

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Trade optimism helped push US stocks higher on Friday ahead of the high-stakes Trump-Xi meeting as investors anticipated a positive outcome which had since materialized over the weekend.** The Saturday meeting resulted in a trade truce which will see the **US and China reviving stalling trade negotiations as widely expected. In the meantime, the US would not impose new tariffs on some \$300b untaxed Chinese goods, adding that it would allow US firms to sell technologies to Huawei while China promised to buy more farm products from the US.** On Friday, the Dow rose 0.3% or 73pts, the broader S&P500 index notched a 0.6% gain and NASDAQ edged up by 0.6%. Bond markets were muted as yields barely moved along the curve - 10Y UST yield was virtually unchanged at 2.01%. Crude oil prices were mixed as WTI fell 1.6% to \$58.47/barrel and Brent crude was unchanged at \$66.55/barrel. Futures show that US stock markets are set for a rally today over the positive post-G20 China and US meeting outcome, Asian and European markets are set to benefit as well.
- **US data were mixed.** Personal spending rose 0.4% MOM in May, slower than the newly revised gain in April while personal income saw a solid 0.5% MOM growth. Core PCE, **Fed's preferred inflation gauge steadied at 1.6% YOY.** The University of Michigan Sentiment Consumer Sentiment Index weakened in June while **MNI Chicago PMI slipped to contraction area.** Eurozone headline inflation remained benign at 1.2% YOY in June while UK final1Q GDP growth was unrevised at 0.5% QOQ. **In Japan, the BOJ's quarterly Tankan Survey shows that large firms were less optimistic over outlook for next six months, but capex recorded solid 7.4% YOY growth. China official NBS manufacturing PMI was unchanged at 49.4 in June while the non-manufacturing PMI slipped slightly to 54.2.** Australia manufacturing PMI fell below 50 for the first time in three years, signaling a downturn in the industry.
- **The Dollar index closed flat at 96.198** as markets remain in consolidation mode. **We remain bearish USD over the medium term** as a dovish Fed and resumption of US-China trade talks improve risk appetite and will ultimately lead to a lower USD.
- **MYR closed stronger by 0.23%** against the USD at 4.1320 in anticipation of a favourable Trump-XI meeting. **We remain bullish MYR** in line with the broad USD weakness theme. Given the more or less anticipated outcome from the G20, MYR is likely to extend gains towards 4.12 support and beyond if momentum can be sustained.
- **SGD closed marginally stronger at 1.3530 against USD. We remain bullish SGD** in the short term as the weak USD theme still has significant room to play out especially against EM on favourable G20 meeting outcome between US and China.

Overnight Economic Data

US	→
Eurozone	→
UK	↑
Japan	→
China	↓
Vietnam	→

What's Coming Up Next

Major Data

- Markit Manufacturing PMI for US, Eurozone, UK, China, Malaysia, Vietnam
- US ISM Manufacturing, Construction Spending
- Eurozone Unemployment Rate
- UK Mortgage Approvals

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1300	1.1340	1.1358	1.1390	1.1400	↗
GBPUSD	1.2600	1.2650	1.2694	1.2700	1.2730	↘
USDJPY	107.70	108.00	108.21	108.50	108.75	↘
AUDUSD	0.6950	0.6980	0.7015	0.7030	0.7050	→
EURGBP	0.8900	0.8930	0.8951	0.8975	0.9000	↗
USDMYR	4.1200	4.1250	4.1290	4.1325	4.1350	↘
EURMYR	4.6600	4.6800	4.6900	4.7100	4.7350	↘
JPYMYR	3.7800	3.8000	3.8168	3.8300	3.8400	↘
GBPMYR	5.2100	5.2300	5.2400	5.2500	5.2700	↘
SGDMYR	3.0475	3.0500	3.0535	3.0550	3.0575	↘
AUDMYR	2.8700	2.8850	2.8965	2.9050	2.9300	→
NZDMYR	2.7500	2.7650	2.7735	2.7900	2.8050	→
USDSGD	1.3500	1.3510	1.3525	1.3555	1.3580	↘
EURSGD	1.5325	1.5350	1.5363	1.5375	1.5400	→
GBPSGD	1.7100	1.7130	1.7165	1.7200	1.7230	↘
AUDSGD	0.9440	0.9470	0.9486	0.9500	0.9520	↗

