

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equity staged a come-back overnight ahead of Q2 earnings and on seemingly easing trade tensions as China did not strike back with any immediate retaliatory measures** following the Trump Administration's fresh round of tariff threats on Wednesday. **Treasury Secretary Steven Mnuchin had earlier testified before Congress that they were focusing on renegotiating old trade deals** with Canada and Mexico and ensuring that China followed trade rules. In fact both countries signaled that they are open for talk.
- **Despite a disappointment in monthly CPI growth, US annual CPI rose 2.9% YOY, a six-year high**, while core CPI came in at 2.3% YOY signaling that underlying inflation has firmed up. **Initial jobless claims fell to 214k last week signaling a continuously robust jobs market** and both data reaffirmed view of two more rate hikes by the Fed in rest of 2018. **Eurozone industrial production growth hit a five-month high at 1.3% MOM** while a yearly basis output grew 2.4% YOY, a sign of rebound in 2Q GDP growth in the Euro area. **Singapore retail sales posted slower gain** at 0.1% YOY despite pre-Eid celebration spending, dragged down by decline in motor vehicle sales **while its advance 2Q GDP growth slowed to 3.8% YOY**. New Zealand manufacturing sector expanded at a slower pace as PMI dropped to 52.8. **Malaysia industrial production growth tapered off for the first time in three months to 3.0% YOY due to broad based moderation**.
- **USD remained higher against 6 G10s** while the DXY recovered from a sell-off ahead of US CPI data to close 0.11% higher at 94.82. **Stay bullish on USD** as risk appetite ebbs going into the week's close on top of President Trump's visit to the UK. Holding above 94.66 still exposes DXY 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 slipped 0.1% to 4.0410 against USD** but not before retracing early losses from a weaker opening. MYR advanced against all G10s that were on a retreat against a firm USD. **We are neutral on MYR against USD**, expecting early gains to narrow on receding buying interest approaching the week's close. USDMYR remains in a minor bullish trend, suggesting an inclination towards gains. But we caution that risk of rejection will increase approaching 4.0500 – 4.0515, which could trigger a drop to 4.0325.
- **SGD was also supported amid improved risk appetite, beating 7 G10s and advancing 0.07% to 1.3632 against USD. We turn slightly bullish on SGD against USD** on technical reasons. USDSGD's failure to beat 1.3643 is likely to induce some weakness into the technical landscape. Another failure at 1.3643 will expose USDSGD to a drop to 1.3579 soon.

Overnight Economic Data

Malaysia	↓
US	↑
Eurozone	↑
Singapore	↓
China	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US U. of Mich. Consumer Sentiment Index
- Japan Industrial Production
- China Trade Balance, Exports

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1635	1.1652	1.1665	1.1680	1.1706	↘
USDJPY	112.05	112.30	112.69	112.85	113.00	↘
GBPUSD	1.3121	1.3156	1.3182	1.3200	1.3210	↘
AUDUSD	0.7362	0.7397	0.7413	0.7432	0.7451	↘
EURGBP	0.8840	0.8850	0.8852	0.8857	0.8862	↗
USDMYR	4.0325	4.0355	4.0378	4.0400	4.0439	→
EURMYR	4.7024	4.7063	4.7085	4.7129	4.7165	↘
JPYMYR	3.5775	3.5800	3.5813	3.5833	3.5893	↘
GBPMYR	5.3115	5.3151	5.3182	5.3206	5.3266	↘
SGDMYR	2.9586	2.9599	2.9609	2.9633	2.9689	↘
AUDMYR	2.9869	2.9894	2.9935	2.9949	2.9969	↗
NZDMYR	2.7315	2.7337	2.7343	2.7357	2.7394	↘
USDSGD	1.3600	1.3617	1.3633	1.3643	1.3661	↘
EURSGD	1.5865	1.5875	1.5900	1.5910	1.5927	↘
GBPSGD	1.7930	1.7947	1.7961	1.7987	1.8002	↘
AUDSGD	1.0089	1.0100	1.0105	1.0111	1.0122	↘

