

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equities suffered a heavy losses overnight** driven by ongoing trade tension and a Supreme Court ruling to allow states to collect taxes from online retailers. The Nasdaq closed 0.88% lower dragged down by the tumbling online retailers such as Amazon and eBay. The Dow meanwhile dropped 0.80%, its 8th consecutive day of losing streak and the S&P 500 was 0.63% lower. Yield on 10Y US treasuries was down 4bps to 2.90%. Elsewhere, **the Bank of England MPC voted by 6-3 to keep its bank rate unchanged at 0.5%**, adding that it won't reduce the stocks of debt securities purchased under its QE program until rate reaches 1.5%, down from 2.0% previously. **BOE also revealed that data are viewed to be in line with its forecast and slowdown in 1Q18 was believed to be temporary. Odds of an August rate hike stood at 63% now, up significantly from 47% prior to yesterday's meeting.**
- **US initial jobless claims fell to 218k last week as labour market continued to tighten. The Philly Fed Manufacturing Index came in below expectation** at 19.9, the lowest reading since Nov-16. House prices rose a modest 0.1% MOM according to the Federal Housing Finance Agency while **US leading index softened** pointing to a constrained growth ahead. **EU consumer confidence dropped** to -0.5 as consumers became increasingly downbeat over softer growth and rising trade tension. Elsewhere, Japan supermarket sales fell the most in 14 months while its machine tools orders softened. **Malaysia foreign reserves declined \$0.6bn to \$107.9b as at 14 June.**
- **DXY closed lower** for the first time in three days, **by 0.27% to 94.86**, dampened by rallies in other majors led by EUR and GBP as BOE's hawkish stance following its Chief Economist unexpected support for a rate increase spurred rate hike prospects in the months ahead. The USD advanced against 7 G10s. **DXY is expected to stay firm today** supported by risk aversion amid lingering concern over an imminent trade war as well as ahead of OPEC meeting. Upside momentum in DXY is still prevalent, suggesting and the Dollar Index remains on track to head towards 95.15 next.
- **MYR** weakness stayed extended for the 4th consecutive day, **falling another 0.25% to 4.0157 against the USD** at close. USDMYR was seen staging a steady climb through the day and hit an intraday high of 4.0168, on the back of relentless USD strength and risk aversion in the markets. The MYR also fell against all G10s. **We remain bearish on MYR** on the back of a still firm USD and ongoing jitters on trade spat that would continue to dampen EM currencies. USDMYR has broken 4.0155 yesterday as expected and will likely target 4.0213 next, after which 4.0349 will be eyed.
- **SGD** fell against 7 G10s but managed to **eke out a 0.03% gain against the USD at 1.3583. Expect SGD to stay bearish** against a still firm USD and subdued demand for EM currencies. Upside momentum in USDSGD remains, paving the way for the pair to test 1.3605 followed by 1.3619.

Overnight Economic Data

Malaysia	↓
US	→
Eurozone	↓
UK	↓
Japan	↓

What's Coming Up Next

Major Data

- US Markit Manufacturing PMI, Services PMI
- Eurozone Markit Manufacturing PMI, Services PMI
- Japan Natl CPI YOY, Nikkei Manufacturing PMI, All Industry Activity Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1573	1.1592	1.1613	1.1626	1.1654	↘
USDJPY	109.51	109.73	109.95	110.04	110.38	↘
GBPUSD	1.3169	1.3220	1.3255	1.3297	1.3311	↘
AUDUSD	0.7346	0.7366	0.7389	0.7411	0.7424	↘
EURGBP	0.8738	0.8750	0.8761	0.8784	0.8797	↘
USDMYR	4.0001	4.0040	4.0085	4.0117	4.0155	↗
EURMYR	4.6498	4.6527	4.6560	4.6608	4.6659	↗
JPYMYR	3.6287	3.6365	3.6451	3.6514	3.6571	↗
GBPMYR	5.2986	5.3047	5.3125	5.3243	5.3317	↗
SGDMYR	2.9407	2.9460	2.9515	2.9524	2.9574	↗
AUDMYR	2.9454	2.9565	2.9612	2.9643	2.9708	↗
NZDMYR	2.7434	2.7520	2.7571	2.7636	2.7655	↗
USDSGD	1.3559	1.3569	1.3575	1.3605	1.3619	↗
EURSGD	1.5722	1.5749	1.5771	1.5773	1.5789	↗
GBPSGD	1.7959	1.7982	1.8001	1.8011	1.8023	↗
AUDSGD	1.0008	1.0021	1.0035	1.0044	1.0053	↗

