

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended on a higher note on Friday led by gains in the tech sector as sentiments improved on the back of positive US jobs report.** The CBOE Volatility Index, Wall Street fear gauge fell nearly 11% despite the US began implementing tariff on China. Yields on 10Y treasuries closed slightly lower at 2.82% while the WTI ended higher at \$73.80/barrel. In the latest development of Brexit, **PM Theresa May won a cabinet victory on Friday allowing the UK to keep close trade ties with the EU after the UK leaves the bloc**, which in turn led the Brexit Secretary David Davis and his deputy to quit the government, thus reducing chance of May pushing the Brexit White Paper through the UK parliament this week.
- **Friday's jobs report continued to paint a brighter picture of US labor market** as nonfarm payroll came in better than expected at 213k in June while May number was revised upwards by 21k. Unemployment rate increased to 4.0% from 3.8% mainly due to the expansion of the labour force as participation rate went up by the same margin to 62.9% while wage growth steadied at 2.7% YOY. **US trade deficit narrowed to \$43.1bn in May – its deficit with China**, the basis on which president Trump waged his trade war **inched up to \$32bn. House prices in the UK softened to increase 1.8% YOY** as housing slump continued. **Japan leading index rose to 106.9** while the coincident index fell to 116.1 in May. **In Malaysia, BNM announced that foreign reserves fell \$3.2bn to \$104.7bn as at 29 June.**
- **USD weakened against 7 G10s** while the DXY fell ahead of positive US market data, possibly on a sell-on-fact move, as well as sell-off on signs of intensifying US-China trade tensions. **Maintain a bearish view on USD** on concerns that on-going trade tensions could escalate further amid retaliations from other economies against the US. Closing below 94.04 has added further bearish bias to DXY. Expect a test at 93.76 next, below which a drop to 93.12 will culminate.
- **MYR ended 0.07% firmer at 4.0400 against USD** that tumbled in European session but ended mixed against the G10s that were also stronger on a soft USD. **MYR is bullish against a soft USD** that is likely to be weighed down by on-going trade tensions. 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 strengthened 0.51% to 1.3580 against USD** and advanced against 8 G10s amid firmer risk appetite in the markets. **Expect a slightly bullish SGD against a soft USD** amid signs of improvement in market sentiment. Downside break at 1.3579 is likely to add a bearish tone to USDSGD. We reckon that a drop to 1.3527, or even to 1.3475, may be appropriate next, but caution on a potential rebound that is likely stemmed near 1.3630.

Overnight Economic Data

Malaysia	↓
US	→
UK	↓
Japan	→

What's Coming Up Next

Major Data

- Eurozone Sentix Investor Confidence
- Japan Trade Balance, Eco Watchers Survey

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1723	1.1737	1.1752	1.1767	1.1775	↗
USDJPY	110.17	110.40	110.50	110.68	110.97	↘
GBPUSD	1.3261	1.3273	1.3292	1.3306	1.3330	↗
AUDUSD	0.7397	0.7417	0.7440	0.7451	0.7480	↗
EURGBP	0.8825	0.8836	0.8840	0.8844	0.8857	↗
USDMYR	4.0325	4.0367	4.0375	4.0400	4.0410	↘
EURMYR	4.7383	4.7444	4.7450	4.7486	4.7541	↗
JPYMYR	3.6500	3.6522	3.6540	3.6554	3.6581	→
GBPMYR	5.3556	5.3609	5.3664	5.3724	5.3787	↗
SGDMYR	2.9700	2.9732	2.9743	2.9784	2.9824	↗
AUDMYR	2.9969	3.0000	3.0043	3.0060	3.0085	↗
NZDMYR	2.7556	2.7596	2.7602	2.7607	2.7630	↗
USDSGD	1.3527	1.3550	1.3576	1.3579	1.3630	↘
EURSGD	1.5908	1.5934	1.5951	1.5958	1.5977	↘
GBPSGD	1.8002	1.8010	1.8042	1.8057	1.8083	↘
AUDSGD	1.0085	1.0097	1.0100	1.0106	1.0111	↗

* 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	1,663.86	↓1.58	↓7.40	CRB Index	198.05	↑0.94	↑2.16
Dow Jones Ind.	24,456.48	↓0.41	↓1.06	WTI oil (\$/bbl)	73.80	↑1.18	↑22.14
S&P 500	2,759.82	↓0.85	↓3.22	Brent oil (\$/bbl)	77.11	↓0.36	↑15.37
FTSE 100	7,617.70	↓0.19	↓0.91	Gold (\$/oz)	1,255.48	↓0.19	↑8.10
Shanghai	2,747.23	↓0.49	↓16.93	CPO (RM/tonne)	2,278.50	↓0.61	↓4.67
Hang Seng	28,315.62	↓0.47	↓5.86	Copper (\$/tonne)	6,282.00	↓0.99	↓13.32
STI	3,191.82	↓1.99	↓6.20	Rubber (sen/kg)	412.00	↓1.44	↓10.92

