

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- US stocks jumped overnight after President Trump announced that he would meet President Xi at the G20 Summit in Japan later this month and trade talks between both countries would restart after the meeting. Alongside rising trade optimism was the expectation of the Federal Reserve's signal of a rate cut on Wednesday to support the economy. Trade sensitive industrials shares rose 1.9% and was the biggest winner of the day, followed by the tech sector (+1.7%). The three US equity benchmark added 1.0-1.4%. Earlier, **ECB chief Mario Draghi's remark that "additional stimulus will be required" if outlook didn't improve** at the central bank's annual forum in Portugal **was widely seen as a sure sign of more easing ahead**. Draghi's speech led European stocks to rally and depress German bund yield by 8bps to a record low of -0.32%. 10Y UST yield followed suit, losing 3bps to 2.06%, its lowest since Sep-17. **Crude oil prices gained traction on trade optimism and a draw on API crude stocks** - WTI bounced up by 3.8% to \$53.90/barrel and Brent picked up 2.0% to \$62.14/barrel. Earlier, a dovish RBA June meeting minutes hinted more rate cuts in the months ahead. Markets now priced in a higher chance of a rate cut in its next July meeting.
- **US housing data were mixed** in general as housing starts fell 0.9% MOM in May after two months of gains. Building permits which offers a hint on future housing starts meanwhile picked up a modest 0.3% MOM. **In Europe, German investors' confidence collapsed** as the ZEW Economic Sentiment Index for Germany plunged to -21.1 this month. A similar gauge for the Eurozone outlook also dipped to -20.2. **The final Eurozone HICP inflation reading for May was unrevised at 1.2% YOY, a sharper slowdown from April's 1.7%**. Similarly, core inflation was left unchanged at 0.8% YOY, much softer than previous month's reading of 1.3%.
- **The Dollar Index rose 0.09% to 97.644** led mainly by the fall in the EUR after ECB chief Mario Draghi hinted at more stimulus. USD traded mixed against G10s. **We maintain USD bearishness in the medium term on Fed rate cut expectations and will be looking to FOMC statement due 2am and Jerome Powell's press conference** for further guidance. As mentioned before, the Fed is weighing mixed economic data from the manufacturing, retail and housing sector and has a vexing task to craft an appropriate message to the markets. Futures show that markets are still pricing in 4 cuts by the end of 2020 and we may see some short term volatilities should the Fed turns out less dovish than expected.
- **MYR finished 0.12% weaker at 4.1825** on Tuesday ahead of FOMC. **USDMYR turned bullish again** supported by month-end and quarter-end hedging demand and is likely to maintain its momentum today. Key driver in the short term remains the FOMC statement due 2am tomorrow and Jerome Powell's press conference where we might see some volatilities should the Fed turned out less dovish than expected.
- **SGD closed 0.28% higher at 1.3670 against the USD**, buoyed by trade optimism given the country's exporter status. **We remain neutral SGD** in the short term and the pair is likely to be supported at 1.3660 ahead of FOMC.

#### Overnight Economic Data

US	→
Eurozone	↓
Japan	↓

#### What's Coming Up Next

##### Major Data

- US MBA Mortgage Applications
- UK CPI, PPI, CBI Trends Total Orders
- Australia Westpac Leading Index

##### Major Events

- FOMC Rate Decision

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1170	1.1185	1.1199	1.1210	1.1225	↗
GBPUSD	1.2500	1.2541	1.2565	1.2600	1.2648	↘
USDJPY	108.15	108.30	108.58	108.70	108.75	↘
AUDUSD	0.6830	0.6849	0.6882	0.6900	0.6927	↘
EURGBP	0.8881	0.8900	0.8914	0.8952	0.8975	→
USDMYR	4.1650	4.1700	4.1720	4.1750	4.1800	↗
EURMYR	4.6700	4.6717	4.6736	4.6778	4.6964	↗
JPYMYR	3.8350	3.8400	3.8454	3.8500	3.8640	→
GBPMYR	5.2295	5.2400	5.2436	5.2500	5.2655	↘
SGDMYR	3.0450	3.0500	3.0531	3.0560	3.0600	→
AUDMYR	2.8605	2.8700	2.8707	2.8790	2.8840	↘
NZDMYR	2.7143	2.7190	2.7255	2.7325	2.7376	↘
USDSGD	1.3660	1.3668	1.3674	1.3690	1.3725	→
EURSGD	1.5280	1.5290	1.5313	1.5325	1.5345	↗
GBPSGD	1.7100	1.7150	1.7177	1.7200	1.7265	↘
AUDSGD	0.9365	0.9390	0.9403	0.9420	0.9450	↘

