

Global Markets Research

Daily Market Highlights

Key Takeaways

- There was generally little action in global markets overnight with the US markets closed for Independence Day. European stocks were mixed while euro pared losses following news that **some ECB policy makers were uneasy over expectations that interest rates will not increase until December 2019. All eyes are on the US and China as Washington's planned tariff on Chinese goods is due on 6th July.** Earlier on, China Finance Ministry has issued a clarification that it will not fire the first shot in trade war after a report claiming that the Chinese government had planned to levy tariff ahead of the US.
- Focus was mainly on June services PMI which reported upticks in the EU, Japan, and China.** The final reading of Eurozone Markit Services PMI was revised upwards to 55.2 indicating faster growth in the services sector. Japan services sector posted mild growth as the Nikkei Japan Services PMI inched up to 51.4. China services sector expanded at quicker pace as the Caixin PMI rose to a four-month high of 53.9, in line with official reading. Singapore private sector conditions recorded further improvement even as the latest Nikkei Singapore PMI brought the 2Q average to 56.1, the best quarterly performance in history. **US mortgage applications fell for the second consecutive week albeit at a slower pace of 0.5%** while average interest rate for a 30Y mortgage loan fell to 4.79%. **Australia trade surplus widened on higher exports while retail sales growth came in softer at 0.4% MOM.**
- USD ended mixed against the G10s** though with bigger gains while the DXY ended 0.06% lower at 94.53 after tumbling in US afternoon on the back of soft buying interest following closure of US market. **We stay slightly bearish on USD** amid risk aversion as markets await US data and signs of development in on-going trade spat; caution that weakness in US data and/or a less hawkish FOMC minutes will trigger sharp losses. Technically, DXY is at a crossroad; a close above 94.47 today, and subsequently above 94.87 tomorrow, will be the onset of a minor bullish trend. Otherwise, we continue to set sights on a drop to 94.04 going forward.
- MYR inched 0.08% firmer to 4.0465 against USD** and ended mixed against the G10s, supported by firmer regional sentiment. **Stay slightly bullish on MYR against USD** that is likely to be weighed down ahead of US data tonight. We maintain that USDMYR appears to be initiating a reversal, which will head lower once 4.0325 is broken. This could trigger losses to circa 4.0146.
- SGD eased 0.02% to 1.3651 against USD** and slipped against 7 G10s following subdued sentiment in the markets. **Keep a bullish view on SGD against USD** on technical reasons. We maintain that USDSGD has initiated a reversal lower. 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	↑
China	↑
Japan	↑
Singapore	↓
Australia	↑

What's Coming Up Next

Major Data

- Malaysia Trade Balance, Exports
- US ADP Employment Change, Initial Jobless Claims, ISM & Markit Services PMI
- Hong Kong Nikkei PMI

Major Events

- FOMC Meeting Minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1600	1.1623	1.1657	1.1684	1.1700	↗
USDJPY	110.26	110.32	110.58	110.66	110.76	↘
GBPUSD	1.3171	1.3196	1.3225	1.3243	1.3261	↗
AUDUSD	0.7348	0.7375	0.7382	0.7397	0.7409	↗
EURGBP	0.8799	0.8805	0.8815	0.8820	0.8835	↘
USDMYR	4.0417	4.0450	4.0462	4.0490	4.0520	↘
EURMYR	4.7100	4.7143	4.7161	4.7228	4.7291	↗
JPYMYR	3.6550	3.6565	3.6593	3.6609	3.6638	↗
GBPMYR	5.3477	5.3500	5.3510	5.3524	5.3566	↗
SGDMYR	2.9600	2.9613	2.9622	2.9637	2.9645	↗
AUDMYR	2.9803	2.9840	2.9855	2.9873	2.9904	↗
NZDMYR	2.7310	2.7323	2.7347	2.7364	2.7394	↗
USDSGD	1.3631	1.3643	1.3659	1.3671	1.3685	↘
EURSGD	1.5900	1.5908	1.5920	1.5935	1.5958	↗
GBPSGD	1.8033	1.8053	1.8062	1.8083	1.8102	↗
AUDSGD	1.0062	1.0070	1.0078	1.0084	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	1,688.45	0.48	-6.03	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)	78.24	0.62	17.00
FTSE 100	7,573.09	0.27	-1.49	Gold (\$/oz)	1,254.99	0.18	8.10
Shanghai	2,759.13	1.00	-16.57	CPO (RM/tonne)	2,285.00	-1.49	-4.39
Hang Seng	28,241.67	1.06	-5.61	Copper (\$/tonne)	6,386.00	-1.62	-11.88
STI	3,244.89	0.28	-4.64	Rubber (sen/kg)	427.50	0.71	-7.57

*Last price on 3 July as the US markets were closed on 4 July.

