

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks fell for the second straight day, dragged by trade sensitive industrial sectors amidst mixed corporate earnings.** Rail freight company CSX shares tanked by 10% after reporting disappointing profits and cutting its full-year revenue projections. **The weaker earnings exposed American rail transportation industry's vulnerability to current trade tensions, adding to concerns of slower overall growth outlook.** Meanwhile **Bank of America** profits topped estimates, boosted by its consumer banking segment, but it **trimmed its net interest income guidance**, reaffirming that **impending Fed rate cuts would lead to margin compressions at US banks.** **Disappointing US housing data prompted US treasuries yield and the dollar to fall.** Treasuries yield slipped by 4-5bps along the curve of which 10Y UST yield dropped by 5bps to 2.05%. **Oil prices declined further as US crude inventories fell less than expected.** US benchmark WTI edged down by another 1.5% to \$56.78/barrel while Brent crude lost 1.1% to \$63.66/barrel.
- **In the US, Fed Beige Book pointed to continued modest growth despite widespread concerns over trade uncertainties.** Data bag comprised mainly of housing market numbers and all of them turned out weak. **Housing starts fell 0.9% while building approvals dropped sharply by 6.1% MOM** in June, mortgage applications also dropped for the third week. **Eurozone headline HICP inflation for June was revised upwards to 1.3% YOY in June while UK headline CPI matched estimates**, staying at the BOE's 2% target for the second month. In Asia, **Japan exports fell for the seventh straight month while Singapore NODX also declined for the fourth running month**, highlighting the adverse impacts of trade uncertainties on global international trade.
- **Poor housing data prompted the greenback to weaken overnight.** The dollar index retraced past two sessions' gain, slipping by 0.18% to 97.223. USD weakened against eight G10 peers. **We remain bearish on USD in the medium term** in anticipation of a July rate cut. As mentioned previously, any slightly positive US data would not deter the Fed from delivering a much-awaited cut on 31 July. A 25bps insurance cut is pretty much a done deal, the question remains on the magnitude of the adjustment. As of writing, futures show that markets have again raised bets on a 50bps reduction in the fed funds rate (24.5% to 34.5% in a span of one day).
- **MYR finished marginally weaker against the USD** by 0.07% at 4.1145 on Wednesday as markets favoured the greenback following Tuesday strong US retail sales. **We are neutral to slightly bearish on USDMYR today** prompted by broad-based USD weakness overnight after disappointing US housing data.
- **SGD closed 0.18% weaker against the USD** at 1.3609 amidst broad dollar strength following Tuesday's upbeat US retail sales. **We are neutral to slightly bearish on USDSGD today** as USD weakened across the board overnight. We remain bullish on SGD in the medium term as yield differentials are likely to narrow if the Fed cuts rate in late July. In the more medium term, key driver for SGD remains US-China trade headlines.

