

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks edged higher overnight** taking cue from the rise in global equity markets earlier following Saturday's announcement of a US-China trade truce at the G20 Summit. **The gains in stocks however appeared constrained as investors kept in mind that the dispute remained unresolved, while weighing impact of unfavourable economic data on the possibility of a Fed rate cut amidst a short trading week in lieu of Independence Day in the US.** The Dow added 117pts or 0.4%, the S&P 500 managed to close at a record high despite giving up earlier gains with tech shares being the major winner while NASDAQ finished 1.1% higher. **Treasuries yield rose 1-4bps along the curve amidst a modest gain in stocks.** 10Y UST last traded with a 2.02% yield, 1bp higher than the previous closing. Crude oil benchmarks diverged again despite positive trade headlines as WTI rose 1.1% to \$59.09/barrel while Brent crude lost 2.2% to \$65.06/barrel. Highlight for today is the RBA monetary policy meeting. Markets are pricing in a 25bps cut in the cash rate to 1.0% while a Bloomberg consensus is also calling for a similar scenario.
- **PMI data were mixed but generally point to continuous weakness in the manufacturing sector, confirming a synchronized slowdown in the global manufacturing industry. The US ISM manufacturing PMI fell lesser than expected to 51.7 in June** while the final June Markit PMI was revised higher to 50.6 and a tad stronger than May's reading. Elsewhere, UK PMI plunged for the third month below 50.0 as pre-Brexit stockpiling activity unwound, Eurozone PMI stayed at sub-50 for the fifth running months with Germany remaining the weakest performing country. Echoing the official NBS PMI, Caixin manufacturing PMI slid below 50.0 in June as well. At home, Malaysia PMI fell again to 47.8 to mark its second month in contraction area.
- **The dollar index rose 0.7%**, its largest increase in more than three months to **96.844** as ISM manufacturing PMI fell lesser than expected while US-China trade truce boosted risk-on mode, dampening demand for safe havens Japanese yen and Swiss franc. The greenback strengthened against all its G10 counterparts. **We remain bearish USD in the medium term** due to ongoing expectations for the Fed to cut rate while the restart of US-China trade talks improves overall risk appetite, leading to lower USD.
- **MYR slipped 0.06% against the USD at 4.1345** on Monday amidst USD strength following Saturday's announcement of a US-China trade truce. **We are bearish MYR today** taking cue from the overnight broad-based strengthening of the greenback. We are still bullish MYR in the medium term given that MYR continues to trade below the 4.1600 pivot to indicate continuous strength as well as ongoing expectations of a Fed rate cut in late July. The revival of US-China trade talks would lend weight to the pair, pushing it towards 4.1200 support, as the MYR strengthens further.
- **SGD closed 0.21% weaker** at 1.3558 against the USD on broad dollar weakness. **We remain bullish SGD** in the medium term as the weak USD theme still has significant room to play out and positive US-China trade development would lend support to overall EM currencies.

Overnight Economic Data

Malaysia	↓
US	→
Eurozone	→
UK	↓
China	↓

What's Coming Up Next

Major Data

- Eurozone PPI
- UK Nationwide House Price Index, Markit/CIPS Construction PMI

Major Events

- Australia RBA Cash Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1200	1.1250	1.1286	1.1300	1.1320	↘
GBPUSD	1.2550	1.2600	1.2644	1.2700	1.2730	↘
USDJPY	107.70	108.07	108.36	108.50	108.75	↗
AUDUSD	0.6934	0.6950	0.6968	0.7000	0.7050	↘
EURGBP	0.8850	0.8900	0.8925	0.8950	0.8975	↗
USDMYR	4.1350	4.1400	4.1423	4.1450	4.1500	↗
EURMYR	4.6650	4.6700	4.6747	4.6800	4.6850	↘
JPYMYR	3.8040	3.8100	3.8225	3.8270	3.8300	↘
GBPMYR	5.2230	5.2300	5.2376	5.2500	5.2590	↘
SGDMYR	3.0475	3.0500	3.0535	3.0550	3.0575	↘
AUDMYR	2.8755	2.8800	2.8853	2.9030	2.9050	↘
NZDMYR	2.7550	2.7600	2.7635	2.7670	2.7700	→
USDSGD	1.3500	1.3520	1.3566	1.3580	1.3600	↗
EURSGD	1.5250	1.5290	1.5308	1.5350	1.5375	→
GBPSGD	1.7100	1.7130	1.7151	1.7200	1.7230	↘
AUDSGD	0.9400	0.9435	0.9449	0.9467	0.9500	↘

* 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	1,683.62	0.69	-0.41	CRB Index	181.14	0.05	6.67
Dow Jones Ind.	26,717.43	0.44	14.53	WTI oil (\$/bbl)	59.09	1.06	30.13
S&P 500	2,964.33	0.77	18.25	Brent oil (\$/bbl)	65.06	-2.24	20.93
FTSE 100	7,497.50	0.97	11.44	Gold (S/oz)	1,384.19	-1.80	8.23
Shanghai	3,044.90	2.22	22.09	CPO (RM/tonne)	1,872.50	-1.11	-4.10
Hang Seng	28,542.62	-0.28	10.43	Copper (\$/tonne)	5,954.50	-0.64	-0.18
STI	3,372.26	1.52	9.89	Rubber (sen/kg)	497.00	0.40	31.13