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Foreign Reserves	29-Jun	\$104.7b	\$107.9b	--
US Change in Nonfarm Payrolls	Jun	213k	244k (revised)	195k
US Trade Balance	May	-\$43.1b	-\$46.1b (revised)	-\$43.7b
US Unemployment Rate	Jun	4.0%	3.8%	3.8%
US Average Hourly Earnings YOY	Jun	2.7%	2.7%	2.8%
US Labor Force Participation Rate	Jun	62.9%	62.7%	62.7%
UK Halifax House Prices MOM	Jun	0.3%	1.7% (revised)	0.2%
JP Leading Index CI	May P	106.9	106.2	106.6
JP Coincident Index	May P	116.1	117.5	116.1

Source: Bloomberg

➤ Macroeconomics

- US labour market in broader strengthening:** Nonfarm payroll came in better than expected to 213k in June (May: 244k revised) compared to the consensus projection of 195k, while figure for May was revised upwards by 21k. Job growth in June was led mainly by gains in educations and healthcare (+54k), professional & business services (+50k) as well as manufacturing (+36k) and construction (+13k). The household survey shows that unemployment rate went up to 4.0% in June (May: 3.8%) mainly due to the expansion of the labour force as participation rate went up by the same margin to 62.9% (May: 62.7%). The average hourly earnings growth meanwhile remained steady at 2.7% YOY (May: +2.7%) with faster wage growth seen in all the above three sectors as well - educations and healthcare (June +2.9% vs May +2.5%), professional & business services (+2.7% vs +2.6%) and manufacturing (+1.7% vs +1.6%). This corresponds with various Fed's districts and ISM surveys which reported that firms faced higher labour cost as a result of labour shortages. Wage growth in the construction sector slowed (+2.9% vs +3.3%), in line with the fewer job gains in June (+13k vs +29k), a sign of slower housing starts in the month ahead. For the time being, firms' difficulty in filling positions with qualified workers remains, but overall June jobs report reflects a broader strengthening of the US labour market (which we hope could be sustainable) and consistent with an annual GDP growth rate of 2.5%-3.0%. We reaffirmed our view that the Fed will hike interest rate for two more times this year.
- US trade deficit narrowed in May; trade war kicked off:** The latest data from the Census Bureau shows that trade deficit fell 6.6% MOM to \$43.1b in May (Apr: -\$46.1b) as exports grew at a faster pace of 1.9% MOM (Apr: +0.3%) vis-à-vis the 0.4% MOM increase in imports (Apr: -0.2%). On a yearly basis, exports grew 11.7% YOY in May (Apr: +9.9%) signalling stronger demand for US goods. The US has officially imposed a new round of tariff on \$34bn worth of Chinese imports on Friday and President Trump even made further threat to target all \$500bn of Chinese imports. Beijing has retaliated with tariff of similar magnitude. The deficit with China increased \$1.2 billion to \$32.0 billion in May.
- House prices in the UK softened as housing slump continued:** The UK Markit/Halifax House Prices softened to increase 0.3% MOM in June (May: +1.7%) while on a yearly basis prices rose a modest 1.8% YOY in the three months to June (May: +1.9%). Activity levels have softened while mortgage approvals have been in the low range of 63k to 67k since the start of the year. Average price stood at £225,654.
- Japan economic indicators mixed:** Japan leading index inched up to 106.9 in May (Apr: 106.2) while the coincident index fell to 116.1 (Apr: 117.5) indicating a brighter economic outlook for May but overall data remained mixed - household spending faltered in May while PMI readings suggest modest pick-up in both services and manufacturing sector. Soft data such as the Tankan Large Manufacturers survey implied a fall in confidence among its large manufacturing firms in 2Q18 but business spending likely to improve ahead of 2020 Summer Olympics. Our view regarding the Japanese economic growth is fairly neutral with a downside bias given that underlying inflation remained subdued as consumers stayed cautious in spending.
- Malaysia foreign reserves slid lower:** BNM announced that foreign reserves fell to \$104.7b as at 29 June (Previous: \$107.9b) sufficient to finance 7.5 months of retained imports and 1.1 times short term external debt.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
10/07	US	NFIB Small Business Optimism	Jun	105.8	107.8	--
09/07	Eurozone	Sentix Investor Confidence	Jul	9.0	9.3	--
10/07		ZEW Survey Expectations	Jul	--	-12.6	--
10/07	UK	Visible Trade Balance GBP/Mn	May	-£12,000	-£14,035	--
		Industrial Production YoY	May	1.9%	1.8%	--
		Manufacturing Production YoY	May	1.9%	1.4%	--
		Construction Output SA YoY	May	-0.5%	-3.3%	--
		NIESR GDP Estimate	Jun	--	0.2%	--
09/07	Japan	Trade Balance BOP Basis	May	-¥483.1b	¥573.8b	--
		Eco Watchers Survey Current SA	Jun	48.1	47.1	--
		Eco Watchers Survey Outlook SA	Jun	50.1	49.2	--
10/07		Machine Tool Orders YoY	Jun P	--	14.9%	--
08-18/07/18	China	Foreign Direct Investment YOY CNY	Jun	--	7.6%	--
10/07		PPI YoY	Jun	4.5%	4.1%	--
		CPI YoY	Jun	1.9%	1.8%	--
10/07	Australia	NAB Business Conditions	Jun	--	15.0	--
		NAB Business Confidence	Jun	--	6.0	--
10- 14/07	New Zealand	REINZ House Sales YoY	Jun	--	1.3%	--
06- 13/07	Vietnam	Domestic Vehicle Sales YoY	Jun	--	2.5%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1746	0.47	1.1767	1.1680	2.1
USDJPY	110.47	-0.15	110.79	110.38	2.0
GBPUSD	1.3283	0.46	1.329	1.3204	1.6
AUDUSD	0.7430	0.58	0.7444	0.7376	1.8
EURGBP	0.8843	0.04	0.8868	0.8836	0.5
USDMYR	4.0400	-0.07	4.0470	4.0355	0.2
EURMYR	4.7306	0.11	4.7373	4.7232	2.1
JPYMYR	3.6503	-0.10	3.6583	3.6485	1.8
GBPMYR	5.3496	-0.05	5.3547	5.3390	1.7
SGDMYR	2.9685	0.13	2.9607	2.9685	1.7
AUDMYR	2.9934	0.24	2.9969	2.9842	5.0
NZDMYR	2.7536	0.36	2.7565	2.7442	1.1

