

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended in the red again on contradicting comments on US-China trade policies** leading to a renewed fear on trade tensions. An earlier jump in the morning session after a White House senior official reportedly said that the Administration would take softer approach to curb Chinese investment in US tech firms did not hold up following **Larry Kudlow's comment that the US has not backed down on China**. Meanwhile, the large decrease in US crude stocks as reported by the EIA sent crude oil to surge – WTI added \$2.23 to close at an all-time high of \$72.76/ barrel while Brent increased \$1.31 to close at \$77.62/ barrel. On top of that, **RBNZ kept its official cash rate unchanged as widely expected**.
- **In the US, we saw weaker signs from the housing markets** as pending home sales fell for the fifth consecutive month by 2.2% YOY in May, in line with the drop in existing home sales as limited supply led buyers into the new home segments. Mortgage applications dropped the most in four months by 4.9% last week even as interest rates generally fell. At the manufacturing front, **durable goods order fell by 0.6% MOM in May** while the closely watched orders for non-defense capital goods excluding aircraft (a gauge of business spending) also edged lower **suggesting moderate activities ahead**. **Both wholesale and retail inventories increased in May by 0.5% and 0.4% respectively signaling slower consumer consumptions**. In the UK, **growth in house prices continued to slow**. **China industrial profit managed to hold up in May while business confidence in New Zealand slipped further**.
- **USD extended its rebound to beat all G10s** while the DXY rallied through European and US sessions to close 0.65% higher at 95.29, lifted by buying interest amid signs of easing tensions in the on-going US-China trade spat. **Stay bullish on USD** on extended buying interest from improvement in the tone of current trade tension. Caution that downside surprise in US 1Q GDP tonight could renew losses. Despite prevalence of a bullish trend, we caution that price-momentum divergence has emerged while risk of rejection is likely to increase approaching 95.52, the level that previously triggered a modest rejection.
- **MYR weakened 0.19% to 4.0300 against a firm USD** but managed to beat 8 G10s that were also on the defensive against the greenback. **MYR is likely to remain bearish against a firmer overnight USD**. USDMYR remains on an upward trajectory after beating 4.0300. Expect further gains, with scope to test 4.0420 – 4.0450 in the next leg higher.
- **SGD weakened 0.32% to 1.3675 against a firm USD** but advanced against 8 G10s that were weaker amid extended weakness in market sentiment. **SGD is bearish against a strong USD**, in line with extended weakness in Asian / emerging majors. Despite extended advance, we continue to note that bullish bias in USDSGD is showing signs of lethargy as it continues to fail to test the upper Bollinger. We reckon that a reversal lower is in the works.

Overnight Economic Data

US	↓
UK	↓
China	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US GDP Annualized QOQ, Personal Consumption, Initial Jobless Claims, Kansas City Fed Manufacturing Activity Index
- Eurozone Economic Confidence, Consumer Confidence
- Japan Retail Trade, Department Store & Supermarket Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1509	1.1541	1.1562	1.1588	1.1604	↘
USDJPY	109.79	110.00	110.09	110.24	110.41	↘
GBPUSD	1.3085	1.3102	1.3114	1.3148	1.3194	↘
AUDUSD	0.7300	0.7324	0.7343	0.7367	0.7384	↘
EURGBP	0.8800	0.8809	0.8817	0.8819	0.8835	↗
USDMYR	4.0325	4.0349	4.0370	4.0400	4.0420	↗
EURMYR	4.6567	4.6650	4.6679	4.6712	4.6775	↘
JPYMYR	3.6630	3.6650	3.6703	3.6728	3.6764	→
GBPMYR	5.2845	5.2876	5.2931	5.2950	5.2977	↘
SGDMYR	2.9492	2.9510	2.9520	2.9536	2.9550	→
AUDMYR	2.9577	2.9595	2.9636	2.9672	2.9700	↘
NZDMYR	2.7315	2.7355	2.7374	2.7406	2.7436	↘
USDSGD	1.3642	1.3660	1.3672	1.3685	1.3700	↗
EURSGD	1.5760	1.5800	1.5811	1.5820	1.5850	↘
GBPSGD	1.7911	1.7929	1.7932	1.7936	1.7950	↘
AUDSGD	1.0020	1.0030	1.0037	1.0046	1.0055	↘

