

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks broadly rose overnight, pushed up by healthcare shares after the Trump Administration scrapped an earlier plan to curb drug prices which would have required health insurers to pass on rebates received from drug makers to Medicare patients.** The announcement sent health insurer giant UnitedHealth shares soaring by 5.5% which in turn led the Dow to gain 0.9% or 228pts and close at a record high. The S&P 500 added a mere 0.2% but managed to climb to a new high as well while NASDAQ fell 0.1%. **Treasuries yield rose sharply by 4-8bps along the curve on stronger than expected inflation number alongside a 30Y bond auction that saw weaker demand.** 10Y UST yield spiked by 8bps to 2.14% while the yield on 2Y notes picked up 4bps to 1.87%. **Fed Chair Jerome Powell said before the Senate Banking Committee that monetary policy hasn't been as accommodative as the central bank had previously thought, further cementing the case for a rate cut at the end of this month.** Oil prices reversed some of the hefty gains in the previous session – WTI slipped by 0.4% to \$60.20/barrel while Brent crude lost 0.7% to \$66.52/barrel.
- **US data skewed to the upside** as headline CPI rose 0.1% MOM in June while core CPI rose more than expected by 0.3%. YOY, headline CPI growth eased to 1.6% while **core CPI rose at a quicker pace of 2.1% YOY.** Job market number was also decent as initial jobless claims fell by 13k to 209k last week. **The better-than-expected inflation number however is unlikely to deter the Fed from cutting rate at the end of this month.** On the other side of the world, Australia home loans fell for the third month by 0.1% in May and is expected to pick up in July onwards as RBA cut rate and the APRA loosened mortgage lending rules. **New Zealand manufacturing PMI bounced off near-stagnation level,** offering some reliefs for the time being. **Singapore 2Q GDP plunged by 3.4% QOQ and grew a mere 0.1% YOY as manufacturing downturn continued.**
- **The dollar index closed marginally stronger at 97.116** as the USD pared back some losses on stronger inflation data and a weak 30y UST auction. **We remain bearish on USD in the medium term** as a July rate cut is more or less cast in stone but note that in the shorter term, the USD maybe subjected to headline volatility.
- **MYR closed 0.53% stronger at 4.1150** as the USD succumbed to selling pressure right before closing. **We remain bullish MYR** in anticipation of a July Fed rate cut. However, in the interim, MYR may be subjected to short term volatility within immediate ranges due to headlines.
- **SGD closed 0.10% stronger at 1.3572.** **We remain bullish SGD** as yield differential is likely to narrow as the Fed signals a July cut is more or less confirmed, overshadowing a weaker than expected advance 2Q GDP print. In the more medium term, SGD is likely to be influenced by trade war outcomes.

Overnight Economic Data

US	↑
Singapore	↓
Australia	↑
New Zealand	↑

What's Coming Up Next

Major Data

- Malaysia Industrial Production
- US PPI Final Demand
- Eurozone Industrial Production
- Japan Industrial Production
- China Trade Report
- Singapore Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1200	1.1230	1.1251	1.1280	1.1300	➔
GBPUSD	1.2470	1.2500	1.2526	1.2550	1.2585	↗
USDJPY	108.00	108.20	108.57	108.80	109.00	↘
AUDUSD	0.6925	0.6950	0.6975	0.7000	0.7030	↗
EURGBP	0.8950	0.8975	0.8984	0.9000	0.9030	➔
USDMYR	4.1000	4.1050	4.1120	4.1150	4.1200	↘
EURMYR	4.6000	4.6150	4.6265	4.6400	4.6600	↗
JPYMYR	3.7500	3.7700	3.7885	3.8000	3.8200	↗
GBPMYR	5.1200	5.1400	5.1505	5.1750	5.2000	↗
SGDMYR	3.0200	3.0230	3.0262	3.0300	3.0350	↗
AUDMYR	2.8500	2.8600	2.8690	2.8800	2.9000	↗
NZDMYR	2.7150	2.7300	2.7412	2.7500	2.7600	↗
USDSGD	1.3530	1.3550	1.3589	1.3600	1.3630	↘
EURSGD	1.5225	1.5240	1.5290	1.5300	1.5325	↗
GBPSGD	1.6900	1.6970	1.7020	1.7050	1.7100	↗
AUDSGD	0.9425	0.9450	0.9478	0.9500	0.9525	↗