* 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	1,692.32	-1.02	-5.82	CRB Index	194.40	-0.30	0.28
Dow Jones Ind.	24,461.70	-0.80	-1.04	WTI oil (\$/bbl)	65.54	-1.03	8.97
S&P 500	2,749.76	-0.63	2.35	Brent oil (\$/bbl)	73.05	-2.26	9.24
FTSE 100	7,556.44	-0.93	-1.71	Gold (\$/oz)	1,267.19	-0.53	8.10
Shanghai	2,875.81	-1.37	-13.04	CPO (RM/tonne)	2,247.50	0.74	-5.96
Hang Seng	29,296.05	-1.35	-2.08	Copper (\$/tonne)	6,786.00	0.19	-6.36
STI	3,300.00	-0.48	-3.02	Rubber (sen/kg)	431.50	0.94	-6.70

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Foreign Reserves	14 Jun	\$107.9b	\$108.5b	--
US Initial Jobless Claims	16 Jun	218k	221k (revised)	220k
US Philadelphia Fed Business Outlook	Jun	19.9	34.4	29.0
US FHFA House Price Index MOM	Apr	0.1%	0.2% (revised)	0.5%
US Leading Index MOM	May	0.2%	0.4%	0.4%
EU Consumer Confidence	Jun A	-0.5	0.2	0.0
UK BOE Bank Rate	21 Jun	0.50%	0.50%	0.50%
UK Public Finances (PSNCR)	May	£4.5b	-£9.7b	--
JP Supermarket Sales YOY	May	-2.3%	-1.2%	--
JP Machine Tool Orders YOY	May F	14.9%	22.0%	--

Source: Bloomberg

➤ Macroeconomics

- US Initial jobless claims, Philly Fed Manufacturing Index fell, house prices rose modestly:** US initial jobless claims dropped to 218k for the week ended 15 June (previous: 221k revised) meanwhile continuous claims rose slightly to 1.723m for the week ended 8 June (previous: 1.701m revised) as the labour market continued to tighten further. The Philly Fed Manufacturing Index came below expectations to register a reading of 19.9 in June (May: 34.4), the lowest since Nov-16, attributed to a sharper drop in new orders while expectations for activities in the next 6 months fell for the third consecutive month, suggesting softer activities in June but potentially a correction in the index following a surge in the previous month. The Federal Housing Finance Agency (FHFA) House Price Index meanwhile rose a modest 0.1% MOM in April (Mar: +0.2% revised) and 6.4% YOY with all areas registering positive growth on annual terms as house prices continued to climb in the US. Last but not least, the US Leading Economic Index came in softer, increasing 0.2% in May (Apr: +0.4%) pointing to constrained growth momentum ahead.
- BOE kept interest rates unchanged, added QE guidance:** The MPC voted by a majority of 6-3 to keep its bank rate unchanged at 0.5% as Chief Economist Andy Haldane was the latest to join the hawkish camp calling for a hike. The central bank also said that it won't reduce the stocks of debt securities purchased under its QE program until rate reaches 1.5%. BOE also revealed that data are viewed to be in line with its forecast and slowdown in 1Q18 was believed to be temporary, signaling that an August rate hike is on the table. As of writing, markets are pricing in a 63.4% chance of a 25bps hike in August, a significant surge compared to 47.3% on Wednesday. In a separate release, the UK public sector net cash requirement stood at £4.5b in May (Apr: -£9.7b).
- EU Consumer confidence faltered:** Flash reading released by the European Commission shows that consumer confidence unexpectedly fell to -0.5 in June (May: 0.2) a sign that consumers became increasingly downbeat over current economic situations and rising trade tension despite declining unemployment, higher wages and continuous growth (albeit softer) in the currency bloc.
- Japan Supermarket sales fell, machine tools orders softened:** Sales at supermarkets fell the most in 14 months by 2.3% YOY in May (Apr: -1.2%) marking its third consecutive month of decline. Sales in all major categories fell led by an 8.3% YOY dip in clothing sales while food and household goods posted a decline of 1.2% and 3.5% respectively. May print is in line with the fall in convenience store sales as reported yesterday a sign that Japanese consumers continued to slash spending which could lead to further easing of inflation as the BOJ struggles to achieve its inflation target. Meanwhile, final reading confirmed that machine tools orders (a measure of orders placed with large Japanese manufacturers) softened to increase 14.9% YOY in May (Apr: +22.0%).
- Malaysia Foreign reserves declined:** Foreign reserves fell to \$107.9b as at 14 June (Previous: \$108.5b) sufficient to finance 7.5 months of retained imports and is 1 time short term external debt.

