

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stock markets rallied overnight, **lifted by Fed Chair Powell's upbeat comment on the economy as he testified before Congress**. Johnson and Johnson's positive earnings boosted the healthcare sector. The Dow, S&P 500 and Nasdaq rose 0.22%, 0.40% and 0.63% respectively. **WTI extended further losses to slip below \$67/barrel after weekly API data showed a surprised increase in crude inventories** but managed to close at \$68.08/barrel. Yield on US 10Y treasuries was little changed at 2.86%. RBA July meeting minutes offered the usual leads on outlook but raised concerns over global trade spat as members noted that trade tensions have extended beyond US and China.
- **US industrial production staged an expected rebound in June** following an unexpected decline in the previous month – output rose 0.6% MOM while figure for May was revised lower from -0.1% to -0.5%. Capacity utilization went up to 78.0% but remained below its long run average. Meanwhile the NAHB Housing Market Index was held steady at 68.0 as homebuilders' confidence remained solid. **UK added 137k new jobs in the three months to May, higher than consensus estimate while unemployment rate stayed at 4.2%**. Wage growth was softer at 2.5%, nonetheless the overall labour market is considered healthy. China house prices growth rose to a 20-month high as new home prices rose 1.1% MOM in June. Singapore non-oil domestic exports disappointed to clock in a marginal growth of 1.1% YOY.
- **USD rebounded to beat 9 G10s** while the DXY began its ascend in European morning through to US afternoon, closing 0.5% higher at 94.98 on continually upbeat economic assessment from Fed Chair Powell and firmer US data. **We turn bullish on USD** in anticipation of buying interest spilling over into today's trade following an upbeat outlook by Fed Chair. DXY is now biased to the upside after retaking 94.97. However, we caution on rising risk of rejection approaching the strong resistance range at 95.24 – 95.52, which had previously ended several attempts to break higher.
- **MYR eased 0.05% to 4.0462 against a firmer USD** that climbed in European session and retreated against 9 G10s. **MYR is now bearish against a firmer overnight USD**. USDMYR remains in a minor bullish trend, suggesting an inclination towards gains especially after breaking 4.0515 – 4.0520. But even so, risk of reversal still prevails as price and momentum diverges, which could trigger a potential decline to 4.0355.
- **SGD weakened 0.2% to 1.3648 against a firm USD** but managed to beat 8 G10s that were also on a retreat against a firm greenback. **We turn bearish on SGD against a firm USD**. USDSGD recapturing above 1.3643 has deterred extended losses. While it is slightly biased to the upside, we caution that risk of rejection increases approaching 1.3676 – 1.3685 range.

Overnight Economic Data

US	➔
UK	➔
China	➕
Singapore	➖

What's Coming Up Next

Major Data

- Malaysia CPI YOY
- US MBA Mortgage Applications, Housing Starts MOM, Building Permits MOM
- Eurozone Construction Output YOY, CPI YOY
- UK CPI YOY, PPI Output NSA YOY
- Australia Westpac Leading Index MOM

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1680	1.1700	1.1709	1.1723	1.1741	➔
USDJPY	112.81	113.00	113.04	113.33	113.48	➔
GBPUSD	1.3084	1.3100	1.3109	1.3145	1.3171	➔
AUDUSD	0.7346	0.7364	0.7380	0.7397	0.7422	➔
EURGBP	0.8865	0.8875	0.8889	0.8894	0.8900	➔
USDMYR	4.0500	4.0530	4.0565	4.0580	4.0600	➔
EURMYR	4.7236	4.7266	4.7289	4.7300	4.7353	➔
JPYMYR	3.5825	3.5877	3.5897	3.5946	3.5991	➔
GBPMYR	5.3060	5.3115	5.3197	5.3266	5.3315	➔
SGDMYR	2.9676	2.9696	2.9710	2.9733	2.9750	➔
AUDMYR	2.9888	2.9918	2.9943	2.9952	2.9997	➔
NZDMYR	2.7425	2.7465	2.7505	2.7547	2.7585	➔
USDSGD	1.3631	1.3643	1.3655	1.3666	1.3676	➔
EURSGD	1.5883	1.5904	1.5914	1.5924	1.5929	➔
GBPSGD	1.7871	1.7892	1.7904	1.7930	1.7946	➔
AUDSGD	1.0055	1.0068	1.0078	1.0084	1.0094	➔