* 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	1,679.26	0.02	-0.67	CRB Index	183.68	-0.27	8.17
Dow Jones Ind.	27,088.08	0.85	16.12	WTI oil (\$/bbl)	60.20	-0.38	32.57
S&P 500	2,999.91	0.23	19.67	Brent oil (\$/bbl)	66.52	-0.73	23.64
FTSE 100	7,509.82	-0.28	11.62	Gold (\$/oz)	1,403.81	-1.07	9.57
Shanghai	2,917.76	0.08	17.00	CPO (RM/tonne)	1,864.00	-0.05	-4.53
Hang Seng	28,431.80	0.81	10.01	Copper (\$/tonne)	5,955.00	0.25	-0.17
STI	3,350.45	0.30	9.18	Rubber (sen/kg)	474.50	-0.42	25.20

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Initial Jobless Claims	06 Jul	209k	222k (revised)	221k
US CPI YOY	Jun	1.6%	1.8%	1.6%
US Core CPI YOY	Jun	2.1%	2.0%	2.0%
SG GDP QOQ	2QA	-3.4%	3.8%	0.5%
SG GDP YOY	2QA	0.1%	1.1% (revised)	1.1%
AU Home Loans MOM	May	-0.1%	-0.9% (revised)	-1.0%
NZ BusinessNZ Manufacturing PMI	Jun	51.3	50.4 (revised)	--

Source: Bloomberg

Macroeconomics

- US inflation firmed up in June, won't deter Fed from rate cut:** US headline CPI rose at a steady pace of 0.1% MOM in June (May: +0.1%) while the core CPI index which excludes food and energy accelerated more than expected by 0.3% MOM (May: +0.1%). On an annual basis, headline CPI grew at a slower pace of 1.6% YOY (May: +1.8%) but the core CPI again beat estimate to increase by 2.1% YOY (May: +2.0%). The overall better-than-expected June print, especially in the core segment was a welcoming news for the Fed which has noted the weakened link between a tight labour market and inflation, and has turned bearish over its inflation outlook recently. A separate release had shown that initial jobless claims fell by 13k to 209k last week (previous: 222k revised). That said, the firming up in June CPI is unlikely to deter the Fed from delivering a rate cut at the end of this month mainly because the overall prices environment remains muted with the core PCE inflation remaining well below its 2% target, not to mention the generally dismal global economic outlook dampened by weaker manufacturing and international trade conditions as well. The Fed is also unlikely to jeopardize its credibility by making a U-turn after putting in place a proper forward guidance in recent weeks via the June FOMC statement, minutes, key speeches from Fed officials and most recently Fed Chair Jerome Powell's congressional testimony.
- Australia home loans fell for third month, expected to pick up soon:** Australia home loans data remained weak In May as the number of approvals slipped for the third running month by a tinier 0.1% MOM in May (Apr: -0.9%). The weakness in home loan data will likely last for another two months as we expect numbers to improve in July onwards following the RBA's second rate cut and the APRA's looser lending rules going into effect in this month. The Australian Prudential Regulation Authority had recently announced that lenders no longer require to use a minimum 7% interest rate floor to stress-test whether a potential borrower can meet his/her monthly repayment. The new rules instead allow lenders to review and set their own interest rate floor so long it builds in a 2.5% buffer/spread above the borrowers' mortgage rate.
- New Zealand manufacturing PMI rebounded from near-stagnation:** The New Zealand Performance of Manufacturing PMI rose to 51.3 in June (May: 50.4 revised) after nearly touching the neutral 50.0 threshold in the previous month. The rebound in the manufacturing sector gauge was driven by the turnaround in production and an acceleration in new orders and finished stocks, offering some reliefs for the time being that the New Zealand economy may not have slowed down as rapidly as expected.
- Singapore economy contracted in second quarter, hampered by manufacturing downturn:** Official preliminary data show that Singapore real GDP unexpectedly plunged by a whopping 3.4% QOQ in the second quarter of 2019 (1Q: +3.8%) nearly reversing gain made in 1Q. This left the annual 2Q GDP growth at a mere 0.1% YOY (1Q: +1.1% revised), its slowest in a decade when the economy was still recovering from the global financial crisis. Adding to the poor reading was the slight downward revision to 1Q GDP growth from 1.2% to 1.1% YOY. The near-stagnation in 2Q was primarily caused by the ongoing downturn in the manufacturing industry (-3.8% YOY vs -0.4% YOY) as both services (+1.2% vs +1.2%) and construction (+2.2% vs +2.7%) managed to record growth. The slump in the manufacturing sector was a result of softer global demand for electronics which had severely dragged down Singapore's semiconductor productions. Singapore relies heavily on trade and thus was among the victims falling to ongoing trade uncertainties which has weakened international trade significantly.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
12/07	Malaysia	Industrial Production YOY	May	3.5%	4.0%	--
12/07	US	PPI Final Demand YOY	Jun	1.6%	1.8%	--
15/07		Empire Manufacturing	Jul	2.0	-8.6	--
12/07	Eurozone	Industrial Production MOM	May	0.2%	-0.5%	--
15/07	UK	Rightmove House Prices YOY	Jul	--	0.00%	--
12/07	Japan	Industrial Production YOY	May F	--	-1.1%	--
12/07	China	Trade Balance	Jun	\$45.00b	\$41.65b	\$41.66b
		Exports YOY	Jun	-1.4%	1.1%	--
		Imports YOY	Jun	-4.6%	-8.5%	--
15/07		Fixed Assets Ex Rural YTD YOY	Jun	5.6%	5.6%	--
		Industrial Production YOY	Jun	5.30%	5.00%	--
		Retail Sales YOY	Jun	8.5%	8.6%	--
		GDP YOY	2Q	6.2%	6.4%	--
12/07	Singapore	Retail Sales MOM	May	-0.8%	0.5%	--
15/07	New Zealand	Performance Services Index	Jun	--	53.6	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1254	0.03	1.1286	1.1245	-1.84
GBPUSD	1.2521	0.15	1.2571	1.2496	-1.76
USDJPY	108.50	0.04	108.53	107.86	-1.08
AUDUSD	0.6974	0.22	0.6988	0.6954	-1.05
EURGBP	0.8987	-0.13	0.9006	0.8967	-0.06
USDMYR	4.1150	-0.53	4.1310	4.1140	-0.44
EURMYR	4.6367	-0.14	4.6532	4.6363	-1.92
JPYMYR	3.8099	0.28	3.8247	3.8099	1.39
GBPMYR	5.1601	-0.11	5.1722	5.1600	-2.04
SGDMYR	3.0376	-0.11	3.0465	3.0370	0.06
AUDMYR	2.8725	0.22	2.8782	2.8707	-1.73
NZDMYR	2.7463	0.46	2.7510	2.7424	-1.17
CHFMYR	4.1767	0.01	4.1859	4.1761	-0.54
CNYMYR	0.5995	-0.31	0.6013	0.5995	-0.94
HKDMYR	0.5265	-0.69	0.5288	0.5265	-0.32
USDSGD	1.3572	-0.10	1.3587	1.3544	-0.43
EURSGD	1.5274	-0.07	1.5296	1.5259	-2.27
GBPSGD	1.6992	0.04	1.7037	1.6962	-2.19
AUDSGD	0.9465	0.13	0.9472	0.9439	-1.46

