

Global Markets Research

Daily Market Highlights

Key Takeaways

- Wall Street snapped 5-day winning streak on concerns over trade tensions and mixed Q2 earnings. EU trade commissioner Cecilia Malmstrom said there would be disastrous impact on the economy if the US imposes tariffs on European car imports and the EU would retaliate. The Dow, S&P500 and Nasdaq posted losses of 0.53%, 0.40% and 0.37% respectively. In an interview with CNBC, president Trump criticized the Fed's move to raise interest rates sending the dollar index to fall sharply, the US dollar then managed to recover slightly after the White House issued a statement saying that the president respects the Fed's independence. The yield on 10Y treasuries rose to 2.90% in the European session but tanked to 2.83% following Trump's comment and closed 3bps lower at 2.84%.
- US initial jobless claims fell by 8k to 207k last week signaling continuous tightening of the labour market. Philly Fed Manufacturing Index rose more than expected to 25.7 in July indicating an expansion in regional manufacturing activities. The Conference Board Leading Index meanwhile rose 0.5% MOM. Elsewhere, UK retail sales disappointed contracting 0.5% MOM in June following two months of relatively high growth. Japan inflation remained subdued as headline CPI missed estimates to increase 0.7% YOY in June while core CPI managed to rise at a faster pace of 0.8% YOY. Australia jobs reports surprised – the economy added 50.9k jobs led by gains in full-time employments, unemployment rate remained at a 5-year low of 5.4% while participation rate went up to 65.7%.
- **USD** managed to pare losses amid a brief but sharp weakness due to US President Trump's comments to beat 6 G10s but the **DXY recovered to close 0.08% higher at 95.16. USD is now bullish in our view**; buying interest remains firm given how quickly it overturned sharp losses overnight. DXY is still bias to the upside while above 94.97 but we continue doubt on the ability to advance further amid signs of rejection at 95.53 – 95.65 region.
- **MYR weakened 0.13% to 4.0640 against USD** that advanced in Asian afternoon, and closed softer against 6 G10s. **Expect a neutral MYR against USD** with mild inclination to losses amid rising risk aversion going into the week's close. USDMYR remains in a minor bullish trend but even so, risk of reversal still prevails as price and momentum diverges, which could trigger a potential decline to 4.0465.
- **SGD** ended mixed against the G10s but **weakened 0.41% to 1.3708 against USD. Continue to view SGD as slightly bullish against USD**, supported by potential emergence of refuge demand within Asian session taking cue from overnight US trade. Despite prevalence minor bullish trend that suggests USDSGD staying above 1.3652 in the coming 2 days, we note that price-momentum divergence has emerged and will likely trigger a reversal.

Overnight Economic Data

US	↑
UK	↓
Japan	→
Australia	↑
Hong Kong	→

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- Eurozone ECB Current Account SA
- UK Public Finances (PSNCR)
- Japan All Industry Activity Index MOM

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1600	1.1619	1.1650	1.1669	1.1686	↘
USDJPY	112.05	112.33	112.57	112.63	112.80	↘
GBPUSD	1.2985	1.3000	1.3016	1.3030	1.3050	↘
AUDUSD	0.7343	0.7360	0.7365	0.7376	0.7397	↘
EURGBP	0.8932	0.8944	0.8951	0.8960	0.8965	↗
USDMYR	4.0590	4.0605	4.0625	4.0650	4.0660	→
EURMYR	4.7300	4.7331	4.7347	4.7381	4.7400	↗
JPYMYR	3.6000	3.6054	3.6106	3.6111	3.6196	↗
GBPMYR	5.2791	5.2833	5.2892	5.2940	5.2980	↘
SGDMYR	2.9637	2.9644	2.9664	2.9671	2.9710	→
AUDMYR	2.9888	2.9914	2.9927	2.9971	2.9995	↘
NZDMYR	2.7378	2.7394	2.7406	2.7441	2.7465	↘
USDSGD	1.3843	1.3680	1.3696	1.3705	1.3718	↘
EURSGD	1.5936	1.5958	1.5960	1.5977	1.5983	↘
GBPSGD	1.7800	1.7820	1.7828	1.7849	1.7881	↘
AUDSGD	1.0062	1.0075	1.0090	1.0100	1.0113	↘

* 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	1,759.24	0.35	-2.09	CRB Index	191.42	-0.03	-1.26
Dow Jones Ind.	25,064.50	-0.53	1.40	WTI oil (\$/bbl)	69.46	1.02	14.96
S&P 500	2,804.49	-0.40	4.90	Brent oil (\$/bbl)	72.58	-0.44	8.54
FTSE 100	7,683.97	0.10	-0.05	Gold (\$/oz)	1,222.97	-0.37	8.10
Shanghai	2,772.55	-0.53	-16.17	CPO (RM/tonne)	2,193.50	1.74	-8.22
Hang Seng	28,010.86	-0.38	-6.38	Copper (\$/tonne)	6,065.00	-1.38	-16.31
STI	3,277.58	1.14	-3.68	Rubber (sen/kg)	414.50	-1.19	-10.38