Overnight Economic Data

US	↓
Eurozone	↑
UK	→
Japan	↓
Singapore	↓

What's Coming Up Next

Major Data

- US Philadelphia Fed Business Outlook, Initial Jobless Claims, Leading Index
- UK Retail Sales
- Australia Job Report, NAB Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1185	1.1200	1.1229	1.1240	1.1265	↗
GBPUSD	1.2350	1.2385	1.2429	1.2490	1.2520	↘
USDJPY	107.30	107.60	107.88	108.20	108.40	↗
AUDUSD	0.6960	0.6975	0.7008	0.7030	0.7050	→
EURGBP	0.8980	0.9000	0.9037	0.9045	0.9050	→
USDMYR	4.1050	4.1100	4.1130	4.1150	4.1175	↘
EURMYR	4.5960	4.6090	4.6205	4.6265	4.6325	↗
JPYMYR	3.8060	3.8085	3.8165	3.8200	3.8215	↗
GBPMYR	5.0915	5.0980	5.1134	5.1190	5.1460	↘
SGDMYR	3.0200	3.0215	3.0224	3.0270	3.0320	→
AUDMYR	2.8793	2.8830	2.8839	2.8875	2.8900	→
NZDMYR	2.7565	2.7625	2.7708	2.7780	2.7835	→
USDSGD	1.3565	1.3585	1.3601	1.3630	1.3650	↘
EURSGD	1.5250	1.5270	1.5288	1.5300	1.5330	↗
GBPSGD	1.6830	1.6850	1.6917	1.6965	1.6985	↘
AUDSGD	0.9500	0.9510	0.9539	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	1,657.53	-0.68	-1.95	CRB Index	179.42	-0.37	5.66
Dow Jones Ind.	27,219.85	-0.42	16.69	WTI oil (\$/bbl)	56.78	-1.46	25.04
S&P 500	2,984.42	-0.65	19.05	Brent oil (\$/bbl)	63.66	-1.07	18.33
FTSE 100	7,535.46	-0.55	12.00	Gold (\$/oz)	1,426.57	1.45	11.19
Shanghai	2,931.69	-0.20	17.55	CPO (RM/tonne)	1,871.50	-0.45	-4.15
Hang Seng	28,593.17	-0.09	10.63	Copper (\$/tonne)	5,980.00	-0.53	0.25
STI	3,364.87	0.14	9.65	Rubber (sen/kg)	472.00	0.21	24.54

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	Jul-12	-1.1%	-2.4%	--
US Housing Starts MOM	Jun	-0.9%	-0.4% (revised)	-0.7%
US Building Permits MOM	Jun	-6.1%	0.7% (revised)	0.1%
EU CPI Core YOY	Jun F	1.1%	0.8%	1.1%
EU CPI YOY	Jun F	1.3%	1.2%	1.2%
UK CPI YOY	Jun	2.0%	2.0%	2.0%
UK PPI Output NSA YOY	Jun	1.6%	1.9% (revised)	1.7%
JP Trade Balance	Jun	-¥589.5b	-¥968.3b (revised)	-¥403.5b
JP Exports YOY	Jun	-6.7%	-7.8%	-5.4%
SG Non-oil Domestic Exports YOY	Jun	-17.3%	-16.3% (revised)	-9.6%

Source: Bloomberg

Macroeconomics

• **Fed Beige Book points to modest growth despite lingering trade worries:**

The Federal Reserve's fifth Beige Book of the year reported that US economic activity continued to expand at a modest pace overall from mid-May through early July, with little change from the prior reporting period. Retail sales increased slightly in most districts, but auto vehicles sales were flat. Home sales picked up somewhat but residential construction activity was flat. Manufacturing production was generally flat, agricultural output declined modestly after unusually heavy rainfall in some areas. The outlook was generally positive for the coming months as businesses expect continued modest growth, despite widespread concerns over the possible negative impact of trade related uncertainties.

• **US homebuilding activities weakened in June:**

US data bag comprised mainly of housing market numbers. Home building activities were seen weakening in June as housing starts fell more than expected by 0.9% MOM (May: -0.4% revised) to 1.253m unit while building permits approvals saw an even sharper fall of 6.1% MOM (May: +0.7% revised) to a two-year low of 1.22m units. Mortgage approvals for last week also fell for the third consecutive week by 1.1% (previous: -2.4%) as borrowing cost generally went up. The poor readings reaffirmed the still-sluggish growth in the housing markets, as expectations of Fed rate cuts seem to fail to spur more construction activities.

• **Eurozone inflation remained muted:**

Eurozone inflation came in higher than initially estimated- the HICP inflation rate registered a final reading of 1.3% YOY in June (May: +1.2%), above the advance 1.2% YOY estimate. Core inflation was unrevised at 1.1% YOY (May: +0.8%). These are certainly welcoming news for the ECB, which maintains an inflation target of just below 2%, but June final print remained far off from the central bank's objective, suggesting that higher wage growth has consistently failed to feed into consumer prices. We expect the ECB to continue holding key interest rates steady as previously guided and instead opt for easing program such as the new TLTRO 3. Eurozone current negative interest rates mean that it has very little room for rate adjustments, and we believe that any further easing programs/actions would probably come after the incumbent president, Mario Draghi finished his term this October and when a new ECB chief takes on the role.

