

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Enthusiasm surrounding Saturday's US-China trade truce appeared to have abated as major benchmarks were seen trading sideways for much of the day before trending higher at the later session.** The Dow and the S&P 500 each rose by 0.3% while NASDAQ posted a 0.2% gain, with the S&P closing at another record high. The US ramped up its trade dispute with the EU just days after reaching a ceasefire with China as **the Trump Administration threatened to slap tariffs on \$4bn worth of European goods** on late Monday. Overall risk-on mode retreated partly because of a short trading week as investors piled into the **treasuries** market leading **yields to fall by 3-5bps along the curve.** 10Y UST yield lost 5bps to 1.97%. **Crude oil prices collapsed** despite declining US crude stocks and OPEC's announcement to extend production cuts into 2020. WTI saw a sharp 4.8% decline to \$56.25/barrel while Brent crude settled 4.1% lower at \$62.40/barrel. **The European Council announced that it has officially nominated the current IMF Managing Director Christine Lagarde to replace outgoing ECB President Mario Draghi as the central bank's new chief.**
- Data were scanty yesterday. **Eurozone factory gate inflation appeared benign** as producer prices index decelerated to 1.6% YOY in May, its slowest gain in nearly 1.5 years. **UK house prices growth remained subdued** as the Nationwide House Price Index rose 0.5% YOY (May: +0.6%), marking its seventh consecutive month recording a below 1% growth rate. **The UK construction PMI plunged deeper into the contraction area** as house building activities fell in June, confirming weakness in UK residential property sector. Last but not least, **Australia AiG Performance of Services Index fell slightly to 52.2 in June** to indicate a stabilizing growth in the country's services industry. **RBA cut its cash rate by 25bps to a record low of 1.0% as widely expected but offered no hints on the next easing move.**
- **The dollar index fell slightly by 0.1% to 96.73, in the absence of US data releases,** led by safe haven bids for JPY and CHF amidst retreating risk sentiments as well as a stronger AUD after the RBA cut rate. The greenback weakened against seven G10 peers. **We are still bearish on USD in the medium term** as the Fed is still expected to cut Fed funds rate at the end of this month, while any positive US-China trade headlines in this period could drive down the USD.
- **USDMYR finished 0.16% higher at 4.1410** on Tuesday driven by extended dollar strength. **Daily outlook for USDMYR is neutral to slightly bullish amidst retreating risk sentiments** as enthusiasm over US-China trade truce withered. 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.
- **SGD closed flattish** at 1.3561 against the USD amidst a lack of catalyst. **We are neutral on the currency pair today** but remain bullish SGD in the medium term on expected USD weakness arising from Fed rate adjustment while positive US-China trade development would lend support to overall EM currencies, thus benefitting the SGD as well.

Overnight Economic Data

Eurozone	↓
UK	↓
Australia	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, ADP Employment Change, Trade Balance, Initial Jobless Claims, Factory Orders, Durable Goods Orders, ISM Non-Manufacturing Index
- Eurozone, UK, Japan, China, US Markit Services PMI
- Singapore Markit PMI, Purchasing Managers Index
- Australia Building Approval, Trade Report

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1250	1.1275	1.1293	1.1320	1.1350	↘
GBPUSD	1.2500	1.2545	1.2599	1.2645	1.2700	↘
USDJPY	107.10	107.40	107.72	108.00	108.35	↗
AUDUSD	0.6934	0.6950	0.6993	0.7036	0.7045	→
EURGBP	0.8900	0.8939	0.8963	0.8975	0.8990	→
USDMYR	4.1300	4.1350	4.1375	4.1400	4.1450	↗
EURMYR	4.6650	4.6700	4.6722	4.6760	4.6800	↘
JPYMYR	3.8185	3.8320	3.8405	3.8530	3.8740	↗
GBPMYR	5.2000	5.2080	5.2129	5.2400	5.2535	↘
SGDMYR	3.0475	3.0500	3.0541	3.0550	3.0575	→
AUDMYR	2.8868	2.8920	2.8943	2.9000	2.9080	→
NZDMYR	2.7600	2.7630	2.7652	2.7700	2.7745	→
USDSGD	1.3500	1.3530	1.3550	1.3580	1.3600	→
EURSGD	1.5270	1.5290	1.5302	1.5350	1.5385	↘
GBPSGD	1.7010	1.7050	1.7073	1.7100	1.7180	↘
AUDSGD	0.9400	0.9440	0.9477	0.9500	0.9530	→

