

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street equity posted gains overnight as investors diverted attention away from trade war jitters and instead geared up for the start of an upbeat earnings season this week.** Sentiments can be seen improving with the CBOE Volatility Index dropped more than 5%. Yield on 10Y US treasuries meanwhile climbed 3bps to 2.86% ahead of this week's bond auctions. **The sterling tumbled reversing gains made earlier following the resignation of more cabinet members** among them, the Foreign Secretary Boris Johnson, after former Brexit Secretary announced his departure the day before – thus far five ministers have resigned after PM Theresa May's victory to propose a soft Brexit in the parliament. **The publication of the Brexit White Paper supposedly due this Thursday is said to have been delayed to next week, leading to more uncertainties ahead.**
- Data releases yesterday comprises mainly of soft data. **The Sentix Investor Confidence Index in the Eurozone ticked up to 12.1 in July** following five consecutive months of decline signalling improvement of sentiments among Eurozone investors. **In Japan, the deficit in goods trade came in better than expected** narrowing to ¥303.9b in May. **Sentiments improved as well** - the Eco Watchers Survey of current conditions went up to 48.1 while the similar survey for outlook went up to 50.0.
- **USD ended mixed against the G10s** after rallying in US morning to overturn early losses while the DXY closed 0.11% higher, supported by weakness in major components GBP, JPY and CHF. **Maintain a bearish view on USD** amid a lack of positive catalyst to spur extended rebound. DXY remains in a minor bearish trend and a close below 93.96 remains within our sights. Caution that losing 93.86 will trigger a potential decline to 93.12 in the coming weeks.
- **MYR strengthened 0.3% to 4.0280 against USD** after rallying in the final hour of trading but closed softer against 9 G10s that were firmer from a soft greenback. **MYR is bullish against a soft USD**, further supported by signs of recovery in risk appetite in the markets. USDMYR reversal is picking up pace after breaking below 4.0325. We maintain that this would trigger losses to circa 4.0146.
- **SGD** was also buoyed by firmer risk appetite in the markets, beating 8 G10s and **climbing 0.1% to 1.3567 against USD. Expect a slightly bullish SGD against a soft USD** amid signs of improvement in market sentiment. We maintain 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 1.3579.

Overnight Economic Data

| | |
|----------|---|
| Eurozone | ↑ |
| Japan | → |

What's Coming Up Next

Major Data

- US NFIB Small Business Optimism
- Eurozone ZEW Survey Expectations
- UK Visible Trade Balance, Industrial Production, Manufacturing Production, Construction Output, NIESR GDP Estimate
- Japan Machine Tool Orders
- Australia NAB Business Conditions, Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1723 | 1.1750 | 1.1760 | 1.1767 | 1.1790 | ↗ |
| USDJPY | 110.56 | 110.77 | 110.96 | 111.09 | 111.20 | ↗ |
| GBPUSD | 1.3261 | 1.3273 | 1.3252 | 1.3306 | 1.3330 | ↗ |
| AUDUSD | 0.7425 | 0.7451 | 0.7475 | 0.7494 | 0.7511 | ↗ |
| EURGBP | 0.8829 | 0.8850 | 0.8871 | 0.8890 | 0.8900 | ↗ |
| USDMYR | 4.0180 | 4.0207 | 4.0230 | 4.0245 | 4.0250 | ↘ |
| EURMYR | 4.7228 | 4.7254 | 4.7304 | 4.7381 | 4.7444 | ↘ |
| JPYMYR | 3.6188 | 3.6219 | 3.6250 | 3.6259 | 3.6282 | ↘ |
| GBPMYR | 5.3222 | 5.3266 | 5.3324 | 5.3352 | 5.3435 | ↘ |
| SGDMYR | 2.9676 | 2.9700 | 2.9711 | 2.9731 | 2.9771 | ↘ |
| AUDMYR | 3.0029 | 3.0059 | 3.0076 | 3.0103 | 3.0139 | → |
| NZDMYR | 2.7500 | 2.7520 | 2.7545 | 2.7557 | 2.7585 | ↘ |
| USDSGD | 1.3505 | 1.3527 | 1.3546 | 1.3563 | 1.3579 | ↘ |
| EURSGD | 1.5884 | 1.5903 | 1.5928 | 1.5943 | 1.5958 | ↘ |
| GBPSGD | 1.7935 | 1.7942 | 1.7953 | 1.7967 | 1.7975 | ↘ |
| AUDSGD | 1.0111 | 1.0122 | 1.0128 | 1.0133 | 1.0143 | ↗ |

