

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks fell from record highs, weighed down by falling energy shares amidst a plunge in oil prices** on concerns over bank's profitability as well as Trump's latest trade comments. The earnings season kicked off this week, following Citibank mixed results on Monday, JP Morgan and Wells Fargo both reported upbeat profits but weakening net interest incomes, adding to concerns that impending rate cuts would further compress banks' margins. **President Trump surprised with fresh China tariffs threat** after a recent trade truce, saying that he could still impose additional tariffs on China if he wants while mentioning that the US still has a long way to go when it comes to reaching a trade deal with China. At a Bank of France event, **Fed Chair Jerome Powell reaffirmed his pledge to "act as appropriate" to support US economic expansion.** Treasuries yield rose by 0-2bps along the curve, 10Y UST yield rose 1bp to 2.1%. Oil prices tanked after US Secretary of State Mike Pompeo said that Iran is ready to negotiate over its missile program, signaling an easing in US-Iran tension. Both Brent crude and WTI plunged by 3.2-3.3% to \$64.35 and \$57/62 per barrel. **Earlier, RBA minutes maintained a dovish stance, reflecting RBA's willingness to cut again if needed.**
- **Overnight data bag skewed to the positive side.** US retail sales data beat expectations and overshadowed a lacklustre industrial production number, firming up outlook for US consumer spending which would also mean a Fed rate cut is ill warranted fundamentally although odds of a July cut appears unperturbed. Sentiments remained weak in the Eurozone although a rebound in exports helped lift trade surplus. Labour markets remained generally healthy in the UK with jobless rate steady at 3.8% and wage growth bouncing up, overshadowing smaller job gains in May.
- **The greenback rallied on strong US retail sales.** The dollar index edged up by 0.48% to 97.395, while USD strengthened against all its G10s peers. Dollar strength is likely a brief one in our view as **we remain bearish on USD in the medium term** in anticipation of a July rate cut. Strong retail sales or any slightly positive US data would not deter the Fed from delivering a much-awaited cut on 31 July mainly because global growth outlook generally skews to the downside and inflation is far off from the Fed's 2% target.
- **MYR finished mildly weaker by 0.07%** against the USD at 4.1115 on Tuesday. **We are bullish on USDMYR today as the greenback strengthened across the board,** taking cue from the rally in the dollar index overnight after US retail sales surprised to the upside. In the medium term, we remain bearish on USDMYR as expectations over a Fed rate cut in late July firmed up in recent weeks and on generally dovish global central banks.
- **SGD closed 0.17% weaker against the USD** at 1.3585 amidst broad dollar strength. **We are neutral on USDSGD today** as the effect of dollar strength is expected to fade on the currency pair, 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.

#### Overnight Economic Data

US	↑
Eurozone	→
UK	↑
Australia	

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications, Housing Starts, Building Permits
- Eurozone Construction Output, HICP inflation
- UK CPI, PPI
- Singapore Non-oil Domestic Exports

##### Major Events

- US Fed Beige Book

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1185	1.1200	1.1211	1.1240	1.1265	↘
GBPUSD	1.2350	1.2385	1.2409	1.2490	1.2520	→
USDJPY	107.88	108.00	108.18	108.40	108.60	→
AUDUSD	0.6970	0.7000	0.7019	0.7050	0.7070	↗
EURGBP	0.8980	0.9000	0.9035	0.9045	0.9050	→
USDMYR	4.1050	4.1100	4.1130	4.1150	4.1175	↗
EURMYR	4.6010	4.6050	4.6117	4.6165	4.6265	↘
JPYMYR	3.7830	3.7910	3.8018	3.8130	3.8165	↘
GBPMYR	5.1000	5.1015	5.1045	5.1100	5.1190	↘
SGDMYR	3.0240	3.0260	3.0271	3.0320	3.0350	↘
AUDMYR	2.8793	2.8830	2.8871	2.8900	2.8950	→
NZDMYR	2.7515	2.7545	2.7608	2.7690	2.7720	→
USDSGD	1.3550	1.3565	1.3587	1.3600	1.3630	→
EURSGD	1.5190	1.5210	1.5237	1.5250	1.5270	→
GBPUSD	1.6830	1.6845	1.6866	1.6900	1.6985	↘
AUDSGD	0.9500	0.9510	0.9537	0.9550	0.9570	→