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Markit PMI Mfg	Jun	47.8	48.8	--
US Markit Manufacturing PMI	Jun F	50.6	50.5	50.1
US ISM Manufacturing	Jun	51.7	52.1	51.0
US Construction Spending MOM	May	-0.8%	0.4% (revised)	0.0%
EU Markit Manufacturing PMI	Jun F	47.6	47.7	47.8
EU Unemployment Rate	May	7.5%	7.6%	7.6%
UK Mortgage Approvals	May	65.4k	66.0k (revised)	65.5k
UK Markit PMI Manufacturing SA	Jun	48.0	49.4	49.5
CN Caixin PMI Mfg	Jun	49.4	50.2	50.0

Source: Bloomberg

Macroeconomics

- US ISM manufacturing PMI fell lesser than expected:** The ISM Manufacturing Index slipped to 51.7 in June (May: 52.1) but was still above a Bloomberg consensus estimate of 51.0. June marked the third straight month of slower PMI as the expansion of new orders (at neutral 50.0) was dragged by weakening demand conditions. The upturn in production however points to an increase in the Fed official manufacturing output figure while the gain in the employment index was also a positive indicator for Friday's NFP. The prices paid index plunged to contraction area at 47.9 (May: 53.2), a clear sign of benign inflation. Outlook for external trade weakened as new exports orders slipped to just a touch above 50.0 but imports managed to bounce off contraction area to be right at the neutral 50.0 threshold. Separately, the final reading of the IHS Markit US Manufacturing PMI was revised higher from 50.1 to 50.6 in June (May: 50.5) which on the contrary was driven by a modest gains in new orders and output. Official data meanwhile show that US construction spending fell for the first time in six months by 0.8% MOM in May (Apr: +0.4% revised) as residential construction remained lacklustre.
- Eurozone manufacturing downturn continues in June:** The final reading of the June IHS Markit Eurozone Manufacturing PMI was revised lower from 47.8 to 47.6 (May: 47.7), marking the index's fifth successive sub-50 reading and confirming the ongoing downturn in Euro Area's manufacturing sector. Operating conditions were generally weak across Eurozone with Germany remaining the weakest-performing country. Ongoing trade tensions and political uncertainties as well as the ongoing underperformance in the autos industry were cited as the main reasons weighing the overall order book. A separate Eurostat release meanwhile shows that the labour market remained solid in the single-currency area as unemployment rate fell to 7.5% in May (Apr: 7.6%), its lowest level in nearly eleven years.
- UK manufacturers suffered as pre-Brexit stockpiling activity unwound:** The IHS Markit/CIPS UK Manufacturing PMI fell for the third running month to 48.0 in June (May: 49.4) as UK factories continues to suffer the unwinding effect of pre-Brexit stockpiling activity. Production contracted at the fastest pace in nearly seven years as the already high stock levels at both manufacturers and their clients inevitably led to a scaling back of output and new orders. Weakness is observed in both the domestic and exports markets. Separate data from the BOE shows that mortgage approvals fell to 65.4k in May (Apr: 66.0k revised) as mortgages number continued to move sideways in recent months as the housing market appeared to have stabilized a little despite ongoing Brexit uncertainties.
- China manufacturing sector faced continuous pressure in June:** Echoing the poor official NBS reading, the Caixin China General Manufacturing PMI slipped below the 50.0 neutral threshold to 49.4 in June (May: 50.2) to indicate a deterioration in the country's manufacturing conditions. Trade tensions was again reported to be the key reason driving down total new business and international sales. Firms continued to shed jobs amidst this challenging backdrop to further add pressure on the overall manufacturing capacity.
- Malaysia manufacturing condition seen deteriorating in June amidst slow overseas demand:** The IHS Markit Manufacturing PMI ticked lower again to 47.8 in June (May: 48.8), marking its second successive month of decline, pointing to a deterioration in Malaysia's manufacturing industry. The survey reported that softening local and overseas demand weighed on production and led to a restricted output in the month. Demand was notably weak abroad with panels pointing out sources of weakness such as Australia, Germany as well as neighboring Singapore.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
03/07	US	MBA Mortgage Applications	28 Jun	--	1.3%	--
		ADP Employment Change	Jun	140k	27k	--
		Trade Balance	May	-\$54.0b	-\$50.8b	--
		Initial Jobless Claims	29 Jun	223k	227k	--
		Markit US Services PMI	Jun F	50.7	50.9	--
		Factory Orders	May	-0.6%	-0.8%	--
		Durable Goods Orders	May F	-1.3%	-2.8%	--
		Cap Goods Orders Nondef Ex Air	May F	--	-1.0%	--
		ISM Non-Manufacturing Index	Jun	56.0	56.9	--
02/07	Eurozone	PPI YOY	May	1.7%	2.6%	--
03/07		Markit Eurozone Services PMI	Jun F	53.4	52.9	--
02/07	UK	Nationwide House Price Index NSA YOY	Jun	0.5%	0.6%	--
		Markit/CIPS UK Construction PMI	Jun	49.2	48.6	--
03/07		Markit/CIPS UK Services PMI	Jun	51.0	51.0	--
03/07	Japan	Markit Japan PMI Services	Jun	--	51.7	--
03/07	China	Caixin China PMI Services	Jun	52.6	52.7	--
03/07	Singapore	Markit Singapore PMI	Jun	--	52.1	--
		Purchasing Managers Index	Jun	49.8	49.9	--
02/07	Australia	RBA Cash Rate Target	02 Jul	1.00%	1.25%	--
03/07		AiG Perf of Services Index	Jun	--	52.5	--
		Trade Balance	May	A\$5,250m	A\$4,871m	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1286	-0.76	1.1376	1.1281	-1.56
GBPUSD	1.2641	-0.43	1.2717	1.2632	-0.85
USDJPY	108.45	0.56	108.53	108.07	-1.26
AUDUSD	0.6966	-0.77	0.7036	0.6956	-1.16
EURGBP	0.8928	-0.33	0.8980	0.8925	-0.71
USDMYR	4.1345	0.06	4.1425	4.1235	0.02
EURMYR	4.6819	-0.47	4.6942	4.6793	-0.96
JPYMYR	3.8194	-0.51	3.8220	3.8049	1.64
GBPMYR	5.2277	-0.26	5.2520	5.2262	-0.76
SGDMYR	3.0532	-0.11	3.0563	3.0482	0.57
AUDMYR	2.8939	-0.15	2.9017	2.8894	-1.00
NZDMYR	2.7736	0.03	2.7739	2.7671	-0.18
CHFMYR	4.2020	-0.99	4.2158	4.2009	0.07
CNYMYR	0.6041	0.33	0.6048	0.6030	-0.18
HKDMYR	0.5295	0.00	0.5296	0.5278	0.25
USDSGD	1.3558	0.21	1.3570	1.3503	-0.53
EURSGD	1.5299	-0.59	1.5389	1.5294	-2.09
GBPSGD	1.7136	-0.28	1.7200	1.7106	-1.37
AUDSGD	0.9444	-0.53	0.9512	0.9434	-1.68