* 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	1,672.13	-0.03	-1.09	CRB Index	181.04	-0.79	6.62
Dow Jones Ind.	26,599.96	0.28	14.03	WTI oil (\$/bbl)	58.47	-1.62	28.76
S&P 500	2,941.76	0.58	17.35	Brent oil (\$/bbl)	66.55	0.00	21.99
FTSE 100	7,425.63	0.31	10.37	Gold (\$/oz)	1,409.55	-0.02	8.85
Shanghai	2,978.88	-0.60	19.45	CPO (RM/tonne)	1,893.50	-0.81	-3.02
Hang Seng	28,542.62	-0.28	10.43	Copper (\$/tonne)	5,993.00	0.07	0.47
STI	3,321.61	-0.21	8.24	Rubber (sen/kg)	495.00	-0.80	30.61

Source: Bloomberg

Economic Data
Macroeconomics

	For	Actual	Last	Survey
US Personal Income	May	0.5%	0.5%	0.3%
US Personal Spending	May	0.4%	0.6% (revised)	0.5%
US Core PCE Price Index YOY	May	1.6%	1.6%	1.5%
US MNI Chicago PMI	Jun	49.7	54.2	53.5
US U. of Mich. Sentiment	Jun F	98.2	100.0	97.9
EU CPI Core YOY	Jun A	1.1%	0.8%	1.0%
EU CPI Estimate YOY	Jun	1.2%	1.2%	1.2%
UK GDP QOQ	1Q F	0.5%	0.2%	0.5%
CN Manufacturing PMI	Jun	49.4	49.4	49.5
CN Non-manufacturing PMI	Jun	54.2	54.3	54.2
JP Tankan Large Mfg Index	2Q	7.0	12.0	9.0
JP Tankan Large Non-Mfg Index	2Q	23.0	21.0	20.0
JP Tankan Large All Industry Capex YOY	2Q	7.4%	1.2%	8.1%
JP Markit Manufacturing PMI	Jun F	49.3	49.8	--
AU AiG Manufacturing Index	Jun	49.4	52.7	--
VN Industrial Production YOY	Jun	9.6%	10.0%	--
VN Retail Sales YTD YOY	Jun	11.5%	11.6%	--
VN Trade Balance	Jun	-\$400m	-\$1300m	-\$376m
VN GDP YOY	2Q	6.7%	6.8%	6.6%
VN CPI YOY	Jun	2.2%	2.9%	2.6%
VN Exports YOY	Jun	8.5%	7.5%	8.2%

