

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks rose to fresh records overnight as the earnings season began and ahead of multiple economic data this week. A rally in tech shares helped offset the losses in financials triggered by a mixed Citigroup earnings.** The bank's profits and revenue beat analysts estimate thanks to the gain from the initial public offering of Tradeweb of which Citigroup was a pre-IPO investor but lending margins came under pressure, flashing worrying signs for other banks amidst ongoing rate cut expectations. **Gains in all major benchmarks were minimal but managed to push all three of the Dow Jones, S&P 500 and NASDAQ to record highs.** Treasuries yield slipped by 2-4 bps along the curve. 10Y UST yield dropped 3bps to 2.09%. Oil prices fell-WTI lost 1.1% to \$59.58/barrel and Brent crude slid by 0.4% to \$66.48/barrel. On the trade front, Treasury Secretary Steven Mnuchin said that he and US Trade Representative Robert Lighthizer may travel to Beijing for further talks if conversations over phone this week are productive.
- **Economic data were scanty. In the US, the New York Fed Empire State Manufacturing Index bounced off negative territory to 4.3 in July after slumping in the previous month, but the fall in new orders, inventories and a cut in workers still indicate weakness.** China 2Q GDP growth eased to record low of 6.2% YOY due to a slowdown in manufacturing, but June key economic indicators namely retail sales, industrial production and fixed investment all surprised to the upsides. New Zealand inflation met expectations -CPI growth quickened to 0.6% QOQ on higher fuel prices and rentals. YOY, CPI rose to 1.7% on higher rentals.
- **The dollar index rose 0.13% to 96.927** supported by a better-than-expected Empire State Manufacturing Index. The greenback strengthened against six G10 currencies. **Key driver today would be US retail sales and industrial production data.** Positive readings would lend further support to the dollar index and vice versa. **We remain bearish on USD in the medium term** as Fed Chair Jerome Powell pretty much cemented the case for a rate cut at the end of this month.
- **MYR finished 0.11% stronger at 4.1085 on Monday** as MYR continued to gain further momentum from last week's strength. **We remain bearish USDMYR today** as the pair continues to cling on to the lower levels of the immediate range and looks set to challenge the 4.10 support. **We remain bullish MYR in the medium term** in anticipation of a Fed rate cut and on generally dovish global central banks. However, in the interim, MYR may be subjected to short term volatility within immediate ranges due to headlines.
- **SGD closed flattish against the USD at 1.3562. USDSGD is neutral today** but we remain bullish SGD in the medium term as yield differentials are likely to narrow as the Fed is expected to cut rate in late July.

#### Overnight Economic Data

US	↑
China	→
New Zealand	↑

#### What's Coming Up Next

##### Major Data

- US Import Price Index, Retail Sales Advance, Industrial Production, NAHB Housing Market Index
- Eurozone Trade Data, ZEW Survey Expectations
- UK Job Report

##### Major Events

- Australia RBA Minutes of July Policy Meeting

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1220	1.1250	1.1262	1.1300	1.1330	→
GBPUSD	1.2450	1.2500	1.2518	1.2585	1.2610	→
USDJPY	107.20	107.50	107.91	108.00	108.30	→
AUDUSD	0.6970	0.7000	0.7041	0.7050	0.7070	→
EURGBP	0.8920	0.8950	0.8997	0.9000	0.9030	↘
USDMYR	4.1050	4.1100	4.1105	4.1150	4.1175	↘
EURMYR	4.6150	4.6220	4.6293	4.6370	4.6450	↘
JPYMYR	3.7700	3.8000	3.8090	3.8165	3.8200	↗
GBPMYR	5.1300	5.1370	5.1465	5.1580	5.1600	↗
SGDMYR	3.0240	3.0270	3.0320	3.0350	3.0400	→
AUDMYR	2.8800	2.8875	2.8948	2.9000	2.9100	→
NZDMYR	2.7525	2.7600	2.7659	2.7700	2.7760	↗
USDSGD	1.3530	1.3550	1.3563	1.3600	1.3630	→
EURSGD	1.5235	1.5250	1.5273	1.5300	1.5325	→
GBPUSD	1.6925	1.6950	1.6976	1.7000	1.7095	↗
AUDSGD	0.9480	0.9515	0.9549	0.9575	0.9590	→

\* 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	1,672.37	0.17	-1.08	CRB Index	183.08	-0.69	7.82
Dow Jones Ind.	27,359.16	0.10	17.28	WTI oil (\$/bbl)	59.58	-1.05	31.20
S&P 500	3,014.30	0.02	20.24	Brent oil (\$/bbl)	66.48	-0.36	23.57
FTSE 100	7,531.72	0.34	11.94	Gold (\$/oz)	1,414.13	-0.11	10.39
Shanghai	2,942.19	0.40	17.98	CPO (RM/tonne)	1,869.50	-0.53	-4.25
Hang Seng	28,554.88	0.29	10.48	Copper (\$/tonne)	5,983.00	0.81	0.30
STI	3,347.95	-0.28	9.10	Rubber (sen/kg)	473.50	0.32	24.93