• **UK inflation at BOE's target, BOE in no rush to raise rate:**

CPI continued to post a 2.0% YOY gain in June (May: +2.0%), right at the Bank of England's inflation target. This came as a major relief for the Bank of England which is now not subject to any immediate pressure to raise rate. Higher prices of food & non-alcohol and alcohol & tobacco were offset by the slower gains in other categories like housing and transport. Core CPI edged up higher by 1.8% YOY as expected (May: +1.75). Producer prices for final output, a gauge of factory gate inflation picked up 1.6% YOY (May: +1.9%), its slowest in nearly three years, signaling muted inflationary pressure. Despite that, there is still risk that inflation could be going above the BOE's target mainly because of the heating up of wage growth as firms could potentially pass on higher hiring cost to consumers. For now, amidst UK leadership and Brexit uncertainties, we reiterate our view that the BOE is likely to refrain from any rate adjustment this year, barring from any unforeseen adverse impacts/shocks from Brexit.

• **Japan exports fell for seventh straight months as trade uncertainties hampered external trade:**

Official data released this morning show that Japan exports tumbled more than expected for the seventh consecutive month by 6.7% YOY in June (Apr: -7.8%), heightening concerns over the impact of global trade dispute on the Japanese external trade industry. Imports experienced a sharper fall of 5.2% YOY in the same month (May: -1.5%). The fall in imports led the country's trade balance to swing to a surplus of ¥589.5b (May: -¥968.3b revised).

- **Singapore NODX plunged, adding concerns to possible technical recession:** Singapore data continued to disappoint as non-oil domestic exports fell for the fourth running month by a whopping 17.3% YOY in June (May: -16.3% revised), suggesting that the synchronized global slowdown is biting deeply into Singapore's external trade sector. Electronics shipments plunged further by 31.9% YOY after an equally huge fall in the previous month (May: -31.6%). Looking at country details, exports to all key trading partners recorded declines save for the US (+1.5% vs +0.2%), highlighting the entrenched weakness in overseas demand. It has been a challenging year thus far for the city-state economy as it juggled slow demand both domestic and abroad – preliminary report last week showed that GDP contracted by 3.4% QOQ in the second quarter, and with retail sales, trade data and IPI all skewed to the downside, concerns of an impending technical recession (defined as two consecutive quarterly contraction) has begun to surface in the past one week.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
18/07	US	Philadelphia Fed Business Outlook	Jul	5.0	0.3	--
		Initial Jobless Claims	Jul-13	216k	209k	--
		Leading Index	Jun	0.1%	0.0%	--
19/07		U. of Mich. Sentiment	Jul P	98.8	98.2	--
18/07	UK	Retail Sales Inc Auto Fuel MOM	Jun	-0.3%	-0.5%	--
19/07	Japan	Natl CPI YOY	Jun	0.7%	0.7%	--
		Natl CPI Ex Fresh Food YOY	Jun	0.6%	0.8%	--
		All Industry Activity Index MOM	May	0.3%	0.9%	--
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	1.1224	0.12	1.1233	1.1200	-2.09
GBPUSD	1.2433	0.21	1.2457	1.2382	-2.52
USDJPY	107.95	-0.27	108.33	107.94	-1.59
AUDUSD	0.7010	-0.03	0.7025	0.6996	-0.55
EURGBP	0.9028	-0.09	0.9051	0.9015	0.45
USDMYR	4.1145	0.07	4.1180	4.1120	-0.46
EURMYR	4.6152	-0.06	4.6174	4.6092	-2.37
JPYMYR	3.8012	-0.12	3.8087	3.7973	1.15
GBPMYR	5.1039	-0.42	5.1126	5.0979	-3.11
SGDMYR	3.0234	-0.20	3.0317	3.0227	-0.41
AUDMYR	2.8844	-0.20	2.8891	2.8827	-1.32
NZDMYR	2.7655	0.02	2.7672	2.7553	-0.48
CHFMYR	4.1576	-0.48	4.1699	4.1566	-0.99
CNYMYR	0.5983	0.06	0.5985	0.5975	-1.15
HKDMYR	0.5266	0.13	0.5272	0.5258	-0.30
USDSGD	1.3609	0.18	1.3626	1.3580	-0.14
EURSGD	1.5276	0.30	1.5288	1.5223	-2.23
GBPSGD	1.6920	0.39	1.6945	1.6849	-2.65
AUDSGD	0.9540	0.14	0.9556	0.9520	-0.68

