

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks recorded substantial gains overnight as positive outcome from the Trump-Juncker meeting lifted sentiments.** The announcement that both US and EU are working towards resolving current trade issues and the US to hold off on proposed tariffs on European cars helped the Dow, S&P500 and Nasdaq to rise approximately 1.0% overnight. Facebook's revenue and user growth disappointed leading its shares to plunge in after-hour trading. Meanwhile WTI crude oil extended its upward trajectory by 1.14% to close at \$69.30 per barrel after the EIA reported higher-than-expected draw in crude oil stocks. Yield on US 10Y treasuries rose 2bps to 2.97% overnight.
- **In the US, new home sales fell 5.3% MOM in June, the sharpest decline this year** while the high growth in May was revised lower, **echoing the decline in existing home sales** reported earlier in the week **and signaling that the US housing activities may be losing steam.** Mortgage applications fell as well by 0.2% last week as applications to purchase a home continued to drop while applications to refinance a home rose modestly. **Australia CPI rose at a faster pace by 2.1% YOY in 2Q18** but missed consensus estimates of 2.2% **primarily due to higher prices of automotive fuel. Despite headline CPI returning to RBA target range of 2-3%, we continue to expect the central bank to keep cash rate unchanged for the rest of 2018 as core inflation remained below 2.0%.**
- **USD weakened against all G10s** while the DXY tumbled in US afternoon on receding trade tensions between US-EU, damping demand for refuge. **Stay slightly bearish on USD** on receding refuge demand and risk aversion ahead of US data, which if outperforms could trigger strong gains in USD. A minor bearish trend prevails; we continue to set sights on a drop to 93.92, below which is viewed as a completion of a bearish pattern that exposes a move to 93.19.
- **MYR strengthened 0.26% to 4.0555 against USD** that slipped through Asian afternoon and ended mixed against the G10s. **MYR is bullish against a weak overnight USD**, further supported by improving risk appetite in the markets. A minor bearish trend prevails, alongside negative momentum, both of which continues to dictate a lower USDMYR going forward. Caution that a close below 4.0470 will expose a drop to 4.0360 next.
- **SGD ended mixed against the G10s but strengthened 0.37% to 1.3584 against a weak USD. Stay slightly bullish on SGD against a soft USD**, supported further by improved risk appetite in the markets. Downside bias sustains after breaking below 1.3600 overnight. USDSGD is negotiating a drop below 1.3579, which if successful will push lower to 1.3527 in the next leg lower.

Overnight Economic Data

US	↓
Australia	↑

What's Coming Up Next

Major Data

- US Wholesale Inventories, Initial Jobless Claims, Retail Inventories, Durable Goods Orders, Kansas City Fed Manufacturing Activity
- Hong Kong Exports
- Singapore Industrial Production

Major Events

- ECB Main Refinancing Rate

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1700	1.1723	1.1734	1.1745	1.1763	↗
USDJPY	110.30	110.62	110.82	110.96	111.27	↘
GBPUSD	1.3161	1.3182	1.3198	1.3217	1.3248	↗
AUDUSD	0.7442	0.7451	0.7457	0.7464	0.7476	↗
EURGBP	0.8880	0.8887	0.8888	0.8895	0.8905	↘
USDMYR	4.0420	4.0470	4.0495	4.0515	4.0555	↘
EURMYR	4.7436	4.7480	4.7509	4.7521	4.7550	↗
JPYMYR	3.6458	3.6500	3.6535	3.6555	3.6600	→
GBPMYR	5.3390	5.3410	5.3471	5.3503	5.3543	↗
SGDMYR	2.9812	2.9824	2.9834	2.9837	2.9854	↗
AUDMYR	3.0170	3.0185	3.0210	3.0251	3.0285	↗
NZDMYR	2.7670	2.7693	2.7729	2.7736	2.7774	↗
USDSGD	1.3527	1.3557	1.3581	1.3594	1.3609	↘
EURSGD	1.5900	1.5915	1.5933	1.5936	1.5948	↘
GBPSGD	1.7900	1.7915	1.7925	1.7934	1.7944	↗
AUDSGD	1.0113	1.0122	1.0127	1.0136	1.0146	↗