Source: Bloomberg

Forex

MYR

- **MYR closed 0.53% stronger at 4.1150** as the USD succumbed to selling pressure right before closing.
- **We remain bullish MYR** in anticipation of a July Fed rate cut. However, in the interim, MYR maybe subjected to short term volatility within immediate ranges due to headlines.

USD

- **The dollar index closed marginally stronger at 97.116** as the USD pared back some losses on stronger inflation data and a weak 30y UST auction.
- **We remain bearish on USD in the medium term** as a July rate cut is more or less cast in stone but note that in the shorter term, the USD maybe subjected to headline volatility.

EUR

- **EUR closed flattish against the USD at 1.1254** as the broad USD pared back some recent losses.
- **We turn neutral EUR today** as the USD bounces back slightly and trading maybe muted ahead of the weekend.

GBP

- **GBP closed 0.15% stronger at 1.2521** as GBP bounced off multi month lows.
- **We remain bullish GBP in the short term** on a dovish Fed. However, **in the medium term, we remain bearish GBP** as UK leadership and Brexit issues likely to continue to weigh.

JPY

- **JPY finished flattish at 108.50** as the USD pared back recent losses.
- **We remain bullish JPY** on an imminent Fed July rate cut. Ongoing trade uncertainties and persistently weak inflation according to the Fed also likely to support JPY strength in the medium term.

AUD

- **AUD closed 0.22% stronger at 0.6974** as the pair managed to bounce off from short term support.
- **We remain bullish AUD** as a Fed July cut is imminent. In the medium term, **we remain neutral AUD** as it continues to trade within the broad range set previously.

SGD

- **SGD closed 0.10% stronger at 1.3572.**
- **We remain bullish SGD** as yield differential is likely to narrow as the Fed signals a July cut is more or less confirmed, overshadowing a weaker than expected advance 2Q GDP print. In the more medium term, SGD is likely to be influenced by trade war outcomes.

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**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.