* 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	1,666.08	-0.58	-7.28	CRB Index	198.95	0.86	2.62
Dow Jones Ind.	24,117.59	-0.68	-2.43	WTI oil (\$/bbl)	72.76	3.16	20.42
S&P 500	2,699.63	-0.86	0.97	Brent oil (\$/bbl)	77.62	1.72	16.08
FTSE 100	7,621.69	1.11	-0.86	Gold (\$/oz)	1,252.35	-0.53	8.10
Shanghai	2,813.18	-1.10	-14.94	CPO (RM/tonne)	2,277.50	0.84	-4.71
Hang Seng	28,356.26	-1.82	-5.22	Copper (\$/tonne)	6,692.50	-0.31	-7.65
STI	3,254.77	-0.80	-4.35	Rubber (sen/kg)	435.50	0.69	-5.84

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Jun-22	-4.9%	5.1%	--
US Wholesale Inventories MOM	May P	0.5%	0.1%	0.2%
US Durable Goods Orders	May P	-0.6%	-1.0% (revised)	-1.0%
US Retail Inventories MOM	May	0.4%	0.5% (revised)	--
US Pending Home Sales MOM	May	-0.5%	-1.3%	0.5%
UK Nationwide House PX MOM	Jun	0.5%	-0.2%	0.2%
UK Nationwide House PX NSA YOY	Jun	2.0%	2.4%	1.7%
CN Industrial Profits YOY	May	21.1%	21.9%	--
NZ ANZ Business Confidence	Jun	-39.0	-27.2	--

Source: Bloomberg

➤ Macroeconomics

- US mortgage applications, pending home sales posted decline:** The MBA mortgage applications fell the most in four months by 4.9% for the week ended 22 June (previous: +5.1%) as cost of borrowing generally fell due to lower treasury yields. The average interest rate for a 30-year loan remained relatively flat at 4.84% (previous: 4.83%). Applications to refinance a home dropped 3.5% (previous: +6.1%) while applications to purchase a home dipped 5.9% (previous: +4.3%). In a separate release, pending home sales continued to fall albeit at a slower pace by 0.5% MOM in May (Apr: -1.3%). On a yearly basis, sales posted its fifth consecutive month of decline by 2.2% YOY (Apr: -2.1%) as potential homebuyers pulled back from the highly competitive housing markets. The National Association of Realtors which published the index cited a lack of new and existing inventories as the reason behind the stalling of activity. To give a fuller picture, this resonates the fall in existing home sales in May as limited supply led buyers to flock into the new homes segment which saw a higher-than-expected pickup in May.
- US Durable goods orders fell; wholesale & retail inventories went up:** New orders for manufactured durable goods dropped 0.6% MOM in May (Apr: -1.0% revised) driven by lower demand for cars, metal products and aircraft while orders for non-defense capital goods excluding aircraft, a gauge of business spending edged lower by 0.2% MOM (previous: +2.3%) suggesting moderate activities in the manufacturing sector ahead. Preliminary readings show that wholesale inventories increased 0.5% MOM in May (Apr: +0.1%) while retail inventories inched up 0.4% MOM (Apr: +0.5% revised) signaling potentially slower consumptions by consumers.
- UK House prices growth continued to slow:** The Nationwide House Price Index for all houses rebounded to increase 0.5% MOM in June (May: -0.2%) while on a non-seasonally adjusted basis, the index eased to increase 2.0% YOY (May: +2.4%), the slowest gain in 5 years. Subdued economic activity and squeezed household budgets were seen limiting demand according to Nationwide Building Society. The figure was generally in line with other data on the UK housing markets which have been on the weakening mode in recent months.
- China industrial profits held up on higher factory gate inflation:** Growth of profit at Chinese industrial firms increased 21.1% YOY in May (Apr: +21.9%) driven by acceleration in producer prices as prices of crude oil and metals increased. Compared to a year ago, profit gains are relatively flat but might not hold up for long given a slower industrial production and investment recently. Year-to-date, profits rose 16.5% YOY from Jan-May 2018 to CNY2.73bn.
- RBNZ left interest rates unchanged:** RBNZ kept its official cash rate (OCR) unchanged at 1.75% as widely expected. Instead of the usual monetary policy statement, the central bank released a one-page summary of the decision. Key highlights include the OCR at its current level is best at maximizing sustainable employment as well as low and stable inflation, and it is expected to be kept at current level for a considerable period of time. Consumer price inflation remained below target, the direction of the next move is equally balanced whether up or down and policy to remain supportive for some time to come.
- New Zealand Business confidence slipped further:** ANZ Business Confidence dipped to a seven-month low of -39.0 in June (May: -27.2) while Activity Outlook fell to 9.4 (May: 13.6) signaling potential slowdown ahead. 48% of the firms surveyed expected deterioration in business conditions while 27% saw increases in their respective business activities. The intention to hire fell with only 17% expected to hire. Lack of skilled employment was cited as the most prevalent problem followed by regulations.

