

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks ended mixed last Friday after starting on a positive note following President Trump's threat to impose a 20% tariff on European car imports** - the Dow snapped an 8-day losing streak to close 0.49% higher while the broader S&P 500 gained 0.19% but the Nasdaq was down by 0.26%. **At the much anticipated OPEC meeting, producers decided to hike production** to bring its oil-cut compliance level back to 100% (from 146%). WTI surged \$3.04 or 4.64% to close at \$68.58 while Brent gained \$2.50 or 3.42% higher to \$75.55. **The PBOC announced on Sunday that it would cut the reserve requirement ratio (RRR) for commercial banks by 50bps effective 5th July** in a move to free up liquidity as well as increasing lending to small businesses. The last RRR cut (by 100bps) was on 25 April this year.
- **Friday's data releases comprised mainly of preliminary PMI readings for June. US Markit manufacturing PMI fell to a 7-month low** of 54.6 on the back of lower manufacturing production growth while price pressure remained elevated. **The services PMI softened slightly** to 56.5 indicating that the sector is still holding up. Elsewhere, **the Eurozone's robust services sector growth offset drag in the manufacturing sector** as the Markit services PMI surged to a 4-month high of 55.0 while the manufacturing PMI dipped to a 19-month low of 54.3. In Japan, inflation remained subdued as CPI rose a modest 0.7% YOY in May well below BOJ target of 2.0% while core inflation increased 0.7% YOY. **Growth in Japan manufacturing sector meanwhile picked up** as the Nikkei manufacturing PMI rose to 53.1. The All Industry Activity Index edged up 1.0% MOM in April indicating faster economic growth for the month.
- **USD weakened against all G10s** while the DXY tumbled through Asian session before recovering slightly in US session, but still ended 0.36% lower at 94.86, weighed down by rebound in market sentiment and European majors. **Expect a bearish USD** in anticipation of extended rebound in market sentiment as well as rising concern over US economic slowdown due to escalation of trade tensions. Technically, DXY has entered into a minor bearish trend, which if continues, could slide below 94.04. Below this level, DXY targets 93.12.
- **MYR strengthened 0.34% to 4.0022 against USD** after rallying in Asian afternoon following continued weakness in the greenback. But MYR fell against 7 G10s that advanced on a softer greenback. **Remain neutral on MYR against USD** as we anticipate early losses to be pared going into European session on a softening greenback. Minor bullish trend remains in control, suggesting that USDMYR is likely to close above 4.0157 before the week is out. Direction thereafter will depend largely on whether 4.0200 is breached.
- **SGD weakened against all G10s and slipped 0.02% to 1.3586 against USD** as refuge demand was dampened by rebound in emerging market majors. **We are neutral on SGD against USD**; early losses may be pared going into European/US session as USD strength wanes. Bullish bias in USDSGD is showing signs of lethargy as it continues to fail to challenge 1.3638. We reckon that a reversal lower is in the works.

Overnight Economic Data

US	↓
Eurozone	→
Japan	↑

What's Coming Up Next

Major Data

- US Chicago Fed Nat Activity Index, New Home Sales, Dallas Fed Manufacturing Activity
- Japan Leading Index CI, Coincident Index
- Singapore CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1630	1.1645	1.1658	1.1676	1.1700	↗
USDJPY	109.00	109.33	109.65	109.89	110.00	↘
GBPUSD	1.3386	1.3393	1.3259	1.3443	1.3460	↗
AUDUSD	0.7409	0.7420	0.7425	0.7444	0.7472	↗
EURGBP	0.8779	0.8787	0.8793	0.8800	0.8810	↗
USDMYR	4.0087	4.0100	4.0115	4.0130	4.0146	→
EURMYR	4.6700	4.6729	4.6767	4.6824	4.6876	↗
JPYMYR	3.6554	3.6572	3.6590	3.6607	3.6653	↗
GBPMYR	5.3150	5.3173	5.3183	5.3200	5.3241	↗
SGDMYR	2.9450	2.9469	2.9475	2.9490	2.9500	→
AUDMYR	2.9720	2.9755	2.9771	2.9800	2.9844	↗
NZDMYR	2.7657	2.7700	2.7703	2.7738	2.7754	↗
USDSGD	1.3568	1.3590	1.3605	1.3620	1.3637	→
EURSGD	1.5834	1.5854	1.5862	1.5875	1.5900	↗
GBPSGD	1.7950	1.8002	1.8036	1.8062	1.8083	↗
AUDSGD	1.0068	1.0086	1.0100	1.0111	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	1,694.15	0.11	-5.71	CRB Index	197.53	1.61	1.89
Dow Jones Ind.	24,580.89	0.49	-0.56	WTI oil (\$/bbl)	68.58	4.64	14.17
S&P 500	2,754.88	0.19	3.04	Brent oil (\$/bbl)	75.55	3.42	10.93
FTSE 100	7,682.27	1.67	-0.07	Gold (\$/oz)	1,270.56	0.27	8.10
Shanghai	2,889.76	0.49	-12.62	CPO (RM/tonne)	2,253.50	0.27	-5.71
Hang Seng	29,338.70	0.15	-1.94	Copper (\$/tonne)	6,789.00	0.04	-6.32
STI	3,287.40	-0.38	-3.39	Rubber (sen/kg)	430.00	-0.35	-7.03

