July 27, 2018

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks ended mixed overnight** due to varying performance in key sectors. Tech shares took a beating as Facebook reported disappointing Q2 earnings yesterday and was simultaneously projecting a slower profit margin ahead. The industrial sector was lifted by improved trade sentiments while energy stocks rallied boosted by higher oil price. **The Dow rose 0.44% whereas the S&P500 and Nasdaq lost 0.30% and 1.01% respectively**. **WTI gained 0.45% to $69.61 per barrel on supply concern** due to attack on Saudi tankers leading to a temporary suspension of oil shipments via the Bab el Mandeb chokepoint in the Red Sea. Yield on US 10Y treasuries was little changed at 2.98%. The EUR slid after **ECB held key rates unchanged** and announced its intention to stick to its plan to end Asset Purchase Program in December this year while **expecting rates to remain at current level at least through the summer of 2019**.

- **Data flow from the US were mixed**, with durable goods orders, Kansas City Fed manufacturing activity, wholesale and retail inventories underperforming, while jobless claims increased more than expected. **Hong Kong exports slowed sharply** on high base effect, widening the trade deficit. In **Singapore, industrial production growth slowed modestly** but more than doubled market expectations. Meanwhile, **consumer confidence in New Zealand weakened**.

- **USD rallied to beat all G10s** while the DXY jumped in US morning to close 0.59% higher at 94.78 on increased buying interest as markets set sights on acceleration to US 2Q GDP tonight. **USD is still bearish in our view** as buying interest is likely to wane heading into US GDP report tonight, which if disappoints could spark a sharp decline. DXY remains fragile and could renew a downside bias if it closes below 94.60 today, which would take aim at 93.97 in the next leg lower. Otherwise, expect DXY to challenge 95.06.

- **MYR weakened 0.14% to 4.0610 against USD**, returning all early gains from a firmer opening while sliding against 7 G10s. **Expect a bearish MYR against a firmer overnight USD**, further pressure by receding buying interest going into the week's close. Despite strong rebound overnight and sharply higher opening today, we continue to note prevalence of price-momentum divergence and signs of upside fatigue, both of which suggest a reversal lower is impending for USDMYR.

- **SGD** strengthened against 7 G10s that retreated in line with a firm greenback but **weakened 0.39% to 1.3637 against USD**. **Stay slightly bullish on SGD in anticipation of a soft USD**, further supported by refuge demand within the region. Strong rebound overnight failed to beat 1.3643, thus we continue to set sights on a decline going forward. USDSGD is likely to ret-test 1.3600, below which a drop to 1.3579 is expected.

Overnight Economic Data

US	→
Hong Kong	↓
Singapore	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US GDP Annualized QOQ, U. of Mich. Sentiment
- China Industrial Profits

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1610	1.1626	1.1642	1.1662	1.1680	↗
USDJPY	110.68	111.00	111.11	111.27	111.48	↘
GBPUSD	1.3161	1.3182	1.3106	1.3217	1.3248	↗
AUDUSD	0.7346	0.7369	0.7378	0.7391	0.7402	↗
EURGBP	0.8854	0.8869	0.8883	0.8885	0.8900	↘
USDMYR	4.0670	4.0700	4.0715	4.0720	4.0750	↗
EURMYR	4.7298	4.7351	4.7404	4.7421	4.7456	↘
JPYMYR	3.6557	3.6588	3.6645	3.6682	3.6700	→
GBPMYR	5.3304	5.3354	5.3370	5.3415	5.3459	↘
SGDMYR	2.9800	2.9824	2.9840	2.9857	2.9882	→
AUDMYR	2.9984	3.0010	3.0041	3.0074	3.0116	↘
NZDMYR	2.7562	2.7596	2.7605	2.7616	2.7632	↘
USDSGD	1.3600	1.3635	1.3644	1.3659	1.3671	↘
EURSGD	1.5865	1.5875	1.5887	1.5905	1.5931	↘
GBPSGD	1.7850	1.7868	1.7883	1.7887	1.7912	↗
AUDSGD	1.0046	1.0062	1.0066	1.0086	1.0093	↗