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	29-Jun	-0.5%	-4.9%	--
EU Markit Services PMI	Jun F	55.2	53.8	55.0
JP Nikkei PMI Services	Jun	51.4	51.0	--
CN Caixin PMI Services	Jun	53.9	52.9	52.7
SG Nikkei PMI	Jun	56.0	56.8	--
AU Trade Balance	May	A\$827m	A\$472m (revised)	A\$1,200 m
AU Retail Sales MOM	May	0.4%	0.5% (revised)	0.3%

Source: Bloomberg

➤ Macroeconomics

- US mortgage applications dropped for second week:** The MBA mortgage applications extended its second consecutive week of decline albeit at a slower pace of 0.5% for the week ended 29 June (previous: -4.9%). Cost of financing dropped generally with the average interest rates for a 30-year loan at 4.79% (previous: 4.84%). The rate sensitive refinancing segment dropped 2.0% (previous: -3.5%) while the new purchases segment rebounded to increase 0.5% (previous: -5.9%).
- EU services sector growth rate at four-month high:** The final reading of IHS Markit Eurozone PMI Services Business Activity Index was revised up from an initial reading of 55.0 to 55.2 in June (May: 53.8) driven by output growth in the main three services economies i.e. Germany, Italy and France. New business rose at the fastest pace in four months with expansion observed in all countries except for Spain suggesting that the Eurozone is regaining growth momentum in the second quarter.
- Japan services sector posted mild growth:** The Nikkei Japan Services PMI inched up to 51.4 in June (May: 51.0) as output increased at a faster pace while upturn in activity was supported by stronger growth in new business. Employment growth remained weak while there was evidence of profit margin erosion as the rise of input cost outpaced output prices.
- China services sector expanded at quicker pace:** The Caixin China General Services Business Activity Index went up to 53.9 in June (May: 52.9), a four-month high on the back of higher new business and employment. However business expectations fell as input cost rose more than prices charged. The positive number was in line with the official PMI reading released by the National Bureau of Statistic on Saturday.
- Australia trade surplus widened, retail sales softened:** Trade surplus increased to A\$827m in May (Apr: A\$472m revised) while figure for the previous month was revised lower driven by higher exports growth of 4.0% MOM (Apr: -1.8%). Meanwhile growth in retail sales came in softer at 0.4% MOM in May (Apr: +0.5%) compared to the previous month but managed to beat expectations of 0.3% driven by stronger spending in clothing (due to cooler weather in May) as well as food and household goods.
- Singapore private sector conditions recorded further improvement:** The Nikkei Singapore Purchasing Managers' Index fell to 56.0 in June (May: 56.8) but still indicative of a sharp improvement in the health of the sector as the latest reading brought the 2Q average to 56.1, the best quarterly performance in history. Growth was supported by sustained expansions in both output and new orders as well as employment. Input costs increased due to strong wage growth as overall purchase costs fell.

Economic Calendar

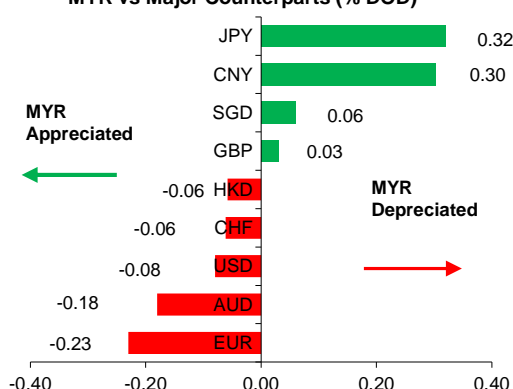
Date	Country	Events	Reporting Period	Survey	Prior	Revised
05/07	Malaysia	Trade Balance MYR	May	10.50b	13.07b	--
		Exports YOY	May	6.4%	14.0%	--
06/07		Foreign Reserves	29-Jun	--	\$107.9b	--
05/07	US	ADP Employment Change	Jun	190k	178k	--
		Initial Jobless Claims	30-Jun	225k	227k	--
		Markit US Services PMI	Jun F	56.5	56.8	--
		ISM Non-Manf. Composite	Jun	58.3	58.6	--
06/07		FOMC Meeting Minutes	13-Jun	--	--	--
		Change in Nonfarm Payrolls	Jun	195k	223k	--
		Trade Balance	May	-\$43.7b	-\$46.2b	--
		Unemployment Rate	Jun	3.8%	3.8%	--
		Average Hourly Earnings YOY	Jun	2.8%	2.7%	--
		Labor Force Participation Rate	Jun	62.7%	62.7%	--
06/07	UK	Halifax House Prices MOM	Jun	0.2%	1.5%	--
06/07	Japan	Household Spending YOY	May	-1.5%	-1.3%	--
		Labour Cash Earnings YOY	May	0.9%	0.8%	0.6%
		Leading Index CI	May P	106.6	106.2	--
		Coincident Index	May P	116.1	117.5	--
05/07	Hong Kong	Nikkei Hong Kong PMI	Jun	--	47.8	--
06/07	Australia	AiG Perf of Construction Index	Jun	--	54.0	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1657	-0.01	1.1682	1.1631	-2.9
USDJPY	110.49	-0.09	110.61	110.28	-2.9
GBPUSD	1.3230	0.28	1.325	1.3171	-2.1
AUDUSD	0.7386	0.00	0.7425	0.7375	-5.5
EURGBP	0.8811	-0.26	0.8841	0.8800	-0.7
USDMYR	4.0465	-0.08	4.0493	4.0420	0.0
EURMYR	4.7084	-0.23	4.7262	4.7042	-2.7
JPYMYR	3.6602	0.32	3.6693	3.6581	1.8
GBPMYR	5.3405	0.03	5.3511	5.3268	-2.0
SGDMYR	2.9648	0.06	2.9732	2.9644	-2.1
AUDMYR	2.9871	-0.18	3.0029	2.9852	-5.6
NZDMYR	2.7355	0.36	2.7438	2.7323	-5.0