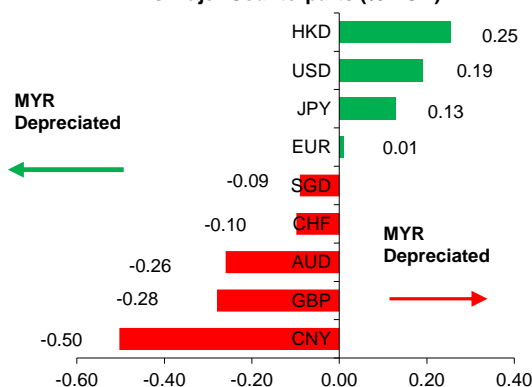
Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
28/06	US	GDP Annualized QOQ	1Q T	2.2%	2.9%	--
		Personal Consumption	1Q T	1.0%	1.0%	--
		Initial Jobless Claims	Jun-23	220k	218k	--
		Kansas City Fed Manf. Activity	Jun	26.0	29.0	--
29/06		PCE Core YOY	May	1.9%	1.8%	--
		Personal Income	May	0.4%	0.3%	--
		Personal Spending	May	0.4%	0.6%	--
		Chicago Purchasing Manager	Jun	60.8	62.7	--
		U. of Mich. Sentiment	Jun F	99.0	99.3	--
28/06	Eurozone	Economic Confidence	Jun	112.0	112.5	--
		Consumer Confidence	Jun F	-0.5	0.2	--
29/06		CPI Estimate YOY	Jun	2.0%	1.9%	--
29/06		GfK Consumer Confidence	Jun	-7.0	-7.0	--
		Mortgage Approvals	May	62.2k	62.5k	--
		GDP QOQ	1Q F	0.1%	0.4%	--
28/06	Japan	Retail Trade YOY	May	1.4%	1.6%	1.5%
		Dept. Store, Supermarket Sales	May	-1.0%	-0.8%	--
29/06		Jobless Rate	May	2.5%	2.5%	--
		Industrial Production YOY	May P	3.4%	2.6%	--
		Construction Orders YOY	May	--	4.0%	--
		Housing Starts YOY	May	-5.7%	0.3%	--
		Consumer Confidence Index	Jun	43.8	43.8	--
29/06	New Zealand	ANZ Consumer Confidence MOM	Jun	--	0.4%	--
28-30/06	Vietnam	Building Permits MOM	May	--	-3.7%	--
		Exports YTD YOY	Jun	15.7%	15.8%	--
		Trade Balance	Jun	-\$248m	-\$500m	--
		CPI YOY	Jun	4.35%	3.86%	--
		GDP YTD YOY	2Q	6.80%	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	1.1554	-0.81	1.1672	1.1541	-3.7
USDJPY	110.26	0.18	110.49	109.69	-2.2
GBPUSD	1.3113	-0.85	1.3234	1.3107	-3.0
AUDUSD	0.7340	-0.73	0.7407	0.7324	-6.0
EURGBP	0.8809	0.04	0.8828	0.8797	-0.7
USDMYR	4.0300	0.19	4.0303	4.0220	-0.2
EURMYR	4.6911	0.01	4.7024	4.6829	-3.8
JPYMYR	3.6710	0.13	3.6728	3.6512	1.8
GBPMYR	5.3172	-0.28	5.3312	5.3147	-3.1
SGDMYR	2.9520	-0.39	2.9576	2.9497	-2.5
AUDMYR	2.9692	-0.26	2.9774	2.9648	-6.3
NZDMYR	2.7467	-0.63	2.7556	2.7436	-4.9