\* 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	1,652.76	0.88	-2.24	CRB Index	176.10	0.96	3.71
Dow Jones Ind.	26,465.54	1.35	13.45	WTI oil (\$/bbl)	53.90	3.79	18.70
S&P 500	2,917.75	0.97	16.39	Brent oil (\$/bbl)	62.14	1.97	15.50
FTSE 100	7,443.04	1.17	10.63	Gold (\$/oz)	1,346.61	0.52	4.94
Shanghai	2,890.16	0.09	15.89	CPO (RM/tonne)	1,981.50	-0.53	1.49
Hang Seng	27,498.77	1.00	6.40	Copper (\$/tonne)	5,949.00	1.78	-0.27
STI	3,238.73	0.96	5.54	Rubber (sen/kg)	495.00	-0.40	30.61

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
US Housing Starts MOM	May	-0.9%	6.8% (revised)	0.3%
US Building Permits MOM	May	0.3%	0.2% (revised)	0.1%
EU Trade Balance SA	Apr	€15.3b	€117.9b	€117.0b
EU CPI Core YOY	May F	0.8%	1.3%	0.8%
EU CPI YOY	May F	1.2%	1.7%	1.2%
EU ZEW Survey Expectations	Jun	-20.2	-1.6	--
GE ZEW Survey Expectations	Jun	-21.1	-2.1	-5.6
JP Trade Balance	May	¥967.1b	¥56.8b	¥1200.0b
JP Exports YOY	May	-7.8%	-2.4%	-8.2%

Source: Bloomberg

## Macroeconomics

- Dovish RBA meeting minutes justified more rate cuts:** The RBA newly released meeting minutes appeared dovish, reaffirming the possibility of another rate cut this year. Among the key points of the minutes include the expected fall in unemployment rate and the pickup in inflation were based on assumption of lower interest rates while the ongoing subdued inflationary pressures reflected in part, continued slow growth in wages. The labour market still had significant spare capacity. Members justified cutting the cash rate citing that “a lower level of interest rates would support growth in the economy, thereby reducing unemployment and contributing to inflation rising to a level consistent with the target”. It also added that “the main channels through which lower interest rates would support the economy were a lower value of the exchange rate, reduced borrowing rates for businesses, and lower required interest payments on borrowing by households, freeing up cash for other expenditure”. Members judged that a lower level of interest rates was likely to support growth in employment and incomes, and promote stronger overall economic conditions. It was thus appropriate to lower the cash rate by 25bps as a lower level of cash rate would assist in reducing spare capacity in the labour market, providing more Australians with jobs and greater confidence that inflation will return within the medium-term target range. The minutes stated that “it was more likely than not that a further easing in monetary policy would be appropriate in the period ahead” suggesting that the central bank would further cut the cash rate in a bid to support the economy. Markets are now split on the timing of the next rate cut, pricing in 52% chance of a cut in the July meeting, a shift from higher odds of an August cut before the minutes.
- US housing starts fell in May; building permits edged up modestly:** Groundbreaking activities fell in the US last month after a sizeable gain, suggesting that housing demand still wasn't strong enough to sustain the momentum in homebuilding. In May; housing starts dropped 0.9% MOM (Apr: +6.8% revised) after increasing for two straight months. Meanwhile, building permits, a leading indicator for housing starts picked up a modest 0.3% MOM (Apr: +0.2%) offering signs that construction of new homes in the US would only see a little gain in the short term. Housing data remained mixed in general as sales and prices continued to experience a rather sluggish growth while the fall in borrowing cost pushed up mortgages applications only occasionally. Increasing expectations over a Fed rate cut have kept homebuilders optimistic as lower interest rates environments tend to favour the housing market. Thus far we have yet to see any concrete turnaround in the sector because potential buyers are adopting a-wait-and-see approach amidst generally weaker domestic growth outlook.
- Eurozone inflation slowed down sharply in May; trade balance narrowed in April:** The final reading of Eurozone HICP inflation for May was unrevised at 1.2% YOY (Apr: +1.7%), while similarly core inflation was left unchanged at 0.8% YOY (Apr: +1.3%), confirming the substantial lack of in price pressure in the euro area economy. As mentioned previously, muted inflation together with slower growth outlook amidst external uncertainties have been the ECB's major obstructions to raise its key interest rates. Official data yesterday showed that wage growth picked up in the first quarter but it appears that firms have yet to pass on the higher labour cost to consumers to protect their margins. The Eurostat also published its April trade report where trade balance of the Eurozone narrowed to €15.3b in April (Mar: €18.6b) as exports fell 2.4% MOM (Mar: -1.2%) while imports dropped slightly by 0.8% MOM (Mar: +2.5%).