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
US Empire Manufacturing	Jul	4.3	-8.6	2.0
CN GDP YOY	2Q	6.2%	6.4%	6.2%
CN Industrial Production YOY	Jun	6.3%	5.0%	5.2%
CN Fixed Assets Ex Rural YTD YOY	Jun	5.8%	5.6%	5.6%
CN Retail Sales YOY	Jun	9.8%	8.6%	8.5%
NZ CPI YOY	2Q	1.7%	1.5%	1.7%

Source: Bloomberg

## Macroeconomics

- US New York Fed Empire Manufacturing Index bounced off negative territory:** The New York Fed Empire State Manufacturing Survey reported that its headline general business conditions index bounced off negative territory as it climbed 13pts to 4.3 in July (June: -8.6), signaling a modest improvement in New York state's manufacturing activities after a slump in the previous month. However details show that the sector appeared to be struggling still with new orders and inventories continuing to decline leading firms to lay off workers this month, suggesting that factories activities may find it hard to recover back to phenomenal levels seen in last year.
- China GDP growth eased to 6.2% YOY in second quarter:** China real GDP matched consensus estimate, growing at a mere 6.2% YOY in the second quarter of 2019 (1Q: +6.4%), its slowest recorded rate in history. On a quarterly basis, GDP growth came in faster at 1.6% QOQ (1Q: +1.4%), beating a Bloomberg survey of 1.5%. Looking at breakdown, it was hardly surprising that the manufacturing sector served as the main drag on the headline figure, in line with the downturn in global manufacturing industry. Output in the primary industry, which comprises of agriculture, forestry, and fishing managed to rise at a faster pace of 3.0% YOY (1Q: +2.7%). Growth in the secondary industry (manufacturing, construction & supply of electricity, water & gas) slowed to 5.8% YOY (1Q: +6.1%) after an acceleration in the previous quarter while the tertiary industry saw a steady expansion of 7.0% YOY (1Q: +7.0%).
- China key economic indicators surprised to the upside:** Alongside second quarter GDP was the concurrent release of June key economic indicators which turned out to be very upbeat, painting a mixed picture of the economy. Industrial production surprised to the upside to record a 6.3% YOY increase in June (May: +5.0%), its second fastest increase this year after the post-CNY jump in March, reflecting the broad-based increase of output across mining, manufacturing and power supply. The gain in manufacturing output came in contrast with the two consecutive months of sub-50 PMI readings. YTD fixed asset investment excluding rural households investment also notched a better-than-expected gain of 5.8% YOY in June (May: +5.6%) supported by the rise in private investment as state-owned enterprises investment pulled back to 6.9% YOY (May: +7.2%). Good news is coming out from the retail front as well, with retail sales jumping 9.5% YOY in June (May: +8.6%), the fastest rate observed since March last year. Sales at restaurant/catering saw a rather steady pick-up of 9.5% YOY (May: +9.4%) whereas majorities of consumer goods also enjoyed an increase in demand. Nonetheless, despite upbeat June economic data, weaker trade, manufacturing and investment numbers suggest that a synchronized global slowdown is still in the pipeline and could further dampen demand for Chinese goods, but we judge that continuous fiscal and monetary stimulus from authorities could balance things out, helping China to achieve its 6.0-6.5% growth target this year.
- New Zealand inflation rose in second quarter on higher fuel prices:** New Zealand CPI met expectations, rising at a faster pace of 0.6% QOQ in the second quarter of 2019 (1Q: +0.5%), mainly because of higher rentals and housing cost, food prices, furniture and petrol prices. On a yearly basis, New Zealand CPI also picked up to 1.7% YOY (1Q: +1.5%), meeting analysts' forecast. The faster upturn was largely a result of higher rental and housing prices compared to the same period a year ago.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
16/07	US	Import Price Index MOM	Jun	-0.2%	-0.3%	--
		Retail Sales Advance MOM	Jun	0.2%	0.5%	--
		Industrial Production MOM	Jun	0.1%	0.4%	--
		NAHB Housing Market Index	Jul	64.0	64.0	--
17/07		MBA Mortgage Applications	Jul-12	--	-2.4%	--
		Housing Starts MOM	Jun	-0.7%	-0.9%	--
		Building Permits MOM	Jun	0.1%	0.3%	0.7%
16/07	Eurozone	Trade Balance SA	May	17.8b	15.3b	--
		ZEW Survey Expectations	Jul	--	-20.2	--
17/07		Construction Output MOM	May	--	-0.8%	--
		CPI Core YOY	Jun F	1.1%	0.8%	--
		CPI YOY	Jun F	1.2%	1.2%	--
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	--
17/07		CPI YOY	Jun	2.0%	2.0%	--
		PPI Output NSA YOY	Jun	1.7%	1.8%	--
17/07	Singapore	Non-oil Domestic Exports YOY	Jun	-9.6%	-15.9%	--
16/07	Australia	RBA Minutes of July Policy Meeting				
17/07		Westpac Leading Index MOM	Jun	--	-0.08%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1258	-0.11	1.1284	1.1254	-1.79
GBPUSD	1.2516	-0.45	1.2582	1.2510	-1.84
USDJPY	107.91	0.00	108.11	107.80	-1.68
AUDUSD	0.7039	0.27	0.7040	0.7006	-0.10
EURGBP	0.8995	0.34	0.9001	0.8960	0.07
USDMYR	4.1085	-0.11	4.1145	4.1055	-0.60
EURMYR	4.6340	0.09	4.6368	4.6277	-1.97
JPYMYR	3.8091	0.36	3.8159	3.8000	1.37
GBPMYR	5.1590	0.04	5.1716	5.1574	-2.06
SGDMYR	3.0300	0.09	3.0307	3.0244	-0.19
AUDMYR	2.8887	0.38	2.8907	2.8814	-1.17
NZDMYR	2.7625	0.53	2.7632	2.7527	-0.58
CHFMYR	4.1815	0.34	4.1818	4.1697	-0.42
CNYMYR	0.5978	-0.01	0.5979	0.5971	-1.22
HKDMYR	0.5250	-0.13	0.5256	0.5244	-0.61
USDSGD	1.3562	-0.06	1.3588	1.3553	-0.51
EURSGD	1.5268	-0.20	1.5318	1.5266	-2.30
GBPSGD	1.6974	-0.67	1.7097	1.6971	-2.35
AUDSGD	0.9546	0.14	0.9549	0.9515	-0.60