Source: Bloomberg

➤ Macroeconomics

Economic Data

	For	Actual	Last	Survey
US Markit Manufacturing PMI	Jun P	54.6	56.4	56.1
US Markit Services PMI	Jun P	56.5	56.8	56.5
EU Markit Manufacturing PMI	Jun P	55.0	55.5	55.0
EU Markit Services PMI	Jun P	55.0	53.8	53.8
JP Natl CPI YOY	May	0.7%	0.6%	0.6%
JP Nikkei PMI Mfg	Jun P	53.1	52.8	--
JP All Industry Activity Index MOM	Apr	1.0%	0.0%	0.9%

Source: Bloomberg

- US manufacturing and services sector experienced slower expansion:** The flash US Markit Manufacturing PMI fell to a 7-month low of 54.6 in June (May: 56.4) on the back of lower manufacturing production growth while strong demand for raw materials, stretched supply chain capacity, rising fuel prices and tariff related price hike continued to push up input prices. Growth in the services sector remained rather steady (albeit slower) as the flash PMI Services Index softened slightly to 56.5 in June (May: 56.8) supported by rise in new work and higher job creation. Similarly, higher input cost was noted in the survey due to higher fuel prices, staff salaries and steel related items leading to greater operating expenses. This in turn led to the steepest rise (in almost four years) in average prices charged by firms.
- Eurozone robust services sector growth to offset drag in manufacturing sector:** The flash Eurozone Services PMI Index surged to a 4-month high of 55.0 in June (May: 53.8) reflecting higher business activities and inflow of orders after being subdued in May (a month with unusually high number of holidays). On the contrary, the flash Eurozone Manufacturing PMI Index dropped to a 19-month low of 54.3 (May: 54.8) due to a slower rise in output, and new orders. Both sectors went on a hiring spree by adding more jobs while input cost continued to climb attributed to increased oil and raw material prices as well as higher wages.
- Japan inflation remained benign, well below BOJ target:** The National CPI rose a modest 0.7% YOY in May (Apr: +0.6%) while core CPI which excludes fresh food also remained at 0.7% YOY (Apr: +0.7%) signalling that inflation remained subdued in the economy. Underlying remained subdued as the CPI excl. fresh food & energy, dubbed the core-core CPI gained 0.3% YOY (Apr: +0.4%) reflecting that the gain in headline CPI was largely due to the rise in energy prices. The modest uptick reaffirmed views that the BOJ still has a long way to go at hitting its 2% inflation target and its ultra- easy monetary policy is yet to stay for some time. Recent data turned out to be dismal as well - sales in convenience and supermarket stores faltered while household spending declined for three straight months despite an upturn in March wage growth. The BOJ has dropped its timeframe to achieve its inflation target in an April meeting and downgraded its inflation view from the previous "1.0%" to "0.5-1.0%" in the June meeting.
- Japan manufacturing sector picked up:** In a separate release, the flash manufacturing PMI of Japan rose to 53.1 in June (May: 52.8) as output growth accelerated despite slower rise in new businesses. Contrary to the slower inflation data for May as mentioned above, firms surveyed reported faster increase in both input and output prices. Meanwhile, the All Industry Activity Index, a gauge of monthly GDP growth edged up 1.0% MOM in April (Mar: 0.0%) indicating faster economic growth for the month.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
25/06	US	Chicago Fed Nat Activity Index	May	0.30	0.34	--
		New Home Sales MOM	May	0.8%	-1.5%	--
		Dallas Fed Manf. Activity	Jun	23.0	26.8	--
26/06		S&P CoreLogic CS 20-City YoY NSA	Apr	6.80%	6.79%	--
		Richmond Fed Manufact. Index	Jun	15.0	16.0	--
		Conf. Board Consumer Confidence	Jun	128.0	128.0	--
		Conf. Board Expectations	Jun	--	105.6	--
25/06	Japan	Leading Index CI	Apr F	--	105.6	--
		Coincident Index	Apr F	--	117.7	--
25/06	Singapore	CPI YOY	May	0.4%	0.1%	--
26/06		Industrial Production YoY	May	10.0%	9.1%	--
25/06/18-30/06/18	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%	--

