July 15, 2019

HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **Wall Street major stock indexes hit another all-time highs on Friday, as investors' expectations for a late July rate cut firmed up again thanks to Fed Chair Jerome Powell's two-day Congressional testimony ahead of this week's second quarter corporate earnings season.** All three stocks indexes notched record highs. The Dow Jones added 244pts or 0.9%, the broader S&P500 Index and NASDAQ each clinched a 0.5% and 0.6% gain. Treasuries yield slipped 1-2bps along the curve. 10Y UST yield went down by 2bps to 2.12%. Brent Crude moved up a little by 0.3% to $66.72/barrel while the WTI barely changed at $60.21/barrel.

- **Economic data were weak in general.** US PPI growth slowed to a 2.5-year low of 1.7% YOY in June, Eurozone industrial production rose for the first time in four months by 0.9% MOM in May but output in its largest economy Germany rebounded by a mere 0.7%. UK housing market is beginning to show signs of stabilization as indicated by a smaller drop in the Rightmove House Price Index. Japan industrial productions fell for the 4th straight month by 2.1% YOY in May. China exports resumed a 1.3% YOY decline in June while imports slipped 7.3% YOY. Singapore retail sales fell for the fourth month by 2.1% YOY in May. New Zealand services PMI dropped to 52.7 in June. Malaysia IPI meanwhile managed to maintain a 4.0% YOY growth in May.

- **The dollar index closed 0.30% lower at 96.823** as the USD continues to lose ground on dovish Fed member speaks. **We remain bearish on USD in the medium term** as Fed members continue to deliver dovish rhetoric ahead of a July FOMC decision which may affect further FOMC decisions down the line.

- **MYR closed marginally stronger at 4.1130** as the pair settles down after its recent gains. **We remain bullish MYR** in anticipation of a July Fed rate cut and on dovish major central banks. However, in the interim, MYR may be subjected to short term volatility within immediate ranges due to headlines.

- **SGD closed flattish** at 1.3570 against the USD. **USDSGD is neutral today** but we remain bullish SGD in the medium term as yield differential is likely to narrow as the Fed signals a July cut is more or less confirmed. In the more medium term, SGD is likely to be influenced by trade war outcomes.

Overnight Economic Data

Malaysia	→
US	↓
Eurozone	↑
UK	↓
Japan	↓
China	↓
Singapore	↓
New Zealand	↓

What's Coming Up Next

Major Data

- US Empire Manufacturing
- China GDP, Fixed Assets Investment, Industrial Production, Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1220	1.1250	1.1273	1.1300	1.1330	→
GBPUSD	1.2500	1.2550	1.2571	1.2585	1.2610	↗
USDJPY	107.20	107.50	107.84	108.00	108.30	↘
AUDUSD	0.6970	0.7000	0.7022	0.7050	0.7070	↗
EURGBP	0.8920	0.8950	0.8968	0.9000	0.9030	↘
USDMYR	4.1100	4.1125	4.1150	4.1175	4.1200	↘
EURMYR	4.6000	4.6150	4.6388	4.6400	4.6600	↘
JPYMYR	3.7700	3.7900	3.8169	3.8200	3.8300	↗
GBPMYR	5.1300	5.1500	5.1730	5.1750	5.2000	↗
SGDMYR	3.0200	3.0250	3.0311	3.0350	3.0400	→
AUDMYR	2.8600	2.8700	2.8891	2.9000	2.9100	↗
NZDMYR	2.7300	2.7400	2.7579	2.7600	2.7700	↗
USDSGD	1.3530	1.3550	1.3578	1.3600	1.3630	→
EURSGD	1.5250	1.5280	1.5308	1.5325	1.5350	→
GBPSGD	1.6950	1.7000	1.7069	1.7100	1.7150	↗
AUDSGD	0.9450	0.9480	0.9533	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	1,669.45	-0.58	-1.25	CRB Index	184.36	0.37	8.57
Dow Jones Ind.	27,332.03	0.90	17.17	WTI oil ($/bbl)	60.21	0.02	32.59
S&P 500	3,013.77	0.46	20.22	Brent oil ($/bbl)	66.72	0.30	24.07
FTSE 100	7,505.97	-0.05	11.56	Gold (S/oz)	1,415.75	0.85	10.34
Shanghai	2,930.55	0.44	17.51	CPO (RM/tonne)	1,879.50	0.80	-3.74
Hang Seng	28,471.62	0.14	10.16	Copper ($/tonne)	5,935.00	-0.34	-0.50
STI	3,357.34	0.21	9.40	Rubber (sen/kg)	472.00	-0.53	24.54