\* 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	1,668.94	-0.21	-1.28	CRB Index	180.08	-1.64	6.06
Dow Jones Ind.	27,335.63	-0.09	17.18	WTI oil (\$/bbl)	57.62	-3.29	26.89
S&P 500	3,004.04	-0.34	19.83	Brent oil (\$/bbl)	64.35	-3.20	19.61
FTSE 100	7,577.20	0.60	12.62	Gold (\$/oz)	1,406.23	-0.56	9.53
Shanghai	2,937.62	-0.16	17.79	CPO (RM/tonne)	1,880.00	0.56	-3.71
Hang Seng	28,619.62	0.23	10.73	Copper (\$/tonne)	6,012.00	0.48	0.79
STI	3,360.03	0.36	9.49	Rubber (sen/kg)	471.00	-0.53	24.27

Source: Bloomberg

**Economic Data**
**Macroeconomics**

	For	Actual	Last	Survey
US Import Price Index MOM	Jun	-0.9%	0.0% (revised)	-0.2%
US Retail Sales MOM	Jun	0.4%	0.4% (revised)	0.2%
US Retail Sales Control Group	Jun	0.7%	0.6% (revised)	0.3%
US Industrial Production MOM	Jun	0.0%	0.4%	0.1%
US NAHB Housing Market Index	Jul	65.0	64.0	64.0
EU Trade Balance SA	May	€20.2b	€15.7b (revised)	€17.8b
EU ZEW Survey Expectations	Jul	-20.3	-20.2	--
UK Average Weekly Earnings 3M/YOY	May	3.4%	3.2% (revised)	3.1%
UK ILO Unemployment Rate 3Mths	May	3.8%	3.8%	3.8%
UK Employment Change 3M/3M	May	28k	32k	45k
AU Westpac Leading Index MOM	Jun	-0.08%	-0.07% (revised)	--

Source: Bloomberg

- Upbeat retail sales overshadowed weak headline industrial output:** Data were mixed in the US docket. What caught attention overnight was the surprisingly upbeat retail sales data - Headline retail sales rose 0.4% MOM in June (May: +0.4% revised). Notably retail sales for a so-called control group or core retail sales, which many see as a more relying measure of underlying consumer spending notched a solid 0.7% MOM gain (May: +0.6% revised), effectively firming up expectations over US consumer spending outlook. On the production front, industrial output turned out flat in June (+0.4%) mainly because of the 3.6% MOM plunge in utilities offset the rise in both manufacturing and mining output. The Fed said that milder-than-usual temperatures in June had reduced the demand for air conditioning. Manufacturing production picked up by 0.4% MOM (Apr: +0.2%), its largest gain since December last year, easing some concerns over a downturn in US factories. Meanwhile, the NAHB housing market index, a gauge of US homebuilders' sentiments came in slightly higher at 65 in July (Jun: 64) as developers expect better current and future sales of single family units as well as improved buyers traffics, amidst expectations of lower future borrowing cost as the Fed cuts rate later this month. Last but not least, import prices index fell 0.9% MOM in June (May: 0.0% revised), its first decline since December last year, leaving the index to slip further by 2.0% YOY (May: -1.1%). This affirmed that tariffs have little impacts on consumer goods and imported inflation in general.
- German investor confidence plunged further this month; Eurozone trade surplus increased:** Investor confidence deteriorated further in the Eurozone's largest economy as the ZEW Economic Sentiment Index for Germany dived deeper into the negative territory at -24.5 in July (Jun: -21.1) after experiencing a sharp fall last month. The decline was the index's third successive monthly fall as investors became ever more pessimistic over the country's economic outlook. German industrial sector had fallen victim to a new vehicle emission rule last year and has since then failed to recover thanks in large part to the synchronized slowdown in global manufacturing sector amidst ongoing trade uncertainties. The similar index for the Eurozone also fell to -20.3 (May: -20.2), a marginal decline, but nonetheless confirming investors' pessimism over the bloc's growth outlook. Separate release by the Eurostat showed that Eurozone trade surplus widened to €20.2b in May (Apr: €15.7b revised) as exports rebounded to increase 1.4% MOM (Apr: -2.5%) while imports dropped at a steady pace of 1.1% MOM (Apr: +1.1%).
- UK job report flashed mixed signals on labour market; BOE likely to stay pat:** The ONS reported that the UK economy added 28k new jobs in the three months to May (Apr: +32k), below what analysts had earlier expected, confirming that hiring has slowed in the economy. Despite that, unemployment rate stayed unchanged at a historically low of 3.8% (Apr: 3.8%), due to a lower participation rate. Meanwhile, average weekly earnings inclusive bonus payments rose back to 3.4% YOY in the three months to May (Apr: +3.2% revised). Growth in basic pay (earnings excluding bonus) accelerated to 3.6% YOY (Apr: +3.4%), the highest in more than a decade as wage growth surged amidst a tight labour market. The overall job report offered a mixed picture of the UK labour market-the softer pace of hiring was consistent with the slower growth outlook for the UK as pre-Brexit deadline activities unwound in recent months. Higher wage growth meanwhile could lead to a pass-through of cost to consumer, leading CPI to jump back above the BOE's 2% target. Weighing the above, we judge that the BOE is unlikely to follow in the footsteps of other global central banks in easing monetary policy and will mostly refrain from adjusting the Bank rate this year barring from any unexpected shocks from Brexit.