* 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	1,703.57	0.88	-5.19	CRB Index	194.00	0.61	0.07
Dow Jones Ind.	24,924.89	0.91	0.83	WTI oil (\$/bbl)	70.33	-0.07	16.40
S&P 500	2,798.29	0.87	4.66	Brent oil (\$/bbl)	74.45	1.43	11.34
FTSE 100	7,651.33	0.78	-0.47	Gold (\$/oz)	1,247.39	0.44	8.10
Shanghai	2,837.66	2.16	-14.20	CPO (RM/tonne)	2,204.00	-1.72	-7.78
Hang Seng	28,480.83	0.60	-4.81	Copper (\$/tonne)	6,228.00	1.35	-14.06
STI	3,253.01	0.12	-4.41	Rubber (sen/kg)	400.00	-1.36	-13.51

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Industrial Production YOY	May	3.0%	4.6%	3.0%
US Initial Jobless Claims	07 Jul	214k	232k (revised)	225k
US CPI MOM	Jun	0.1%	0.2%	0.2%
US CPI YOY	Jun	2.9%	2.8%	2.9%
EU Industrial Production MOM	Jun	1.3%	-0.8%	--
CN Foreign Direct Investment YOY	Jun	0.3%	7.60%	--
SG GDP YOY	2QA	3.8%	4.3%	4.1%
SG Retail Sales YOY	May	0.1%	0.6% (revised)	0.5%
BusinessNZ Manufacturing PMI	Jun	52.8	54.4 (revised)	--

Source: Bloomberg

Macroeconomics

- US inflation, jobs market firmed up:** The seasonally adjusted monthly CPI growth came in lower than expected at 0.1% MOM in June (May: +0.2%) as prices of energy fell. Core inflation which stripped out food and energy rose 0.2% MOM (May: +0.2%). On a yearly basis, CPI rose at its fastest pace in six years, by 1.9% YOY (May: +1.8%) driven by higher gain in energy prices (June +12.0% vs May +11.7%), food & beverages (+1.5% vs +1.2%), transportation (+6.7% vs +5.9%) and medical care (+2.5% vs +2.4%). Services and housing inflation slowed to increase 2.8% YOY (May: +2.9%) and 2.8% YOY (May: +3.0%) respectively. The annual core CPI came in higher as well increasing 2.3% YOY (May: +2.3%) suggesting that underlying inflation has firmed up. Despite many reports on elevated input cost which corresponded with yesterday's higher producer prices growth, the pass-through of cost from firms to consumers appeared to be limited as evident in the easing of services inflation (Services made up majority of the US economy). Meanwhile initial jobless claims fell to 214k for the week ended 7 July (previous: 232k revised) signaling a continuously robust labour market. Overall the economy is seen operating near a fully employed labour market with a healthy level of inflation and this reaffirmed our view of two more rate hikes by the Federal Reserve for the remainder of 2018. As of writing, investors are pricing in a 72.4% chance of a rate hike in late September.
- Eurozone industrial production growth at 5-month high:** The seasonally adjusted industrial production rebounded to increase 1.3% MOM in May (Apr: -0.8%) led by output rebound in Germany (May +2.5% vs -1.8%), Spain (+1.0% vs -1.8%) and Italy (+0.7% vs -1.3%). Productions in France continued to fall albeit at a slower pace (-0.2% vs -0.5%). Aside from capital goods which recorded slower growth, all the other areas saw a rebound – energy production (+0.5% vs -5.2%), intermediate goods (+1.6% vs -0.7%), durable goods (+2.1% vs -2.1%) and non-durable goods (+2.1% vs -1.1%). On a yearly basis, growth came in at 2.4% YOY (Apr: +1.7%). The upturn in industrial output signaled an acceleration in GDP growth in 2Q18 after growth came in somewhat softer in the first quarter.
- China foreign direct investment slowed:** FDI increased 0.3% YOY in June (May: +7.6%).
- Singapore retail sales posted slower gain:** Retail sales rose 0.1% YOY in May (Apr: +0.6% revised) despite pre-Eid celebration spending as faster gains in sales of department stores (May +2.7% vs Apr -1.7%) wearing apparel & footwear (+6.8% vs -2.2%), petrol services stations (+8.8% vs +8.5%) and furniture & household equipment (+9.1% vs +5.3%) were offset by a substantial decline in sales of motor vehicles (-8.4% vs -0.8%). Retail sales which stripped out motor vehicles rose at a faster pace by 2.2% YOY (Apr: +0.9%). In a fresh release this morning, the advance reading for 2Q18 GDP growth came in below expectations at 3.8% YOY (1Q: +4.3%) as growth in manufacturing sector eased to increase 8.6% YOY (1Q: +9.7%) while that of the construction sector extended its decline albeit slowly at 4.4% (1Q: -5.2%). The services sector posted easier gain as well rising 3.4% YOY (1Q: +4.0%) after a faster growth in the previous quarter.
- New Zealand manufacturing sector seen expanding at slower pace:** The BusinessNZ Manufacturing PMI fell to 52.8 in June (May: 54.4) as employment contracted while production rose at slower rate.

