

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equities ended with modest gains overnight** - banking stocks rallied while tech shares corrected **given the lack of development in the Trump Administration's proposed investment restriction**. Yield on 10Y US treasuries was little changed at 2.84% while the WTI and Brent closed higher at \$73.45 (+0.95%) and \$77.85 (+0.30%) per barrel respectively.
- On the data front, **US annualized GDP growth for 1Q18 was revised lower from 2.2% to 2.0% QOQ** but the economy is expected to take off in 2Q18 given generally upbeat data across the board. The labour markets continued to tighten – initial jobless claims increased but continuing claims fell. Elsewhere, **sentiments in the Eurozone and UK deteriorated** amidst clouded economic outlook and trade policy uncertainties. **Japan preliminary industrial productions growth surged to a 5-month high** of 4.2% in May led by higher manufacturing outputs **but retail sales posted the slowest annual growth in 7 months** at 0.6%. **Jobless rates meanwhile surprised to lock in at an all-time low of 2.2%** from the previous 2.5% as the labour market tightened even further. New Zealand building permits rebounded while its consumer confidence weakened.
- **USD ended mixed with bigger gains than losses** while the DXY managed to inch 0.02% higher to 95.31 at closing after bouncing higher in US afternoon. **We turn slightly bearish on USD**, anticipating potential downsides in US data that would exacerbate yesterday's downward revision in GDP and reinforce concerns of further slowdown. 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; this level reject DXY's overnight advance.
- **MYR fell 0.31% to 4.0425 against USD** amid continued weakness in Asian / emerging majors but managed to beat 8 G10s that were also sliding on a firm greenback. **MYR is likely to remain bearish against USD**, weighed down by risk aversion in the markets going into the week's close. USDMYR remains on an upward trajectory after beating 4.0400 and could be soon testing 4.0480 – 4.0500. Caution that this is a strong resistance range that could trigger a reversal going forward.
- **SGD dipped 0.01% to 1.3677 against USD** but closed mixed against the G10s. **We turn bullish on SGD against USD** on technical reasons. USDSGD has completed a bullish trend and continues to fail to test the upper Bollinger. We reckon that the next move will likely be lower, possibly testing 1.3604.

Overnight Economic Data

| | |
|-------------|---|
| US | ↓ |
| Eurozone | ↓ |
| UK | ↓ |
| Japan | → |
| New Zealand | → |

What's Coming Up Next

Major Data

- US PCE Core, Personal Income, Personal Spending, Chicago PMI, U. of Mich. Consumer Sentiment
- Eurozone CPI Estimate YOY
- UK 1Q GDP, Mortgage Approvals
- Japan Construction Orders, Housing Starts, Consumer Confidence Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1527 | 1.1550 | 1.1573 | 1.1582 | 1.1600 | ↗ |
| USDJPY | 110.15 | 110.27 | 110.40 | 110.47 | 110.65 | ↘ |
| GBPUSD | 1.3050 | 1.3059 | 1.3084 | 1.3100 | 1.3121 | ↘ |
| AUDUSD | 0.7300 | 0.7320 | 0.7348 | 0.7360 | 0.7384 | ↘ |
| EURGBP | 0.8831 | 0.8840 | 0.8847 | 0.8851 | 0.8860 | ↗ |
| USDMYR | 4.0400 | 4.0420 | 4.0445 | 4.0480 | 4.0500 | ↗ |
| EURMYR | 4.6700 | 4.6729 | 4.6797 | 4.6829 | 4.6868 | ↗ |
| JPYMYR | 3.6554 | 3.6570 | 3.6623 | 3.6640 | 3.6680 | ↘ |
| GBPMYR | 5.2800 | 5.2862 | 5.2888 | 5.2925 | 5.2950 | ↘ |
| SGDMYR | 2.9510 | 2.9560 | 2.9581 | 2.9600 | 2.9618 | ↗ |
| AUDMYR | 2.9639 | 2.9650 | 2.9697 | 2.9732 | 2.9774 | ↘ |
| NZDMYR | 2.7220 | 2.7250 | 2.7282 | 2.7315 | 2.7343 | ↘ |
| USDSGD | 1.3642 | 1.3660 | 1.3674 | 1.3685 | 1.3700 | ↘ |
| EURSGD | 1.5770 | 1.5810 | 1.5820 | 1.5829 | 1.5855 | ↘ |
| GBPSGD | 1.7842 | 1.7850 | 1.7880 | 1.7910 | 1.7929 | ↘ |
| AUDSGD | 1.0023 | 1.0032 | 1.0040 | 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 | 1,665.68 | -0.02 | -7.30 | CRB Index | 198.89 | -0.03 | 2.59 |
| Dow Jones Ind. | 24,216.05 | 0.41 | -2.04 | WTI oil (\$/bbl) | 73.45 | 0.95 | 21.57 |
| S&P 500 | 2,716.31 | 0.62 | 1.60 | Brent oil (\$/bbl) | 77.85 | 0.30 | 16.42 |
| FTSE 100 | 7,615.63 | -0.08 | -0.94 | Gold (\$/oz) | 1,248.25 | -0.33 | 8.10 |
| Shanghai | 2,786.90 | -0.93 | -15.73 | CPO (RM/tonne) | 2,279.00 | 0.07 | -4.64 |
| Hang Seng | 28,497.32 | 0.50 | -4.75 | Copper (\$/tonne) | 6,623.00 | -1.04 | -8.61 |
| STI | 3,257.57 | 0.09 | -4.27 | Rubber (sen/kg) | 439.00 | 0.34 | -5.08 |