*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	1,766.23	0.14	-1.70	CRB Index	194.99	0.17	0.58
Dow Jones Ind.	25,527.07	0.44	3.27	WTI oil ($/bbl)	69.61	0.45	15.21
S&P 500	2,837.44	-0.30	6.13	Brent oil ($/bbl)	74.54	0.83	11.47
FTSE 100	7,663.17	0.06	-0.32	Gold (S/oz)	1,222.69	-0.73	8.10
Shanghai	2,882.23	-0.74	-12.85	CPO (RM/tonne)	2,134.00	-0.42	-10.71
Hang Seng	28,781.14	-0.48	-3.80	Copper ($/tonne)	6,291.00	0.02	-13.19
STI	3,328.60	0.05	-2.18	Rubber (sen/kg)	421.50	0.12	-8.86

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Initial Jobless Claims	21-Jul	217k	208k (revised)	215k
US Wholesale Inventories MOM	Jun P	0.0%	0.4% (revised)	0.3%
US Retail Inventories MOM	Jun	0.0%	0.4%	--
US Durable Goods Orders	Jun P	1.0%	-0.3% (revised)	3.0%
US Cap Goods Orders Nondef Ex Air	Jun P	0.6%	0.7% (revised)	0.5%
US Kansas City Fed Manf. Activity	Jul	23.0	28.0	25.0
EU ECB Main Refinancing Rate	Jul-26	0.0%	0.0%	0.0%
HK Exports YOY	Jun	3.3%	15.9%	7.9%
HK Trade Balance HKD	Jun	-54.1b	-43.3b	-52.0b
SG Industrial Production YOY	Jun	7.4%	11.1%	3.3%
NZ ANZ Consumer Confidence MOM	Jul	-1.3%	-0.8%	--

Source: Bloomberg

➢ Macroeconomics

- ***ECB held monetary policy steady:*** The ECB kept key interest rates unchanged as widely expected, offering similar guidance on its monetary policy. Growth assessment remained roughly the same - in its introductory statement during the post meeting press conference, President Mario Draghi said that while uncertainties related to the global trade environment remained prominent, the Eurozone economy is proceeding along a solid and broad-based growth path. He reiterated (as per last press con) that the softer growth in Q1 came following three quarters of strong growth and the ECB foresees growth to be solid and broad-based across sectors and countries for the second half of 2018. On inflation, an ample degree of monetary accommodation is still needed to generate inflation level of close to 2% over the medium term. In fact Draghi mentioned that the latest annual HICP inflation growth rate at 2% was driven by higher oil price, while underlying inflation (went down from 1.1% to 0.9%) remained muted hence it is too early to call victory on inflation. Nominal wage growth picked up as well as the labour market tightened (unemployment rate went down to 8.4% recently). The euro slipped following the announcement.

- ***US durable goods order missed consensus, capex remained solid; inventories unchanged:*** Preliminary data released by the Census Bureau shows that the seasonally adjusted durable goods order increased less than expected by 1.0% MOM in June (May: -0.3% revised). Excluding transportations, new orders rose 0.4% MOM (May: +0.3%). Nondefense capital goods orders excluding aircraft, meanwhile posted a robust gain of 0.6% (May: +0.7% revised) while growth for previous month was revised upwards, signaling solid firms' capital expenditures. In separate releases, preliminary reading reported that wholesale inventories remained unchanged in June as growth rate came in at 0.0% MOM (May: +0.6%). Similarly, retail inventories registered no growth i.e. at 0.0% MOM (May: +0.4%), a sign of flat wholesaler and retailer confidence. Initial jobless claims edged up to 217k for the week ended 20 July (previous: 208k revised) bringing the four-month moving average to 208k, a consistent number still indicating that labour market continued to tighten.