*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	1,737.28	0.61	-3.31	CRB Index	191.09	-0.04	-1.43
Dow Jones Ind.	25,119.89	0.22	1.62	WTI oil (\$/bbl)	68.08	0.03	12.68
S&P 500	2,809.55	0.40	5.08	Brent oil (\$/bbl)	72.16	0.45	7.91
FTSE 100	7,626.33	0.34	-0.80	Gold (\$/oz)	1,227.54	-1.08	8.10
Shanghai	2,798.13	-0.57	-15.39	CPO (RM/tonne)	2,164.50	0.23	-9.44
Hang Seng	28,181.68	-1.25	-5.81	Copper (\$/tonne)	6,152.00	-0.65	-15.11
STI	3,239.64	0.21	-4.80	Rubber (sen/kg)	422.50	0.96	-8.65

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Industrial Production MOM	Jun	0.6%	-0.5% (revised)	0.5%
US Capacity Utilization	Jun	78.0%	77.7% (revised)	78.3%
US NAHB Housing Market Index	Jul	68.0	68.0	68.0
UK Jobless Claims Change	Jun	7.8k	-7.7k	--
UK Average Weekly Earnings 3M/YOY	May	2.5%	2.6% (revised)	2.5%
UK ILO Unemployment Rate 3Mths	May	4.2%	4.2%	4.2%
UK Employment Change 3M/3M	May	1377k	146k	115k
CN New Home Prices MOM	Jun	1.1%	0.8%	--
SG Non-oil Domestic Exports YOY	Jun	1.1%	15.5%	7.8%

Source: Bloomberg

➤ Macroeconomics

- US industrial production staged expected rebound:** Industrial productions rose 0.6% MOM in June (May: -0.5%) while number for May was revised lower from -0.1% to -0.5%. The rebound in growth was widely expected as manufacturing production bounced back 0.8% (May: -1.0% revised) following a decline in production in motor vehicles and parts because of a disruption at a parts supplier in May. Mining eased to increase 1.2% MOM (May: +2.2%) while utilities extended further decline by 1.5% MOM (May: -0.7%). On an annual basis, industrial production rose 3.8% YOY. Meanwhile, capacity utilization went up to 78.0% (May: 77.7% revised) but remained below its long run average. Overall June print is consistent with the optimistic manufacturing surveys as well as other upbeat economic data reaffirming view that the economy continued to be on a healthy track of growth.
- US homebuilders confidence remained solid:** The NAHB Housing Market Index for July came in unchanged at 68.0 (Jun: 68.0) signaling that homebuilders' confidence was held steady as consumer demand for single-family homes remained strong. The index measuring current condition remained the same while expectations dropped as builders continued to face higher construction input cost as they strives to offer competitive prices.
- UK added more jobs than expected:** Unemployment change, which measures the number of new jobs added in the economy, came in better than expected at 137k in May (Apr: 146k) compared to the estimated 115k. Unemployment rates remained unchanged at 4.2% in the three months to May (Apr: 4.2%) while wage growth slowed - the average weekly earnings rose 2.5% YOY in the three months to May (Apr: +2.6% revised) following the upward revision from 2.5% to 2.6% in the previous month. Meanwhile, jobless claims change rose to 7.8k in Jun (May: -3.0k revised). Overall May jobs report painted a positive picture of the labour market leading.
- RBA minutes reaffirmed unchanged cash rate in near term, highlighted trade tensions:** The RBA published its July meeting minutes yesterday and provided the usual insights into its policy move. The central bank maintained the usual tone regarding outlook but noted that trade tensions have extended beyond the US and China. It reinstated that the next cash rate move will more likely be an increase than a decrease but this would not happen any time soon. In the labour market, employment growth had moderated from the strong rates in 2017 and measures of firms hiring intentions from business surveys have been strong and overall leading indicators pointed to above average employment growth over 2H18, however wage growth remained slow. Members also held a detailed discussion of the high level of household debt in Australia based on a special paper prepared for the meeting and noted that continuous careful monitoring of the issue was required. As such we reaffirmed our view that the RBA will continue to keep interest rate unchanged for the rest of the 2018.
- China house prices growth rose to 20-month high:** Latest survey result released by the National Bureau of Statistics shows that China housing market is picking up steam as new home prices rose 1.1% MOM in June (May: +0.8%) the highest growth rate since September 2016 while on a yearly basis, prices rose 5.8% YOY (May: +5.4%). 63 cities reported increase in house prices in June compared to 61 in May.