Source: Bloomberg

Forex

MYR

- **MYR ended 0.07% firmer at 4.0400 against USD** that tumbled in European session but ended mixed against the G10s that were also stronger on a soft USD.
- **MYR is bullish against a soft USD** that is likely to be weighed down by on-going trade tensions. 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 weakened against 7 G10s** while the DXY fell ahead of positive US market data, possibly on a sell-on-fact move, as well as sell-off on signs of intensifying US-China trade tensions.
- **Maintain a bearish view on USD** on concerns that on-going trade tensions could escalate further amid retaliations from other economies against the US. Closing below 94.04 has added further bearish bias to DXY. Expect a test at 93.76 next, below which a drop to 93.12 will culminate.

EUR

- **EUR climbed 0.47% to 1.1746 against a soft USD** and advanced against 5 G10s.
- **Expect a firmer EUR on the back of a soft USD.** Minor bullish trend sustains and upside bias has improved after closing above 1.1723. Expect 1.1788 to be tested next, above which a path towards 1.1855 will emerge.

GBP

- **GBP climbed 0.46% to 1.3283 against USD**, lifted by improved Brexit sentiment in the UK as plans for future negotiations found support amongst Cabinet members. GBP, however, fell against 5 G10s that rallied on improved market sentiment.
- **GBP is slightly bullish in line with our view of a soft USD**, but gains may be limited amid downside pressure from rising Brexit uncertainties after resignation of a few Brexit ministers. GBPUSD remains in a minor bullish trend and likely to head higher, possibly testing 1.3363 going forward.

JPY

- **JPY advanced 0.15% to 110.47 against a soft USD** but was lower against 9 G10s as demand for refuge retreated on Friday.
- **Stay bullish on JPY against a soft USD** that is weighed down by on-going trade tensions. A minor bearish bias has emerged in USDJPY. 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.

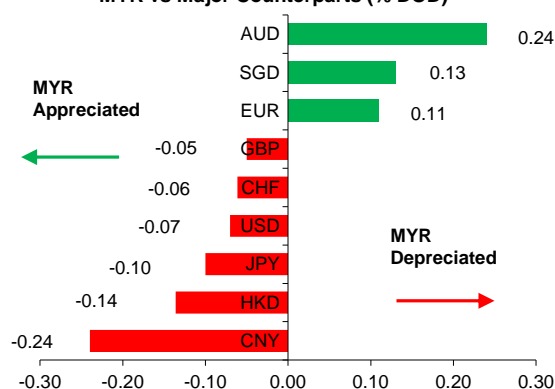
AUD

- **AUD rallied to beat 8 G10s and jumped 0.58% to 0.7430 against a soft USD**, buoyed by firmer market sentiment despite on-going trade tensions.
- **AUD is slightly bullish against a soft USD** and further lifted by signs of improvement in market sentiment. A climb to 0.7451 has been exposed after breaking above 0.7417 last Friday. With bullish trend and upside momentum intact, there is room to advance further to test 0.7494.

SGD

- **SGD strengthened 0.51% to 1.3580 against USD** and advanced against 8 G10s amid firmer risk appetite in the markets.
- **Expect a slightly bullish SGD against a soft USD** amid signs of improvement in market sentiment. Downside break at 1.3579 is likely to add a bearish tone to USDSGD. We reckon that a drop to 1.3527, or even to 1.3475, may be appropriate next, but caution on a potential rebound that is likely stemmed near 1.3630.

MYR vs Major Counterparts (% DOD)



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