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MA Industrial Production YOY	May	4.0%	4.0%	3.5%
US PPI Final Demand YOY	Jun	1.7%	1.8%	1.6%
EU Industrial Production MOM	May	0.9%	-0.4% (revised)	0.2%
UK Rightmove House Prices YOY	Jul	-0.2%	0.0%	--
JP Industrial Production YOY	May F	-2.1%	-1.1%	--
CN Trade Balance	Jun	$50.98b	$41.66b (revised)	$45.00b
CN Exports YOY	Jun	-1.3%	1.1%	-1.4%
CN Imports YOY	Jun	-7.3%	-8.5%	-4.6%
SG Retail Sales MOM	May	-2.1%	-1.9% (revised)	-3.0%
NZ Performance Services Index	Jun	52.7	53.6	--

Source: Bloomberg

Macroeconomics

- ***US factory gate inflation slowed in June:*** US producer prices index for final demand, a gauge of factory-gate inflation rose at a steady and subdued pace of 0.1% MOM in June (May: +0.1%) as the fall in prices of goods offset the slightly faster increase in prices of services. The core PPI (excluding foods, energy and trade) was unchanged on a monthly basis. YOY, PPI growth eased further to 1.7% YOY (May: +1.8%), its slowest gain in two and a half years while the core PPI also rose at slower pace of 2.1% YOY (May: +2.3%), pointing to overall benign inflation at US factories.

- ***Eurozone industrial production rose for first time in four months:*** Industrial productions rose for the first time in four months by 0.9% MOM in May (Apr: -0.4%) as Eurozone factories produced more capital goods, durable as well as non-durable consumer goods in that month. Looking at individual performance of the bloc's largest economies, notably output in Germany rebounded by a mere 0.7% MOM after a sharper 2% decline in the previous month, whereas output growth in France accelerated to 2.0% (Apr: +0.5%). Despite the MOM rebound in IPI in May, output continued to fall by 0.5% YOY, marking its third month of consecutive decline, a sign of continuous weakness in the Eurozone manufacturing industry. We are still wary of any short-term recovery in the sector, given that manufacturing PMI remained at sub-50 reading in June and confidence level on the consumer, businesses as well as investors remained severely hampered by slower growth outlook.

- ***Smaller drop in UK house prices indicate stabilizing housing market:*** Property website Righmove reported that its house price index slipped 0.2% MOM in July (Jun: +0.3%) after rising for six consecutive months, leaving the annual index to also record a 0.2% YOY decline (Jun: 0.0%). The latest monthly fall was much smaller in magnitude in comparisons to the 1.5-2.3% range observed last year, signaling that the housing market in the UK has indeed begin to stabilize. The index was in line with other key house prices gauge such as last week's RICS House Price Balance Index which registered a much smaller decrease than initially expected.

- ***Japan industrial production fell for fourth straight month:*** Japan industrial production fell more than initially estimated according to a final reading of government data. Output fell 2.1% YOY in May (Apr: -1.1%), more than the initially calculated 1.8% and marked its fourth successive decline since February this year. The downturn in IPI was consistent with the weak manufacturing PMI which has remained in contraction area for much of the year. Outlook for the sector remains skewed to the downside as global trade uncertainties continued to weigh down on international trade which in turn curb demand for Japanese manufactured goods.