- **Singapore Non-oil Domestic Exports disappointed:** NODX rose a marginal 1.1% YOY in June (May: +15.5%) following few months of high rate of expansion as the 4.6% growth (May: +26.2%) in non-electronic NODX was nearly offset by the 7.9% decline (May: -7.8%) in electronics NODX. NODX to the majority of the top 10 markets declined in June 2018, although shipments to the US, Indonesia, Hong Kong and the EU 28 grew. Total trade rose 10.3% YOY June 2018 (May: +9.8%) supported by both import and export growth.

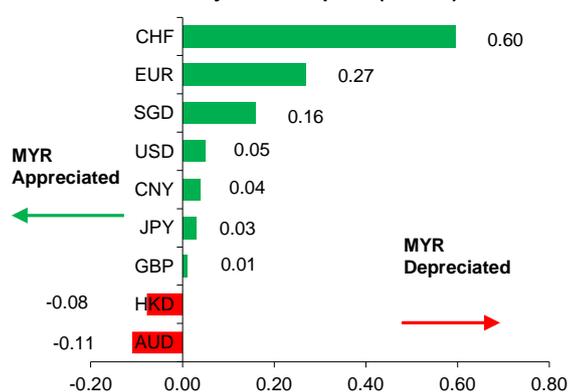
Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
18/07	Malaysia	CPI YOY	Jun	1.3%	1.8%	--
18/07	US	MBA Mortgage Applications	Jul-13	--	2.5%	--
		Housing Starts MOM	Jun	-2.2%	5.0%	--
		Building Permits MOM	Jun	2.2%	-4.6%	--
19/07		U.S. Federal Reserve Releases Beige Book				
		Initial Jobless Claims	Jul-14	220k	214k	--
		Philadelphia Fed Business Outlook	Jul	21.5	19.9	--
		Leading Index	Jun	0.4%	0.2%	--
18/07	Eurozone	Construction Output YOY	May	--	1.8%	--
		CPI Core YOY	Jun F	1.0%	1.1%	--
		CPI YOY	Jun F	2.0%	1.9%	1.9%
18/07	UK	CPI YOY	Jun	2.6%	2.4%	--
		PPI Output NSA YOY	Jun	3.2%	2.9%	--
19/07		Retail Sales Inc Auto Fuel MoM	Jun	0.1%	1.3%	--
19/07	Japan	Trade Balance	Jun	-¥531.2b	-¥578.3b	-¥580.5b
		Exports YoY	Jun	7.0%	8.1%	--
		Machine Tool Orders YoY	Jun F	--	11.4%	--
19/07	Hong Kong	Unemployment Rate SA	Jun	2.8%	2.8%	--
18/07	Australia	Westpac Leading Index MOM	Jun	--	-0.22%	--
19/07		NAB Business Confidence	2Q	--	7.0	--
		Employment Change	Jun	16.5k	12.0k	--
		Unemployment Rate	Jun	5.4%	5.4%	--
		Participation Rate	Jun	65.5%	65.5%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1661	-0.43	1.1745	1.1650	-2.9
USDJPY	112.88	-0.53	112.93	112.23	0.3
GBPUSD	1.3115	-0.91	1.3269	1.3070	-3.0
AUDUSD	0.7389	-0.40	0.7438	0.7376	-5.5
EURGBP	0.8891	-0.47	0.8915	0.8843	0.1
USDMYR	4.0462	-0.05	4.0520	4.0363	0.2
EURMYR	4.7463	-0.27	4.7165	4.7003	-2.5
JPYMYR	3.6001	-0.03	3.5946	3.5808	-0.1
GBPMYR	5.3647	-0.01	5.3287	5.3068	-2.7
SGDMYR	2.9757	-0.16	2.9654	2.9579	-1.9
AUDMYR	3.0043	-0.11	2.9978	2.9857	-5.3
NZDMYR	2.7643	-0.80	2.7408	2.7259	-4.6

