

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended on mixed notes overnight due to a sell-off in energy shares as prices of crude oil fell.** WTI tanked below the \$69 mark for the first time in three weeks to \$68.06 per barrel as the Trump Administration mulls tapping into the Strategic Petroleum Reserves, the country emergency supply of crude oil coupled with Secretary Mnuchin comments that the US would consider waivers on countries that need more time to reduce imports from Iran. **Fed's Kashkari published a blog post that there is little reasons for the Fed to raise rates further as inflation expectations are well-anchored and the economy is showing no sign of heating up.** Yield on 10Y US treasuries closed 3bps higher at 2.86%.
- At the data front, **US retail sales grew at a slower pace** of 0.5% MOM in June as expected, following an upwardly revised 1.3% in May. **New York manufacturing activities expanded at a slower pace but remained robust** as the Empire State Manufacturing headline general business conditions index fell to 22.6 in July. **Eurozone trade surplus narrowed to €16.9bn in May on softer exports growth.** **New Zealand inflation picked up less than expected to 1.5% YOY in 2Q** as a weaker currency led to more expensive imports. **China 2Q GDP growth slowed to increase 6.7% YOY.** Retail sales growth bounced back to edge up 9.0% while both industrial production and fixed asset investment experienced slower rate of expansion of 6.0% YOY respectively.
- **USD weakened against 9 G10s** while the DXY fell through Asian and European sessions before steadying going into US afternoon, settling 0.18% lower at 94.51 on continued retreat in buying interest on a lack of positive catalysts. **Stay bearish on USD** amid an absence of development in the on-going US-China trade spat; downside surprises in US data could trigger sharper losses. Losing 94.62 overnight adds a bearish tone to DXY. Downside could accelerate while below this and potentially target 94.04 going forward.
- **MYR advanced 0.17% to 4.0440 against USD** that retreated going into European session but fell against all other G10s that were also firmer against the greenback. **Expect a slightly bullish MYR against a relatively softer USD,** and further 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 continue to prevail near 4.0515 – 4.0520, potentially triggering a drop to 4.0325.
- **SGD strengthened 0.27% to 1.3621 against a soft USD** and climbed against 7 G10s as risk appetite improved. **SGD remains slightly bullish against USD** as risk appetite improves. USDSGD falling below 1.3643 adds to current bearish signs. Further losses are likely, with scope to test 1.3579 in the next leg lower.

Overnight Economic Data

US	↓
Eurozone	↓
China	→
New Zealand	→

What's Coming Up Next

Major Data

- US Industrial Production, NAHB Housing Market Index
- UK Jobless Claims Change, Average Weekly Earnings, ILO Unemployment Rate
- Singapore Non-oil Domestic Exports

Major Events

- RBA July Meeting Minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1680	1.1700	1.1709	1.1723	1.1741	↗
USDJPY	112.05	112.28	112.44	112.55	112.67	↗
GBPUSD	1.3214	1.3224	1.3232	1.3248	1.3267	↗
AUDUSD	0.7376	0.7397	0.7412	0.7422	0.7434	↗
EURGBP	0.8827	0.8840	0.8845	0.8853	0.8879	↘
USDMYR	4.0405	4.0428	4.0465	4.0472	4.0500	↘
EURMYR	4.7266	4.7333	4.7368	4.7384	4.7400	↗
JPYMYR	3.5930	3.5946	3.5981	3.6000	3.6040	↗
GBPMYR	5.3422	5.3475	5.3542	5.3562	5.3609	↗
SGDMYR	2.9676	2.9690	2.9694	2.9731	2.9750	↗
AUDMYR	2.9952	2.9984	2.9991	3.0018	3.0050	↘
NZDMYR	2.7378	2.7394	2.7440	2.7448	2.7500	↗
USDSGD	1.3590	1.3609	1.3629	1.3643	1.3662	↘
EURSGD	1.5929	1.5936	1.5953	1.5958	1.5965	↘
GBPSGD	1.8002	1.8023	1.8035	1.8057	1.8080	↘
AUDSGD	1.0046	1.0182	1.0099	1.0116	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	1,726.67	0.28	-3.90	CRB Index	191.17	-1.32	-1.39
Dow Jones Ind.	25,064.36	0.18	1.40	WTI oil (\$/bbl)	68.06	-4.15	12.64
S&P 500	2,798.43	-0.10	4.67	Brent oil (\$/bbl)	71.84	-4.63	7.43
FTSE 100	7,600.45	-0.80	-1.14	Gold (\$/oz)	1,240.93	-0.27	8.10
Shanghai	2,814.04	-0.61	-14.91	CPO (RM/tonne)	2,159.50	-1.03	-9.64
Hang Seng	28,539.66	0.05	-4.61	Copper (\$/tonne)	6,192.00	-0.72	-14.56
STI	3,232.79	-0.85	-5.00	Rubber (sen/kg)	416.00	0.97	-10.05