Source: Bloomberg

➤ Macroeconomics

| Economic Data | | | | |
|---|--------|--------|-----------------|--------|
| | For | Actual | Last | Survey |
| US GDP Annualized QOQ | 1Q T | 2.0% | 2.9% | 2.2% |
| US Personal Consumption QOQ | 1Q T | 0.9% | 1.0% | 1.0% |
| US Initial Jobless Claims | 23 Jun | 227k | 218k | 220k |
| US Kansas City Fed Manufacturing Activity | Jun | 28.0 | 29.0 | 26.0 |
| EU Economic Confidence | Jun | 112.3 | 112.5 | 112.0 |
| EU Consumer Confidence | Jun F | -0.5 | 0.2 | -0.5 |
| UK GfK Consumer Confidence | Jun | -9.0 | -7.0 | -7.0 |
| JP Retail Trade YOY | May | 0.6% | 1.5% (revised) | 1.4% |
| JP Dept. Store, Supermarket Sales | May | -2.0% | -0.8% | -1.0% |
| JP Jobless Rate | May | 2.2% | 2.5% | 2.5% |
| JP Industrial Production YOY | May P | 4.2% | 2.6% | 3.4% |
| NZ ANZ Consumer Confidence MOM | Jun | 0.8% | 0.4% | -- |
| NZ Building Permits MOM | May | 7.1% | -3.6% (revised) | -- |

Source: Bloomberg

- Final print of US 1Q GDP growth revised lower to 2.0%:** The final reading of the seasonally adjusted annualized real GDP growth came in softer at 2.0% QOQ compared to the second reading of 2.2% (4Q: +2.9%) due to lower spending in healthcare and smaller build-up in inventories. Growth in personal consumption was revised lower from 1.0% to 0.9% QOQ (4Q: +4.0%). Disrupted by weather related issues, the downward GDP revision does not warrant any concerns (it had minimal impact on markets last night) as growth is expected to take off in 2Q as consumers returned to spend in a warmer spring especially when tax cut led to higher disposable income. Data for the past three months show the economy is picking up whereas GDP trackers were generally upbeat - the Atlanta Fed has recently placed its forecast at 4.6% for the second quarter. There are concerns on whether the economy has already peaked and heading towards the late stage of the growth cycle while uncertainties surrounding trade policies remained. That said, labour market continued to tighten suggesting robust activities ahead – latest release showed that initial jobless claims went up by 9k to 227k for the week ended 22 June (previous: 218k) while continuous claims dropped to 1.705mil (previous: 1.726mil revised). In another separate release, Kansas City Fed Manufacturing Activity clocked in at 28 in June (May: 29) signaling a slower expansion in the region's manufacturing sector.
- Eurozone sentiments deteriorated:** The European Commission published its final reading of Consumer Confidence Indicator which showed a drop to an eight-month low of -5.0 in June unrevised from its initial estimate (May: 0.2). The Economic Sentiment Indicator which tracks overall sentiment of the economy meanwhile dropped to 112.3 (May: 112.5). The weakening of sentiments was attributed to worry over general economic outlook given a softer first quarter as well uncertainties surrounding trade policies. The European Union has recently introduced retaliatory tariffs on €2.8bn worth of US goods effective last Friday. The US meanwhile has threatened to impose a 20% tariff on European cars.
- UK consumer sentiments took a beating:** The GfK Consumer confidence slipped further to -9.0 in June (May: -7.0) as participants surveyed declared that they were unwilling to make major purchases amidst concerns about overall economic outlook, Brexit as well as ongoing trade tensions.
- Japan retail sales posted slowest growth in seven months:** Data from the Ministry of Economy, Trade and Industry shows that retail sales faltered 1.7% MOM in May (Apr: +1.3%). On a yearly basis, retail sales slowed to increase a mere 0.6% YOY (Apr: +1.5% revised), the slowest growth since the last recorded drop in October 2017, as higher sales in fuel was offset by drop in general merchandise, apparel & accessories as well as motor vehicles. The Ministry also released data for department store and supermarket sales (one of the components of retail sales) which were seen deteriorating 2.0% MOM in May (Apr: -0.8%). Both information pointed to continuous drag in consumption as consumers remained cautious in spending and further reaffirmed view that the BOJ is unlikely to meet its inflation target in the near term.

