Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended higher overnight after the Federal Reserves held fed funds rate unchanged as widely expected but paved the way for rate cut(s) this year.** The newly released statement appeared dovish, most notably **the central bank dropped its "patience" language** on monetary policy and instead highlighted the increasing uncertainties over the outlook and **said it will "act as appropriate" to sustain economic expansion**. While the median forecast continued to indicate no change in rates in 2019, **the new dot plot shows that policymakers are willing to cut rates with nearly half of policymakers now see lower rates.** Fed Chair Jerome Powell said that news about trade has been an important driver of sentiment and they are mindful of the risks to the outlook and are prepared to move and use the tools as needed. The Dow rose 0.2%, while the S&P 500 and NASDAQ each gained 0.3% and 0.4%. **Treasuries rose on the dovish Fed - yield on the 2Y notes**, often a proxy for the fed fund rate outlook, **was pushed lower by 12bps to 1.74%, its lowest level in more than 1.5 years.** 10Y UST yield slipped by 4bps to 2.02%. **Markets increased their bets on rate cuts with futures now pricing in as many as three cuts by the end of 2019.** Crude oil reversed some of previous days' gains -Brent fell by 0.5% to $61.82/barrel while WTI dropped by 0.3% to $53.76/barrel.

- **Dataflow remained largely negative**. US mortgage applications slipped 3.4% last week after an outsize gain. **In the UK, consumer price inflation expectedly rose at the BOE targeted pace of 2.0% YOY** in May, a welcoming sign for the BOE which had turned increasingly hawkish recently despite ongoing Brexit and political uncertainties. The CBI Industrial Trends Survey reported that its total orders index plunged to -15% in June, pointing to deterioration in UK firms' total order books. **Australia Westpac Leading Index** six-month annualized growth rate rose slightly to -0.45%, and is now consistently negative over the last six months, **signaling that economic growth is likely to remain "below trend"** for the remainder of 2019. **New Zealand 1Q GDP growth came in at a steady 0.6% QOQ and 2.5% YOY,** but still the slowest in more than five years. The RBNZ is expected to keep OCR unchanged at its next meeting on 26th June.

- The greenback was pressured across the board after Fed signaled potential rate cuts leading **the dollar index** to **lose 0.5% to 97.117.** The USD weakened against all its G10 counterparts. **We maintain USD bearishness in the medium term** on higher Fed rate cuts expectations with futures now pricing in as many as three cuts by the end of 2019.

- **MYR finished 0.24% weaker at 4.1725 against the USD** on Wednesday ahead of FOMC. **USDMYR is expected to turn bearish** today amidst broader USD weakness after a dovish Federal Reserves confirmed market expectations for rate cut(s) this year.

- **SGD closed 0.29% higher at 1.3630 against a weaker USD. SGD turned bullish against the greenback today but we remain neutral in SGD** in the medium term due to unresolved trade dispute.

Overnight Economic Data

US	↓
UK	↓
Australia	↓
New Zealand	→

What's Coming Up Next

Major Data

- US Initial Jobless Claims, Philadelphia Fed Business Outlook, Leading Index
- Eurozone Consumer Confidence
- UK Retail Sales
- Japan All Industry Activity Index, Machine Tool Orders

Major Events

- BOE Rate Decision
- BOJ Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.200	1.1216	1.1254	1.1262	1.1280	↗
GBPUSD	1.2500	1.2600	1.2674	1.2720	1.2760	↘
USDJPY	108.15	108.30	107.76	108.00	108.26	↘
AUDUSD	0.6840	0.6870	0.6898	0.6914	0.6930	↘
EURGBP	0.8840	0.8866	0.8881	0.8900	0.8923	→
USDMYR	4.1500	4.1550	4.1607	4.1650	4.1700	↘
EURMYR	4.6700	4.6750	4.6825	4.6890	4.6954	↗
JPYMYR	3.8410	3.8471	3.8609	3.8660	3.8700	→
GBPMYR	5.2600	5.2653	5.2716	5.2800	5.2860	↘
SGDMYR	3.0500	3.0530	3.0548	3.0615	3.0645	→
AUDMYR	2.8615	2.8650	2.8695	2.8775	2.8836	↘
NZDMYR	2.7230	2.7270	2.7340	2.7376	2.7400	↘
USDSGD	1.3600	1.3610	1.3618	1.3635	1.3650	↘
EURSGD	1.5285	1.5290	1.5323	1.5330	1.5345	↗
GBPSGD	1.7180	1.7220	1.7254	1.7265	1.7300	↘
AUDSGD	0.9365	0.9375	0.9393	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 %
KLCI	1,666.54	0.83	-1.42
Dow Jones Ind.	26,504.00	0.15	13.62
S&P 500	2,926.46	0.30	16.74
FTSE 100	7,403.54	-0.53	10.04
Shanghai	2,917.80	0.96	17.00
Hang Seng	28,202.14	2.56	9.12
STI	3,288.17	1.53	7.15

