

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets turned jittery overnight** starting from Asian session right up until US closing after the US threatened another \$200b worth of tariff on Chinese goods, escalating the on-going trade tensions that saw a brief tone-down in recent days. Major indices were down, as were European indices, **though the KLCI managed a 0.1% gain amid late buying**. The Dow and S&P500 fell 0.88% and 0.71% respectively. **Haven majors such as USD and CHF were driven higher**. Commodities, impacted by rising concerns over the prospects of global economy, tumbled; Brent fell 6.92% to \$73.40/barrel, WTI fell 5.03% to \$70.38/barrel and copper lost 2.96% to \$6145/tonne.
- **BNM expectedly kept the OPR unchanged at 3.25%** yesterday and the **tone of the monetary policy statement was neutral** in our view. The central bank opines that **domestic (from higher household spending amid four months tax holiday) and external demand will continue to sustain positive growth momentum domestically**. However, BNM was less positive on the global view, highlighting “some divergence” and that the balance of risks to the outlook has tilted to the downside. **We maintain our view for OPR to stay unchanged for the rest of the year** as fundamentals of the Malaysian economy are expected to stay intact.
- **USD rallied to beat all G10s** while DXY surged through US afternoon after taking a breather in US morning, closing 0.6% higher at 94.71 amid demand for refuge as US-China trade tensions showed signs of escalation. **We turn bullish on USD** from rising demand for refuge amid likelihood of extended declines in markets due to rising US-China trade tensions. Firmer US CPI tonight could drive further gains. There is now scope for DXY to climb to 95.01 next, but we caution that this level is near recent rejection points and therefore, poses rejection risks that could push DXY back to 94.04.
- **MYR weakened 0.37% to 4.0370 against a firm USD** while also being pressured by risk-off sentiment amid signs of escalation in on-going trade war. MYR ended lower against 6 G10s. **MYR remains bearish against USD**, weighed down by rising risk aversion in the markets on signs of heightened US-China trade tensions. Technical landscape of USDMYR has been altered by upside break of 4.0400 in early trade. While above this, expect upside bias to prevail and potentially test 4.0515 going forward.
- **SGD was well-supported as regional haven major, beating 9 G10s though still fell short against a strong USD as it weakened 0.52% to 1.3642. SGD is now bearish against USD**, pressured by likelihood of increased risk aversion in the markets amid rising US-China trade tensions. USDSGD is likely to challenge higher levels but caution that risk of rejection increases approaching 1.3676 – 1.3688, which could trigger losses to below 1.3643 going forward.

Overnight Economic Data

Malaysia	→
US	↑
UK	↑

What's Coming Up Next

Major Data

- Malaysia Industrial Production YOY
- US Initial Jobless Claims, CPI MOM, CPI YOY
- EU Industrial Production YOY
- Singapore Retail Sales YOY, Electronic Exports YOY, Non-oil Domestic Exports YOY

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1635	1.1652	1.1674	1.1691	1.1709	↘
USDJPY	111.47	111.75	112.05	112.17	112.33	↘
GBPUSD	1.3159	1.3190	1.3206	1.3215	1.3229	↘
AUDUSD	0.7346	0.7360	0.7365	0.7376	0.7391	↘
EURGBP	0.8829	0.8837	0.8841	0.8843	0.8850	↘
USDMYR	4.0417	4.0440	4.0455	4.0470	4.0493	↗
EURMYR	4.7119	4.7164	4.7240	4.7276	4.7341	↘
JPYMYR	3.6050	3.6065	3.6090	3.6100	3.6162	↘
GBPMYR	5.3351	5.3396	5.3415	5.3442	5.3475	↘
SGDMYR	2.9611	2.9639	2.9656	2.9676	2.9689	→
AUDMYR	2.9747	2.9772	2.9797	2.9804	2.9842	↘
NZDMYR	2.7269	2.7310	2.7338	2.7357	2.7394	↘
USDSGD	1.3611	1.3637	1.3644	1.3661	1.3676	↗
EURSGD	1.5900	1.5917	1.5929	1.5958	1.5977	↘
GBPSGD	1.7987	1.8002	1.8016	1.8032	1.8046	↘
AUDSGD	1.0033	1.0046	1.0048	1.0067	1.0081	↘