Source: Bloomberg

- US inflation held steady amidst solid personal income and spending growth:** The latest BEA personal outlay report shows that US personal consumption expenditure (PCE) rose by a decent 0.4% MOM in May, albeit slower than the newly revised gain in April (+0.3% revised to 0.6%). The solid spending numbers was accompanied by a strong 0.5% MOM growth in personal income (Apr: +0.5%), reflecting the important role the resilient labour market plays in supporting consumer demand in the US. The price index for the core PCE, the Federal Reserve's preferred gauge of inflation meanwhile rose by a steady 0.2% MOM (Apr: +0.2%) and 1.6% YOY (Apr: +1.6%), reaffirming the muted price pressure in the US economy. Consumer sentiments however weakened this month on tariffs concerns as indicated by the decline in the University of Michigan Sentiment index (98.2 vs 100.0).
- MNI Chicago PMI fell into contraction area, signaling pressure in US manufacturing:** The MNI Chicago Business Barometer fell sharply below the 50.0 neutral threshold for the first time since Jan-17, to 49.7 in June (May: 54.3) to suggest deteriorating manufacturing conditions in Chicago. The lower PMI reading was attributed to months of easing demand which in turn led firms to slow down production and was the latest (and last) to add to an already poor batch of regional manufacturing PMIs this month, flashing clear signs of a synchronized slowdown in the nation's factories activities.
- Eurozone inflation steadied in June:** Inflation remained benign in the euro area according to a preliminary estimate from Eurostat. The all-items HICP index rose 1.2% YOY in June (May: +1.2%) unchanged from the gain recorded in previous month. The steady gain was a result of higher prices of food, alcohol & tobacco (+1.6% vs +1.5%) and services (+1.6% vs +1.0%) which in turn were offset by the slower gains in cost of energy (+1.6% vs +3.8%) and non-energy industrial goods (+0.2% vs +0.3%). Core inflation which excludes energy as well as food, alcohol & tobacco accelerated to 1.1% YOY (May: +0.8%) mainly because of higher services inflation.
- UK final 1Q GDP growth unrevised:** The final reading of UK first quarter GDP growth was unrevised at 0.5% QOQ (4Q: +0.2%) driven by an acceleration in household spending (+0.6% vs +0.3%) as well as investment (+1.2% vs -0.6%). Exports growth were a tad slower (+1.5% vs +1.6%), in line with the general weaker international trade environment in early 2019 while imports shot up (+10.8% vs +2.1%) mainly due to front loading of purchases ahead of Brexit deadline. The annual reading was also unchanged at 1.8% YOY (4Q: +1.4%).
- Japan large firms less positive on outlook; capex growth resilient ahead of summer Olympic :** The quarterly BOJ Tankan Survey reported that its Large Manufacturer Index fell to 7 in the second quarter (1Q: 12) indicating a fall in business confidence among Japanese large manufacturing firms as trade tensions hampered international trade which in turn weighed on demand for Japanese goods. The Large Manufacturer Outlook Index, a gauge of large firms' next six month outlook slipped a little to 7 (1Q: 8). Meanwhile, the Large Non-Manufacturers Index ticked up to 23 in 2Q (1Q: 21) but the outlook index slipped lower to 17 (1Q: 20), as firms expected better sales/performance in the second and current quarters before October's sales tax hike. Japanese firms continued to raise capex in the second quarter as indicated by the 7.4% YOY increase (1Q: +1.2%) in the Large Industries Large Enterprises Fixed Investment Index as the countries prepared for the 2020 summer Olympics. A separate private release by Markit shows that the Jibun Bank Markit Japan Manufacturing PMI (formerly Nikkei Japan PMI) was revised lower from 49.5 to 49.2 in its final reading for June (May: 49.8), marking its fifth month residing below the neutral 50.0 threshold, confirming the entrenched weakness in the Japanese manufacturing sector.

