

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded overnight on rate cut optimism as Fed officials called for quick actions in easing monetary policy**, effectively firming up markets' expectations of a Fed rate cut at the end of this month. New York Fed President John Williams told the annual meeting of the Central Bank Research Association that central banks should take swift action when faced with adverse economic conditions. His remarks were later echoed by Fed Vice Chair Richard Clarida's comments which advocated a preemptive cut over acting when data turn bad. These **further cemented the case for more aggressive cuts by the central bank, futures show that markets have fully priced in a 25bps insurance cut of which there is a 43.5% chance of a 50bps reduction** in the fed fund rates, a huge jump compared to the 34.5% just a day before. Treasuries yield slipped - yield on 2Y notes, proxy for short term rate outlook plunged by 5bps to 1.76% while 10Y UST yield lost 2bps to 2.03%. Crude oil prices extended further loss - WTI slipped 2.6% to \$55.30/barrel while Brent crude also dropped by 2.7% to \$61.93/barrel. Earlier, the Bank of Korea unexpectedly cut its seven-day repurchase rate from 1.75% to 1.5% and slashed its growth forecast from 2.5% to 2.2% this year, citing trade tensions. Bank Indonesia also cut by 25bps to 5.75%.
- On the US data front, the Philly Fed Manufacturing Index recovered sharply to 21.8 in July, a tremendous improvement in Philadelphia's manufacturing conditions. Initial jobless claims rose by 8k to 216k last week while the Conference Board Leading Index slipped by 0.3%. **In the UK, retail sales surprised to the upside** to record a 1.0% MOM gain in June, reflecting the impact of higher wage growth amidst solid labour market. **Japan June headline CPI growth was unchanged at 0.7% YOY** while gain in the BOJ's preferred gauge, **CPI ex fresh food eased to a two-year low of 0.6% YOY. Australia added a net 500 new jobs in June** of which fulltime job increased sharply by 21.1k but part time jobs fell, and **unemployment rate stayed at 5.2% for the third month.**
- **Dovish Fed speaks sent the dollar selling off across the board.** The dollar index fell 0.4% to 96.79, reversing this week's gains, USD weakened against all G10 peers. **We are bearish on the USD today and in the medium term** as remarks of Fed officials further cemented the case for more aggressive cuts by the central bank.
- **MYR finished flattish by 0.02% against the USD** at 4.1135 in a muted Thursday session. **We are bearish on USDMYR today** taking cue from the broad-based decline in USD overnight after Fed officials called for quick actions to ease policy and firmed up expectations of more aggressive rate cut by the central bank. In the medium term, we remain bearish on USDMYR, reinforced by solid prospect of a Fed rate cut as we head towards FOMC meeting at the end of July.
- **SGD closed 0.31% stronger against the USD** at 1.3567 amidst broad dollar strength as triggered by Fed officials' dovish comments. **We are neutral to slightly bullish on USDSGD today on technical correction.** We remain bullish on SGD in the medium term as yield differentials are likely to narrow when the Fed cuts rate in late July. As mentioned before, in the more medium term, key driver for USDSGD remains US-China trade headlines where any potential resolutions would benefit EM currencies as a whole.

Overnight Economic Data

US	→
UK	↑
Japan	↓
Australia	→

What's Coming Up Next

Major Data

- US University of Michigan Sentiment Index
- Japan All Industry Activity Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1200	1.1240	1.1262	1.1285	1.1295	↘
GBPUSD	1.2420	1.2482	1.2547	1.2585	1.2615	↘
USDJPY	107.06	107.20	107.48	107.60	107.88	↗
AUDUSD	0.7005	0.7040	0.7068	0.7085	0.7100	↘
EURGBP	0.8950	0.8962	0.8974	0.9003	0.9026	→
USDMYR	4.1025	4.1050	4.1100	4.1150	4.1175	↘
EURMYR	4.6160	4.6235	4.6287	4.6325	4.6395	↘
JPYMYR	3.8105	3.8200	3.8236	3.8300	3.8350	↘
GBPMYR	5.1355	5.1424	5.1571	5.1720	5.1835	↘
SGDMYR	3.0230	3.0260	3.0290	3.0320	3.0345	↘
AUDMYR	2.8960	2.9010	2.9060	2.9115	2.9165	↘
NZDMYR	2.7745	2.7785	2.7880	2.7900	2.7930	→
USDSGD	1.3540	1.3550	1.3569	1.3585	1.3625	↗
EURSGD	1.5250	1.5270	1.5282	1.5300	1.5330	↘
GBPSGD	1.6865	1.6964	1.7026	1.7080	1.7100	→
AUDSGD	0.9530	0.9565	0.9596	0.9600	0.9620	↘

