

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **A relatively quiet session in global financial markets** as the US was out for Independence Day holiday. **European markets were relatively flat while Asian markets traded mixed** in the absence of any towering catalysts, not even on the trade front with the last being Trump's tweet on currency manipulation by the EU and China yesterday morning. The Dollar Index was on firmer footing but continued hovering near recent lows at the 96 handles.. **Brent crude oil prices edged slightly down** by 0.81% to \$63.3/ barrel and failed to rally further despite earlier decision by OPEC to extend its production cut for another nine months, instead of the usual six months.
- **Data was rather scanty and mixed.** Data showed retails sales disappointed in the Eurozone, rebounded slightly in Australia while Japan household spending jumped at its fastest pace in four years ahead of the planned sales tax hike in October. Back home, exports edged higher for a 2<sup>nd</sup> straight month driven by a weaker MYR and higher shipment to the US while that to China extended its decline, offering a first glimpse of trade war impact.
- **The dollar index closed flat at 96.719** as majors traded in a very tight range. **We remain 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.
- **MYR closed 0.10% stronger at 4.1330** in subdued trading due to 4<sup>th</sup> July holiday in the US. **We remain neutral MYR over the short term** as there is a lack of catalysts to drive short term volatility. However, we remain bullish MYR over the medium term over an expected Fed rate cut.
- **SGD closed flat** at 1.3561 against the USD amidst a lack of catalyst. **We remain 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

Malaysia	→
Eurozone	↓
Japan	↑
Australia	→

#### What's Coming Up Next

##### Major Data

- Malaysia Foreign Reserves
- US nonfarm payroll, jobless rate, average hourly earnings
- UK Halifax House Price Index
- Japan Leading Index, Coincident Index

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1240	1.1270	1.1285	1.1300	1.1330	→
GBPUSD	1.2500	1.2545	1.2583	1.2630	1.2680	→
USDJPY	107.10	107.40	107.88	108.00	108.35	→
AUDUSD	0.6950	0.6980	0.7026	0.7045	0.7070	→
EURGBP	0.8925	0.8950	0.8971	0.8990	0.9030	→
USDMYR	4.1250	4.1300	4.1350	4.1400	4.1450	→
EURMYR	4.6450	4.6610	4.6663	4.6700	4.6800	→
JPYMYR	3.8185	3.8300	3.8337	3.8430	3.8640	→
GBPMYR	5.1850	5.2000	5.2022	5.2100	5.2350	↗
SGDMYR	3.0400	3.0450	3.0500	3.0550	3.0575	→
AUDMYR	2.8900	2.9000	2.9053	2.9150	2.9300	→
NZDMYR	2.7500	2.7600	2.7667	2.7700	2.7800	→
USDSGD	1.3500	1.3530	1.3563	1.3580	1.3600	→
EURSGD	1.5270	1.5290	1.5302	1.5350	1.5385	→
GBPUSD	1.7010	1.7050	1.7060	1.7100	1.7180	↗
AUDSGD	0.9450	0.9475	0.9529	0.9550	0.9575	→

\* 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	1,687.48	-0.15	-0.18	CRB Index	180.48	1.48	6.29
Dow Jones Ind.*	26,966.00	0.67	15.60	WTI oil (\$/bbl)	57.34	1.94	26.27
S&P 500*	2,995.82	0.77	19.51	Brent oil (\$/bbl)	63.30	-0.81	17.66
FTSE 100	7,603.58	-0.08	13.01	Gold (\$/oz)	1,416.08	-0.19	10.88
Shanghai	3,005.25	-0.33	20.50	CPO (RM/tonne)	1,868.50	-1.01	-4.30
Hang Seng	28,795.77	-0.21	11.41	Copper (\$/tonne)	5,920.00	0.03	-0.75
STI	3,372.25	0.13	9.89	Rubber (sen/kg)	488.00	-0.31	28.76

Source: Bloomberg

\* as at 3-July close

**Economic Data**
**Macroeconomics**

	For	Actual	Last	Survey
MA Exports YOY	May	2.5%	1.1%	2.2%
MA Trade Balance MYR	May	9.1b	10.8b	8.3b
EU Retail Sales MOM	May	-0.3%	-0.1% (revised)	0.3%
AU Retail Sales MOM	May	0.1%	-0.1%	0.2%
JP Household Spending YOY	May	4.0%	1.3%	1.5%