- **German investor confidence collapsed in June:** Investor confidence collapsed in the Eurozone's largest economy as indicated by the dramatic fall in the ZEW Economic Sentiment Index for Germany. The expectations index which gauges investors' outlook for the next six months deep-dived to -21.1 in June (May: -2.1), its lowest level since November last year. Concerns over weaker economic growth intensified this month on poor manufacturing numbers, unresolved global trade disputes, tensions in the Middle East and the increasing likelihood of a no-deal Brexit. The similar index for the Eurozone also tanked to -20.2 (May: -1.6).
- **Japan exports fell for sixth straight months:** Official data released this morning show that Japan exports tumbled for the sixth consecutive month by 7.8% YOY in May (Apr: -2.4%), underscoring the weakness in overseas' demand for Japanese goods amidst unresolved global trade dispute. Imports also fell by 1.5% YOY (Apr: +6.5% revised) after picking up in the previous two months. The country's trade balance swung to a deficit of ¥967.1b (Apr: +¥56.8b revised).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
19/06	US	<b>MBA Mortgage Applications</b>	<b>Jun-14</b>	--	<b>26.8%</b>	--
20/06		FOMC Rate Decision	Jun-19	2.25-2.5%	2.25-2.5%	--
		Initial Jobless Claims	Jun-15	220k	222k	--
		Philadelphia Fed Business Outlook	Jun	10.7	16.6	--
		Leading Index	May	0.1%	0.2%	--
19/06	UK	<b>CPI YOY</b>	<b>May</b>	<b>2.0%</b>	<b>2.1%</b>	--
		<b>PPI Output NSA YOY</b>	<b>May</b>	<b>1.7%</b>	<b>2.1%</b>	--
		<b>CBI Trends Total Orders</b>	<b>Jun</b>	<b>-11.0</b>	<b>-10.0</b>	--
20/06		Retail Sales Inc Auto Fuel MOM	May	-0.5%	0.0%	--
		Bank of England Bank Rate	Jun-20	0.75%	0.75%	--
20/06	Japan	All Industry Activity Index MOM	Apr	0.7%	-0.4%	--
		Machine Tool Orders YOY	May F	--	-27.3%	--
		BOJ Policy Balance Rate	Jun-20	-0.1%	-0.1%	--
19/06	Australia	<b>Westpac Leading Index MOM</b>	<b>May</b>	--	<b>-0.09%</b>	--
20/06	New Zealand	GDP SA QOQ	1Q	0.6%	0.6%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1194	-0.21	1.1243	1.1181	-2.37
GBPUSD	1.2558	0.19	1.2565	1.2506	-1.54
USDJPY	108.45	-0.08	108.68	108.06	-1.08
AUDUSD	0.6877	0.35	0.6882	0.6832	-2.44
EURGBP	0.8914	-0.41	0.8975	0.8911	-0.83
USDMYR	4.1825	0.12	4.1840	4.1750	1.18
EURMYR	4.6778	-0.13	4.7030	4.6757	-1.05
JPYMYR	3.8612	0.38	3.8660	3.8479	2.75
GBPMYR	5.2407	-0.32	5.2477	5.2294	-0.51
SGDMYR	3.0492	0.08	3.0531	3.0469	0.44
AUDMYR	2.8612	-0.32	2.8644	2.8576	-2.11
NZDMYR	2.7215	0.06	2.7225	2.7122	-2.06
CHFMYR	4.1824	0.08	4.1975	4.1815	-0.40
CNYMYR	0.6037	0.11	0.6041	0.6029	-0.25
HKDMYR	0.5338	0.07	0.5342	0.5331	1.06
USDSGD	1.3670	-0.28	1.3725	1.3665	0.28
EURSGD	1.5302	-0.50	1.5415	1.5298	-2.10
GBPSGD	1.7166	-0.10	1.7202	1.7123	-1.26
AUDSGD	0.9399	0.04	0.9405	0.9367	-2.15