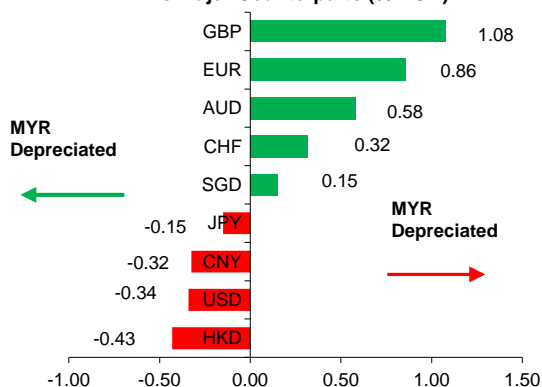
Source: Bloomberg

FX Table

Name	Last Price	DoD%	High	Low	YTD%
EURUSD	1.1651	0.41	1.1675	1.1601	-2.9
USDJPY	109.97	-0.02	110.22	109.80	-2.5
GBPUSD	1.3261	0.16	1.3315	1.3238	-1.9
AUDUSD	0.7440	0.83	0.7444	0.7374	-4.8
EURGBP	0.8788	0.27	0.8806	0.8752	-1.0
USDMYR	4.0022	-0.34	4.0163	3.9975	-1.1
EURMYR	4.6660	0.86	4.6705	4.6512	-3.8
JPYMYR	3.6295	-0.15	3.6506	3.6290	1.3
GBPMYR	5.3208	1.08	5.3281	5.3079	-2.9
SGDMYR	2.9490	0.15	2.9585	2.9481	-2.8
AUDMYR	2.9699	0.58	2.9709	2.9577	-5.9
NZDMYR	2.7628	0.67	2.7713	2.7547	-3.9

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



Forex

MYR

- **MYR strengthened 0.34% to 4.0022 against USD** after rallying in Asian afternoon following continued weakness in the greenback. But MYR fell against 7 G10s that advanced on a softer greenback.
- **Remain neutral on MYR against USD** as we anticipate early losses to be pared going into European session on a softening greenback. Minor bullish trend remains in control, suggesting that USDMYR is likely to close above 4.0157 before the week is out. Direction thereafter will depend largely on whether 4.0200 is breached.

USD

- **USD weakened against all G10s** while the DXY tumbled through Asian session before recovering slightly in US session, but still ended 0.36% lower at 94.86, weighed down by rebound in market sentiment and European majors.
- **Expect a bearish USD** in anticipation of extended rebound in market sentiment as well as rising concern over US economic slowdown due to escalation of trade tensions. Technically, DXY has entered into a minor bearish trend, which if continues, could slide below 94.04. Below this level, DXY targets 93.12.

EUR

- **EUR climbed 0.41% to 1.1651 against USD** as market sentiment improved but remained soft against 5 G10s.
- **EUR is bullish against USD** that is weighed down by rising concerns of US economic slowdown triggered by protracted trade tensions. EURUSD is gaining upside momentum but needs to beat 1.1680 to establish a firmer foothold. Above 1.1680, 1.1723 will be challenged, otherwise, a drop to 1.1596 remains a risk.

GBP

- **GBP retraced some gains** from a day before when it rallied on hawkish BOE policy statement, closing lower against 8 G10s but **climbed 0.16% to 1.3261 against a soft USD**.
- **We are slightly bullish on GBP against a soft USD**, but expect gains to be modest as upside effect from recent hawkish BOE tone wanes. GBPUSD is expected to challenge 1.3307. We opine that current bullish bias will extend only if this level is beaten.

JPY

- **JPY weakened against all G10s** as risk appetite improved in the markets, but managed to **inch 0.02% firmer to 109.97 against a soft USD**.
- **JPY is likely to remain bullish against a soft USD**. Early decline below 109.79 has exposed USDJPY to further losses, and we set sights on a potential drop to circa 108.79 – 109.00 in the next leg lower.

AUD

- **AUD was led higher** by improving risk appetite in the markets, beating all G10s and **surgingly 0.83% to 0.7440 against USD**.
- **We are slightly bullish on AUD against USD**, anticipating further improvement in market sentiment as witnessed last Friday. Technically, AUDUSD has established a bottom and attempting to extend its rebound. Clearing 0.7400 has exposed AUDUSD to a test at 0.7472 next.

SGD

- **SGD weakened against all G10s** and **slipped 0.02% to 1.3586 against USD** as refuge demand was dampened by rebound in emerging market majors.
- **We are neutral on SGD against USD**; early losses may be pared going into European/US session as USD strength wanes. Bullish bias in USDSGD is showing signs of lethargy as it continues to fail to challenge 1.3638. We reckon that a reversal lower is in the works.

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