* 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	1,763.78	0.05	-1.84	CRB Index	194.66	0.76	0.41
Dow Jones Ind.	25,414.10	0.68	2.81	WTI oil (\$/bbl)	69.30	1.14	17.68
S&P 500	2,846.07	0.91	6.45	Brent oil (\$/bbl)	73.93	0.67	10.56
FTSE 100	7,658.26	-0.66	-0.38	Gold (S/oz)	1,231.63	0.58	8.10
Shanghai	2,903.65	-0.07	-2.20	CPO (RM/tonne)	2,143.00	-0.88	-10.33
Hang Seng	28,920.90	0.90	-3.34	Copper (\$/tonne)	6,290.00	-0.08	-13.21
STI	3,326.83	1.04	-2.24	Rubber (sen/kg)	419.00	0.84	-9.41

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Jul-20	-0.2%	-2.5%	--
US New Home Sales MOM	Jun	-5.3%	3.9% revised	-3.1%
AU CPI YOY	2Q	2.1%	1.9%	2.2%

Source: Bloomberg

➤ Macroeconomics

- US new home sales, mortgage applications fell, signal slower housing activities:** New home sales dropped 5.3% MOM in June (May: +3.9% revised), the sharpest decline in 2018 thus far while simultaneously the high growth in May was revised from 6.7% to 3.9% MOM. Total sales stood at 631k units (May: 666k revised) while the median house price fell 4.2% to \$302.1k (May: \$309.7k) and supply increased to 5.7 months (May: 5.3 months). The fall in sales of new homes which makes up about 10% of the US housing market echoed the decline in sales of the existing homes, a sign that housing activities may be losing steam in the US. As opposed to the lack of supply in existing homes, supply seems aplenty in the new homes market, in fact the number of new home available for sales rose to 301k (May: 296k). In a separate release, the MBA mortgage applications fell 0.2% for the week ended 20 July (previous: -2.5%) as the average interest rate for a fixed rate 30Y loan remained unchanged at 4.77%. Applications to purchase a home dropped 1.0% (previous: -5.2%) while applications to refinance a home rose a modest 0.9% (previous: +2.2%).
- Australia inflation posted modest growth:** The non-seasonally CPI rose at a faster pace by 2.1% YOY in 2Q (1Q: +1.9%) but below market expectations of 2.2% YOY. On a quarterly basis, CPI growth was held steady at 0.4% QOQ (1Q: +0.4%) where the categories of automotive fuel, medical & hospital services and tobacco saw an increase of 6.9%, 3.1% and 2.8% QOQ respectively. These rises however were partially offset by falls in domestic holiday travel and accommodation (-2.7%), motor vehicles (-2.0%) and vegetables (-2.9%). The latest print marks the return of headline inflation back to the RBA target range of 2-3% for the first time in 15 months due to prices of fuel but given that core inflation remained below 2%, and prices seem unlikely to move upward any time soon, we expect the RBA to keep cash rate unchanged for the remainder of 2018.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
26/07	US	Wholesale Inventories MOM	Jun P	0.3%	0.6%	--
		Initial Jobless Claims	Jul-21	215k	207k	--
		Retail Inventories MOM	Jun	--	0.4%	--
		Durable Goods Orders	Jun P	3.0%	-0.4%	--
		Cap Goods Orders Nondef Ex Air	Jun P	0.5%	0.3%	--
		Kansas City Fed Manf. Activity	Jul	25.0	28.0	--
27/07		GDP Annualized QOQ	2Q A	4.2%	2.0%	--
		U. of Mich. Sentiment	Jul F	97.1	98.2	--
26/07	Eurozone	ECB Main Refinancing Rate	Jul-26	0.0%	0.0%	--
27/07	China	Industrial Profits YOY	Jun	--	21.1%	--
26/07	Hong Kong	Exports YOY	Jun	7.9%	15.9%	--
		Trade Balance HKD	Jun	-52.0b	-43.2b	--
26/07	Singapore	Industrial Production YOY	Jun	3.3%	11.1%	--
27/07	New Zealand	ANZ Consumer Confidence MOM	Jul	--	-0.8%	--