Source: Bloomberg

## Forex

### MYR

- MYR finished **0.12% weaker** at **4.1825** on Tuesday ahead of FOMC.
- **USDMYR turned bullish again** supported by month-end and quarter-end hedging demand and is likely to maintain its momentum today. Key driver in the short term remains the FOMC statement due 2am tomorrow and Jerome Powell's press conference where we might see some volatilities should the Fed turned out less dovish than expected.

### USD

- **The Dollar Index rose 0.09% to 97.644** led mainly by the fall in the EUR after ECB chief Mario Draghi hinted at more stimulus. USD traded mixed against G10s.
- **We maintain USD bearishness in the medium term on Fed rate cut expectations and will be looking to** FOMC statement due 2am and Jerome Powell's press conference for further guidance. As mentioned before, the Fed is weighing mixed economic data from the manufacturing, retail and housing sector and has a vexing task to craft an appropriate message to the markets. Futures show that markets are still pricing in 4 cuts by the end of 2020 and we may see some short term volatilities should the Fed turns out less dovish than expected.

### EUR

- **EURUSD tanked below 1.12 support level on ECB dovish tilts and partly the poor ZEW Investor Confidence Index.** **ECB President Mario Draghi** said that additional stimulus would be required and rate cuts remain part of the ECB's tools should economic outlook did not improve, effectively widening the door for more policy stimulus. The single currency finished 0.21% lower against USD at 1.1194.
- **We remain bullish on EUR in the medium term** as the overall outlook continues to favour a weaker USD amidst rising Fed rate cut expectations. As both central banks tuned dovish, we are watching out for FOMC meeting for further guidance on the pair's future directions.

### GBP

- **GBP rebounded by 0.19% against the USD at 1.2558 ahead of FOMC and the BOE meetings.**
- Brexit hardliner Boris Johnson continued to lead in yesterday's Tory leadership second vote, suggesting that fear of a no-deal Brexit would still dominate. **We are still bearish on GBP on Brexit uncertainties** before a new PM is selected. Key drivers for the pair would be FOMC and Thursday's BOE meeting and we watch out for today's CPI data.

### JPY

- **JPY strengthened 0.08% to 108.45 against USD amidst lower UST yields after Draghi's dovish remarks.** The daily gain was limited as USDJPY managed to bounce off fresh weekly low to retrace earlier loss following Trump's trade talk announcement.
- **We maintain JPY bullishness due to unresolved global trade disputes.** Any negative trade headlines would easily push up demand for the perceived safe haven currency.

### AUD

- **AUD bounced off a more-than-six-month low to finish 0.35% higher against the USD at 0.6877 following Trump's trade talk announcement.** The China proxy currency had initially slumped to the lowest level since January's crash after a dovish RBA minutes signaled for more rate cuts ahead.
- **We remain AUD bearish** due to the commodity-linked currency's sensitivity to any weakness in China and the increasing likelihood of a cut in the cash rate. Markets now priced in a higher chance of a rate cut in the next RBA meeting in early July.

### SGD

- **SGD closed 0.28% higher at 1.3670 against the USD,** buoyed by trade optimism given the country's exporter status.
- **We remain neutral SGD** in the short term and the pair is likely to be supported at 1.3660 ahead of FOMC.

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