Economic Calendar Release Date

Date	Country	Events	Reporting Period	Survey	Prior	Revised
22/06	US	Markit US Manufacturing PMI	Jun P	56.1	56.4	--
		Markit US Services PMI	Jun P	56.5	56.8	--
25/06		Chicago Fed Nat Activity Index	May	--	0.34	--
		New Home Sales MOM	May	0.5%	-1.5%	--
22/06	Eurozone	Dallas Fed Manf. Activity	Jun	24.0	26.8	--
		Markit Eurozone Manufacturing PMI	Jun P	55.0	55.5	--
22/06	Japan	Markit Eurozone Services PMI	Jun P	53.8	53.8	--
		Natl CPI YOY	May	0.6%	0.6%	--
25/06		Nikkei Japan PMI Mfg	Jun P	--	52.8	--
		All Industry Activity Index MOM	Apr	0.9%	0.0%	--
25/06	Singapore	Leading Index CI	Apr F	--	105.6	--
		Coincident Index	Apr F	--	117.7	--
25/06		CPI YOY	May	0.3%	0.1%	--
25-30/06/18	Vietnam	Exports YTD YOY	Jun	--	15.8%	--
		Trade Balance	Jun	--	-\$500m	--
		CPI YOY	Jun	--	3.86%	--
		GDP YTD YOY	2Q	--	7.38%	--
		Industrial Production YOY	Jun	--	7.1%	--
		Retail Sales YTD YOY	Jun	--	10.1%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1604	0.28	1.1634	1.1509	-3.3
USDJPY	109.99	-0.34	110.76	109.84	-2.5
GBPUSD	1.3240	0.52	1.327	1.3102	-2.0
AUDUSD	0.7379	0.15	0.7394	0.7346	-5.5
EURGBP	0.8764	-0.23	0.8799	0.8726	-1.3
USDMYR	4.0157	0.25	4.0168	4.0063	-0.8
EURMYR	4.6263	-0.13	4.6429	4.6214	-4.6
JPYMYR	3.6349	-0.04	3.6365	3.6226	1.1
GBPMYR	5.2639	-0.11	5.2811	5.2627	-3.7
SGDMYR	2.9447	-0.12	2.9508	2.9427	-2.8
AUDMYR	2.9528	-0.14	2.9595	2.9478	-6.6
NZDMYR	2.7445	-0.46	2.7508	2.7392	-4.7

Source: Bloomberg

Forex
MYR

- **MYR** weakness stayed extended for the 4th consecutive day, **falling another 0.25% to 4.0157 against the USD** at close. USDMYR was seen staging a steady climb through the day and hit an intraday high of 4.0168, on the back of relentless USD strength and risk aversion in the markets. The MYR also fell against all G10s.
- **We remain bearish on MYR** on the back of a still firm USD and ongoing jitters on trade spat that would continue to dampen EM currencies. USDMYR has broken 4.0155 yesterday as expected and will likely target 4.0213 next, after which 4.0349 will be eyed.