- ***US Kansas City manufacturing activities slowed but solid:*** Kansas City Fed Manufacturing Index came off from recent months' high to 23 in July (Jun: 28.0) on slower new orders and productions. Consistent with other districts, prices paid for raw materials continued to increase. The district fed said that many firms remained concerned about labour availability and tariffs, but optimism stayed high.

- ***Hong Kong posted slower exports growth:*** Exports rose a marginal 3.3% YOY in June (May: +15.9%) while imports rose 4.4% YOY (May: +16.5% attributed to high base effect, and this brings the trade deficit to HK$54.1b (May: -HK$43.2b). Exports to all major trading partners slowed with shipments to China rose 2.9% YOY (May: +19.2%). We expect exports to continue to post moderate growth ahead given that the economy is highly reliant on demand from China where growth is expected to slow down in 2018.

- ***Singapore industrial productions beat expectations:*** The non-seasonally adjusted industrial production growth came in at 7.4% YOY in June (May: +11.1%), well above the consensus estimate of 3.3% YOY. Productions of all three main categories saw slower growth – electronics (June +7.1% vs 18.7%), biomedical manufacturing (+13.8% vs 19.7%) and chemicals (+1.6% vs +8.6%). Growth in semiconductors, a subcomponents in the electronics segment, cooled to a 10.2% YOY rate (May: +29.0%). Within biomedical manufacturing sector, pharmaceuticals rose 17.4% YOY (May: +22.6%) while within the chemicals sector, petrochemicals rose 14.3% YOY (May: +19.6%). Overall, June print is consistent with the substantial slowdown in non-oil domestic exports which rose a mere 1.1% YOY. The slower growth in electronics output echoes the seven consecutive months of decline in electronic exports, a sign that demand for electronics has lost steam.

- ***New Zealand consumer confidence weakened:*** The ANZ Consumer Confidence Index fell 1.3% MOM (Jun:-0.8%) to 118.4 in July (Jun: 120.0) as consumers stayed rather downbeat on the economy in one year ahead. Spending could slow as well as the consumers intended to hold back from buying major household items.

Economic Calendar Release Date

Date	Country	Event	Reporting Period	Survey	Prior	Revised
27/07	**US**	**GDP Annualized QOQ**	**2Q A**	**4.2%**	**2.0%**	**--**
		U. of Mich. Sentiment	**Jul F**	**97.1**	**98.2**	**--**
30/07		Pending Home Sales MoM	Jun	0.4%	-0.5%	--
		Dallas Fed Manf. Activity	Jul	31.0	36.5	--
30/07	Eurozone	Economic Confidence	Jul	112.1	112.3	--
		Consumer Confidence	Jul F	-0.6	-0.6	--
30/07	UK	Mortgage Approvals	Jun	65.5k	64.5k	--
30/07	Japan	Retail Trade YoY	Jun	1.8%	0.6%	--
		Dept. Store, Supermarket Sales	Jun	--	-2.0%	--
27/07	**China**	**Industrial Profits YOY**	**Jun**	**--**	**21.1%**	**--**

