

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks retraced previous days' gains on Friday as a Wall Street Journal report downplayed expectations of more aggressive Fed rate cuts.** Stocks rose on Thursdays after NY Fed President John Williams called for swift actions in easing policy in the face of adverse economic conditions, sending markets in a hype for a 50bps reduction in the Fed funds rate later this month. The NY Fed had since then issued a statement to clarify that William's remarks were not meant to signal any upcoming rate move by the Fed. **Futures show that markets continue to fully price in a 25bps insurance cut, of which the chances of a 50bps move was reduced from 39.5% to a mere 16.5% as of writing.** Treasuries yields bounced back up on Friday. Yield on 2Y notes, the proxy for US short term interest rate outlook jumped by 6bps to 1.82%, while yield on 10Y treasuries picked up 3bps to 2.06%. Crude oil prices snapped losing streak on some fresh concerns over Middle East tensions - WTI gained 0.6% to \$55.63/barrel and Brent crude went up by 0.9% to \$62.47/barrel.
- **Data were scanty on Friday. US consumer sentiments** as measured by the University of Michigan continued to **hold up at favourable levels** on a still healthy job market and as expectations the Fed's rate cut will help bolster the US economy. On the contrary, **Japan all industry activity index grew slower** in May as moderation in the services sectors overshadowed better gains in manufacturing, signaling prospects of slower growth overall.
- Sensitive to any Fed comments, **the dollar index recovered most of Thursday's losses to regain the 97 handle** (+0.37% to 97.15) on Friday. USD strengthened against all its G10 peers. **We are still bearish on USD in the medium term over the upcoming 25bps insurance cut in the Fed funds rate.** As markets trimmed expectations of a 50bps cut as seen in the futures markets, the main question for the FOMC now is whether the Fed would signal that this July cut would be a "once and for all", or the "first of a series of adjustments" move. The former would lead to USD strength and the latter likely exert further downward pressure on the USD.
- **MYR finished flattish against the USD at 4.1130** on Friday ahead of the weekend. **We are bullish on USDMYR today** as the broad-based USD strength on Friday is expected to carry through to today's session after markets lower expectations of more aggressive adjustment in the Fed funds rate.
- **SGD closed 0.27% weaker against the USD** at 1.3604 on broad dollar strength. **We are bullish on USDSGD today similarly because Friday's USD strength is expected to weigh on the currency pair.** We remain bullish on SGD in the medium term as yield differentials are likely to narrow when the Fed cuts rate in late July. 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	↑
Japan	↓

#### What's Coming Up Next

##### Major Data

- Malaysia Foreign Reserves
- US Chicago Fed Nat Activity Index

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1200	1.1210	1.1218	1.1240	1.1295	→
GBPUSD	1.2420	1.2482	1.2512	1.2570	1.2585	↗
USDJPY	107.20	107.60	107.78	108.00	108.10	↗
AUDUSD	0.7005	0.7030	0.7045	0.7073	0.7082	↘
EURGBP	0.8950	0.8962	0.8966	0.8995	0.9003	↘
USDMYR	4.1050	4.1100	4.1140	4.1175	4.1200	↗
EURMYR	4.6045	4.6090	4.6149	4.6215	4.6312	↗
JPYMYR	3.8073	3.8100	3.8158	3.8200	3.8230	→
GBPMYR	5.1245	5.1350	5.1476	5.1610	5.1750	↗
SGDMYR	3.0200	3.0215	3.0229	3.0260	3.0300	→
AUDMYR	2.8900	2.8940	2.8970	2.9015	2.9088	→
NZDMYR	2.7745	2.7785	2.7815	2.7876	2.7900	→
USDSGD	1.3575	1.3585	1.3613	1.3625	1.3640	↗
EURSGD	1.5225	1.5240	1.5263	1.5275	1.5300	↗
GBPSGD	1.6865	1.6964	1.7021	1.7045	1.7090	↗
AUDSGD	0.9530	0.9555	0.9584	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	1,658.19	0.56	-1.92	CRB Index	178.59	0.64	5.17
Dow Jones Ind.	27,154.20	-0.25	16.40	WTI oil (\$/bbl)	55.63	0.60	22.51
S&P 500	2,976.61	-0.62	18.74	Brent oil (\$/bbl)	62.47	0.87	17.55
FTSE 100	7,508.70	0.21	11.60	Gold (S/oz)	1,425.37	-1.43	11.05
Shanghai	2,924.20	0.79	17.25	CPO (RM/tonne)	1,876.50	0.40	-3.89
Hang Seng	28,765.40	1.07	11.30	Copper (\$/tonne)	6,065.00	1.37	1.68
STI	3,377.96	0.50	10.08	Rubber (sen/kg)	470.00	-0.11	24.01

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US U. of Mich. Sentiment	Jul P	98.4	98.2	98.8
JP All Industry Activity Index MOM	May	0.3%	0.8% (revised)	0.3%

Source: Bloomberg

**➤ Macroeconomics**

- **US consumer sentiments held consistent:** US Consumer sentiment remained largely unchanged in early July, at quite favorable levels since the start of 2017 according to the preliminary print of the University of Michigan Consumer Sentiment Index. The flash reading ticked up slightly to 98.4 in July (Jun: 98.2).
- **Japan All industry Index rose at slower pace; signaling slower growth:** Japan All Industry Activity Index rose 0.3% MOM in May (Apr: +0.8% revised) driven by positive contribution of the manufacturing industry (0.43% vs 0.12%) as the contribution from the tertiary industry which makes up most of the index was negligibly small (0.01% vs 0.12%), signaling overall slower growth in May.

