

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stock markets closed modestly higher on Friday wrapping the week up with gains despite mixed Q2 earnings results from the financials sectors. JP Morgan reported better-than-expected quarter while revenue from both Wells Fargo and Citi missed estimates leading the S&P 500 Financial Sectors to lose 0.46%. Yields on 10Y US treasuries dropped 2bps to 2.83%. WTI retraced some of its earlier losses to close at \$71.01/barrel on news of strike actions from Norway and Iraq. **The Fed published its semi-annual Monetary Policy Report outlining that current economic conditions called for further and gradual rate hike ahead of a two-day hearing where Fed Chair Jerome Powell is set to testify before Congress.**
- **Consumer sentiments in the US slipped due to tariffs concerns** as the University of Michigan Consumer Sentiment Index fell to 97.1 in July. **In the UK, house prices continued to slow in July** – house prices contracted 0.1% on a monthly basis and gained only 1.4% on a yearly basis. Final reading of Japan industrial production growth was confirmed to be 4.2% in May. **China trade surplus widened as imports saw broad-based monthly decline across countries in June signaling softer demand.** New Zealand services sector expanded at the slowest pace in five and a half year - The Performance of Services Index fell to 52.8 in June.
- **USD slipped against 6 G10s** while the DXY overturned early Asian gains to close 0.16% lower at 94.67 on the back of improving risk appetite. **We turn slightly bearish on USD** amid an absence of catalysts to drive further upsides; caution that US data misses could trigger renewed weakness. Failure to advance despite rallying in early trade, on top of failure to beat 95.01, are signs of upside fatigue that could spell an early end to current minor bullish trend. DXY is likely to test the recent rejection range circa 95.01 – 95.24 again, but another failure here will expose a drop to 94.04 in the next leg lower.
- **MYR weakened 0.25% to 4.0510 against USD** after sliding most through Asian afternoon amid a mixture of USD strength and risk aversion, but managed to advance against 8 G10s. **Expect a slightly bullish MYR against USD**, supported by improved risk appetite in the markets. USDMYR remains in a minor bullish trend, suggesting an inclination towards gains. But we caution signs of rejection has emerged near 4.0515 – 4.0520, potentially triggering a drop to 4.0325.
- **SGD weakened 0.19% to 1.3658 against USD** and fell against 9 G10s as demand retreated as risk sentiment in the markets improved. **SGD remains slightly bullish against USD** on technical reasons. USDSGD's advance that was rejected by 2 key resistances may be signs of upside fatigue. Extended gains may be difficult going forward, especially if it closes below 1.3643.

Overnight Economic Data

US	↓
UK	↓
Japan	↑
China	→
New Zealand	↓

What's Coming Up Next

Major Data

- US Retail Sales Advance, Empire Manufacturing,
- Eurozone Trade Balance
- China 2Q GDP, Retail Sales, Industrial Production, Fixed Assets Investment

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1635	1.1659	1.1680	1.1702	1.1723	↗
USDJPY	112.05	112.30	112.47	112.63	112.80	↗
GBPUSD	1.3121	1.3156	1.3232	1.3248	1.3264	↗
AUDUSD	0.7376	0.7403	0.7428	0.7433	0.7451	↗
EURGBP	0.8809	0.8824	0.8828	0.8836	0.8850	↘
USDMYR	4.0403	4.0422	4.0455	4.0465	4.0480	↘
EURMYR	4.7228	4.7266	4.7268	4.7302	4.7332	↗
JPYMYR	3.5900	3.5938	3.5965	3.6000	3.6020	↘
GBPMYR	5.3475	5.3526	5.3540	5.3617	5.3650	↗
SGDMYR	2.9600	2.9630	2.9648	2.9661	2.9676	↗
AUDMYR	2.9970	3.0018	3.0055	3.0097	3.0131	↗
NZDMYR	2.7366	2.7394	2.7409	2.7418	2.7448	↗
USDSGD	1.3609	1.3624	1.3645	1.3663	1.3685	↘
EURSGD	1.5917	1.5928	1.5942	1.5958	1.5977	↘
GBPSGD	1.8036	1.8053	1.8059	1.8081	1.8100	↘
AUDSGD	1.0122	1.0133	1.0138	1.0143	1.0156	↗

* 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	1,721.93	1.08	-4.17	CRB Index	193.73	-0.14	-0.07
Dow Jones Ind.	25,019.41	0.38	-0.21	WTI oil (\$/bbl)	71.01	0.97	17.53
S&P 500	2,801.31	0.11	4.78	Brent oil (\$/bbl)	75.33	1.18	12.31
FTSE 100	7,661.87	0.14	-0.34	Gold (\$/oz)	1,244.32	-0.25	8.10
Shanghai	2,831.18	-0.23	-14.39	CPO (RM/tonne)	2,180.00	-1.09	-8.79
Hang Seng	28,525.44	0.16	-4.66	Copper (\$/tonne)	6,237.00	0.14	-13.94
STI	3,260.35	0.23	-4.19	Rubber (sen/kg)	412.00	1.85	-10.92