* 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 | 1,672.63 | 0.53 | -6.91 | CRB Index | 198.23 | 0.09 | 2.25 |
| Dow Jones Ind. | 24,776.59 | 1.31 | 0.23 | WTI oil (\$/bbl) | 73.85 | 0.07 | 22.23 |
| S&P 500 | 2,784.17 | 0.88 | 4.14 | Brent oil (\$/bbl) | 78.07 | 1.24 | 16.75 |
| FTSE 100 | 7,687.99 | 0.92 | 0.00 | Gold (\$/oz) | 1,257.68 | 0.18 | 8.10 |
| Shanghai | 2,815.11 | 2.47 | -14.88 | CPO (RM/tonne) | 2,275.50 | -0.13 | -4.79 |
| Hang Seng | 28,688.50 | 1.32 | -4.11 | Copper (\$/tonne) | 6,390.00 | 1.72 | -11.83 |
| STI | 3,228.82 | 1.16 | -5.12 | Rubber (sen/kg) | 413.00 | 0.24 | -10.70 |

Source: Bloomberg

➤ Macroeconomics

| Economic Data | | | | |
|-------------------------------|-----|---------|---------|---------|
| | For | Actual | Last | Survey |
| EU Sentix Investor Confidence | Jul | 12.1 | 9.3 | 9.0 |
| JP Trade Balance BOP Basis | May | ¥303.9b | ¥573.8b | ¥483.1b |
| JP Eco Watchers Current SA | Jun | 48.1 | 47.1 | 48.1 |
| JP Eco Watchers Outlook SA | Jun | 50.0 | 49.2 | 50.1 |

Source: Bloomberg

- Eurozone investor confidence rose on improved sentiment:** The Sentix Investor Confidence Index rebounded to 12.1 in July (June: 9.3) after five consecutive months of deceleration signalling a much better investors sentiment in the month. Sentix however cautioned that the escalating trade tensions with the US could risk jeopardising confidence again over the uncertainty of President Trump's threat to impose tariffs on European cars imported into the US.
- Japan trade deficit narrowed, Kuroda upbeat on economy:** The deficit in goods trade (on current account balance basis) came in better than expected going down to ¥303.9b in May (Apr: ¥573.8) versus the projected ¥483.1b. Sentiments improved as well - the Eco Watchers Survey of current conditions improved to 48.1 in June (May: 47.1) while the similar survey for outlook rose to 50.0 (May: 49.2). Meanwhile in an early morning speech yesterday, BOJ governor Haruhiko Kuroda said that the central bank maintained its upbeat assessment for the country's all nine regions which are on the path of recovering or expanding and is confident that inflation will meet its 2% target. Latest data shows that wage growth has been firming up recently as seen in the uptick in the regular pay segment but inflation remained subdued as household spending continued to falter. We maintained our neutral view of that the Japanese economy with a negative bias as we expect the economy to soften in 2018.

| Economic Calendar | | | | | | |
|-------------------|-------------|-------------------------------------|------------------|----------|----------|---------|
| Date | Country | Events | Reporting Period | Survey | Prior | Revised |
| 10/07 | US | NFIB Small Business Optimism | Jun | 106.9 | 107.8 | -- |
| 11/07 | | MBA Mortgage Applications | 06 Jul | -- | -0.5% | -- |
| | | PPI Final Demand MOM | Jun | 0.2% | 0.5% | -- |
| | | PPI Final Demand YOY | Jun | 3.1% | 3.1% | -- |
| | | Wholesale Inventories MOM | May F | 0.5% | 0.5% | -- |
| 10/07 | Eurozone | 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 | -1.6% | -3.3% | -- |
| | | Monthly GDP 3M/3M Change | Jun | 0.2% | -- | -- |
| 10/07 | Japan | Machine Tool Orders YOY | Jun P | -- | 14.9% | -- |
| 11/07 | | PPI YOY | Jun | 2.8% | 2.7% | -- |
| | | Core Machine Orders YOY | May | 10.9% | 9.6% | -- |
| 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 | -- |
| 11/07 | | Westpac Consumer Conf SA MOM | Jul | -- | 0.3% | -- |
| | | Home Loans MOM | May | -2.0% | -1.4% | -- |
| | | Investment Lending | May | -- | -0.9% | -- |
| 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 | 1.1751 | 0.04 | 1.1791 | 1.1733 | -20 |
| USDJPY | 110.85 | 0.34 | 110.9 | 110.30 | -16 |
| GBPUSD | 1.3260 | -0.17 | 1.3363 | 1.3190 | -19 |
| AUDUSD | 0.7467 | 0.50 | 0.7484 | 0.7427 | -43 |
| EURGBP | 0.8863 | 0.22 | 0.8902 | 0.8810 | -01 |
| USDMYR | 4.0280 | -0.30 | 4.0385 | 4.0270 | -04 |
| EURMYR | 4.7406 | 0.21 | 4.7528 | 4.7381 | -23 |
| JPYMYR | 3.6496 | -0.02 | 3.6589 | 3.6495 | 10 |
| GBPMYR | 5.3791 | 0.55 | 5.3905 | 5.3617 | -23 |
| SGDMYR | 2.9782 | 0.33 | 2.9812 | 2.9731 | -18 |
| AUDMYR | 3.0139 | 0.68 | 3.0173 | 3.0029 | -48 |
| NZDMYR | 2.7579 | 0.16 | 2.7638 | 2.7571 | -41 |