Name	Last Price	DoD %	YTD %
CRB Index	175.43	-0.38	3.32
WTI oil ($/bbl)	53.76	-0.26	18.39
Brent oil ($/bbl)	61.82	-0.51	14.91
Gold (S/oz)	1,360.38	1.02	5.99
CPO (RM/tonne)	1,991.50	0.45	2.00
Copper ($/tonne)	5,918.00	-0.52	-0.79
Rubber (sen/kg)	494.00	-0.40	30.34

Source: Bloomberg

Economic Data				
	For	**Actual**	**Last**	**Survey**
US MBA Mortgage Applications	Jun-14	-3.4%	26.8%	--
US FOMC Rate Decision	Jun-19	2.25-2.5%	2.25-2.5%	2.25-2.5%
UK CPI YOY	May	2.0%	2.1%	2.0%
UK PPI Output NSA YOY	May	1.8%	2.1%	1.7%
UK CBI Trends Total Orders	Jun	-15%	-10%	-11%
AU Westpac Leading Index MOM	May	-0.08%	-0.05% (revised)	--
NZ GDP SA QOQ	1Q	0.6%	0.6%	0.6%
NZ GDP YOY	1Q	2.5%	2.5% (revised)	2.3%

Source: Bloomberg

➢ Macroeconomics

- ***Fed dropped patience language, signaled impending rate cut(s):*** The Federal Reserves held fed funds rate unchanged as widely expected but paved the way for rate cut(s) this year. The newly released statement appeared dovish, most notably the central bank dropped its "patience" language on monetary policy and instead highlighted the increasing uncertainties over growth outlook and said it will "act as appropriate" to sustain the country's economic expansion. The new dot plot shows that more policy makers are willing to cut rates – While the median forecast for the Fed funds rate continued to stay at 2.4% to indicate no change in rates in 2019, nearly half of policy makers now see lower rates. The similar reading for 2020 was lowered to 2.1% (Mar projection: 2.6%). Alongside the dot plot, the Fed also released its new economic projections. Median forecast for 2019 GDP growth was unrevised at 2.1% while growth for 2020 was revised higher to 2.0% (Mar projection: +1.9%). The Fed currently does not expect inflation to meet its 2% target this year and next, as forecast for core PCE price inflation was revised lower to a mere 1.8% (Mar projection: +2.0%) in 2019 and to 1.9% in 2020 (Mar projection: +2.0%). The labour market is expected to remain fairly solid as unemployment is projected to go down to 3.6% in 2019 (Mar projection: 3.7%). Fed Chair Jerome Powell said that news about trade has been an important driver of sentiment. He said that seven weeks ago the US had a great job report and they (policy makers) felt that the economy and policy were "in a good place", highlighting the importance of global trade tensions in driving overall confidence level. He added that the Fed is mindful of the risks to the outlook and is prepared to move and use the tools as needed.

- ***US mortgage applications fell last week on higher borrowing costs:*** US mortgage applications slipped ***3.***4% last week (previous: +26.8%) following a sizable gain in the previous week. Both purchases and refinancing segments recorded declines as borrowing cost went up slightly across the board. The average rate for a 30Y fixed rate mortgage loan edged up to 4.14% (previous: 4.12%).