- ***China international trade weakened amidst unresolved trade dispute, weal global demand:*** China exports resumed a 1.3% YOY decline in June (May: +1.1%) after an unexpected increase in the previous month. Shipments to most key trading destinations recorded declines last month, notably shipments to the US continued to fall for the third successive month by 7.8% YOY (May: -4.1%) after the Trump Administration raised tariffs on Chinese goods in May. A trade truce has since then been announced at the end of June and both countries have rekindled previously stalling negotiations. Global demand for Chinese goods appeared weak. Except for most of its Asian counterparts, shipments to Hong Kong, India, the EU, Russia, South Africa, Brazil and Australia all dropped in June. Imports meanwhile continued to slip albeit at a slower pace of 7.3% YOY (May: -8.5%), reaffirming the weakness in domestic demand for overseas goods. June trade surplus rose to $50.98b (May: $41.66b revised), of which surplus maintained with the US jumped to the $26.89b (May: $21.02b), the highest since January this year.

- ***Singapore retail sales fell for fourth month:*** Singapore retail sales fell for the fourth running months by 2.1 YOY in May (Apr: -1.9%) driven by a sharp decline in motor vehicles sales (-7.5% vs -1.1%), as well as further drop in sales at department store (-4.7% vs -3.1%), furniture & household equipment (-7.5% vs -6.5%) and telecommunications & computers (-2.1% vs +1.1%). Excluding motor vehicles, sales fell at a slower pace of 1.0% YOY (Apr: -2.1%). Looking back, retail sales has now fallen every month since November last year except for a pre-Chinese New Year bump in January, highlighting the deteriorating consumer sentiments on the ground which have led Singaporeans to cut spending profusely. The poor retail sales came after today's dismal GDP reading which saw the Singapore economy contracted in the second quarter of 2019, dragged down by ongoing manufacturing downturn.

- ***New Zealand weak services PMI raises concerns over outlook:*** The Performance of Services Index fell to 52.7 in June (May: 53.6) after managing a modest rise in the previous month, indicating that the services industry activities grew at a softer pace again last month. Details show that the new orders index continued to trend down albeit still sat comfortably above 50.0 neutral threshold, but the 54-55 reading in recent months was considerably below the 57-60 readings seen last year and early this year. The slower upturn in services together with the lacklustre manufacturing PMI flashed worrying signs of an overall slowing growth outlook for New Zealand.