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US Initial Jobless Claims	14 Jul	207k	215k	220k
US Philadelphia Fed Business Outlook	Jul	25.7	19.9	21.5
US Leading Index MOM	Jun	0.5%	0.0% (revised)	0.4%
UK Retail Sales Inc Auto Fuel MOM	Jun	-0.5%	1.4% (revised)	0.2%
JP Machine Tool Orders YOY	Jun F	11.4%	14.9%	--
JP Natl CPI YOY	Jun	0.7%	0.7%	0.8%
JP Natl CPI Ex Fresh Food YOY	Jun	0.8%	0.7%	0.8%
HK Unemployment Rate SA	Jun	2.8%	2.8%	2.8%
AU Employment Change	Jun	50.9k	13.4k (revised)	16.5k
AU Unemployment Rate	Jun	5.4%	5.4%	5.4%
AU Participation Rate	Jun	65.7%	65.5%	65.5%

Source: Bloomberg

- US initial jobless claims fell, Philly Fed manufacturing improved:** initial jobless claims fell by 8k to 207k for the week ended 14 July (previous: 215k), the lowest level since Dec 6, 1969. And this brings the 4-week moving average to 220.5k. The latest number indicates a continuously tightening of the labour market, and is consistent with reports of manufacturers' high demand for more workers. Meanwhile the Philly Fed Manufacturing Index rose more than expected to 25.7 in July (Jun: 19.9) indicating expansion in regional manufacturing activities. Over 44 % of the manufacturers reported increases in overall activity while 19 % reported declines. The new orders index rebounded 14 points after falling 23 points in June whereby 46 % of the firms reported an increase in orders, and 14 % reported declines. In a separate release, the US leading economic indicator published by the Conference Board rose 0.5% MOM in July (Jun:+0.0% revised) to 109.8 (Jun: 109.3).
- UK retail sales disappointed:** The seasonally adjusted retail sales inclusive of automotive fuel declined 0.5% MOM in June (May: +1.4%) following two consecutive months of relatively high growth. Exclusive auto fuel, sales declined 0.6% MOM (May: +1.4% revised). Major categories saw contraction in sales except for non-specialized stores where sales picked up at a slower pace. Sales of textile, clothing & footwear fell 0.8% MOM (May: +1.9%) while sales in household goods stores slipped by 0.4% MOM (May: +0.6%). The data added extra injury to the pound which fell immediately following the news.
- Japan inflation remained subdued:** Data released this morning shows that headline CPI growth missed consensus estimates yet again to remain at 0.7% YOY in June (May: +0.7%). Core CPI which excludes fresh food rose at faster pace by 0.8% YOY (May" +0.7%) while the so called "core core CPI" which stripped out both fresh food and energy increased a mere 0.2% YOY (May: +0.3%). Prices of fresh food extended its third consecutive month of decline by 1.2% YOY (May: -0.7%), household goods fell 1.0% YOY (May: -1.5%). June print tallied with our expectations that inflation in Japan remained benign despite growth in producer prices and further reaffirms view that the BOJ's ultra-accommodative policy will remain in place for some time to come.
- Japan machine tool orders matched flash reading:** The final reading of machine tool orders shows that growth in orders placed with major Japanese manufacturers matched its initial estimate of 11.4% YOY in June (May: +14.9%). Both domestic and foreign demand slowed at 15.1% YOY (May: +23.2%) and 9.1% YOY (May: +9.5%) respectively.
- Australia added more jobs than expected, unemployment rate remained at 5-year low:** Employment change came in at a whopping 50.9k in June (May: 13.4k revised) while the number for May was revised from 12.0k to 13.4k, led by gains in full time jobs (Jun 41.2k vs May 19.9k). The number of part time job increased as well (9.7k vs 33.4k). Unemployment rate remained below 5.4% in June (May: 5.4%) after trending down from 5.6% in April. The good news is participation rate went up to 65.7% (May: 65.5%) led by increment in the number of employed persons following a decline in the previous month. To recall, May jobs reports fell short of expectations as the lower unemployment rate (5.6% to 5.4%) was primarily due to a shrinkage of the labour force (participation rate fell from 65.65 to 65.5%). Overall June numbers matches the view of the RBA painting a healthy picture of the labour market.
- Hong Kong unemployment rate held steady:** The seasonally adjusted unemployment rate stayed at 2.8% in June (May: 2.8%).