- Malaysia industrial production saw broad-based moderation:**
 Industrial production growth tapered off for the first time in three months, to 3.0% YOY in May (Apr: +4.6% YOY), as a result of broad-based deterioration in all the three main categories. IPI growth for the manufacturing sector softened to 4.1% YOY (Apr: +5.3%) while electricity IPI reported a slower growth of 2.6% YOY (Apr: +5.8%). Mining output took a turn and contracted 0.5% YOY in May (Apr: +1.8%) as the 4.8% YOY decline in the natural gas index offset the 4.7% YOY increase in crude oil. On a MOM seasonally adjusted basis, IPI rose 0.2% in May (Apr: +1.5%), marking its first back-to-back gain since November last year. The moderation in May's IPI growth remains supportive of our view for more moderate economic expansion in 2Q, more so as we anticipate easier production growth ahead as businesses adopt a wait-and-see approach whilst some are being adversely affected by policy and project reviews. Escalating trade spat could also potentially exert downward pressure on global demand, hence exports and production of Malaysian products. We are maintaining our full year GDP growth forecast at 5.0% for now, pending greater policy clarity domestically and development on trade tariff issues on the global front.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
13/07	US	U. of Mich. Sentiment	Jul P	98.0	98.2	--
16/07		Retail Sales Advance MOM	Jun	0.6%	0.8%	--
		Empire Manufacturing	Jul	20.0	25	--
16/07	Eurozone	Trade Balance SA	May	--	18.1b	--
16/07	UK	Rightmove House Prices YOY	Jul	--	1.70%	--
13/07	Japan	Industrial Production YOY	May F	--	2.6%	--
13/07	China	Trade Balance	Jun	\$27.72b	\$24.92b	--
		Exports YOY	Jun	9.5%	12.6%	--
16/07		GDP YOY	2Q	6.7%	6.8%	--
		Retail Sales YOY	Jun	8.9%	8.5%	--
		Industrial Production YOY	Jun	6.5%	6.8%	--
		Fixed Assets Ex Rural YTD YOY	Jun	6.0%	6.1%	--
16/07	New Zealand	Performance Services Index	Jun	--	57.3	--
11- 14/07		REINZ House Sales YOY	Jun	--	1.3%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1672	-0.02	1.1696	1.1650	-2.8
USDJPY	112.55	0.48	112.63	111.92	0.0
GBPUSD	1.3206	0.01	1.3245	1.3181	-2.5
AUDUSD	0.7408	0.57	0.742	0.7361	-5.1
EURGBP	0.8837	-0.04	0.8850	0.8821	-0.3
USDMYR	4.0410	-0.10	4.0465	4.0375	-0.1
EURMYR	4.7189	-0.12	4.7255	4.7125	-2.8
JPYMYR	3.5965	-0.85	3.6105	3.5933	0.0
GBPMYR	5.3387	-0.12	5.3441	5.3304	-2.5
SGDMYR	2.9662	0.09	2.9686	2.9592	-2.2
AUDMYR	2.9820	-0.06	2.9868	2.9730	-5.3
NZDMYR	2.7336	-0.36	2.7366	2.7260	-5.1