- ***Favourable base effect continues to underpin Malaysia IPI gain:*** Industrial production managed to maintain growth at its fastest pace in six months, at 4.0% YOY in May driven by broad-based growth across all key sectors and as mining output registered its first back to back gain since last November driven by gradual normalization in the once disrupted natural gas production. The decent IPI prints in April and May should help keep 2Q growth supported at the mid-4.0% level even though we expect negative net exports to exert a drag on overall growth. Going into second half of the year, we remain skeptical that such growth momentum could sustain amid growing concerns of a fallout in the external sector stemming from protracted trade spats that has multi-facet implications not only on macro fundamentals but also financial markets and geopolitical implications. As mentioned in other commentary of ours, we foresee downside risks to our full year growth forecast of 4.7% and will be looking at a downward revision pending the release of 2Q GDP numbers and better clarity from the external front.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
15/07	**US**	**Empire Manufacturing**	**Jul**	**2.0**	**-8.6**	**--**
16/07		Import Price Index MOM	Jun	-0.2%	-0.3%	--
		Retail Sales Advance MOM	Jun	0.1%	0.5%	--
		Industrial Production MOM	Jun	0.1%	0.4%	--
		NAHB Housing Market Index	Jul	64.0	64.0	--
16/07	Eurozone	Trade Balance SA	May	17.5b	15.3b	--
		ZEW Survey Expectations	Jul	--	-20.2	--
16/07	**UK**	Average Weekly Earnings 3M/YOY	May	3.1%	3.1%	--
		ILO Unemployment Rate 3Mths	May	3.8%	3.8%	--
		Employment Change 3M/3M	May	45k	32k	--
15/07	**China**	**Fixed Assets Ex Rural YTD YOY**	**Jun**	**5.6%**	**5.6%**	**--**
		Industrial Production YOY	**Jun**	**5.2%**	**5.0%**	**--**
		Retail Sales YOY	**Jun**	**8.5%**	**8.6%**	**--**
		GDP YOY	**2Q**	**6.2%**	**6.4%**	**--**
16/07	Australia	RBA Minutes of July Policy Meeting				
16/07	New Zealand	CPI YOY	2Q	1.7%	1.5%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1270	0.14	1.1275	1.1238	-1.72
GBPUSD	1.2572	0.41	1.2579	1.2520	-1.43
USDJPY	107.91	-0.54	108.61	107.81	-1.65
AUDUSD	0.7020	0.66	0.7025	0.6971	-0.45
EURGBP	0.8965	-0.25	0.8990	0.8956	-0.27
USDMYR	4.1130	-0.05	4.1155	4.1065	-0.50
EURMYR	4.6300	-0.14	4.6369	4.6228	-2.06
JPYMYR	3.7953	-0.38	3.7975	3.7847	1.00
GBPMYR	5.1567	-0.07	5.1620	5.1459	-2.11
SGDMYR	3.0272	-0.34	3.0311	3.0240	-0.29
AUDMYR	2.8778	0.18	2.8812	2.8656	-1.55
NZDMYR	2.7478	0.05	2.7508	2.7375	-1.11
CHFMYR	4.1672	-0.23	4.1693	4.1474	-0.76
CNYMYR	0.5979	-0.28	0.5986	0.5975	-1.22
HKDMYR	0.5257	-0.15	0.5262	0.5252	-0.47
USDSGD	1.3570	-0.01	1.3610	1.3568	-0.32
EURSGD	1.5299	0.16	1.5320	1.5271	-2.03
GBPSGD	1.7071	0.46	1.7083	1.6986	-1.75
AUDSGD	0.9533	0.72	0.9540	0.9461	-0.75

Source: Bloomberg

➢Forex

MYR

- **MYR closed marginally stronger at 4.1130** as the pair settles down after its recent gains.
- **We remain bullish MYR** in anticipation of a July Fed rate cut and on dovish major central banks. However, in the interim, MYR may be subjected to short term volatility within immediate ranges due to headlines.

USD

- **The dollar index closed 0.30% lower at 96.823** as the USD continues to lose ground on dovish Fed member speaks.
- **We remain bearish on USD in the medium term** as Fed members continue to deliver dovish rhetoric ahead of a July FOMC decision which may affect further FOMC decisions down the line.

EUR

- **EUR closed 0.14% stronger against the USD at 1.1270** as the broad USD continues to lose ground**.**
- **We remain neutral EUR today** as the USD is likely to consolidate recent moves as data calendar and headlines remain light.

GBP

- **GBP closed 0.41% stronger at 1.2572** as GBP continues to bounce off multi month lows.
- **We remain bullish GBP in the short term** on a dovish Fed. However, i**n the medium term, we remain bearish GBP** as UK leadership and Brexit issues likely to continue to weigh.

JPY

- **JPY finished stronger by 0.54% at 107.91** as the UST yields lost some ground on dovish Fed members.
- **We remain bullish JPY** on an imminent July Fed 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 0.66% stronger at 0.7020** as the pair continues to register gains to challenge the 100 DMA.
- **We remain bullish AUD** as a July Fed rate 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 flattish** at 1.3570.
- **USDSGD is neutral today** but we remain bullish SGD in the medium term as yield differential is likely to narrow as the Fed signals a July cut is more or less confirmed. In the more medium term, SGD is likely to be influenced by trade war outcomes.

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