Source: Bloomberg

Forex

MYR

- **MYR slipped 0.06% against the USD at 4.1345** on Monday amidst USD strength following Saturday's announcement of a US-China trade truce.
- **We are bearish on MYR today** taking cue from the overnight broad-based strengthening of the greenback. We are still bullish MYR in the medium term given that MYR continues to trade below the 4.1600 pivot to indicate continuous strength as well as ongoing expectations of a Fed rate cut in late July. The revival of US-China trade talks would lend weight to the pair, pushing it towards 4.1200 support, as the MYR strengthens further.

USD

- **The dollar index rose 0.7%**, its largest increase in more than three months to **96.844** as ISM manufacturing PMI fell lesser than expected while US-China trade truce boosted risk-on mode, dampening demand for safe havens Japanese yen and Swiss franc. The greenback strengthened against all its G10 counterparts.
- **We remain bearish USD in the medium term** due to ongoing expectations for the Fed to cut rate while the restart of US-China trade talks improves overall risk appetite, leading to lower USD.

EUR

- **EUR closed considerably weaker** against the USD by 0.76% at 1.1286 on broad dollar strength.
- **We are bearish on EUR today** amid a firmer USD but in the medium term, we remain bullish on EUR as the Fed is likely to cut rate while the ECB hold its key rates steady and on top of that, positive US-China trade developments would lend support to the single currency.

GBP

- **GBP closed 0.43% lower at 1.2641** against the USD on disappointing manufacturing PMI as well as broad dollar strength.
- **We remain bearish on GBP today** and in the medium term as there is still room for the UK leadership saga and Brexit issues to play out from now until 31 Oct.

JPY

- **JPY closed 0.56% weaker at 108.45** against the USD as risk-on sentiments dampened demand for safe haven currencies.
- **We are bearish on JPY today** on reduced demand for safety but JPY remains generally bullish over the medium term as generally weaker dollar and lower UST yields arising from Fed rate cuts likely weighed on the currency pair.

AUD

- **AUD closed 0.77% lower at 0.6966** against the USD on weak Chinese PMIs and was pressured ahead of the RBA decision.
- **AUD is likely to stay bearish today in anticipation of the central bank's cash rate move later.** Markets are pricing in a 25bps cut, which if materialized could bring the AUD lower.

SGD

- **SGD closed 0.21% weaker at 1.3558** against the USD on broad dollar weakness.
- **We turn slightly bearish on SGD today** on the back of a firmer USD but remain bullish SGD in the medium term as the weak USD theme still has significant room to play out and positive US-China trade development would lend support to overall EM currencies.

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