- Japan industrial production surged; jobless rates went to all-time low:** Preliminary reading released this morning shows that industrial production expanded at a faster rate by 4.2% YOY (Apr: +2.6%), a five-month high, driven by a surge in manufacturing productions. In a separate release, jobless rate surprised to hit an all-time low of 2.2% in May (Apr: 2.5%) as the number of unemployed persons went down by a whopping 12.2%. Participation rates remained unchanged at 61.7% while jobs-to-applicant ratio went up to 1.60 (Apr: 1.59) i.e. there are now 1.6 jobs for every applicant, a sign that the labour markets tightened further.
- New Zealand Building permits rose; consumer sentiments weakened:** Building permits, for all dwellings soared 7.1% MOM in May (Apr: -3.6% revised). Permits to build houses meanwhile rose 6.5% MOM (Apr: -1.0%). The ANZ Consumer Index fell slightly to 120.0 in June (May: 121.0) as consumers became rather downbeat on family finances as well as the economy.

Economic Calendar

| Date | Country | Events | Reporting Period | Survey | Prior | Revised |
|--------------|-----------------|-----------------------------------|------------------|--------------|--------------|---------|
| 02/07 | Malaysia | Nikkei Malaysia PMI | Jun | -- | 47.6% | -- |
| 29/06 | US | 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 | 60.0 | 62.7 | -- |
| | | U. of Mich. Sentiment | Jun F | 99.0 | 99.3 | -- |
| 02/07 | | Markit US Manufacturing PMI | Jun F | -- | 56.4 | -- |
| | | Construction Spending MOM | May | 0.4% | 1.8% | -- |
| | | ISM Manufacturing | Jun | 58.0 | 58.7 | -- |
| 29/06 | Eurozone | CPI Estimate YOY | Jun | 2.0% | 1.9% | -- |
| 02/07 | | Markit Eurozone Manufacturing PMI | Jun F | 55.0 | 55.5 | -- |
| | | PPI YOY | May | 3.0% | 2.0% | -- |
| | | Unemployment Rate | May | 8.5% | 8.5% | -- |
| 29/06 | UK | Mortgage Approvals | May | 62.3k | 62.5k | -- |
| | | GDP QOQ | 1Q F | 0.1% | 0.4% | -- |
| 02/07 | | Markit UK PMI Manufacturing SA | Jun | 54.3 | 54.4 | -- |
| 29/06 | Japan | Construction Orders YOY | May | -- | 4.0% | -- |
| | | Housing Starts YOY | May | -5.7% | 0.3% | -- |
| | | Consumer Confidence Index | Jun | 43.8 | 43.8 | -- |
| 02/07 | | Tankan Large Mfg Index | 2Q | 22.0 | 24.0 | -- |
| | | Nikkei Japan PMI Mfg | Jun F | -- | 52.9 | -- |
| 02/07 | Singapore | Purchasing Managers Index | Jun | -- | 52.7 | -- |
| 29-30/06 | Vietnam | Exports YTD YOY | Jun | 15.7% | 15.8% | -- |
| | | Trade Balance | Jun | -\$248m | -\$500m | -- |
| | | CPI YOY | Jun | 4.35% | 3.86% | -- |
| | | GDP YTD YOY | 2Q | 6.95% | 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 | 1.1569 | 0.13 | 1.16 | 1.1527 | -3.6 |
| USDJPY | 110.49 | 0.21 | 110.65 | 109.97 | -2.0 |
| GBPUSD | 1.3078 | 0.27 | 1.3121 | 1.3050 | -3.2 |
| AUDUSD | 0.7352 | 0.16 | 0.7362 | 0.7330 | -5.9 |
| EURGBP | 0.8845 | 0.41 | 0.8871 | 0.8808 | -0.4 |
| USDMYR | 4.0425 | 0.31 | 4.0450 | 4.0293 | 0.0 |
| EURMYR | 4.6796 | 0.25 | 4.6819 | 4.6577 | -3.5 |
| JPYMYR | 3.6669 | 0.11 | 3.6715 | 3.6556 | 1.9 |
| GBPMYR | 5.2934 | 0.45 | 5.2994 | 5.2800 | -3.2 |
| SGDMYR | 2.9555 | 0.12 | 2.9560 | 2.9476 | -2.4 |
| AUDMYR | 2.9686 | 0.02 | 2.9732 | 2.9577 | -6.0 |
| NZDMYR | 2.7353 | 0.42 | 2.7406 | 2.7310 | -5.1 |