**Economic Calendar**

Date	Country	Events	Reporting Period	Survey	Prior	Revised
22/07	Malaysia	Foreign Reserves	Jul-15	--	\$102.7b	--
22/07	US	Chicago Fed Nat Activity Index	Jun	0.1	-0.05	--
23/07		FHFA House Price Index MOM	May	0.3%	0.4%	--
		Richmond Fed Manufacturing Index	Jul	5.0	3.0	--
		Existing Home Sales MOM	Jun	-0.2%	2.5%	--
23/07	Eurozone	Consumer Confidence	Jul A	-7.2	-7.2	--
23/07	UK	CBI Trends Total Orders	Jul	-15.0	-15.0	--
23/07	Japan	Machine Tool Orders YOY	Jun F	--	-38.0%	--
22/07	Hong Kong	CPI Composite YOY	Jun	2.6%	2.8%	--
23/07	Singapore	CPI YOY	Jun	0.8%	0.9%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1221	-0.50	1.1282	1.1204	-2.19
GBPUSD	1.2502	-0.37	1.2556	1.2476	-1.93
USDJPY	107.71	0.38	107.98	107.22	-1.72
AUDUSD	0.7042	-0.47	0.7082	0.7038	-0.10
EURGBP	0.8974	-0.15	0.8998	0.8957	-0.25
USDMYR	4.1130	-0.01	4.1145	4.1040	-0.50
EURMYR	4.6221	0.04	4.6337	4.6198	-2.23
JPYMYR	3.8186	0.02	3.8298	3.8126	1.62
GBPMYR	5.1446	0.22	5.1621	5.1419	-2.34
SGDMYR	3.0260	0.03	3.0320	3.0234	-0.33
AUDMYR	2.9019	0.31	2.9086	2.8997	-0.72
NZDMYR	2.7827	0.37	2.7901	2.7810	0.14
CHFMYR	4.1792	0.10	4.1874	4.1719	-0.48
CNYMYR	0.5978	-0.06	0.5981	0.5969	-1.23
HKDMYR	0.5267	0.10	0.5269	0.5254	-0.28
USDSGD	1.3604	0.27	1.3613	1.3558	-0.77
EURSGD	1.5265	-0.23	1.5303	1.5251	-2.36
GBPSGD	1.7007	-0.10	1.7045	1.6984	-2.10
AUDSGD	0.9580	-0.20	0.9603	0.9577	-0.27

Source: Bloomberg

## Forex

### MYR

- **MYR finished flattish against the USD at 4.1130** on Friday ahead of the weekend.
- **We are bullish on USDMYR today** as the broad-based USD strength on Friday is expected to carry through to today's session after markets lower expectations of more aggressive adjustment in the Fed funds rate. **In the medium term, we remain bearish on USDMYR** in anticipation of the upcoming 25bps insurance rate cut by the Fed as we head towards FOMC meeting next week.

### USD

- Sensitive to any Fed comments, **the dollar index recovered most of Thursday's losses to regain the 97 handle** (+0.37% to 97.15) on Friday. USD strengthened against all its G10 peers.
- **We are still bearish on USD in the medium term over the upcoming 25bps insurance cut in the Fed funds rate.** As markets trimmed expectations of a 50bps cut as seen in the futures markets, the main question for the FOMC now is whether the Fed would signal that this July cut would be a "once and for all", or the "first of a series of adjustments" move. The former would lead to USD strength and the latter likely exert further downward pressure on the USD.

### EUR

- **EUR gave up Thursday's gain to fall 0.50% against the USD at 1.1221** as markets discount a 50bps cut in Fed fund rates and saw increasing chances that the ECB would cut its key deposit rate by 10bps further into negative territory this week
- **We are neutral on EUR today as the pair stabilized in** absence of any key events or headlines. We will pay close attention to this Thursday's ECB meeting for medium term guidance in direction.

### GBP

- **GBP closed 0.37% weaker against the USD at 1.2502** amidst broad dollar strength.
- **We are bullish on the GBP today** as positive headlines emerged over the weekend raised hope of a softer Brexit. In the medium term, we remain bearish on the sterling as we still do not rule out the potentials of a no-deal Brexit.

### JPY

- **JPY finished 0.38% weaker at 107.71 against the USD** on broad dollar strength and higher UST yields.
- **We are neutral to slightly bullish on USDJPY as markets continue to dial back on more aggressive Fed rate adjustment.** We remain bullish on JPY in the medium term as the solid prospect of a 25bps insurance cut in late July is likely to weigh on treasuries yield and partly because unresolved global trade disputes could lead to safe havens bids for the yen.

### AUD

- **AUD retraced half of Thursday's gain to close 0.47% weaker at 0.7042 against the USD** amidst broad dollar strength.
- **We are bearish on AUDUSD today, driven by the extended USD strength from Friday.** 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 favour the Aussie dollar.

### SGD

- **SGD closed 0.27% weaker against the USD** at 1.3604 on broad dollar strength.
- **We are bullish on USDSGD today similarly because Friday's USD strength is expected to weigh on the currency pair.** We remain bullish on SGD in the medium term as yield differentials are likely to narrow when the Fed cuts rate in late July. 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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