*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	1688.77	0.10	-6.01	CRB Index	192.83	-2.75	-0.53
Dow Jones Ind.	24700.45	-0.88	-0.08	WTI oil (\$/bbl)	70.38	-5.03	16.48
S&P 500	2774.02	-0.71	3.76	Brent oil (\$/bbl)	73.40	-6.92	9.77
FTSE 100	7591.96	-1.30	-1.25	Gold (\$/oz)	1241.96	-1.08	-4.64
Shanghai	2777.77	-1.76	-16.01	CPO (RM/tonne)	2242.50	-0.88	-6.17
Hang Seng	28311.69	-1.29	-5.37	Copper (\$/tonne)	6145.00	-2.96	-15.21
STI	3249.08	-0.79	-4.52	Rubber (sen/kg)	405.50	-1.22	-12.32

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA BNM Overnight Policy Rate	11 Jul	3.25%	3.25%	3.25%
US MBA Mortgage Applications	6 Jul	2.5%	-0.5%	--
US PPI Final Demand MOM	Jun	0.3%	0.5%	0.2%
US PPI Final Demand YOY	Jun	3.4%	3.1%	3.1%
US Wholesale Inventories MOM	May F	0.6%	0.1%	0.5%
UK RICS House Price Balance	Jun	2%	-2% (revised)	-4%

Source: Bloomberg

➤ Macroeconomics

- US data positive, producer prices picking up:** Data overnight was scarce and limited to just the US. Indicators were positive with mortgage applications rebounding 2.5% in the week ended 6 Jul compared to a 0.5% dip in the week prior. Inflationary pressure ticked higher amid quicker growth in producer prices, serving as a prelude to CPI data tonight. Producer prices gained 3.4% YOY in Jun, rising from 3.1% in May. This is the quickest increase since Nov 2011, driven by firmer gains in energy (Jun: +17.2% vs May: +16.5%), services (Jun: +2.8% vs May: +2.4%) and a jump in trade (Jun: +3.1% vs May: +1.9%), likely a preliminary sign of higher costs from trade tariffs. MOM basis, producer prices eased (Jun: +0.3% vs May: +0.5%) but beat expectations. In a separate release, wholesale inventories increased 0.6% MOM in May according to the final print, upwardly revised from 0.5% in initial survey and suggests firmer prospect of a softer consumer spending going forward.
- UK house prices firmer:** Survey by RICS indicates firmer house prices for the first time since Jan. The difference between reports of an increase in price versus a decrease turned positive, rebounding from -2% in May to 2% in Jun. Balance of sales expectations (reports of net increase in sales) jumped to 12 in Jun from 3, while balance of price expectations (respondents expectations of price increase / decrease) was less pessimistic, rising to 0 in Jun from -9.
- BNM stays pat, OPR expected to be unchanged this year:** BNM expectedly kept the OPR unchanged at 3.25% yesterday and the tone of the monetary policy statement was neutral in our view. The central bank opines that domestic (from higher household spending amid four months tax holiday) and external demand will continue to sustain positive growth momentum domestically. However, BNM was less positive on the global view, highlighting “some divergence” and that the balance of risks to the outlook has tilted to the downside. We maintain our view for OPR to stay unchanged for the rest of the year as fundamentals of the Malaysian economy are expected to stay intact. On inflation, BNM expects 2018 headline figure to be lower than forecast and will likely turn negative in some months later this year. We expect headline CPI to average 0.9% YOY this year, compared to an increase of 1.7% YOY YTD May.