Source: Bloomberg

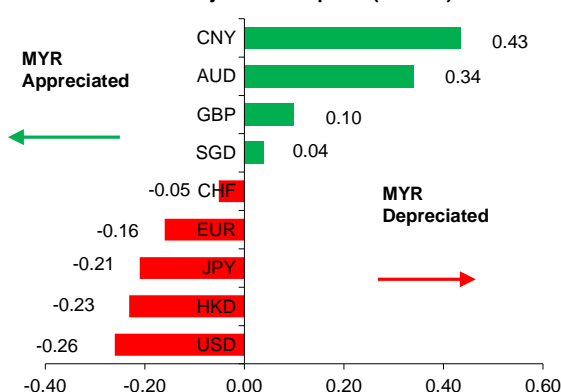
Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1729	0.36	1.1739	1.1664	2.2
USDJPY	110.98	-0.20	111.38	110.67	-1.7
GBPUSD	1.3189	0.33	1.3201	1.3133	-2.3
AUDUSD	0.7455	0.43	0.7464	0.7392	-4.5
EURGBP	0.8891	0.02	0.8902	0.8873	0.1
USDMYR	4.0555	-0.26	4.0650	4.0550	0.2
EURMYR	4.7465	-0.16	4.7521	4.7417	-1.8
JPYMYR	3.6484	-0.21	3.6557	3.6458	-1.5
GBPMYR	5.3389	0.10	5.3505	5.3344	-2.0
SGDMYR	2.9796	0.04	2.9820	2.9765	-1.4
AUDMYR	3.0109	0.34	3.0251	3.0025	-4.3
NZDMYR	2.7634	0.10	2.7670	2.7578	-3.6

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



MYR

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- **MYR is bullish against a weak overnight USD**, further supported by improving risk appetite in the markets. A minor bearish trend prevails, alongside negative momentum, both of which continues to dictate a lower USDMYR going forward. Caution that a close below 4.0470 will expose a drop to 4.0360 next.

USD

- **USD weakened against all G10s** while the DXY tumbled in US afternoon on receding trade tensions between US-EU, damping demand for refuge.
- **Stay slightly bearish on USD** on receding refuge demand and risk aversion ahead of US data, which if outperforms could trigger strong gains in USD. A minor bearish trend prevails; we continue to set sights on a drop to 93.92, below which is viewed as a completion of a bearish pattern that exposes a move to 93.19.

EUR

- **EUR rallied on the back of a weak USD to advance 0.36% to 1.1729** on easing concerns over economic slowdown in the region. EUR slipped against 5 G10s.
- **EUR is slightly bullish on the back of a soft USD**, but caution that losses may prevail heading into ECB policy decision, more so if policy tone suggests further delays in policy normalization. Upside break at 1.1723 has strengthened the minor bullish trend, tilting EURUSD upwards and taking aim at 1.1791 next. This is the region of recent upside failure, which if beaten allows passage to 1.1855. Otherwise, expect a drop below 1.1723 in the next move.

GBP

- **GBP** was softer against 7 G10s as refuge demand in European markets receded, but **managed to climb 0.33% to 1.3189 against a weak USD**.
- **Stay slightly bullish on GBP against a soft USD** and continued to be supported by firm Brexit sentiment. A close above 1.3175 has exposed a move to 1.3246 next. Beating this, GBPUSD will challenge 1.3293 next.

JPY

- **JPY** weakened against 8 G10s as refuge demand tumbled after US-EU trade spat dialed down a tone, but **advanced 0.2% to 110.98 against a weak USD**.
- Despite likelihood of extended recovery in risk appetite, **JPY is likely to hold firm against a soft USD**. Technically, USDJPY remains on a downward path, with scope to test 110.61 next, and below which exposes a move to 110.30.

AUD

- **AUD** that was initially pressured by softer than expected Australia CPI figures overturned early losses to **jump 0.43% to 0.7455 against a weak USD** and strengthened against 5 G10s amid firmer risk appetite in the markets.
- **AUD remains bullish in our view against a soft USD**, further supported by improved risk appetite in the markets. Beating 0.7451 overnight, on top of firmer upside momentum, is tilting AUDUSD higher. Expect a test at 0.7484 – 0.7494 next, the range of recent upside failure; beating this exposes a move to 0.7537, otherwise expect a drop below 0.7451.

SGD

- **SGD** ended mixed against the G10s but **strengthened 0.37% to 1.3584 against a weak USD**.
- **Stay slightly bullish on SGD against a soft USD**, supported further by improved risk appetite in the markets. Downside bias sustains after breaking below 1.3600 overnight. USDSGD is negotiating a drop below 1.3579, which if successful will push lower to 1.3527 in the next leg lower.

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