USD

- **DXY closed lower** for the first time in three days, **by 0.27% to 94.86**, dampened by rallies in other majors led by EUR and GBP as BOE's hawkish stance following its Chief Economist unexpected support for a rate increase spurred rate hike prospects in the months ahead. The USD advanced against 7 G10s.
- **DXY is expected to stay firm today** supported by risk aversion amid lingering concern over an imminent trade war as well as ahead of OPEC meeting. Upside momentum in DXY is still prevalent, suggesting and the Dollar Index remains on track to head towards 95.15 next.

EUR

- **EUR** erased all early session losses and **gained 0.28% to 1.1604** against a pullback in the USD. EUR fell against 5 G10s.
- **EUR remains bearish against the USD** in our view in light of increasing policy divergence between the ECB and the Fed. Momentum indicators are now near neutral suggesting the pair could range trade at current ranges of 1.1540-1.1628 first before heading lower to 1.1510 again, which would be negated should the pair close above 1.1698.

GBP

- **GBP** also erased all losses to **close higher by 0.52% to 1.3240** against the USD yesterday, bouncing back from its 7-month low. An unexpected vote by BOE Chief Economist Andy Haldane to raise rates at this meeting shifting the split vote from 7-2 to 6-3 boosted expectations the BOE is moving closer to policy tightening in the coming months. GBP advanced against all G10s save for the NOK.
- **GBP remains bearish** against the USD in our view but slight positive momentum indicators suggest GBPUSD has room for a brief upward move before coming back down again. Gains will likely be capped by resistance at 1.3331. A rejection here is expected to lead the pair lower to 1.3171.

JPY

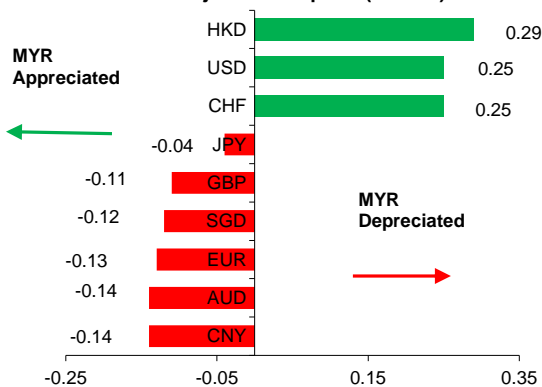
- **JPY** advanced against 7 G10s and **strengthened 0.34% against a softer USD to 109.99**, giving back all losses in Asian session.
- **JPY is expected to stay firm** on the back of prevailing risk aversion in the markets. Technically, bullishness in USDJPY has dissipated and momentum has turned negative following yesterday's close below 110. We now expect USDJPY to head towards 109.65 next.

AUD

- **AUD advanced** for the first time in five days, **by 0.15% to 0.7379 against a retreating USD**, but underperformed 6 G10s.
- **Stay bearish on AUD against USD**, weighed down by still soft risk appetite in the markets. Downside bias remains high in AUDUSD and the pair is on track to test 0.7327 next in our view.

SGD

- **SGD** fell against 7 G10s but managed to **eke out a 0.03% gain against the USD at 1.3583**.
- **Expect SGD to stay bearish against** a still firm USD and subdued demand for EM currencies. Upside momentum in USDSGD remains, paving the way for the pair to test 1.3605 followed by 1.3619.

MYR vs Major Counterparts (% DOD)


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