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US U. of Michigan Consumer Sentiment	Jul P	97.1	98.2	98.0
UK Rightmove House Prices MOMYOY	Jul	-0.1%	0.4%	--
JP Industrial Production YOY	May F	4.2%	2.6%	--
CN Trade Balance	Jun	\$41.6b	\$24.2b (revised)	\$27.7b
CN Exports YOY	Jun	11.3%	12.2% (revised)	9.5%
CN Imports YOY	Jun	14.1%	26.0%	21.3%
NZ Performance Services Index	Jun	52.8	57.1 (revised)	--

Source: Bloomberg

➤ Macroeconomics

- US consumer sentiments slipped on tariffs concerns:** Preliminary reading of the University of Michigan Consumer Sentiment Index fell to 97.1 in July (Jun: 98.2) but remained near its 12-month average. Consumers continued to be upbeat on favorable job and income prospects and these have overcome higher inflation and interest rates. However, negative concerns about the impact of tariffs on the economy have accelerated with negative references rising from 15% in May, to 21% in June and 28% in July.
- UK house prices growth continued to slow:** The Rightmove House Prices contracted 0.1% MOM in July (Jun: +0.4%) while on a yearly basis, prices eased to increase 1.4% YOY (Jun: +1.7%) as the UK housing markets remained in a slump due to limited buying interest. Average asking price for the country stood at £309,191 in July (Jun: £309,439) while in London it was £628,458 (Jun: £631,737).
- Japan industrial production rose:** Final reading of the seasonally adjusted industrial production growth confirmed that output fell 0.2% MOM in May (Apr: +0.5%). The unadjusted yearly growth meanwhile clocked in at 4.2% YOY in June (May: +2.6%), unchanged from the flash reading on faster manufacturing output gains (May +4.3% vs. Apr: +2.6%). Capacity utilization fell 2.1% MOM (Apr: +1.8%).
- China trade surplus widened on lower imports:** Exports rose more than expected by 11.3% YOY in June (May: +12.2% revised) while imports fell short of expectations increasing 14.1% YOY (May: +26.0%) which brings the trade surplus in dollar term to US\$41.61bn (May: 24.23bn revised). Exports to the US rose 12.6% MOM (May: +11.6%), believed to be spurred by frontloading ahead of the tariff imposition and is expected to ease for the coming months after the latest US tariffs went into effect on 6 July, while imports slowed to increase 9.6% MOM (May: +11.4%). Imports saw broad-based monthly decline across countries depicting a slowdown in demand as the government deleveraging campaign continues. Imports from Hong Kong, Japan, South Korea, Taiwan, Malaysia, Singapore and the EU recorded lower growth, suggesting a slowdown in output in the months ahead.
- New Zealand services sector expanded at the slowest pace in five and a half year:** The Performance of Services Index fell to 52.8 in June (May: 571.1 revised) due to broad-based slowdown - activity & sales, (-3.2pts), employment (-3.0pts), new orders (-5.5pts) and inventories (-3.5pts). Supplier deliveries contracted fell 4.8pts to 48.3.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
16/07	US	Retail Sales Advance MOM	Jun	0.5%	0.8%	--
		Empire Manufacturing	Jul	21.0	25	--
17/07		Industrial Production MoM	Jun	0.5%	-0.1%	
		Capacity Utilization	Jun	78.2%	77.9%	
		NAHB Housing Market Index	Jul	69.0	68.0	
16/07	Eurozone	Trade Balance SA	May	--	18.1b	--
17/07		Jobless Claims Change	Jun	--	-7.7k	--
		Average Weekly Earnings 3M/YoY	May	2.5%	2.5%	--
16/07	China	ILO Unemployment Rate 3Mths	May	4.2%	4.2%	--
		GDP YOY	2Q	6.7%	6.8%	--
		Retail Sales YOY	Jun	8.8%	8.5%	--
		Industrial Production YOY	Jun	6.5%	6.8%	--
		Fixed Assets Ex Rural YTD YOY	Jun	6.0%	6.1%	--
17/07		New Home Prices MoM	Jun	--	0.8%	--
17/07	Singapore	Electronic Exports YoY	Jun	--	-7.8%	--
		Non-oil Domestic Exports YoY	Jun	--	15.5%	--
17/07	Australia	RBA July Meeting Minutes				
17/07	New Zealand	CPI YoY	2Q	1.6%	1.1%	--
11- 14/07		REINZ House Sales YOY	Jun	--	1.3%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1685	0.11	1.1687	1.1613	-2.7
USDJPY	112.38	0.15	112.8	112.28	-0.2
GBPUSD	1.3222	0.12	1.3239	1.3103	-2.1
AUDUSD	0.7424	0.22	0.7425	0.7368	-5.0
EURGBP	0.8834	-0.03	0.8866	0.8825	-0.6
USDMYR	4.0510	0.25	4.0520	4.0363	0.1
EURMYR	4.7136	0.11	4.7165	4.7003	-2.4
JPYMYR	3.5938	0.08	3.5946	3.5808	0.2
GBPMYR	5.3186	0.38	5.3287	5.3068	-1.9
SGDMYR	2.9616	0.16	2.9654	2.9579	-2.1
AUDMYR	2.9894	0.25	2.9978	2.9857	-5.0
NZDMYR	2.7281	0.20	2.7408	2.7259	-4.9