- ***UK inflation met expectations, welcoming news for BOE hawks:*** Consumer price index rose 2.0% YOY in May (Apr: +2.1%), matching a Bloomberg consensus forecast while core CPI came in a tad stronger at 1.7% YOY than projected (Apr: +1.8%). The increase in overall prices albeit at a slower pace was supported by rising cost of food & non-alcohols, healthcare, communication, recreation and higher prices charged by restaurants & hotels. Factory gate inflation also beat expectations with PPI gaining 1.8% YOY in the same month (Apr: +2.1%). Overall prices data are welcoming news to the Bank of England which has repeatedly signaled that it intends to hike rates despite persisting political and Brexit uncertainties The BOE is set to announce its monetary policy statement later today and is expected to still keep its bank rate unchanged at historic low. Despite gloomy outlook with risks still tilted to the downside, officials have gone increasingly hawkish – Andrew Haldane, the central bank's chief economist had recently wrote that the time is approaching for the BOE to raise rate to keep inflationary pressure in check. Michael Saunders, another MPC member had also said that the BOE will probably need to hike rate sooner than markets expected. BOE Governor Mark Carney's speech at ECB annual forum in Sintra, Portugal offered little hint ahead of Thursday's decision. With inflation right at the central bank's 2% target, there is potential that the BOE will craft a more hawkish message to markets today.

- ***U.K. manufacturing industry weighed down by contraction in motor vehicles production; Order books weakened:*** The CBI Industrial Trends Survey reported that its total orders index plunged to -15% in June (May: -10%) marking a deterioration in UK firms' total order books. Manufacturing output slowed to a halt in the three months to June as the output index came in at a mere +2% (May: +14%), with motor vehicles output serving as the biggest drag (-83%) on overall production. Output however managed to expand in 10 out of 17 sub-sectors, with growth driven primarily by the chemicals and food, drink & tobacco' industries. CBI said that there are clear evidences that Brexit is biting the economy with "firms desperate to see an end to the current impasse". The manufacturing sector is proven to be resilient according to CBI but ongoing Brexit uncertainty is holding back growth in key industries.

- ***Australia leading index continued pointing to weaker outlook:*** The Westpac Leading Index fell -0.08% in May (Apr: -0.05% revised) leading the six-month annualized growth rate (a key indicator for economic activity for the next 3-6 months in future) to rise slightly to -0.45% (Apr: -0.49%). Westpac said the index growth rate has been consistently negative over the last six months, a clear signal that economic growth in Australia is likely to remain "below trend" for the remainder of 2019. Worsening global conditions have been a key driver of the deterioration of the index in particular a sharp turnaround in the contribution from the US industrial production component as well as falling long term bond yield. Westpac expects the RBA to deliver a further 25bps cut in the cash rate in August, followed by another one in November taking the cash rate to 0.75%.

- ***New Zealand 1Q annual growth at more than 5-year low:*** The New Zealand economy expanded by a steady pace of 0.6% QOQ in the first quarter of 2019 (4Q: +0.6%) as reported by Stat NZ this morning while on a yearly basis, GDP continued to rose 2.5% YOY (4Q: +2.5% revised), its slowest level in more than five years. Looking at details, the primary industries contracted further by 0.7% QOQ (4Q: -0.3%) dragged down by sharper fall in output of agriculture, forestry and fishing as the mining sector turned higher The goods producing industries (secondary industries) managed to gain traction to expand by 2.0% QOQ (4Q: +0.4%) supported by a rebound in manufacturing and utilities output as well as a stronger construction output. The dull spot was on services industries where growth slowed to 0.2% QOQ (4Q: +0.9%) due to a broad-based slowdown or decline across its key sectors. The New Zealand economy has been slowing for more than two years, broader overseas weakness together with weaker inflation as well as consumer and business confidence had prompted the RBNZ to cut its official cash rate to 1.5% in early May. We expect the RBNZ to hold rate steady at its next meeting on 26th June.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
21/06	Malaysia	Foreign Reserves	Jun-14	--	$102.3b	--
20/06	**US**	**Initial Jobless Claims**	**Jun-15**	**220k**	**222k**	**--**
		Philadelphia Fed Business Outlook	**Jun**	**10.4**	**16.6**	**--**
		Leading Index	**May**	**0.1%**	**0.2%**	**--**
21/06		Markit US Manufacturing PMI	Jun P	50.5	50.5	--
		Markit US Services PMI	Jun P	51.0	50.9	--
		Existing Home Sales MOM	May	1.5%	-0.4%	--
20/06	**Eurozone**	**Consumer Confidence**	**Jun A**	**-6.5**	**-6.5**	**--**
21/06		Markit Eurozone Manufacturing PMI	Jun P	48.0	47.7	--
		Markit Eurozone Services PMI	Jun P	53.0	52.9	--
20/06	**UK**	**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%**	**--**
21/06		Natl CPI YOY	May	0.7%	0.9%	--
		Natl CPI Ex Fresh Food YOY	May	0.7%	0.9%	--
		Nikkei Japan PMI Mfg	Jun P	--	49.8	--
21/06	Hong Kong	CPI Composite YoY	May	2.7%	2.9%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1226	0.29	1.1254	1.1187	-2.01
GBPUSD	1.2639	0.65	1.2674	1.2543	-0.80
USDJPY	108.10	-0.32	108.62	107.90	-1.48
AUDUSD	0.6881	0.06	0.6909	0.6855	-2.30
EURGBP	0.8881	-0.37	0.8927	0.8874	-1.21
USDMYR	4.1725	0.24	4.1785	4.1700	0.94
EURMYR	4.6742	-0.08	4.6833	4.6701	-1.12
JPYMYR	3.8519	-0.24	3.8587	3.8408	2.50
GBPMYR	5.2498	0.17	5.2554	5.2380	-0.34
SGDMYR	3.0533	0.13	3.0607	3.0516	0.57
AUDMYR	2.8690	0.27	2.8784	2.8682	-1.85
NZDMYR	2.7239	0.09	2.7323	2.7229	-1.97
CHFMYR	4.1832	0.02	4.1837	4.1673	-0.38
CNYMYR	0.6050	0.20	0.6053	0.6045	-0.05
HKDMYR	0.5337	-0.02	0.5337	0.5324	1.04
USDSGD	1.3630	-0.29	1.3682	1.3611	-0.03
EURSGD	1.5301	-0.01	1.5346	1.5296	-2.05
GBPSGD	1.7229	0.37	1.7273	1.7156	-0.83
AUDSGD	0.9379	-0.21	0.9410	0.9374	-2.31