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR eased 0.05% to 4.0462 against a firmer USD** that climbed in European session and retreated against 9 G10s.
- **MYR is now bearish against a firmer overnight USD.** USDMYR remains in a minor bullish trend, suggesting an inclination towards gains especially after breaking 4.0515 – 4.0520. But even so, risk of reversal still prevails as price and momentum diverges, which could trigger a potential decline to 4.0355.

USD

- **USD rebounded to beat 9 G10s** while the DXY began its ascend in European morning through to US afternoon, closing 0.5% higher at 94.98 on continually upbeat economic assessment from Fed Chair Powell and firmer US data.
- **We turn bullish on USD** in anticipation of buying interest spilling over into today's trade following an upbeat outlook by Fed Chair, which is likely to reinforce market expectations of continued policy tightening. DXY is now biased to the upside after retaking 94.97. However, we caution on rising risk of rejection approaching the strong resistance range at 95.24 – 95.52, which had previously ended several attempts to break higher.

EUR

- **EUR weakened 0.43% to 1.1661 against USD** and slipped against 5 G10s, weighed down by softer sentiment through most of European session.
- **We now expect a bearish EUR amid signs of rebound in USD;** losses may be overturned if Eurozone CPI surprises to the upside. EURUSD failed to beat 1.1723, resulting in the end of recent rebound. But even as bearish trend prevails and suggests a stay below 1.1661 the coming several days, we reckon that there may be limited losses going forward given strong support at 1.1600 – 1.1613.

GBP

- **GBP slumped 0.91% to 1.3115 against USD** and tumbled against all G10s amid risk aversion going into a Parliament vote to amend a post-Brexit trade bill, overturning early gains from firmer UK labour market data.
- **GBP is now bearish in our view amid revival in USD demand** on top of risk aversion ahead of UK price reports; downside surprises will trigger sharp losses. Technical viewpoint suggests a bearish scenario is building up in GBPUSD, but we suspect losses may be limited given strong supports at 1.3050 and 1.3085.

JPY

- **JPY fell against 7 G10s and weakened 0.53% to 112.88 against a firmer USD,** on top of a lack of demand for refuge as risk sentiment improved in US morning.
- **Stay bearish on JPY against a firm USD** and as demand for refuge retreats further. Upside momentum has increased and puts the previously suggested reversal in doubt. Breaking 113 has increased USDJPY's scope to test 113.50.

AUD

- **AUD advanced against 6 G10s** as risk appetite improved, but **fell 0.4% to 0.7389 against a firmer USD.**
- **AUD is now slightly bearish against USD** in our view, pressured by revival of interest in the greenback and risk aversion ahead of Australia labour market data tomorrow. AUDUSD has returned to a bearish case and is likely to test 0.7347 in the next leg lower. Recapturing 0.7397 will allay current downside bias but needs to break above 0.7451 to improve a bullish tone.

SGD

- **SGD weakened 0.2% to 1.3648 against a firm USD** but managed to beat 8 G10s that were also on a retreat against a firm greenback.
- **We turn bearish on SGD against a firm USD.** USDSGD recapturing above 1.3643 has deterred extended losses. While it is slightly biased to the upside, we caution that risk of rejection increases approaching 1.3676 – 1.3685 range.

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.