- Australia RBA willing to cut rate if needed according to minutes:** The latest RBA meeting minutes suggests that the central bank is willing to cut the cash rate further even after two successive cuts in Jun and early July in a bid to support the slowing economy. Labour market remains the key indicator for the central bank's next move as it said that it would "continue to monitor developments in the labour market closely and adjust monetary policy if needed" to support growth and to achieve inflation target. While it noted that outlook for the global economy remained reasonable, trade related downside risks to global growth and ongoing subdued inflation has spurred increased expectations that major central banks would ease monetary policy. On the domestic front, outlook for consumption remained uncertain. Further improvement in the labour market would be required for wage growth to increase materially. The main channels through which lower interest rates would support the economy were a lower value of exchange rate. A further reduction in interest rates would support the necessary growth in employment and incomes, and promote stronger overall economic conditions, which would in turn support a gradual increase in underlying inflation.
- Australia leading index improved but remained negative:** Australia Westpac leading index slipped for the third straight month by 0.08% in June (May: -0.07% revised). The 6-month annualized growth rate, a gauge of 3-9 month growth outlook rose to -0.02% (May: -0.47%) driven by the improvement in commodity prices, stock markets and dwelling approvals but nonetheless remained negative and below trend.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
17/07	US	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%
18/07		U.S. Federal Reserve Releases Beige Book				
		Philadelphia Fed Business Outlook	Jul	5.0	0.3	--
		Initial Jobless Claims	Jul-13	216k	209k	--
		Leading Index	Jun	0.1%	0.0%	--
17/07	Eurozone	Construction Output MOM	May	--	-0.8%	--
		CPI Core YOY	Jun F	1.1%	0.8%	--
		CPI YOY	Jun F	1.2%	1.2%	--
17/07	UK	CPI YOY	Jun	2.0%	2.0%	--
		PPI Output NSA YOY	Jun	1.7%	1.8%	--
18/07		Retail Sales Inc Auto Fuel MOM	Jun	-0.3%	-0.5%	--
18/07	Japan	Trade Balance	Jun	¥403.5b	¥967.1b	¥968.3b
		Exports YOY	Jun	-5.4%	-7.8%	--
17/07	Singapore	Non-oil Domestic Exports YOY	Jun	-9.6%	-15.9%	--
18/07	Australia	Employment Change	Jun	9.0k	42.3k	--
		Unemployment Rate	Jun	5.2%	5.2%	--
		NAB Business Confidence	2Q	--	-1.0	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1211	-0.42	1.1263	1.1202	-2.24
GBPUSD	1.2407	-0.87	1.2521	1.2397	-2.70
USDJPY	108.24	0.31	108.38	107.82	-1.31
AUDUSD	0.7012	-0.33	0.7044	0.7010	-0.51
EURGBP	0.9036	0.46	0.9048	0.8994	0.49
USDMYR	4.1115	0.07	4.1130	4.1060	-0.53
EURMYR	4.6180	-0.35	4.6315	4.6178	-2.31
JPYMYR	3.8056	-0.09	3.8110	3.8008	1.27
GBPMYR	5.1256	-0.65	5.1471	5.1190	-2.70
SGDMYR	3.0294	-0.02	3.0322	3.0271	-0.21
AUDMYR	2.8902	0.05	2.8952	2.8879	-1.12
NZDMYR	2.7649	0.09	2.7689	2.7601	-0.50
CHFMYR	4.1775	-0.10	4.1783	4.1695	-0.52
CNYMYR	0.5979	0.01	0.5984	0.5974	-1.21
HKDMYR	0.5259	0.17	0.5261	0.5246	-0.44
USDSGD	1.3585	0.17	1.3587	1.3556	-0.33
EURSGD	1.5230	-0.25	1.5278	1.5218	-2.57
GBPSGD	1.6855	-0.70	1.6982	1.6832	-3.03
AUDSGD	0.9527	-0.20	0.9551	0.9523	-0.83