Source: Bloomberg

Forex
MYR

- **MYR strengthened 0.3% to 4.0280 against USD** after rallying in the final hour of trading but closed softer against 9 G10s that were firmer from a soft greenback.
- **MYR is bullish against a soft USD**, further supported by signs of recovery in risk appetite in the markets. USDMYR reversal is picking up pace after breaking below 4.0325. We maintain that this would trigger losses to circa 4.0146.

USD

- **USD ended mixed against the G10s** after rallying in US morning to overturn early losses while the DXY closed 0.11% higher, supported by weakness in major components GBP, JPY and CHF.
- **Maintain a bearish view on USD** amid a lack of positive catalyst to spur extended rebound. DXY remains in a minor bearish trend and a close below 93.96 remains within our sights. Caution that losing 93.86 will trigger a potential decline to 93.12 in the coming weeks.

EUR

- **EUR held on to early gains to stay 0.04% higher at 1.1751 against a rallying USD** and beat 6 G10s amid firmer Eurozone data.
- **Expect a firmer EUR on the back of a soft USD**, with room for further upsides if Eurozone data improves again. Minor bullish trend sustains and upside bias has improved after closing above 1.1750. Expect 1.1788 to be tested again, above which a path towards 1.1855 will emerge.

GBP

- **GBP tumbled in US morning amid renewed political and Brexit uncertainties** after the UK was hit by another resignation of a Cabinet member. **GBP fell 0.17% to 1.3260 against USD** and retreated against 6 G10s.
- **Expect GBP to extend its recovery from an overnight slump against USD** as political risks recede amid shortage of signatures to trigger a confidence vote on UK PM May. Strong UK data could spark a strong rally. Unless GBPUSD closes below 1.3230 today, we reckon that a bullish trend remains intact and hints at a close above 1.3283 in the coming days.

JPY

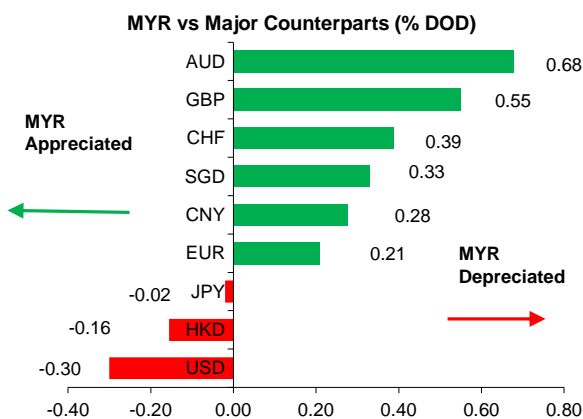
- **JPY weakened 0.34% to 110.85 against USD** and fell against all G10s as risk appetite appears intact in the markets, dampening refuge demand.
- **We turn bearish on JPY against USD** as demand for refuge is likely to retreat amid revival of risk appetite in the market and signs of calm on trade tension issue. A strong rally overnight has turned USDJPY mildly bullish. Expect a test at 111.19 next, above which USDJPY would challenge 111.40.

AUD

- **AUD advanced 0.50% to 0.7467 against USD** and climbed against all G10s, supported by firmer risk appetite in the markets.
- **Stay slightly bullish on AUD against USD**, supported by extended firmness in market sentiment. Minor bullish trend prevails, suggesting further gains going forward. AUDUSD is now likely to challenge, and break, 0.7494. Doing so will expose a move to 0.7537 next.

SGD

- **SGD was also buoyed by firmer risk appetite in the markets, beating 8 G10s and climbing 0.1% to 1.3567 against USD.**
- **Expect a slightly bullish SGD against a soft USD** amid signs of improvement in market sentiment. We maintain 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 1.3579.



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