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US Retail Sales Advance MOM	Jun	0.5%	1.3% (revised)	0.5%
US Empire Manufacturing	Jul	22.6	25.0	21.0
EU Trade Balance SA	May	€16.9bn	€18.0b	--
CN GDP YOY	2Q	6.7%	6.8%	6.7%
CN Retail Sales YOY	Jun	9.0%	8.5%	8.8%
CN Industrial Production YOY	Jun	6.0%	6.8%	6.5%
CN Fixed Assets Ex Rural YTD YOY	Jun	6.0%	6.1%	6.0%
NZ CPI YOY	2Q	1.5%	1.1%	1.6%
NZ Reinz House Sales YOY	Jun	-1.6%	1.3%	--

Source: Bloomberg

- US retail sales posted firm growth:** The advance reading released by the Census Bureau shows that retail sales rose 0.5% MOM in June (May: +1.3% revised) while growth in previous month was revised from 0.8% to 1.3%, a sign of strong consumer demand in a continuously expanding economy. On a yearly basis, retail sales increased 6.6% YOY (May: +6.5% revised). Sales in motor vehicles and parts sales saw faster gains increasing 0.9% MOM (May: +0.8%). Excluding motor vehicles and parts, retail sales rose 0.4% MOM (May: +1.4%). Sales in gasoline stations increased a comparatively modest 1.0% MOM (May: +3.0%) but remained high as we have earlier expected as the rise in gasoline prices is smaller in June compared to May. Excluding gasoline, retail sales improved 0.4% MOM (May: +1.2%). Sales in other categories were rather mixed - furniture stores rebounded (June +0.6% vs May -1.4%), food & beverages fell (-0.3% vs +0.2%), clothing & accessories fell (-2.5% vs +2.9%) and health & personal care improved (+2.2% vs +1.3%). Nonetheless overall retail sales continued to suggest solid demand on the part of consumers, and 2Q18 GDP growth is bound to come out strong.
- US New York manufacturing activities remained robust:** Meanwhile the New York Fed published its July Empire State Manufacturing Survey whereby the headline general business conditions index fell to 22.6 (June: 25.0), dragged down by a broad based decline but remained at a high level hence signaling that the manufacturing sector in New York State continued to expand at a robust pace. However sentiments among firms are slightly hammered as the index for future conditions which measures optimism about the six-month outlook slipped 8 points to 31.1 potentially on higher input cost and uncertainties regarding trade policies.
- Eurozone trade surplus narrowed on softer exports growth:** The seasonally adjusted exports eased to increase 0.2% MOM in May (Apr: +0.6%) while imports rose 0.9% MOM (Apr: +1.5%), this brings the trade surplus to narrow to €16.9bn (Apr: €18.0bn). Exports in four out of five major members faltered with the exception of Germany which posted a 0.3% gain. The slower exports growth was not due to US tariffs on steels and aluminium which came into effect in June.
- New Zealand inflation missed expectations but came in higher:** Data released by Statistic New Zealand this morning shows that CPI picked up to 1.5% YOY in the second quarter of 2018 (1Q: +1.1%), less than the estimated 1.6% but higher than the previous quarter as a weaker currency led to more expensive imports. Prices of both tradables and non-tradables gained 0.1% YOY (1Q: -0.4%) and 2.5% (1Q: +2.3%) respectively. Majority of the categories saw higher prices for the quarter except for fruit & vegetables which dropped 5.6% YOY (1Q: -0.8%) and clothing which extended its three consecutive quarters of decline by 1.2% YOY (1Q: -1.4%). On a quarterly basis, CPI rose 0.4% QOQ (1Q: +0.5%). Higher inflation within the RBNZ target range of 1-3% could lead to lesser speculations of an RBNZ rate cut as the New Zealand economy is showing sign of a slowdown. In a separate release by QV, house sales dropped 1.6% YOY in June (Apr: +1.3%).
- China 2Q GDP growth slowed as trade tension escalates:** Real GDP growth slowed to increase 6.7% YOY in the second quarter of 2018 (1Q: +6.8%) as widely expected while on a quarterly basis, growth accelerated 1.8% QOQ (1Q: +1.4%) as growth in the primary sector was steady while the secondary sector saw slower expansion and the tertiary industries saw marginal growth.

