

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks managed to eke out tiny gains overnight, boosted by tech shares ahead of Fed Chair Jerome Powell's two-day testimony before Congress, the FOMC June meeting minutes as well as next week's second quarter earnings season.** The S&P 500 and NASDAQ closed 0.1% and 0.5% higher while the Dow fell 0.1%. Treasuries yield went up slightly with 10Y UST yield picking up 1bp to 2.06%. Crude oil prices rose a little – WTI settled 0.3% higher at \$57.83/barrel and Brent crude edged up by only 0.1% to \$64.16/barrel. At home, **BNM held OPR steady at 3.0%**, taking cognizant of continuous moderate expansion in both the world as well as Malaysian economy and maintained a neutral stance, suggesting that the central bank has no plans for another adjustment in the OPR in the near term.
- **Data skewed to the downside.** America's small business owners turned less optimistic last month as the NFIB Small Business Optimism Index fell 1.7pts to completely reverse May's gain. Japan wage growth slipped further in May by 0.2%, raising concerns over whether consumers spending could weather through the upcoming sales tax hike in October. Australia business confidence lost momentum again as the headline NAB Business Confidence Index fell back to below average levels in June at +2.0.
- **The dollar index closed 0.15% stronger at 97.521** as the USD continues to benefit alongside UST yields as market repositioning continues. **USD is expected to stay firm today** although we remain bearish on USD in the medium term as the Fed is still expected to cut rates at the end of this month, while any positive US-China trade headlines in this period could drive down the USD.
- **MYR closed flattish at 4.1415** in another subdued trading day as the USD tries to extend its recent gains. **MYR could continue to range trade today** but we remain bearish MYR over the short term as market expectations of a series of rate cut expectations continue to dim and markets continue to reposition for the shorter term to better reflect this ahead and during Fed speaks.
- **SGD closed 0.12% weaker** at 1.3615 in line with USD strength. **We remain cautiously bearish SGD** over the short term as market continues to reposition. In the more medium term, Fed speaks and US-China trade talk outcomes are likely to drive direction for the pair.

Overnight Economic Data

US	↓
Japan	↓
Australia	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, Wholesale Inventories
- UK Monthly GDP, Industrial Production, Visible Trade Balance
- Japan PPI
- China CPI, PPI

Major Events

- Jerome Powell testifies before Congress
- FOMC June Meeting Minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1150	1.1170	1.1204	1.1230	1.1260	↘
GBPUSD	1.2400	1.2425	1.2455	1.2475	1.2500	↘
USDJPY	108.20	108.50	108.97	109.10	109.40	↗
AUDUSD	0.6880	0.6900	0.6927	0.6950	0.6975	↘
EURGBP	0.8950	0.8975	0.8997	0.9030	0.9050	↗
USDMYR	4.1350	4.1400	4.1450	4.1500	4.1550	→
EURMYR	4.6150	4.6300	4.6440	4.6600	4.6750	↘
JPYMYR	3.7850	3.8000	3.8045	3.8250	3.8400	↘
GBPMYR	5.1400	5.1600	5.1630	5.1800	5.2000	↘
SGDMYR	3.0375	3.0400	3.0435	3.0450	3.0475	↘
AUDMYR	2.8500	2.8600	2.8700	2.8800	2.9000	↘
NZDMYR	2.7150	2.7300	2.7370	2.7500	2.7600	↘
USDSGD	1.3550	1.3580	1.3624	1.3650	1.3670	↗
EURSGD	1.5225	1.5240	1.5260	1.5300	1.5325	→
GBPSGD	1.6870	1.6920	1.6976	1.7030	1.7100	↘
AUDSGD	0.9380	0.9400	0.9435	0.9450	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	1,682.87	0.31	-0.46	CRB Index	180.71	0.01	6.42
Dow Jones Ind.	26,783.49	0.08	14.82	WTI oil (\$/bbl)	57.83	0.29	27.35
S&P 500	2,979.63	0.12	18.86	Brent oil (\$/bbl)	64.16	0.08	19.26
FTSE 100	7,536.47	0.17	12.01	Gold (\$/oz)	1,397.61	0.15	8.79
Shanghai	2,928.23	0.18	17.42	CPO (RM/tonne)	1,868.50	-0.61	-4.30
Hang Seng	28,116.28	0.76	8.79	Copper (\$/tonne)	5,822.00	-1.19	-2.40
STI	3,329.46	0.14	8.50	Rubber (sen/kg)	477.50	-1.75	25.99