- **China manufacturing remained under pressure, non-manufacturing slightly softer:** The official NBS manufacturing PMI published on Sunday remained unchanged at 49.4 in June (May: 49.4) and has been hovering around the 49-51 levels for nearly a year suggesting that Chinese factories remain consistently under pressure. The non-manufacturing PMI, a gauge for the services and construction sectors meanwhile slipped to 54.2 in the same month (May: 54.3), signaling that the slower pace of growth is stabilizing in the industries.
- **Australia manufacturing PMI slipped to lowest in nearly 3 years:** The Performance of Manufacturing Index slipped below 50.0 for the first time in nearly three years to 49.4 in June (May: 52.7), pointing to a downturn in Australia's manufacturing sector. The poor headline reading was dragged down by falling new orders and notably, slower pace of hiring as well as declining stocks, deliveries and average selling prices.
- **Vietnam 2Q GDP growth beat estimates, key indicators point to still solid economy:** Vietnam second quarter GDP growth came in a tad softer at 6.7% YOY (1Q: 6.8%), its slowest pace in two years but managed to beat a Bloomberg consensus of 6.6%. Official data showed that on a year-to-date basis, primary sector eased to 2.4% (1Q: 2.7%), industry and construction gained +8.9% (1Q: +8.6%) where manufacturing were seen slowing down (+11.2 vs +12.4%). Services rose 6.7% (1Q: 6.5%). In June alone, industrial production recorded a slower but still healthy growth of 9.6% YOY (May: +10.0%). Overseas demand continued to support exports which went up by larger margin of 8.5% YOY (May: +7.5%) while imports notched a 10.0% YOY growth (May: +8.3%), leaving the trade deficit at \$400m (May: -\$1300m). Consumer demand appeared resilient as retail sales grew by a steady 11.5% for the first six months of 2019 (May: +11.6%).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
01/07	Malaysia	Markit Malaysia PMI Mfg	Jun	--	48.8	--
01/07	US	Markit US Manufacturing PMI	Jun F	50.1	50.5	--
		ISM Manufacturing	Jun	51.0	52.1	--
		Construction Spending MOM	May	0.0%	0.0%	--
01/07	Eurozone	Markit Eurozone Manufacturing PMI	Jun F	47.8	47.7	--
		Unemployment Rate	May	7.6%	7.6%	--
02/07		PPI YOY	May	1.8%	2.6%	--
01/07	UK	Mortgage Approvals	May	65.5k	66.3k	--
		Markit UK PMI Manufacturing SA	Jun	49.5	49.4	--
02/07		Markit/CIPS UK Construction PMI	Jun	49.2	48.6	--
01/07	China	Caixin China PMI Mfg	Jun	50.0	50.2	--
02/07	Australia	RBA Cash Rate Target	02 Jul	1.00%	1.25%	--
01/07	Vietnam	Markit Vietnam PMI Mfg	Jun	--	52.0	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1373	0.0%	1.1393	1.1351	-0.87
GBPUSD	1.2696	0.1%	1.2735	1.2664	-0.44
USDJPY	107.85	0.0%	107.94	107.56	-1.19
AUDUSD	0.7020	0.1%	0.7023	0.6998	-0.33
EURGBP	0.8958	-0.1%	0.8992	0.8940	-0.42
USDMYR	4.1320	-0.2%	4.1440	4.1320	-0.04
EURMYR	4.7041	-0.2%	4.7139	4.7015	-0.49
JPYMYR	3.8391	-0.0%	3.8512	3.8384	2.16
GBPMYR	5.2411	-0.4%	5.2527	5.2387	-0.50
SGDMYR	3.0566	-0.0%	3.0630	3.0548	0.68
AUDMYR	2.8986	-0.0%	2.9043	2.8981	-0.83
NZDMYR	2.7727	0.0%	2.7792	2.7717	-0.22
CHFMYR	4.2439	0.2%	4.2479	4.2381	1.06
CNYMYR	0.6022	-0.0%	0.6032	0.6020	-0.51
HKDMYR	0.5295	-0.1%	0.5305	0.5294	0.25
USDSGD	1.3530	-0.0%	1.3539	1.3524	-0.80
EURSGD	1.5390	0.0%	1.5416	1.5366	-1.66
GBPSGD	1.7184	0.1%	1.7233	1.7131	-1.24
AUDSGD	0.9499	0.1%	0.9504	0.9472	-1.10

Source: Bloomberg

Forex

MYR

- **MYR closed stronger by 0.23%** against the USD at 4.1320 in anticipation of a favourable Trump-XI meeting.
- **We remain bullish MYR** in line with the broad USD weakness theme. Given the more or less anticipated outcome from the G20, MYR is likely to extend gains towards 4.12 support and beyond if momentum can be sustained.

USD

- **The Dollar index closed flat at 96.198** as markets remain in consolidation mode.
- **We remain bearish USD over the medium term** as a dovish Fed and resumption of US-China trade talks improve risk appetite and will ultimately lead to a lower USD.

EUR

- **EUR closed marginally stronger at 1.1373 against USD.**
- **We remain bullish on EUR** over the medium term in lieu of an expected US rate cut and positive developments over US-China trade row.

GBP

- **GBP closed 0.17% stronger at 1.2696** against the USD.
- **We remain bearish GBP** over the medium term as there is room for the UK leadership drama and Brexit issues to play out from now until 31 Oct.

JPY

- **JPY closed marginally weaker at 107.85** in line with consolidating markets.
- **We remain bullish JPY** as a weak USD and likely lower UST yields due to rate cuts will likely continue to weigh on the pair.

AUD

- **AUD closed 0.16% stronger at 0.7020 against the USD in anticipation of a positive outcome from the G20 meeting.**
- **We remain neutral on AUD** over the short term as market digests G20 meeting outcomes that somewhat eased trade tensions between the two economic giants, no matter how brief that could be.

SGD

- **SGD closed marginally stronger at 1.3530 against USD.**
- **We remain bullish SGD** in the short term as the weak USD theme still has significant room to play out especially against EM on favourable G20 meeting outcome between US and China.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

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