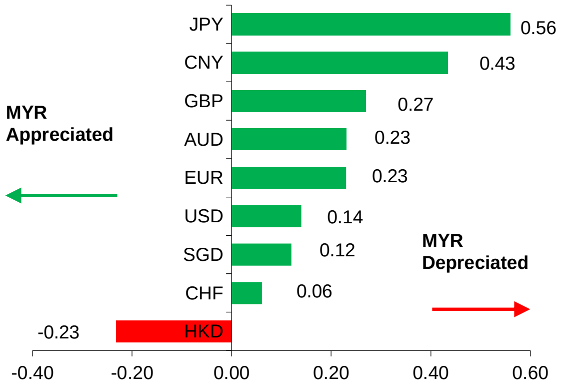
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1643	-0.73	1.1744	1.1640	-3.0
USDJPY	111.23	0.23	111.25	110.59	-1.3
GBPUSD	1.3109	-0.61	1.3213	1.3106	-3.0
AUDUSD	0.7377	-1.05	0.7463	0.7372	-5.5
EURGBP	0.8882	-0.11	0.88957	0.8865	0.0
USDMYR	4.0610	0.14	4.2963	4.2820	0.4
EURMYR	4.7575	0.23	4.9042	4.8877	-1.9
JPYMYR	3.6689	0.56	3.7940	3.7789	2.1
GBPMYR	5.3533	0.27	5.5687	5.5505	-2.0
SGDMYR	2.9833	0.12	3.1267	3.1181	-1.5
AUDMYR	3.0177	0.23	3.3323	3.3182	-4.6
NZDMYR	2.7736	0.37	3.1506	3.1392	-3.7

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR weakened 0.14% to 4.0610 against USD**, returning all early gains from a firmer opening while sliding against 7 G10s.
- **Expect a bearish MYR against a firmer overnight USD**, further pressure by receding buying interest going into the week's close. Despite strong rebound overnight and sharply higher opening today, we continue to note prevalence of price-momentum divergence and signs of upside fatigue, both of which suggest a reversal lower is impending for USDMYR.

USD

- **USD rallied to beat all G10s** while the DXY jumped in US morning to close 0.59% higher at 94.78 on increased buying interest as markets set sights on acceleration to US 2Q GDP tonight.
- **USD is still bearish in our view** as buying interest is likely to wane heading into US GDP report tonight, which if disappoints could spark a sharp decline. DXY remains fragile and could renew a downside bias if it closes below 94.60 today, which would take aim at 93.97 in the next leg lower. Otherwise, expect DXY to challenge 95.06 soon.

EUR

- **EUR tumbled 0.73% to 1.1643 against USD** and fell against 7 G10s as ECB President Draghi kept market expectations of a sooner than expected policy tightening anchored.
- **Expect a bullish EUR against USD** as downside effect from dovish ECB statement wanes. We expect a modest technical rebound after relatively sharp overnight decline. Recapturing 1.1692 will improve EURUSD's upside bias and again take aim at 1.1723.

GBP

- **GBP fell 0.61% to 1.3109 against a firm USD** but managed to beat 6 G10s, supported by demand for refuge amid weakness in European majors.
- **Stay slightly bullish on GBP in line with our view of a soft USD**. We expect a modest technical rebound after relatively sharp overnight decline. Holding above 1.3100 keeps the bears at bay and sustains the chance for GBPUSD to attempt another rebound towards 1.3161 – 1.3173.

JPY

- **JPY** advanced against 8 G10s on refuge demand amid weakness in European majors but **weakened 0.23% to 111.23 against a firmer USD**.
- **Continue to keep a bullish view on JPY against USD** amid potential increase in risk aversion ahead of US 2Q GDP and going into the week's close. USDJPY expectedly tested 110.59 overnight and, despite a rebound, is still inclined to a close below 110.98 going forward. Below this exposes a move to 110.30.

AUD

- **AUD** tumbled against all G10s and **plunged 1.05% to 0.7377 against a firmer USD** amid declines in commodities and continued US-China trade stand-off.
- **AUD is slightly bullish in line with our view of a softer USD**. AUDUSD is likely to attempt a technical rebound after recent sharp losses and could re-test 0.7397. Beating this expose a move to 0.7451, otherwise, expect a decline to circa 0.7330.

SGD

- **SGD** strengthened against 7 G10s that retreated in line with a firm greenback but **weakened 0.39% to 1.3637 against USD**.
- **Stay slightly bullish on SGD in anticipation of a soft USD**, further supported by refuge demand within the region. Strong rebound overnight failed to beat 1.3643, thus we continue to set sights on a decline going forward. USDSGD is likely to ret-test 1.3600, below which a drop to 1.3579 is expected.

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