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
20/07	Malaysia	Foreign Reserves	13 Jul	--	\$104.7b	--
23/07	US	Chicago Fed Nat Activity Index	Jun	--	-0.15	--
		Existing Home Sales MOM	Jun	-0.9%	-0.4%	--
20/07	Eurozone	ECB Current Account SA	May	--	28.4b	--
23/07		Consumer Confidence	Jul A	--	-0.5	--
20/07	UK	Public Finances (PSNCR)	Jun	--	4.5b	--
20/07	Japan	All Industry Activity Index MOM	May	0.0%	1.0%	--
20-24/07		Convenience Store Sales YOY	Jun	--	-1.2%	--
23/07	Hong Kong	CPI Composite YOY	Jun	--	2.1%	--
23/07		CPI YOY	Jun	--	0.4%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1642	0.03	1.1678	1.1575	-2.9
USDJPY	112.47	0.35	113.17	112.06	-0.2
GBPUSD	1.3014	0.42	1.3083	1.2958	-3.7
AUDUSD	0.7361	0.50	0.7441	0.7323	-5.7
EURGBP	0.8946	0.46	0.8955	0.8903	0.8
USDMYR	4.0640	0.13	4.0660	4.0545	0.4
EURMYR	4.7169	0.01	4.7318	4.7136	-2.4
JPYMYR	3.6003	0.19	3.6052	3.5949	0.4
GBPMYR	5.2901	0.07	5.3110	5.2776	-3.2
SGDMYR	2.9667	0.04	2.9753	2.9633	-2.1
AUDMYR	2.9931	0.27	3.0213	2.9892	-5.4
NZDMYR	2.7448	0.06	2.7632	2.7409	-4.8

Source: Bloomberg

Forex
MYR

- **MYR weakened 0.13% to 4.0640 against USD** that advanced in Asian afternoon, and closed softer against 6 G10s.
- **Expect a neutral MYR against USD** with mild inclination to losses amid rising risk aversion going into the week's close. USDMYR remains in a minor bullish trend but even so, risk of reversal still prevails as price and momentum diverges, which could trigger a potential decline to 4.0465.

USD

- **USD managed to pare losses** amid a brief but sharp weakness due to US President Trump's comments **to beat 6 G10s**. The DXY plunged in US afternoon after Trump remarked that a strong USD disadvantages the US and that he is "not thrilled" with the Fed's policy tightening. **DXY recovered to close 0.08% higher at 95.16**.
- **USD is now bullish in our view**; buying interest remains firm given how quickly it overturned sharp losses overnight. DXY is still bias to the upside while above 94.97 but we continue to note our growing doubt on the ability to advance further amid signs of rejection at 95.53 – 95.65 region. Extended failure to breakout of this range will cause some upside fatigue in DXY, potentially pushing it lower going forward.

EUR

- **EUR inched 0.03% firmer at 1.1642 against USD** after surging in US afternoon on sudden greenback weakness. EUR rose against 6 G10s.
- **EUR is slightly bearish against a firm USD**. Bearish trend still suggests a close below 1.1661 by early next week, thus we reckon that rebounds (if any) are likely to be modest. We suspect that EURUSD is nearing completion of a bullish pattern, which if culminates further exposes a rally to 1.1855 in the coming weeks.

GBP

- **GBP managed to beat commodity and risk-sensitive majors**, climbing against 5 G10s but **weakened 0.42% to 1.3014 against USD** amid softer UK data.
- **Stay slightly bearish on GBP against USD** on extended downside pressure from recent misses in UK data that have dampened BOE rate hike expectations. Bearish scenario continues to prevail in GBPUSD; it is now at risk of sliding below 1.3000, which if true could trigger further losses to circa 1.2900.

JPY

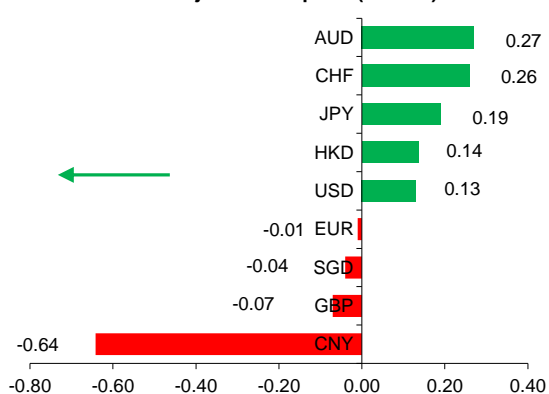
- **JPY was supported by improved refuge demand** to beat all G10s and **strengthened 0.35% to 112.47 against USD**.
- **Stay bullish on JPY against USD** in anticipation of further increase in refuge demand as markets head into the week's close. We opine that USDJPY is now in a reversal lower and we set sights on a decline to below 112.05 going forward.

AUD

- **AUD retreated against 5 G10s and tumbled 0.5% to 0.7361 against USD** as weaker risk appetite in European-US sessions overturned early gains from better than expected Australian labour market data.
- **We turn bearish on AUD against USD**, weighed down by renewed risk aversion in the markets. Technical viewpoint now suggests a bearish outlook for AUDUSD after failing to hold above 0.7397. It is now exposed to a drop to 0.7326, below which 0.7267 will be targeted.

SGD

- **SGD ended mixed against the G10s but weakened 0.41% to 1.3708 against USD**.
- **Continue to view SGD as slightly bullish against USD**, supported by potential emergence of refuge demand within Asian session taking cue from overnight US trade. Despite prevalence minor bullish trend that suggests USDSGD staying above 1.3652 in the coming 2 days, we note that price-momentum divergence has emerged and will likely trigger a reversal lower going forward.

MYR vs Major Counterparts (% DOD)


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