* 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	1,648.93	-0.52	-2.46	CRB Index	177.45	-1.10	4.50
Dow Jones Ind.	27,222.97	0.01	16.70	WTI oil (\$/bbl)	55.30	-2.61	21.78
S&P 500	2,995.11	0.36	19.48	Brent oil (\$/bbl)	61.93	-2.72	15.11
FTSE 100	7,493.09	-0.56	11.37	Gold (S/oz)	1,446.10	1.37	12.51
Shanghai	2,901.18	-1.04	16.33	CPO (RM/tonne)	1,867.00	-0.43	-4.38
Hang Seng	28,461.66	-0.46	10.12	Copper (\$/tonne)	5,983.00	0.05	0.30
STI	3,361.05	-0.11	9.52	Rubber (sen/kg)	470.50	-0.32	24.14

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Philadelphia Fed Business Outlook	Jul	21.8	0.3	5.0
US Initial Jobless Claims	Jul-13	216k	208k (revised)	216k
US Leading Index	Jun	-0.3%	0.0%	0.1%
UK Retail Sales Inc Auto Fuel MOM	Jun	1.0%	-0.5%	-0.3%
JP Natl CPI YOY	Jun	0.7%	0.7%	0.7%
JP Natl CPI Ex Fresh Food YOY	Jun	0.6%	0.8%	0.6%
AU Employment Change	Jun	0.5k	45.3k (revised)	9.0k
AU Unemployment Rate	Jun	5.2%	5.2%	5.2%

Source: Bloomberg

Macroeconomics

- US Philly Fed manufacturing index recovered strongly to highest level in one year:** The Federal Reserve Bank of Philadelphia's monthly Manufacturing Business Outlook Survey reported that its headline diffusion index for current general activity more than recovered from the near-stagnation in previous month, increasing to 21.8 (Jun: 0.3), its highest level in a year. The upturn points to significant improvement in manufacturing conditions with details showing the rise in shipments, new orders, prices paid and employment. Separately, official data show that initial jobless claims rose by 8k to 216k for the week ended 13 Jul (previous: 208k revised), still a historically low number. The Conference Board Leading Index slipped by 0.3% MOM in June (May: 0.0%) after flat-lining in the previous month driven by the negative contribution of ISM new orders and building permits.
- UK retail sales unexpectedly rose in June:** UK retail sales surprised to the upside to record a 1.0% MOM gain in June (May: -0.6% revised), leaving the annual growth rate at an impressive 3.8% YOY (May: +2.2% revised). Excluding auto fuel, retail sales also managed to edge up by 0.9% (May: -0.4% revised) and 3.6% YOY (May: +2.0% revised). June print came as a surprise as consensus had earlier called for sales to drop last month and largely reflected resilience in consumer spending as supported by a tight labour market with surging wage growth. Details show the rebound in sales at both food and non-food stores and the sales of textile, clothing & footwear were key drivers behind the positive number.
- Japan inflation remained adamantly weak, BOJ under pressure to act:** The headline national CPI rose at an unchanged pace of 0.7% YOY in June (May: +0.7%). The gain in core CPI which excludes fresh food, eased to a two-year low of 0.6% YOY (May: +0.8%) as the cost of utilities, household goods, medical car increased at softer paces, whereas prices of transports and communications fell sharply. Inflation has remained adamantly weak in Japan and is not likely to turn around in the medium term due to lower mobile phone service charges and free preschool education, concurrent with recent fall in wage growth. The BOJ's ultra-loose monetary policy has appeared ineffective to prop up inflation to its 2% target, adding pressure for the central bank to act more, especially when central banks around the world are leaning towards monetary easing amidst dismal growth outlook.
- Australia impressive full-time job gain masked by lacklustre headline number:** Australia added a net 500 jobs in June (May: 45.3k revised), a tiny gain compared to the previous month, as the impressive increase in full-time jobs (+21.1k vs +3.1k revised) was mostly offset by a sharp fall in part-time employments (-20.6k vs 42.2k revised). Unemployment rate remained unchanged at 5.2% for the third successive month while participation rate was also the same at 66.0% signaling spare capacity in the economy. The labour market has become an increasingly important barometer for the RBA which had recently cut rates twice in a bid to spur wage growth and quicken inflation. With hiring of full-time jobs remaining strong in June and given RBA's recent signal to pause rate cut, we expect the RBA to stay pat at least for the next two meetings this year. As of writing, futures show that markets are still split between a potential cut in either November or December.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
22/07	Malaysia	Foreign Reserves	Jul-15	--	\$102.7b	--
19/07	US	U. of Mich. Sentiment	Jul P	98.8	98.2	--
22/07		Chicago Fed Nat Activity Index	Jun	--	-0.05	--
19/07	Japan	All Industry Activity Index MOM	May	0.3%	0.9%	--
22/07	Hong Kong	CPI Composite YOY	Jun	--	2.8%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1277	0.47	1.1281	1.1205	-1.85
GBPUSD	1.2549	0.93	1.2558	1.2427	-1.72
USDJPY	107.30	-0.60	108.02	107.21	-2.04
AUDUSD	0.7075	0.93	0.7077	0.7006	0.18
EURGBP	0.8988	-0.44	0.9039	0.8979	-0.12
USDMYR	4.1135	-0.02	4.1165	4.1110	-0.48
EURMYR	4.6203	0.11	4.6255	4.6161	-2.26
JPYMYR	3.8180	0.44	3.8215	3.8085	1.69
GBPMYR	5.1333	0.58	5.1355	5.1110	-2.55
SGDMYR	3.0252	0.06	3.0278	3.0214	-0.85
AUDMYR	2.8929	0.29	2.8954	2.8816	-1.03
NZDMYR	2.7724	0.25	2.7743	2.7680	-0.23
CHFMYR	4.1750	0.42	4.1773	4.1656	-0.53
CNYMYR	0.5981	-0.02	0.5984	0.5978	-1.17
HKDMYR	0.5262	-0.08	0.5267	0.5262	-0.33
USDSGD	1.3567	-0.31	1.3617	1.3564	-0.87
EURSGD	1.5300	0.16	1.5312	1.5252	-2.23
GBPSGD	1.7024	0.61	1.7043	1.6898	-2.09
AUDSGD	0.9599	0.62	0.9604	0.9534	-0.19