Source: Bloomberg

➢Forex

MYR

- **MYR finished 0.24% weaker at 4.1725 against the USD** on Wednesday ahead of FOMC.
- **USDMYR is expected to turn bearish** today amidst broader USD weakness after a dovish Federal Reserves confirmed market expectations for rate cut(s) this year.

USD

- The greenback was pressured across the board after Fed signaled potential rate cuts leading the dollar index to lose 0.5% to 97.117. The USD weakened against all its G10 counterparts.
- **We maintain USD bearishness in the medium term** on higher Fed rate cuts expectations with futures now pricing in as many as three cuts by the end of 2019.

EUR

- **EURUSD** rose back above 1.12 in wake of a dovish Fed. The single currency finished 0.29% higher against USD at 1.1226.
- **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. While both central banks turned dovish, it appears more certain that the Fed will deliver a cut this year compared to the ECB which in fact has little room to maneuver around its already low interest rates and would instead prefer to ease via programs such as TLTRO or possibility restarting its APP program.

GBP

- **GBP rose 0.65% against the USD at 1.2639** amidst broad dollar weakness after the Fed signaled rate cuts are on the table.
- **We are still bearish on GBP** as concerns over a no-deal Brexit continues to dominate with Brexit hardliner Boris Johnson seems on course to be the next Prime Minister. Key drivers for the pair today will be today's BOE statement and minutes where we will be watching out for any hawkish hints from the central bank.

JPY

- **JPY strengthened 0.32% to 108.10 against USD** on lower UST yields after a dovish Fed signaled potential rate cuts this year.
- **We still maintain JPY bullishness due to unresolved global trade disputes.** Recent hopeful message from President Trump's over US-China trade talks suggests calm ahead of the G20 summit next week. We do not rule out the possibility of any fallout (of trade talks) which, if happens, would send markets rushing to the safe haven currency.

AUD

- **AUD rose 0.06% against the USD at 0.6881 amidst broad USD weakness.**
- **We remain AUD bearish** due to the commodity-linked currency's sensitivity to any weakness in China and higher expectations over a cut in the cash rate. Markets now expect the cut to come as soon as the RBA's next meeting in early July with money markets pricing in a 58.8% chance of a 25bps cut on 2 July.

SGD

- **SGD closed 0.29% higher at 1.3630 against a weaker USD.**
- **SGD turned bullish against the greenback today but we remain neutral in SGD in the medium term due to unresolved trade dispute.**

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