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR weakened 0.19% to 4.0300 against a firm USD** but managed to beat 8 G10s that were also on the defensive against the greenback.
- **MYR is likely to remain bearish against a firmer overnight USD.** USDMYR remains on an upward trajectory after beating 4.0300. Expect further gains, with scope to test 4.0420 – 4.0450 in the next leg higher.

USD

- **USD extended its rebound to beat all G10s** while the DXY rallied through European and US sessions to close 0.65% higher at 95.29, lifted by buying interest amid signs of easing tensions in the on-going US-China trade spat.
- **Stay bullish on USD** on extended buying interest from improvement in the tone of current trade tension. Caution that downside surprise in US 1Q GDP tonight could renew losses. Despite prevalence of a bullish trend, we caution that price-momentum divergence has emerged while risk of rejection is likely to increase approaching 95.52, the level that previously triggered a modest rejection.

EUR

- **EUR tumbled 0.81% to 1.1554 against USD** and retreated against 6 G10s, weighed down by renewed interest in haven majors.
- **Expect a bearish EUR against a strong USD.** A minor bearish trend has emerged after failing to hold above 1.1604 yesterday and suggests further losses are likely going forward. EURUSD is likely to test 1.1509 in the next leg lower.

GBP

- **GBP tumbled 0.85% to 1.3113 against USD** and fell against 7 G10s amid renewed jitters over economic slowdown impacted by trade spat as cautioned by BOE Governor Carney.
- **Stay slightly bearish on GBP against USD,** weighed down ahead of speeches by BOE officials. Downside bias prevails in GBPUSD and losses could extend. However, we caution the emergence of a slight price-momentum divergence and a bullish reversal pattern that could trigger a modest rebound going forward.

JPY

- **JPY rallied to beat all G10s** amid continued demand for refuge from extended sell-off in the US markets, but **slipped 0.18% to 110.26 against a firm USD.**
- **JPY is now bullish against USD,** supported by extended weakness in market sentiment. While USDJPY remains in a minor bullish trend, we expect losses to prevail today after upsides were rejected by 110.41 yesterday. Losses are likely to hold above 109.97 today, otherwise technical landscape will be altered again.

AUD

- **AUD managed to climb against 6 G10s** but **weakened 0.73% to 0.7340 against a firm USD.**
- **Stay bearish on AUD against USD** as risk appetite in the market retreats further. The decline below 0.7379 overnight has altered the technical landscape of AUDUSD. The pair is now tilted to the downside and further losses, possibly to circa 0.7273, are likely unless AUDUSD manages to recapture 0.7379.

SGD

- **SGD weakened 0.32% to 1.3675 against a firm USD** but advanced against 8 G10s that were weaker amid extended weakness in market sentiment.
- **SGD is bearish against a strong USD,** in line with extended weakness in Asian / emerging majors. Despite extended advance, we continue to note that bullish bias in USDSGD is showing signs of lethargy as it continues to fail to test the upper Bollinger. We reckon that a reversal lower is in the works.

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