Source: Bloomberg

## Forex

### MYR

- **MYR finished mildly weaker by 0.07%** against the USD at 4.1115 on Tuesday.
- **We are bullish on USDMYR today as the greenback strengthened across the board**, taking cue from the rally in the dollar index overnight after US retail sales surprised to the upside. In the medium term, we remain bearish on USDMYR as expectations over a Fed rate cut in late July firmed up in recent weeks and on generally dovish global central banks.

### USD

- **The greenback rallied on strong US retail sales.** The dollar index edged up by 0.48% to 97.395, while USD strengthened against all its G10s peers.
- Dollar strength is likely a brief one in our view as **we remain bearish on USD in the medium term** in anticipation of a July rate cut. Strong retail sales or any slightly positive US data would not deter the Fed from delivering a much-awaited cut on 31 July mainly because global growth outlook generally skews to the downside and inflation is far off from the Fed's 2% target. Furthermore, Fed Chair Jerome Powell noted in a Paris speech overnight the influence of global central banks' actions on Fed policy, implying that the Fed would lean in the currently dovish trend in global monetary policy making.

### EUR

- **EUR closed 0.42% weaker against the USD at 1.1211 on upbeat US retail sales.**
- **We are neutral to slightly bearish on EUR** today as EUR looks set to test the 1.1200 support level. **We remain bullish EUR in the medium term** as the Fed is expected to cut rate later this month while the ECB still refrains from any rate adjustments.

### GBP

- **GBP closed 0.87% weaker against the USD at 1.2521**, its largest fall in more than three months after yesterday's job report reported a surge in UK wage growth followed by upbeat US retail sales.
- **The cable will be driven by today's CPI number** of which a reading above 2% is likely sending the pound upwards. **In the medium term, we remain bearish on GBP** on UK leadership and Brexit uncertainties.

### JPY

- **JPY finished 0.31% weaker at 108.24 against the USD** amidst broad dollar strength.
- **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 0.33% lower at 0.7012 against the USD** on broad dollar strength, as markets largely shrugged off RBA minutes.
- **We are neutral and slightly bullish on AUD today** as AUD looks set to reverse some losses made overnight and markets likely stay cautious ahead of tomorrow's Aussie job report. **We remain bullish on AUD** in the medium term over an impending Fed rate cut.

### SGD

- **SGD closed 0.17% weaker against the USD** at 1.3585 amidst broad dollar strength.
- **We are neutral on USDSGD** today as the effect of dollar strength is expected to fade on the currency pair, 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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