Source: Bloomberg

Forex

MYR

- **MYR finished marginally weaker against the USD** by 0.07% at 4.1145 on Wednesday as markets favoured the greenback following Tuesday strong US retail sales.
- **We are neutral to slightly bearish on USDMYR today** prompted by broad-based USD weakness overnight after disappointing US housing data. In the medium term, we remain bearish on USDMYR as expectations over a Fed rate cut continue to dominate and has firmed up in the past two weeks as we head towards the end of July.

USD

- **Poor housing data prompted the greenback to weaken overnight. The dollar index retraced past two sessions' gain, slipping by 0.18% to 97.223.** USD weakened against eight G10 peers.
- **We remain bearish on USD in the medium term** in anticipation of a July rate cut. As mentioned previously, any slightly positive US data would not deter the Fed from delivering a much-awaited cut on 31 July. A 25bps insurance cut is pretty much a done deal, the question remains on the magnitude of the adjustment. As of writing, futures show that markets have again raised bets on a 50bps reduction in the fed funds rate (24.5% to 34.5% in a span of one day).

EUR

- **EUR closed 0.12% stronger against the USD at 1.1244** after an upward revision to June headline HICP inflation rate and disappointing US homebuilding numbers.
- **We are bullish on EUR today** as EUR remains adamantly above 1.1200 support level. We remain bullish EUR in the medium term as the Fed is widely expected to cut rate later this month while the ECB is likely refraining from any rate adjustments in the near to medium term and instead opting for targeted bank lending program such as the TLTRO-3.

GBP

- **GBP closed 0.21% stronger against the USD at 1.2433** amidst broad dollar weakness. CPI matched expectations and came in right at BOE's 2% target but failed to provide any impetus to the cable.
- **We are still bearish on GBP today** as fears of a no-deal Brexit and the latest UK political drama likely exerts more downside pressure on GBP. **In the medium term, we remain bearish** on GBP, again on Brexit and UK leadership uncertainties.

JPY

- **JPY finished 0.27% stronger at 107.95 against the USD** amidst broad dollar weakness and lower US treasuries yields.
- **We are neutral to slightly bullish on the currency pairs today** and remain bullish on JPY in the medium term due to upcoming Fed rate cut in late July which is likely to send US yields lower and partly on unresolved global trade disputes.

AUD

- **AUD closed flattish at 0.7012 against the USD** as markets turned cautious ahead of this morning's job report.
- **AUDUSD is subject to volatilities today**, driven by the upcoming release of June job report which is set to provide further guidance for the RBA next cash rate move. The labour market remains a key barometer for the RBA for rate adjustment. In the medium term, we remain bullish on AUD over an impending Fed rate cut and potential US-China trade resolutions.

SGD

- **SGD closed 0.18% weaker against the USD** at 1.3609 amidst broad dollar strength following Tuesday's upbeat US retail sales.
- **We are neutral to slightly bearish on USDSGD today** as USD weakened across the board overnight. We remain bullish on SGD in the medium term as yield differentials are likely to narrow if the Fed cuts rate in late July. In the more medium term, key driver for SGD remains US-China trade headlines.

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