Source: Bloomberg

Forex

MYR

- **MYR slipped 0.1% to 4.0410 against USD** but not before retracing early losses from a weaker opening. MYR advanced against all G10s that were on a retreat against a firm USD.
- **We are neutral on MYR against USD**, expecting early gains to narrow on receding buying interest approaching the week's close. USDMYR remains in a minor bullish trend, suggesting an inclination towards gains. But we caution that risk of rejection will increase approaching 4.0500 – 4.0515, which could trigger a drop to 4.0325.

USD

- **USD remained higher against 6 G10s** while the DXY recovered from a sell-off ahead of US CPI data to close 0.11% higher at 94.82.
- **Stay bullish on USD** as risk appetite ebbs going into the week's close on top of President Trump's visit to the UK. Holding above 94.66 still exposes DXY 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 slipped 0.02% to 1.1672 against USD** after narrowing sharp early losses in US morning. EUR managed to advance against 5 G10s.
- **EUR remains bearish against a firm USD**, further weighed down by risk aversion in the markets amid Trump's visit to the UK. Minor bearish trend still prevails in EURUSD. We still set sights on 1.1652, below which 1.1595 will be exposed.

GBP

- **GBP inched 0.01% higher to 1.3206 against USD** and advanced against 6 G10s, recovering from a slump following US President Trump's remarks that he prefers a hard Brexit.
- **Expect a bearish GBP against a firm USD**, with receding buying interest ahead of Trump's visit to the UK over the weekend. GBPUSD is still inclined to further losses while below 1.3215. Caution that losing 1.3190 in early trade has exposed a drop to 1.3159 next, below which 1.3104 will be tested.

JPY

- **JPY weakened 0.48% to 112.55 against USD** and retreated against 7 G10s as demand for refuge eased amid rebound in equities and commodities.
- **Stay bullish on JPY against USD** as we continue to anticipate support from refuge demand ahead of China's trade data and Trump's visit to the UK. We opine that USDJPY is highly stretched and will likely be attempting a retracement from recent rally soon. A drop below 112.05 may be in the works.

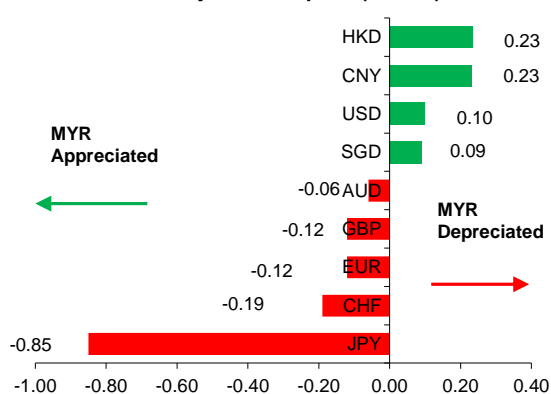
AUD

- **AUD** was lifted by rebound in equities and commodities to beat all G10s and **jumped 0.57% to 0.7408 against USD**.
- **Keep a bearish view on AUD against USD**, in line with our view of receding risk appetite going into the week's close and bearish potential in China's trade data. AUDUSD remains technically bearish despite overnight close above 0.7397. Minor bearish bias, unless nullified, dictates a potential close below 0.7366 going forward.

SGD

- **SGD** was also supported amid improved risk appetite, beating 7 G10s and **advancing 0.07% to 1.3632 against USD**.
- **We turn slightly bullish on SGD against USD** on technical reasons. USDSGD's failure to beat 1.3643 is likely to induce some weakness into the technical landscape. Another failure at 1.3643 will expose USDSGD to a drop to 1.3579 soon.

MYR vs Major Counterparts (% DOD)



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