Source: Bloomberg

## Forex

### MYR

- **MYR finished 0.11% stronger at 4.1085 on Monday** as MYR continued to gain further momentum from last week's strength.
- **We remain bearish USDMYR today** as the pair continues to cling on to the lower levels of the immediate range and looks set to challenge the 4.10 support. **We remain bullish MYR in the medium term** in anticipation of a Fed rate cut in late July and on generally dovish global central banks. However, in the interim, MYR may be subjected to short term volatility within immediate ranges due to headlines.

### USD

- **The dollar index rose 0.13% to 96.927** supported by a better-than-expected Empire State Manufacturing Index. The greenback strengthened against six G10 currencies.
- **Key driver today would be US retail sales and industrial production data.** Positive readings would lend further support to the dollar index while a miss in analysts' estimate likely lead to an opposite direction. **We remain bearish on USD in the medium term** as Fed Chair Jerome Powell pretty much cemented the case for a rate cut at the end of this month. Futures continued to show that at least a 25bps cut in the fed funds rate has been fully priced in, of which traders saw nearly 26% chance that the Fed will deliver a 50bps cut in one shot.

### EUR

- **EUR closed 0.11% weaker against the USD at 1.1258 as EUR gave away initial gains** following better-than-expected Empire State Manufacturing Index.
- **EURUSD is subject to volatilities today** as markets look towards US retail sales and industrial production. Prior to that, a sharp fall in the German ZEW investor sentiment index would likely weigh down on the fiber. **We remain bullish EUR in the medium term** as the Fed is expected to cut rate later this month while the ECB refrains from any rate adjustments.

### GBP

- **GBP closed 0.45% weaker at 1.2516** as GBP couldn't sustain last week's momentum ahead of this week UK data dump.
- **Markets will be looking to today's job report**, any unfavourable readings likely sends the cable to the downside. **In the medium term, we remain bearish on GBP** on UK leadership and Brexit uncertainties.

### JPY

- **JPY finished unchanged at 107.91 against the USD** amidst a lack of headlines.
- **We are neutral on the currency pairs today and remain bullish on JPY in the medium term** due to upcoming Fed rate cut in late July and unresolved global trade disputes.

### AUD

- **AUD closed 0.27% stronger at 0.7039 against the USD** after China data dump.
- **We are looking to the RBA meeting minutes today for further guidance** as the RBA did not offer any fresh hints on its next rate move in its official policy statement earlier this month. **We remain bullish on AUD** in the medium term on impending Fed rate cut.

### SGD

- **SGD closed flattish against the USD** at 1.3562
- **USDSGD is neutral today** but we remain bullish SGD in the medium term as yield differentials are likely to narrow as the Fed is expected to cut rate in late July. In the more medium term, key driver for SGD remains US-China trade headlines.

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