Source: Bloomberg

Forex

MYR

- **MYR weakened 0.25% to 4.0510 against USD** after sliding most through Asian afternoon amid a mixture of USD strength and risk aversion, but managed to advance against 8 G10s.
- **Expect a slightly bullish MYR against USD**, supported by improved risk appetite in the markets. USDMYR remains in a minor bullish trend, suggesting an inclination towards gains. But we caution signs of rejection has emerged near 4.0515 – 4.0520, potentially triggering a drop to 4.0325.

USD

- **USD slipped against 6 G10s** while the DXY overturned early Asian gains to close 0.16% lower at 94.67 on the back of improving risk appetite.
- **We turn slightly bearish on USD** amid an absence of catalysts to drive further upsides; caution that US data misses could trigger renewed weakness. Failure to advance despite rallying in early trade, on top of failure to beat 95.01, are signs of upside fatigue that could spell an early end to current minor bullish trend. DXY is likely to test the recent rejection range circa 95.01 – 95.24 again, but another failure here will expose a drop to 94.04 in the next leg lower.

EUR

- **EUR bounced from intraday low to close 0.11% higher at 1.1685 against a soft USD** and beat 5 G10s as risk appetite improved in European session.
- **EUR is slightly bullish in line with our view of a soft USD.** Minor bearish trend still prevails in EURUSD, suggesting a drop to below 1.1672 soon. However, a bounce off the strong 1.1656 level last Friday hints at a potential for brief rebound, possibly testing 1.1702 – 1.1715 in the process.

GBP

- **GBP climbed 0.12% to 1.3222 against a soft USD** and advanced against 6 G10s as sentiment continues to improve amid UK government's push for a soft Brexit.
- **Expect a slightly bullish GBP on the back of a soft USD**, further supported by mildly positive Brexit sentiment in the UK. GBPUSD is still inclined to a drop below 1.3205 as bearish trend still prevails. But given that it managed to beat 1.3212 last Friday, there may be scope for a minor rebound to circa 1.3264 before resuming its downtrend.

JPY

- **JPY strengthened 0.15% to 112.38 against USD** and advanced against 7 G10s.
- **We turn bearish on JPY against USD** as demand for refuge retreats further. Minor bullish trend prevails, suggesting USDJPY may still hold above 112.55 in the coming days before the onset of a reversal lower that could break below 112.05.

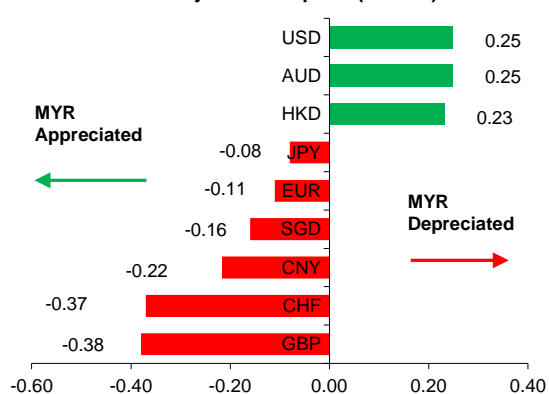
AUD

- **AUD rallied to beat all G10s and climbed 0.22% to 0.7424 against USD** as risk appetite improves.
- **We turn slightly bullish on AUD against USD** amid improving risk appetite in the markets; upside surprise in China's 2Q GDP data will drive further gains. AUDUSD remains technically bearish despite another close above 0.7397. Minor bearish bias, unless nullified by beating 0.7459 today, dictates a potential close below 0.7366 going forward.

SGD

- **SGD weakened 0.19% to 1.3658 against USD** and fell against 9 G10s as demand retreated as risk sentiment in the markets improved.
- **SGD remains slightly bullish against USD** on technical reasons. USDSGD's advance that was rejected by 2 key resistances may be signs of upside fatigue. Extended gains may be difficult going forward, especially if it closes below 1.3643.

MYR vs Major Counterparts (% DOD)



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

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.