded to increase 1.1% MOM (Apr: -1.4%), textiles, clothing & footwear posted a decline of 3.1% MOM (Apr: +2.7%) reversing the gains made in the previous two months while electrical goods & furniture dropped 0.6% MOM (Apr: +1.2%). On a yearly basis, retail sales slowed, rising 1.4% YOY (Apr: +1.6%). Meanwhile, producer prices surged more than expected by 3.0% YOY in May (Apr: +1.9% revised) mainly driven by energy prices which soared 7.6% YOY (Apr: +3.5%) as global oil prices increased substantially compared to a year ago. The higher PPI was in line with the better than expected Eurozone flash HICP index reading of 2.0% as producers past higher input cost to consumers.
- UK construction sector growth surged to 7-month high:** The IHS Markit/CIPS construction PMI rose to 53.1 in June (May: 52.5) on the back of higher new orders. The survey was in line with the manufacturing PMI which edged up slightly in the same month, a sign that activities are picking up in the second quarter following a soft first quarter.
- Hong Kong retail sales improved, beat expectations:** Retail sales increased for the second consecutive month by 12.9% YOY in May (Apr: +12.2%) again led higher by sales in food, alcohol & tobacco (May +5.9% vs. Apr +3.9%), supermarket (+2.8% vs. +1.1%), fuels (+17.5% vs. +10.0%), clothing & footwear (+7.4% vs. +6.5%). Sales of jewelry, watches and clocks continued to increase albeit slower by 23.8% YOY (Apr: +24.5%).
- RBA left interest rates unchanged, offered usual leads:** The RBA kept its cash rate unchanged at 1.5% as widely expected. Monetary statement shows that the central bank noted the uncertainty regarding direction of international trade policy. At the domestic front, the rise of short term wholesale interest rates was mentioned partly due to the developments in the US. RBA maintained that GDP growth forecast to average a bit above 3% in 2018 and 2019. Inflation is low and likely remain so for some time reflecting low growth in labour costs and competition in retailing. However, outlook for labour market is positive given strong growth in employment and the rise in labour force participation. As usual, the central bank also acknowledged that housing conditions especially in Sydney and Australia have eased but nationwide measures of housing process were little changed over the past six months.

- **Australia May building approvals fell; services sector strengthened:** Building approval dropped for the second consecutive month by 3.2% MOM in May (Apr: -5.6% revised) led mainly by the fall in private sector home approvals (-8.6% in May vs. +1.4% in April). In a separate release, the AiG Performance of Services Index surged 4ppts to an all-time high of 63.0 in June (May: 59.0) driven by a broad-based improvement across components suggesting that the services sector remained in a solid state.
- **New Zealand house prices posted slowest growth in 8 months:** Data released by the government-owned property research company Quotable Value shows that house prices grew 5.7% YOY in June (May: +6.9%), the slowest since October 2017. The number of listing fell in winter months as usual and the time to sell properties became longer as the decline in investor demand led to lesser competition thus allowing buyers more time to perform due diligence and negotiations. The average value of houses stood at NZ\$675,680.