Source: Bloomberg

MYR vs Major Counterparts (% DOD)


Forex

MYR

- **MYR inched 0.08% firmer to 4.0465 against USD** and ended mixed against the G10s, supported by firmer regional sentiment.
- **Stay slightly bullish on MYR against USD** that is likely to be weighed down ahead of US data tonight. We maintain that USDMYR appears to be initiating a reversal, which will head lower once 4.0325 is broken. This could trigger losses to circa 4.0146.

USD

- **USD ended mixed against the G10s** though with bigger gains while the DXY ended 0.06% lower at 94.53 after tumbling in US afternoon on the back of soft buying interest following closure of US market.
- **We stay slightly bearish on USD** amid risk aversion as markets await US data and signs of development in on-going trade spat; caution that weakness in US data and/or less hawkish FOMC minutes will trigger sharp losses. Technically, DXY is at a crossroad; a close above 94.47 today, and subsequently above 94.87 tomorrow, will be the onset of a minor bullish trend. Otherwise, we continue to set sights on a drop to 94.04 going forward.

EUR

- **EUR jumped in US afternoon to reduce its early losses to just 0.01% at 1.1657 against USD** while easing against 7 G10s that climbed on a soft greenback.
- **EUR is slightly bullish in anticipation of risk aversion in USD**; direction will be strongly reliant on the greenback's response to US data and FOMC minutes. EURUSD needs to beat 1.1684 today to retain its minor bullish trend and continue to challenge 1.1723. Otherwise, a drop to 1.1583 is expected.

GBP

- **GBP advanced 0.28% to 1.3230 against USD** and strengthened against 8 G10s, lifted by better than expected UK data.
- **Continue to expect a slightly bullish GBP against USD**, supported by the recent upsides in UK data and by refuge demand amid subdued sentiment in Europe. Minor bullish trend is likely to push GBPUSD higher to circa 1.3261. Beating this exposes a move to 1.3300 – 1.3330 in the next leg higher. Closing below 1.3207 today nullifies the minor bullish trend.

JPY

- **JPY climbed 0.09% to 110.49 against a soft USD** and advanced against 5 G10s as risk sentiment remained relatively subdued in European markets.
- **Stay bullish on JPY against USD** in anticipation of risk aversion in the markets ahead of US data and FOMC minutes as well as development in the on-going trade tensions. We maintain that the recent rejection is likely to take USDJPY lower to circa 110.15. Caution that losing 110.15 exposes a move to 109.79 next.

AUD

- **AUD closed unchanged against USD at 0.7386** while sliding against 5 G10s, weighed down by subdued sentiment in the markets.
- **Expect a firmer AUD against USD** amid China's pledge to stabilize its currency, which could instill calm in the markets. AUDUSD must close above 0.7405 today to sustain a minor bullish trend. Doing so allows further advances to circa 0.7446 – 0.7451, otherwise, expect a decline to below 0.7340 going forward.

SGD

- **SGD eased 0.02% to 1.3651 against USD** and slipped against 7 G10s following subdued sentiment in the markets.
- **Keep a bullish view on SGD against USD** on technical reasons. We maintain that USDSGD has initiated a reversal lower. While below 1.3661, there is scope for USDSGD to slide to circa 1.3600 – 1.3620, below which 1.3579 will be targeted.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hbb.hongleong.com.my**DISCLAIMER**

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