- **China retail sales recovered:** Retail sales growth bounced back higher to 9.0% YOY in June (May: +8.5%) in yuan terms but remained lower than its 5-year average of 11%. All categories registered faster gains in terms of sales except for the auto industry where sales declined for the second consecutive month by 7.0% YOY (May: -1.0%).
- **China Industrial production, fixed asset investment eased:** Industrial production growth eased further to 6.0% YOY in June (May: +6.8%) due to a slowdown in many key products - crude steel increased at a slower pace of 7.5% (May: +8.9%), steel product 7.2% (May: +10.8%), coal 1.7% (May: +3.5%), natural gas 5.6% (May: +5.9%) and electricity 6.7% (May: +9.8%). Growth in crude output, coking coal, computer and mobile phones declined by 2.3% (May: -1.6%), -4.7% (May: -1.6%), -10.1% (May: +3.3%) and -6.7% (May: +2.5%) respectively. Fixed asset investment excluding rural households investment recorded its slowest growth of all time at 6.0% YTD YOY in June (May: +6.1%) as faster growth in private investment (Jun +8.4% vs May +8.1%) was offset by slower growth of state-owned companies (+3.0% vs 4.1%). The slowdown in growth was expected while other indicators continued to paint a softer outlook of the economy as the country embarked on structural reforms and deleveraging despite multiple efforts on the part of the government to shore up growth. The escalation of trade tension between the US and China led to further uncertainties potentially hurting demand and business confidence. That said, we expect continuous decent expansion in the China economy albeit at a more moderate pace of 6.5% in 2018.

Economic Calendar

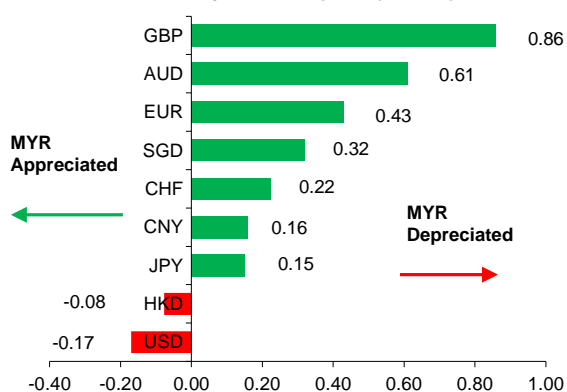
Date	Country	Events	Reporting Period	Survey	Prior	Revised
18/07	Malaysia	CPI YOY	Jun	1.3%	1.8%	--
17/07	US	Industrial Production MOM	Jun	0.5%	-0.1%	--
		Capacity Utilization	Jun	78.3%	77.9%	--
		NAHB Housing Market Index	Jul	68.0	68.0	--
18/07		MBA Mortgage Applications	Jul-13	--	2.5%	--
		Housing Starts MOM	Jun	-2.2%	5.0%	--
		Building Permits MOM	Jun	2.2%	-4.6%	--
18/07	Eurozone	Construction Output YOY	May	--	1.8%	--
		CPI Core YOY	Jun F	1.0%	1.0%	--
		CPI YOY	Jun F	2.0%	1.9%	1.9%
17/07	UK	Jobless Claims Change	Jun	--	-7.7k	--
		Average Weekly Earnings 3M/YOY	May	2.5%	2.5%	--
		ILO Unemployment Rate 3Mths	May	4.2%	4.2%	--
18/07		CPI YOY	Jun	2.6%	2.4%	--
		PPI Output NSA YOY	Jun	3.2%	2.9%	--
17/07	China	New Home Prices MOM	Jun	--	0.8%	--
17/07	Singapore	Electronic Exports YOY	Jun	--	-7.8%	--
		Non-oil Domestic Exports YOY	Jun	7.8%	15.5%	--
17/07	Australia	RBA July Meeting Minutes				
18/07		Westpac Leading Index MOM	Jun	--	-0.22%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1711	0.22	1.1725	1.1676	-2.5
USDJPY	112.29	-0.08	112.56	112.11	-0.2
GBPUSD	1.3235	0.10	1.3293	1.3217	-2.1
AUDUSD	0.7419	-0.07	0.7442	0.7402	-5.1
EURGBP	0.8849	0.17	0.8854	0.8817	-0.4
USDMYR	4.0440	-0.17	4.0520	4.0363	-0.1
EURMYR	4.7337	0.43	4.7165	4.7003	-2.3
JPYMYR	3.5991	0.15	3.5946	3.5808	0.0
GBPMYR	5.3644	0.86	5.3287	5.3068	-2.1
SGDMYR	2.9710	0.32	2.9654	2.9579	-2.0
AUDMYR	3.0075	0.61	2.9978	2.9857	-5.2
NZDMYR	2.7424	0.52	2.7408	2.7259	-4.8