* 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	1,691.00	0.44	0.02	CRB Index	177.84	-1.82	4.74
Dow Jones Ind.	26,786.68	0.26	14.83	WTI oil (\$/bbl)	56.25	-4.81	23.87
S&P 500	2,973.01	0.29	18.60	Brent oil (\$/bbl)	62.40	-4.09	15.99
FTSE 100	7,559.19	0.82	12.35	Gold (S/oz)	1,418.65	2.49	11.12
Shanghai	3,043.94	-0.03	22.06	CPO (RM/tonne)	1,897.50	1.34	-2.82
Hang Seng	28,875.56	1.17	11.72	Copper (\$/tonne)	5,887.00	-1.13	-1.31
STI	3,370.80	-0.04	9.84	Rubber (sen/kg)	491.00	-1.80	29.55

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
EU PPI YOY	May	1.6%	2.6%	1.7%
UK Nationwide House Price Index NSA YOY	Jun	0.5%	0.6%	0.5%
UK Markit/CIPS UK Construction PMI	Jun	43.1	48.6	49.2
AU RBA Cash Rate Target	02 Jul	1.00%	1.25%	1.00%
AU AiG Perf of Services Index	Jun	52.2	52.5	--

Source: Bloomberg

Macroeconomics

- RBA cut cash rate to historic low, maintained easing bias but offered no fresh clues:** The Reserve Bank of Australia (RBA) delivered yet another 25bps cut in the cash rate to a historic low of 1.0% on Tuesday, after the first cut in June in a bid to support the country's employment growth and inflation. In its statement, the central bank said that outlook for the global economy "remains reasonable" but highlighted the impact of trade uncertainty on investment, hence "risks to the global economy are tilted to the downside". It acknowledged that the Australian economy grew at a below trend of 1.8% in the first quarter of 2019 on subdued consumption growth, protracted period of low income growth and declining house prices, adding that "the main domestic uncertainty continues to be the outlook for consumption". With regards to the labour market, employment growth has been strong but there is "little inroad into the spare capacity in the labour market" as unemployment rate went up to 5.2% recently. On the price front, inflation remains subdued but is expected to be boosted in the second quarter on petrol prices increases. RBA said that the decision to lower the cash rate is to make further inroads into the spare capacity of the economy and assist with faster progress in reducing unemployment and achieve "more assured progress towards the inflation target". The statement shows that the RBA is maintaining its easing bias, did not turn any further dovish nor offer any new clues regarding its next cash rate, suggesting that the central bank will pause cutting rates at least during its next two meetings and awaits further development in US-China trade dispute while monitoring the domestic labour market.
- Eurozone factory gate inflation decelerated to 1.5-year low:** Producer price index fell for the third successive month by 0.1% MOM in May (Apr: -0.3%) leading the index to post a mere 1.6% annual growth (Apr: +2.6%), the slowest gain in nearly 1.5 years. The slower gain in prices of intermediate goods, durable consumer goods and particularly energy more than offset the tiny gain in prices of capital goods and non-durable goods. Excluding the volatile energy category, PPI also grew at a slower pace of 1.0% YOY (Apr: +1.2%) reaffirming the general lack of prices pressure in the euro area economy.
- UK house prices remained subdued; construction PMI plunged:** House prices in the UK barely changed in June as the Nationwide House Price Index rose a mere 0.1% MOM (May: -0.2%), below consensus forecast of 0.2% MOM. The tiny monthly gain left the YOY increase at 0.5% (May: +0.6%), a tad slower than May's reading, marking its seventh consecutive month recording a below 1% growth rate. For comparisons, house prices in the UK had been experiencing around 2.2% YOY growth for most part of 2018. The latest reading confirmed that the UK housing market continued to take the brunt from ongoing leadership and Brexit uncertainties. Confirming the sluggish growth in the housing market was the decline in the Markit/CIPS UK Construction PMI which went deeper into the contraction area in June (43.1 vs 48.6). The fall in house building was the largest reported for three years according to the survey while commercial work and engineering activity also posted declines.
- Australia services index growth stabilized:** The AiG Performance of Services Index fell slightly to 52.2 in June (May: 52.5) and was the second consecutive month to record a reading above the 50.0 neutral threshold after initially dipping below 50.0 for a period of four months since early 2019. June's marginal decline suggests that growth is stabilizing in the country's services sector. Sales bounced back above 50.0 after contracting for five months while new orders rose at a faster pace. Firms appeared to have shed jobs as the employment index slipped below 50.0. Despite constantly increasing input costs, selling prices remained in the contraction area for six months, as firms struggled to charge higher prices amidst strong competitions, pointing to still-benign inflation in the overall Australian economy.