Source: Bloomberg

Forex

MYR

- **MYR fell 0.31% to 4.0425 against USD** amid continued weakness in Asian / emerging majors but managed to beat 8 G10s that were also sliding on a firm greenback.
- **MYR is likely to remain bearish against USD**, weighed down by risk aversion in the markets going into the week's close. USDMYR remains on an upward trajectory after beating 4.0400 and could be soon testing 4.0480 – 4.0500. Caution that this is a strong resistance range that could trigger a reversal going forward.

USD

- **USD ended mixed with bigger gains than losses** while the DXY managed to inch 0.02% higher to 95.31 at closing after bouncing higher in US afternoon.
- **We turn slightly bearish on USD**, anticipating potential downsides in US data that would exacerbate yesterday's downward revision in GDP and reinforce concerns of further slowdown. 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; this level reject DXY's overnight advance.

EUR

- **EUR rose 0.13% to 1.1569 against a softer USD** and climbed against 7 G10s.
- **EUR is now slightly bullish in our view against a soft USD** but caution that softer Eurozone CPI readings will trigger further losses. EURUSD remains in a bearish trend but there is room for some recovery to circa 1.1615 – 1.1627 before resuming its declines that could test 1.1509 – 1.1527.

GBP

- **GBP fell 0.27% to 1.3078 against USD** and fell against 7 G10s as it remained under pressure from political risks amid on-going EU Summit.
- **Maintain a slight bearish view on GBP against USD**, weighed down ahead of first-tier UK data; downside surprises will trigger sharp GBP losses. Downside bias has increased in GBPUSD, suggesting further losses. However, caution that 1.3050 and 1.3000 are levels strong enough to trigger a rebound.

JPY

- **JPY weakened 0.21% to 110.49 against USD** and fell against 6 G10s amid softer demand for refuge as US equities rebounded albeit slightly.
- **Stay bullish on JPY in anticipation of a softer USD**. We reiterate that despite a minor bullish trend, USDJPY remains fragile near rejection levels and could see a decline to circa 110.15 before resuming its climb.

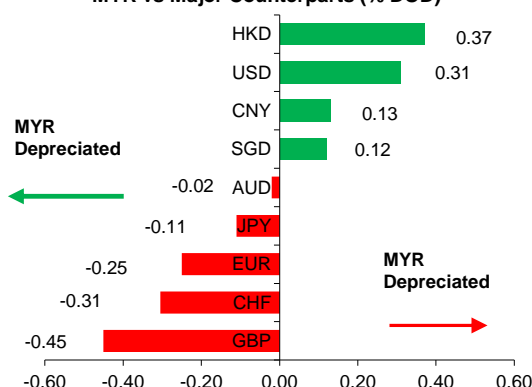
AUD

- **AUD climbed 0.16% to 0.7352 against USD** and advanced against 8 G10s, supported by improved risk appetite in the markets.
- **Stay bearish on AUD against USD** as risk appetite in the market is likely to retreat going into the week's close. AUDUSD remains tilted to the downside and further losses are likely, possibly to circa 0.7273, unless AUDUSD manages to recapture 0.7379.

SGD

- **SGD dipped 0.01% to 1.3677 against USD** but closed mixed against the G10s.
- **We turn bullish on SGD against USD** on technical reasons. USDSGD has completed a bullish trend and continues to fail to test the upper Bollinger. We reckon that the next move will likely be lower, possibly testing 1.3604.

MYR vs Major Counterparts (% DOD)



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