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA BNM OPR	9 Jul	3.00%	3.00%	3.00%
US NFIB Small Business Confidence	Jun	103.3	105.0	103.1
JP Labour Cash Earnings YOY	May	-0.2%	-0.3% (revised)	-0.6%
JP Machine Tool Orders YOY	Jun P	-38.0%	-27.3%	--
AU NAB Business Confidence	Jun	2	7	--
AU NAB Business Conditions	Jun	3	1	--
AU Westpac consumer confidence	Jul	96.5	100.7	--

Source: Bloomberg

Macroeconomics

- US small business owners turned less optimistic amidst uncertainty:** The NFIB Small Business Optimism Index fell to 103.3 in June (May; 105.0), more than reversing the gain posted in the previous month as America's small business owners' optimism took a modest downturn. Six components fell last month - among them, plans to increase hiring, capital spending and expectations of higher sales, mainly related to the increased uncertainty in the general outlook as growth is poised to slow amidst still unresolved global trade dispute. The Uncertainty Index rose substantially by 7pts to the highest level since Mar-17. The percentage of businesses who expect the economy to improve was unchanged from previous month.
- Japan wage growth slipped further in May:** Labour cash earnings fell 0.2% YOY in May (Apr: -0.3% revised), marking its fifth consecutive month of decline. In additions, wages also fell more than initially expected in April, raising concerns over whether consumers could weather through the upcoming sales tax hike in October. Within cash earnings, contracted earnings fell for the fifth month while bonus payout increased for the first time in five months. Separately, machine tool orders declined 38% YOY in June (May: -27.3%) according to a preliminary reading, its largest drop in nearly a decade, confirming that a global economic slowdown is dragging Japan's manufacturing sector.
- Australia business confidence fell back to below average:** Australia business confidence lost momentum again as the headline NAB Business Confidence Index fell back to below average levels in June at +2.0 (May: +7.0) after a jump in the previous month following the federal election and increased clarity around RBA rate cuts. Despite the improvement in the Business Conditions Index (+3 vs +1), forward orders continued to remain in negative territory at -4 (May: -4), suggesting that a near-term turnaround in business is unlikely. Overall surveys also point to weak inflationary pressure in the economy as final products price inflation was unchanged and retail prices were reported to have declined significantly this month.
- Australia consumer confidence fell despite rate cuts and tax relief:** The Westpac-Melbourne Institute Consumer Sentiment Index fell 4.1% MOM to 96.5 in July (Jun: 100.7), a troubling sign according to Westpac as "it comes against what should have been a supportive backdrop for confidence" following the RBA second rate cut earlier this month and the passage of a federal government's tax relief package at Parliament. The index is now at its two-year low with the main driver being the deepening concerns over the Australian economic outlook and prospects for family finances.
- BNM stood pat and maintained neutral tone:** BNM left the Overnight Policy Rate (OPR) unchanged at 3.00% as expected, taking cognizant of continuous moderate expansion in both the world as well as Malaysian economy. BNM assessment on the global economy remains decent, reiterating continued moderate expansion in the global economy, citing firm labour market conditions in the advanced economies. On the domestic front, it remained optimistic that domestic demand will continue supporting growth in the Malaysian economy as slower global demand and longstanding trade conflicts weighed on the external sector. BNM also maintained its baseline growth projection of 4.3-4.8% for 2019, and reiterated potential downside risks to this forecast despite earlier whispers that growth could achieve close to 5.0% this year. We are maintaining our house view for the Malaysian economy to expand by 4.7% YOY this year, with a downward bias towards 4.3-4.4% should the external sector worsen more than expected. Headline inflation is expected to pick up in the coming months as the impact of the changes in consumption tax policy lapses, in line with our projection. Today's policy statement remained very much neutral in our view despite reiteration of downside risks to overall growth outlook, suggesting BNM has no plans for another adjustment in the OPR in the near term. We therefore maintained our view for BNM to stay pat at 3.00% for the rest of the year.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
10/07	US	MBA Mortgage Applications	Jul 5	--	-0.1%	--
		Wholesale Inventories MOM	May F	0.4%	0.4%	--
11/07		FOMC Meeting Minutes	19 Jun	--	--	--
		Initial Jobless Claims	06 Jul	221k	221k	--
		CPI YOY	Jun	1.6%	1.8%	--
10/07	UK	GDP monthly MOM	May	0.3%	-0.4%	--
		Industrial production MOM	May	1.5%	-2.7%	--
		Visible trade balance	May	-£12,550m	-£12,113m	--
11/07		RICS House Price Balance	Jun	-12.0%	-10.0%	--
10/07	Japan	PPI YOY	Jun	0.4%	0.7%	--
10/07	China	CPI YOY	Jun	2.7%	2.7%	--
		PPI YOY	Jun	0.2%	0.6%	--
10/07	Australia	Westpac Consumer Confidence	Jul	--	100.7	--
11/07		Home Loans MOM	May	-1.0%	-1.1%	--