Source: Bloomberg

Forex

MYR

- **MYR finished flattish by 0.02% against the USD** at 4.1135 in a muted Thursday session.
- **We are bearish on USDMYR today** taking cue from the broad-based decline in USD overnight after Fed officials called for quick actions to ease policy and firmed up expectations of more aggressive rate cut by the central bank. In the medium term, we remain bearish on USDMYR, reinforced by solid prospect of a Fed rate cut as we head towards FOMC meeting at the end of July.

USD

- **Dovish Fed speaks sent the dollar selling off across the board.** The dollar index fell 0.4% to 96.79, reversing this week's gains, USD weakened against all G10 peers.
- **We are bearish on the USD today and in the medium term** as remarks of Fed officials further cemented the case for more aggressive cuts by the central bank. Futures show that markets have fully priced in a 25bps insurance cut of which there is a 43.5% chance of a 50bps reduction in the fed fund rates, a huge jump compared to the 34.5% just a day before.

EUR

- **EUR surged 0.47% against the USD at 1.1277** as the expectations of more aggressive Fed rate cut favour the EUR and exert downside pressure on the USD.
- **We are neutral to slightly bearish on EUR today** mainly because a sharp jump overnight would lead to a technical correction today. We remain bullish on EUR in the medium term over a solid prospect of a Fed rate cut versus the still uncertain outlook of ECB policy.

GBP

- **GBP closed 0.93% stronger against the USD at 1.2549** amidst broad dollar weakness and earlier on surprisingly upbeat UK retail sales.
- **We are neutral to slightly bearish on the GBP today on technical correction.** In the medium term, we remain bearish on GBP as fears of a no-deal Brexit and the UK political drama continues to unfold, exerting more downward pressure on the sterling.

JPY

- **JPY finished 0.60% stronger at 107.30 against the USD** as Dovish Fed speaks led to a sell-off in the dollar and decline in US treasuries yields.
- **We are neutral to slightly bullish on USDJPY on technical correction.** We remain bullish on JPY in the medium term due to solid prospect of a Fed rate cut in late July which is likely to send treasuries yield even lower and partly on unresolved global trade disputes.

AUD

- **AUD closed 0.93% stronger at 0.7075 against the USD** amidst broad dollar weakness. Earlier, positive full-time job numbers led to expectations that the RBA would not adjust cash rate in the medium term.
- **We are neutral to slightly bearish on AUDUSD today similarly on technical correction.** In the medium term, we remain bullish on AUD as the Fed cuts rate and the RBA stays pat. Any potential US-China trade resolutions would also send the Aussie towards the upside.

SGD

- **SGD closed 0.31% stronger against the USD** at 1.3567 amidst broad dollar strength as triggered by Fed officials' dovish comments.
- **We are neutral to slightly bullish on USDSGD today on technical correction.** We remain bullish on SGD in the medium term as yield differentials are likely to narrow when the Fed cuts rate in late July. As mentioned before, in the more medium term, key driver for USDSGD remains US-China trade headlines where any potential resolutions would benefit EM currencies as a whole.

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