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	--
03/07	Eurozone	Markit Eurozone Services PMI	Jun F	53.4	52.9	--
04/07		Retail Sales MOM	May	0.3%	-0.4%	--
03/07	UK	Markit/CIPS UK Services PMI	Jun	51.0	51.0	--
03/07	Australia	Trade Balance	May	A\$5,250m	A\$4,871m	--
		Building Approvals MOM	May	0.0%	-4.7%	--
04/07		Retail Sales MOM	May	0.2%	-0.1%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1285	-0.01	1.1321	1.1275	-1.54
GBPUSD	1.2593	-0.38	1.2648	1.2584	-1.23
USDJPY	107.88	-0.53	108.47	107.77	-1.67
AUDUSD	0.6994	0.40	0.7000	0.6959	-0.79
EURGBP	0.8962	0.36	0.8973	0.8921	-0.80
USDMYR	4.1410	0.16	4.1430	4.1315	0.18
EURMYR	4.6823	0.01	4.6857	4.6662	-0.95
JPYMYR	3.8234	0.10	3.8256	3.8119	1.75
GBPMYR	5.2205	-0.14	5.2389	5.2194	-0.89
SGDMYR	3.0510	-0.07	3.0556	3.0469	0.50
AUDMYR	2.8891	-0.17	2.8928	2.8795	-1.16
NZDMYR	2.7571	-0.59	2.7667	2.7548	-0.78
CHFMYR	4.1883	-0.33	4.1969	4.1870	-0.26
CNYMYR	0.6016	-0.43	0.6037	0.6013	-0.60
HKDMYR	0.5301	0.11	0.5310	0.5288	0.36
USDSGD	1.3561	0.02	1.3574	1.3551	-0.51
EURSGD	1.5304	0.03	1.5348	1.5293	-2.05
GBPSGD	1.7077	-0.34	1.7158	1.7073	-1.73
AUDSGD	0.9484	0.42	0.9489	0.9439	-1.28

Source: Bloomberg

Forex

MYR

- **USDMYR finished 0.16% higher at 4.1410** on Tuesday driven by extended dollar strength.
- **Daily outlook for USDMYR is neutral to slightly bullish amidst retreating risk sentiments** as enthusiasm over US-China trade truce withered. 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.

USD

- **The dollar index fell slightly by 0.1% to 96.73, in the absence of US data releases**, led by safe haven bids for JPY and CHF amidst retreating risk sentiments as well as a stronger AUD after the RBA cut rate. The greenback weakened against seven G10 peers.
- **We are still bearish on USD in the medium term** as the Fed is still expected to cut Fed funds rate at the end of this month, while any positive US-China trade headlines in this period could drive down the USD.

EUR

- **EUR was virtually flat against the USD at 1.1285.**
- **We are bearish on EUR today as EUR is under bearish pressure below 1.1320 resistance**, fresh US tariffs threat will also weigh down the common currency. In the medium term, we remain bullish on EUR as the Fed is expected to cut rate this year while the ECB likely to hold its key rates steady for the remainder of 2019.

GBP

- **GBP closed 0.38% lower at 1.2593 following BOE Governor Mark Carney's dovish speech** on UK monetary policy.
- **We remain bearish on GBP today on Carney's comments and poor data** as the BRC shop price index fell for the first time in eight month according to an early morning release. In the medium term, leadership and Brexit uncertainties would likely keep the sterling under pressure from now until 31 Oct.

JPY

- **JPY finished 0.53% stronger at 107.88** against the USD as risk-on mode abated sending investors piling into safe havens currencies.
- **We are bullish on JPY today on lower UST yields** amidst retreating risk sentiments. We are generally bullish on JPY in the medium term on broadly weaker dollar and lower UST yields arising from upcoming Fed rate cuts.

AUD

- **AUD closed 0.40% stronger at 0.6994** against the USD after the RBA cut rate to record low as widely expected but offered now fresh clues on its next cash rate move.
- **AUD is likely trade flat ahead as trade report and building approval numbers are in focus.** A miss in consensus figure would send AUD lower today. In the medium term, US-China trade relations remain a key driver for the currency pair and any positive headlines would push Aussie higher.

SGD

- **SGD closed flattish** at 1.3561 against the USD amidst a lack of catalyst.
- **We are neutral on the currency pair today** but remain bullish SGD in the medium term on expected USD weakness arising from Fed rate adjustment while positive US-China trade development would lend support to overall EM currencies, thus benefitting the SGD as well.

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