Source: Bloomberg

MYR vs Major Counterparts (% DOD)


Forex

MYR

- **MYR advanced 0.17% to 4.0440 against USD** that retreated going into European session but fell against all other G10s that were also firmer against the greenback.
- **Expect a slightly bullish MYR against a relatively softer USD**, and further 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 continue to prevail near 4.0515 – 4.0520, potentially triggering a drop to 4.0325.

USD

- **USD weakened against 9 G10s** while the DXY fell through Asian and European sessions before steadying going into US afternoon, settling 0.18% lower at 94.51 on continued retreat in buying interest on a lack of positive catalysts.
- **Stay bearish on USD** amid an absence of development in the on-going US-China trade spat; downside surprises in US data could trigger sharper losses. Losing 94.62 overnight adds a bearish tone to DXY. Downside could accelerate while below this and potentially target 94.04 going forward. Upside bias from recapturing of 94.62 is unsustainable unless 94.97 is ultimately broken in the process.

EUR

- **EUR climbed 0.22% to 1.1711 against a soft USD** and advanced against 5 G10s.
- **Continue to expect a bullish EUR against a soft USD.** EURUSD breaking above 1.1702 poses further upside risk, but unless 1.1723 is broken, current rebound is likely short-lived. Above 1.1723, there is room to climb to 1.1778.

GBP

- **GBP held on to a 0.10% gain at 1.3235 against USD** after tumbling in US morning, wiping out advances against other majors to close lower against 7 G10s, likely on risk aversion ahead of UK labour market data today that is expected to drive BOE policy expectations.
- **We are slightly bullish on GBP to the extent of softness in USD;** direction will be strongly influenced by result of UK data. Minor bearish trend has ended but direction going forward remains uncertain for GBPUSD. A close at above 1.3267 is required to strength current upside bias, otherwise, it risks a return to 1.3162.

JPY

- **JPY weakened against 8 G10s** as refuge demand retreated but **managed to inch 0.08% firmer to 112.29 against a soft USD.**
- **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 tumbled against all G10s and slipped 0.07% to 0.7419 against USD**, weighed down by declines in commodities, signs of softer China outlook and risk aversion ahead of RBA minutes today.
- **Expect a slightly bullish AUD against USD** as we anticipate buying interest to improve post-RBA minutes and as risk appetite continue to firm up. Despite holding above 0.7397, direction remains uncertain for AUDUSD. A break above 0.7451 is required to extend current rebound, otherwise a drop below 0.7397 is still at risk.

SGD

- **SGD strengthened 0.27% to 1.3621 against a soft USD** and climbed against 7 G10s as risk appetite improved.
- **SGD remains slightly bullish against USD** as risk appetite improves. USDSGD falling below 1.3643 adds to current bearish signs. Further losses are likely, with scope to test 1.3579 in the next leg lower.

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