Source: Bloomberg

	Last Price	DoD%	High	Low	YTD%
EURUSD	1.1208	-0.05	1.1219	1.1193	-2.29
GBPUSD	1.2465	-0.40	1.2523	1.2440	-2.30
USDJPY	108.85	0.12	108.96	108.68	-0.72
AUDUSD	0.6928	-0.68	0.6975	0.6921	-1.70
EURGBP	0.8992	0.35	0.9002	0.8956	0.03
USDMYR	4.1415	0.04	4.1450	4.1390	0.20
EURMYR	4.6405	-0.16	4.6483	4.6383	-1.84
JPYMYR	3.8053	-0.40	3.8114	3.8035	1.26
GBPMYR	5.1677	-0.44	5.1870	5.1622	-1.90
SGDMYR	3.0418	-0.18	3.0477	3.0417	0.19
AUDMYR	2.8735	-0.70	2.8898	2.8727	-1.69
NZDMYR	2.7378	-0.58	2.7478	2.7373	-1.47
CHFMYR	4.1671	-0.26	4.1711	4.1617	-0.76
CNYMYR	0.6017	-0.08	0.6023	0.6016	-0.58
HKDMYR	0.5306	-0.08	0.5314	0.5301	0.45
USDSGD	1.3615	0.12	1.3624	1.3594	-0.07
EURSGD	1.5259	0.05	1.5268	1.5239	-2.37
GBPSGD	1.6974	-0.26	1.7032	1.6933	-2.38
AUDSGD	0.9433	-0.52	0.9485	0.9423	-1.76

Source: Bloomberg

Forex

MYR

- **MYR closed flattish at 4.1415** in another subdued trading day as the USD tries to extend its recent gains.
- **MYR could continue to range trade today but we remain bearish MYR over the short term** as market expectations of a series of rate cut expectations continue to dim and markets continue to reposition for the shorter term to better reflect this ahead and during Fed speaks.

USD

- **The dollar index closed 0.15% stronger at 97.521** as the USD continues to benefit alongside UST yields as market repositioning continues.
- **USD is expected to stay firm today but we remain bearish on USD in the medium term** as the Fed is still expected to cut rates at the end of this month, while any positive US-China trade headlines in this period could drive down the USD.

EUR

- **EUR closed flattish against the USD at 1.1208** as we approach key support levels.
- **We remain cautiously bearish EUR today** as we approach Friday's low circa 1.1206. Failure to extend further decline will result in a bounce back towards 1.1250 area where short term resistance and the 100 DMA sits.

GBP

- **GBP closed 0.40% weaker at 1.2465** as USD continues to extend gains.
- **We remain bearish GBP** as 1.2500 support breaches which opens up 1.2200 area as the next decent support which was not seen since late 2016 early 2017. In the medium term, leadership and Brexit uncertainties would likely keep the sterling under pressure from now until 31 Oct.

JPY

- **JPY finished weaker by 0.12% at 108.85** led again by higher UST yields.
- **We remain bearish JPY in the short term** as the market continues to reposition. In the more medium term, we look towards Fed speak on Wed and Thurs for further directional cues.

AUD

- **AUD closed 0.68% weaker at 0.6928** as the USD continues to benefit.
- **We turn bearish on AUD** in the short term as it trades past 0.6948 support and post RBA cut lows which is a bearish signal. In the medium term, **we remain neutral** AUD as it will more likely be influenced by Fed decision and US-China trade talk outcomes.

SGD

- **SGD closed 0.12% weaker** at 1.3615 in line with USD strength.
- **We remain cautiously bearish SGD** over the short term as market continues to reposition. In the more medium term, Fed speaks and US-China trade talk outcomes are likely to drive direction for the pair.

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