Economic Calendar Release Date

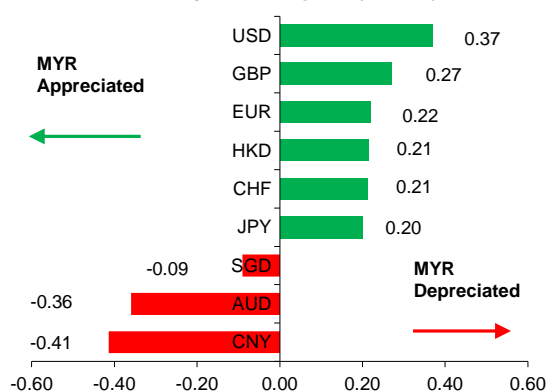
Date	Country	Event	Reporting Period	Survey	Prior	Revised
12/07	Malaysia	Industrial Production YOY	May	3.0%	4.6%	--
12/07	US	Initial Jobless Claims	07 Jul	225k	231k	--
		CPI MOM	Jun	0.2%	0.2%	--
		CPI YOY	Jun	2.9%	2.8%	--
13/07		University of Michigan Sentiment	Jul P	98.0	98.2	--
12/07	EU	Industrial Production YOY	May	2.4%	1.7%	--
13/07	Japan	Industrial Production YOY	May F	--	4.2%	--
13/07	China	Trade Balance	Jun	\$27.72b	\$24.92b	--
		Exports YOY	Jun	9.5%	12.6%	--
12 – 18/07		Foreign Direct Investment YOY CNY	Jun	--	7.6%	--
12/07	Singapore	Retail Sales YOY	May	0.5%	0.4%	--
13/07		GDP YOY	2Q A	4.1%	4.4%	--
13/07	New Zealand	BusinessNZ Manufacturing PMI	Jun	--	54.5	--
12 - 14/07		REINZ House Sales YOY	Jun	--	1.3%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1674	-0.60	1.1758	1.1666	-2.3
USDJPY	112.01	0.91	112.17	110.77	-0.6
GBPUSD	1.3205	-0.53	1.3285	1.3200	-2.3
AUDUSD	0.7366	-1.25	0.746	0.7364	-5.7
EURGBP	0.8840	-0.07	0.8862	0.8830	-0.4
USDMYR	4.0370	0.37	4.0370	4.0225	-0.2
EURMYR	4.7247	0.22	4.7341	4.7168	-2.5
JPYMYR	3.6272	0.20	3.6434	3.6200	0.9
GBPMYR	5.3450	0.27	5.3520	5.3322	-2.2
SGDMYR	2.9636	-0.09	2.9689	2.9591	-2.2
AUDMYR	2.9837	-0.36	2.9957	2.9811	-5.6
NZDMYR	2.7436	0.02	2.7513	2.7408	-4.7

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR weakened 0.37% to 4.0370 against a firm USD** while also being pressured by risk-off sentiment amid signs of escalation in on-going trade war. MYR ended lower against 6 G10s.
- **MYR remains bearish against USD**, weighed down by rising risk aversion in the markets on signs of heightened US-China trade tensions. Technical landscape of USDMYR has been altered by upside break of 4.0400 in early trade. While above this, expect upside bias to prevail and potentially test 4.0515 going forward.

USD

- **USD rallied to beat all G10s** while DXY surged through US afternoon after taking a breather in US morning, closing 0.6% higher at 94.71 amid demand for refuge as US-China trade tensions showed signs of escalation.
- **We turn bullish on USD** from rising demand for refuge amid likelihood of extended declines in markets due to rising US-China trade tensions. Firmer US CPI tonight could drive further gains. Minor bearish trend in DXY was nullified by a close above 94.39. There is now scope for a climb to 95.01 next, but we caution that this level is near recent rejection points and therefore, poses rejection risks that could push DXY back to 94.04.

EUR

- **EUR weakened 0.6% to 1.1674 against a rallying USD** but managed to beat 6 G10s on the back of weaker commodity majors.
- **EUR is now bearish on the back of a strong USD**. A minor bearish trend has prevailed in EURUSD and is now inclined to test 1.1652 next. Breaking below this level exposes a move to 1.1595.

GBP

- **GBP** was supported by receding UK political risk as well as weakness in European markets, rising against 8 G10s but **fell 0.53% to 1.3205 against a firm USD**.
- **Expect a bearish GBP on the back of a strong USD**. GBPUUSD is now inclined to further losses after closing below 1.3215 overnight. Losing 1.3190 will expose a drop to 1.3159 next, below which 1.3104 will be tested.

JPY

- **JPY** weaken against 5 G10s and **slumped 0.91% to 112.01 against a rallying USD** as markets weigh on increased trade tensions' potential disruption to Japan's economy and its attempt at recovery.
- **Stay bullish on JPY against USD** as demand for refuge is likely to climb following rising prospects of China retaliating to US' trade tariffs. Expect a modest pullback in USDJPY after overnight surge.

AUD

- **AUD plunged 1.25% to 0.7366 against USD** and weakened against all G10s, pressured by declines in equities, commodities and economic concerns.
- **Keep a bearish view on AUD against USD**, pressured by continued jitters in the markets emanating from trade war concerns. AUDUSD is now technically bearish and has room to decline further to test 0.7311 – 0.7323. This move would represent another test at strong support, which could trigger a rebound higher going forward.

SGD

- **SGD** was well-supported as regional haven major, beating 9 G10s though **still fell short against a strong USD as it weakened 0.52% to 1.3642**.
- **SGD is now bearish against USD**, pressured by likelihood of increased risk aversion in the markets amid rising US-China trade tensions. USDSGD is likely to challenge higher levels but caution that risk of rejection increases approaching 1.3676 – 1.3688, which could trigger losses to below 1.3643 going forward.

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