Economic Calendar

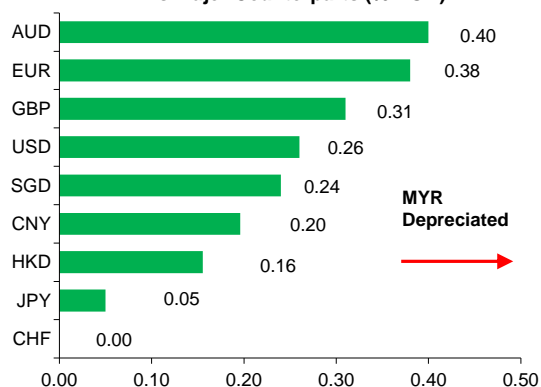
Date	Country	Events	Reporting Period	Survey	Prior	Revised
04/07	US	MBA Mortgage Applications	29-Jun	--	-4.9%	--
05/07		ADP Employment Change	Jun	190k	178k	--
		Initial Jobless Claims	30-Jun	225k	227k	--
		Markit US Services PMI	Jun F	56.5	56.8	--
		ISM Non-Manf. Composite	Jun	58.3	58.6	--
04/07	Eurozone	Markit Eurozone Services PMI	Jun F	55.0	53.8	--
04/07	UK	Markit/CIPS UK Services PMI	Jun	54.0	54.0	--
04/07	Japan	Nikkei Japan PMI Services	Jun	--	51.0	--
04/07	China	Caixin China PMI Services	Jun	52.7	52.9	--
05/07	Hong Kong	Nikkei Hong Kong PMI	Jun	--	47.8	--
04/07	Singapore	Nikkei Singapore PMI	Jun	--	56.8	--
04/07	Australia	Trade Balance	May	A\$1,200m	A\$977m	--
		Retail Sales MOM	May	0.3%	0.4%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1658	0.16	1.1673	1.1621	-2.9
USDJPY	110.59	-0.28	111.14	110.51	-2.0
GBPUSD	1.3193	0.38	1.3207	1.3115	-2.3
AUDUSD	0.7386	0.63	0.7404	0.7315	-5.5
EURGBP	0.8835	-0.24	0.8862	0.8829	-0.5
USDMYR	4.0498	0.26	4.0515	4.0413	0.0
EURMYR	4.7194	0.38	4.7291	4.7018	-2.6
JPYMYR	3.6485	0.05	3.6551	3.6375	-2.0
GBPMYR	5.3389	0.31	5.3462	5.3076	-2.2
SGDMYR	2.9630	0.24	2.9643	2.9453	-2.1
AUDMYR	2.9925	0.40	2.9941	2.9615	-5.5
NZDMYR	2.7256	-0.16	2.7287	2.7076	-5.1

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR fell 0.26% to 4.0498 against a firmer USD** while sliding against 8 G10s as regional markets remained under pressure.
- **We turn bullish on MYR against a potentially softer USD**, on top of improving risk appetite in the markets. 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 slipped against all G10s** while the DXY fell most in European session before staying subdued to end 0.3% lower at 94.59, owing to lack of buying interest ahead of closure of US market for 4th of July holiday.
- **Stay bearish on USD** on continued ease in buying interest amid closure of the US market. Downside momentum has increased, thus further pushing DXY lower. We continue to set sights on a drop to 94.04, below which would target 93.12 in the coming weeks.

EUR

- **EUR climbed 0.16% to 1.1658 against a soft USD** but Eurozone data that underperformed kept it anchored against 7 G10s.
- **EUR is bullish against a soft USD**, with room for further upsides if Eurozone data improves. EURUSD remains in a minor bullish trend, and is likely to close above 1.1684 soon, 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 strengthened 0.38% to 1.3193 against a soft USD** and beat 5 G10s, supported by firmer UK data.
- **Stay slightly bullish on GBP against USD**, with room for further upsides if UK data outperforms again. A minor bullish trend continues to suggest a potential close above 1.3207 before the week is out. We set sights on a potential climb to 1.3251, above which firmer bullish bias will emerge and push GBPUSD to circa 1.3363.

JPY

- **JPY fell against 6 G10s** as improved risk appetite towards end of Asian session and through to European and US markets dampened demand for refuge. **Against a soft USD, JPY advanced 0.28% to 110.59.**
- **We turn bullish on JPY in anticipation of a soft USD.** USDJPY was rejected near 110.95 – 111.04 overnight and we now set sights to a decline to circa 110.15. Caution that losing 110.15 exposes a move to 109.79 next.

AUD

- **AUD jumped 0.63% to 0.7386 against a soft USD** and advanced against 8 G10s, lifted by improving risk appetite in the markets and a lack of policy rhetoric from the RBA post-decision.
- **Stay bullish on AUD against a soft USD** and as risk appetite improves; expect stronger upsides if Chinese data outperforms. AUDUSD is now in a minor bullish trend but must close above 0.7405 by tomorrow to sustain this trend. Doing so allows further advances to circa 0.7446 – 0.7451.

SGD

- **SGD lost out to 6 G10s** that were climbing on a soft greenback but managed to **advance 0.32% to 1.3648 against USD.**
- **Keep a bullish view on SGD against a soft USD** and as risk appetite improves. We maintain that USDSGD has initiated a reversal lower and has tested 1.3656 overnight. While below 1.3661, there is scope for USDSGD to slide to circa 1.3600 – 1.3620, below which 1.3579 will be targeted.

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