Source: Bloomberg

- Eurozone retail sales hugely disappointed:** Retail sales posted a surprised decline of 0.3% MOM in May (Apr: -0.1% revised), marking its first back-to-back contraction since Jan-18, dragged by declines in both food and non-food products, as well as auto fuel. YOY, sales unexpectedly pulled back to register a softer gain of 1.3% in May (Apr: +1.8% revised), underscoring sluggishness in consumer spending in the Eurozone economy.
- Australia retail sales barely grew in May:** Australia retail sales rose a mere 0.1 MOM in May (Apr: -0.1%), reversing the decline in previous month and pointing to subdued consumer demand in the retail sector. The marginal gain in sales was driven mainly by the rebound in household goods (+0.5% vs -0.9%) and the slower decline in sales of apparel (-0.2% vs -1.2%) as sales of food (-0.3% vs +0.1%) and sales at department stores (-0.4% vs +1.7%) fell in May.
- Japan household spending surprised on the upside:** Household spending picked up more than expected, expanding 4.0% YOY in May (Apr: +1.3% YOY). This best gain in four years added to signs consumers are ramping up purchases ahead of the sales tax hike in October, which will help shore up the Japanese economy in 2Q, and hopefully 3Q, helping cushion some of the impact from the external front.
- Malaysia saw slightly quicker exports growth:** Exports growth trended up for a 2nd straight month, growing at a faster pace of 2.5% YOY in May (Apr: +1.1%), better than market estimate of a 2.2% increase but below ours for a 4.8% YOY gain. Today's print was lifted by a weaker MYR and higher shipment to the US, offering tentative signals of trade diversion amid the longstanding US-China trade spat. The commodity segment fared better led by a turnaround in palm oil exports due to a surge in exports volume but this was negated by declines in crude petroleum and LNG exports. On the other hand, the manufacturing front saw mixed performances, with most sectors registering slower to negative growth. Contrary to the pick-up in exports, imports growth softened to 1.4% YOY in May (Apr: +4.4%), as a result of renewed decline in capital goods imports and slower increases in intermediate and consumption goods imports. MOM, exports took a turn and fell 1.2% while imports grew slower by 1.0% in May (Apr: +1.3%; +6.7% MOM), further narrowing the trade surplus to RM9.1bn (Apr: RM10.8bn), its smallest surplus in six months. Looking ahead, while the positive export gains in the last two months appeared to be offering some reprieves of slowing growth, we are not convinced of better growth in 2Q. In April-May, exports averaged 1.8% YOY but imports growth averaged an even higher 2.9% YOY, leading to a smaller trade surplus of RM19.9bn in the first two months of 2Q19. This implies net exports will be a drag on overall GDP growth in 2Q. We do not expect to see any significant turnaround in June, which is also a shorter working month skewed by festive holidays. Against a challenging global backdrop of moderating growth further clouded by uncertainties from trade protectionism policies and geopolitical risks, we maintain a less sanguine exports outlook ahead, which would inevitably translate into slower economic growth for the country.

<b>Economic Calendar</b>						
<b>Date</b>	<b>Country</b>	<b>Events</b>	<b>Reporting Period</b>	<b>Survey</b>	<b>Prior</b>	<b>Revised</b>
05/07	Malaysia	Foreign Reserves	28 Jun	--	\$102.6b	--
05/07	US	Change in Nonfarm Payrolls	Jun	160k	75k	--
		Unemployment Rate	Jun	3.6%	3.6%	--
		Average Hourly Earnings YOY	Jun	3.2%	3.1%	--
08/07	Eurozone	Sentix Investor Confidence	Jul	--	-3.3	--
05/07	UK	Halifax House Price 3Mths/Year	Jun	5.7%	5.2%	--
05/07	Japan	Leading Index	May P	95.4	95.9	--
		Coincident Index	May P	103.1	102.1	--
08/07		Core Machine Orders MOM	May	-3.7%	5.2%	--
		Eco Watchers Survey Current SA	Jun	--	44.1	--
		Eco Watchers Survey Outlook SA	Jun	--	45.6	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1285	0.06	1.1295	1.1273	-1.58
GBPUSD	1.2579	0.04	1.2591	1.2567	-1.34
USDJPY	107.82	0.01	107.84	107.71	-1.72
AUDUSD	0.7022	-0.10	0.7048	0.7016	-0.34
EURGBP	0.8972	0.03	0.8978	0.8963	-0.22
USDMYR	4.1330	-0.10	4.1425	4.1355	-0.01
EURMYR	4.6641	-0.13	4.6723	4.6621	-1.34
JPYMYR	3.8356	-0.17	3.8410	3.8327	2.07
GBPMYR	5.2023	-0.04	5.2082	5.1956	-1.24
SGDMYR	3.0487	-0.11	3.0529	3.0477	0.42
AUDMYR	2.9025	0.02	2.9134	2.9009	-0.70
NZDMYR	2.7623	-0.24	2.7779	2.7611	-0.59
CHFMYR	4.1915	-0.16	4.1980	4.1889	-0.18
CNYMYR	0.6019	0.08	0.6020	0.6011	-0.55
HKDMYR	0.5310	0.06	0.5314	0.5305	0.53
USDSGD	1.3561	-0.01	1.3567	1.3545	-0.53
EURSGD	1.5303	0.06	1.5310	1.5287	-2.10
GBPSGD	1.7057	0.03	1.7070	1.7035	-1.87
AUDSGD	0.9522	-0.12	0.9547	0.9514	-0.85

Source: Bloomberg

## Forex

### MYR

- **MYR closed 0.10% stronger at 4.1330** in subdued trading due to 4<sup>th</sup> July holiday in the US.
- **We remain neutral MYR over the short term** as there is a lack of catalysts to drive short term volatility. However, we remain bullish MYR over the medium term over an expected Fed rate cut.

### USD

- **The dollar index closed flat at 96.719** as majors traded in a very tight range.
- **We remain 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 closed marginally higher by 0.06% against the USD at 1.1285.**
- **We remain neutral EUR today** as markets are likely to remain subdued post 4<sup>th</sup> July Day and ahead of NFP release. We remain bullish on EUR over the medium term as the Fed is expected to cut rates this year while the ECB is likely to hold its key rates steady for the remainder of 2019.

### GBP

- **GBP closed flat at 1.2579 in line with subdued markets.**
- **We remain bearish on GBP** as dovish central bank comments and poor economic data will weigh GBP in the short term towards 1.2500 support. In the medium term, leadership and Brexit uncertainties would likely keep the sterling under pressure from now until 31 Oct.

### JPY

- **JPY finished flat at 107.82** in line with other majors.
- **We remain bullish JPY on lower UST yields** and on broadly weaker dollar from upcoming Fed rate cuts.

### AUD

- **AUD closed 0.10% weaker at 0.7022** against the USD amid a quiet market.
- **We remain neutral on AUD** as it has already recovered to RBA pre-cut levels in anticipation of a Fed rate cut. We look towards tonight's nonfarm data in the US for further directional cues.

### SGD

- **SGD closed flat at 1.3561** against the USD amidst a lack of catalyst.
- **We remain 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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