

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks pulled back slightly on Friday after the S&P 500 hit a record high on the previous day but managed to notch a winning week as investors were certain now that the Federal Reserve would cut rates to support the economy following the conclusion of the two-day FOMC meeting on Thursday.** Traders were convinced that the Fed will cut rate with futures pointing to 100% chance of a rate cut on 31 July. For the week, the Dow added 2.4%. The broader S&P 500 index briefly touched a new high on Friday before settling lower but managed to gain 2.2% over the week. NASDAQ meanwhile posted a weekly gain of 3%. The treasuries markets appeared to have stabilized, yield on 2Y notes ended 1bp lower at 1.77% and 10Y UST yield picked up 2bps to 2.05%. Crude oil prices continued to gain traction over US-Iran tensions. Brent crude ticked up 1.2% to \$65.20/barrel and US benchmark WTI rose by 1.4% to \$57.43/barrel on Friday. **The US placed another five Chinese tech entities on a trade blacklist just days ahead of the June 28-29 G20 Summit in Japan where President Trump is expected to meet President Xi to rekindle stalling trade talks.**
- **Preliminary PMI readings skewed to the softer side. US flash Markit PMI readings for June turned out weak** as both manufacturing and services inched nearer to the 50.0 neutral threshold to signal near-stagnation in growth. The good news is that existing home sales rose 2.5% MOM in May while April number was revised upwards. Eurozone manufacturing PMI resided below 50.0 for the fifth running month while services PMI managed to tick higher, reflecting resilience in consumer demand and labour market but nonetheless **overall growth is expected to be subdued in the single currency area.** Similarly in **Japan, manufacturing PMI continued to stay below 50.0** confirming weakness in factory activities amidst slower domestic and overseas demand. Hong Kong CPI growth eased to 2.8% YOY in June. Malaysia foreign reserves rose to \$102.6b in mid-June.
- **The Dollar index closed lower by 0.42% at 96.213** as the broad USD continues to lose ground led by EUR. **We remain bearish USD over the medium term** as Fed rate cut expectations continues to dominate market trading.
- **MYR closed marginally weaker by 0.05%** against the USD at 4.1490. **We maintain bullish MYR** as the broad USD weakness theme on Fed rate cut expectations still have room to go.
- **SGD closed marginally stronger by 0.08% at 1.3552 against USD.** **We remain bullish SGD** in the short term as expected yield differential against the USD should lead to a relatively stronger SGD in line with regionals.

#### Overnight Economic Data

Malaysia	↑
US	→
Eurozone	↑
Japan	↓
Hong Kong	↓

#### What's Coming Up Next

##### Major Data

- US Chicago Fed Nat Activity Index, Dallas Fed Manf. Activity
- Japan Leading Index, Coincident Index
- Singapore CPI

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1330	1.1350	1.1383	1.1400	1.1430	↗
GBPUSD	1.2700	1.2720	1.2751	1.2800	1.2830	↗
USDJPY	106.80	107.00	107.38	107.70	108.00	↘
AUDUSD	0.6900	0.6925	0.6951	0.6975	0.7000	↗
EURGBP	0.8880	0.8905	0.8931	0.8950	0.8975	→
USDMYR	4.1350	4.1400	4.1460	4.1500	4.1550	↘
EURMYR	4.6800	4.7000	4.7190	4.7200	4.7350	↗
JPYMYR	3.8400	3.8550	3.8615	3.8750	3.8900	↗
GBPMYR	5.2500	5.2600	5.2860	5.2900	5.3100	↗
SGDMYR	3.0575	3.0600	3.0625	3.0650	3.0675	↗
AUDMYR	2.8600	2.8750	2.8820	2.8900	2.9050	↗
NZDMYR	2.7100	2.7250	2.7350	2.7450	2.7600	↗
USDSGD	1.3500	1.3525	1.3540	1.3575	1.3600	↘
EURSGD	1.5350	1.5380	1.5412	1.5430	1.5460	↗
GBPSGD	1.7200	1.7230	1.7263	1.7300	1.7330	→
AUDSGD	0.9375	0.9400	0.9415	0.9430	0.9460	↗

\* 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	1,682.23	0.41	-0.49	CRB Index	178.52	-0.06	5.13
Dow Jones Ind.	26,719.13	-0.13	14.54	WTI oil (\$/bbl)	57.43	1.38	26.14
S&P 500	2,950.46	-0.13	17.70	Brent oil (\$/bbl)	65.20	1.16	21.47
FTSE 100	7,407.50	-0.23	10.10	Gold (S/oz)	1,399.63	0.81	9.50
Shanghai	3,001.98	0.50	20.37	CPO (RM/tonne)	1,967.50	-0.35	0.77
Hang Seng	28,473.71	-0.27	10.17	Copper (\$/tonne)	5,971.00	-0.03	0.10
STI	3,321.40	0.21	8.23	Rubber (sen/kg)	491.50	-0.10	29.68

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
MA Foreign Reserves	14 Jun	\$102.6	\$102.3b	--
US Markit Manufacturing PMI	Jun P	50.1	50.5	50.5
US Markit Services PMI	Jun P	50.7	50.9	51.0
US Existing Home Sales MOM	May	2.5%	0.0% (revised)	2.1%
EU Markit Manufacturing PMI	Jun P	47.8	47.7	48.0
EU Markit Services PMI	Jun P	53.4	52.9	53.0
JP Nikkei Manufacturing PMI	Jun P	49.5	49.8	--
HK CPI Composite YOY	May	2.8%	2.9%	2.8%

Source: Bloomberg

**Macroeconomics**

- PMIs flash signals of nearly stalling US economy; existing home sales rebounded:** The flash US Manufacturing PMI shows that growth in the manufacturing sector nearly stagnated as the reading came in at 50.1 in June (May: 50.5), just a touch above the 50.0 neutral line. The reading was the lowest since Sep-09 and was attributed to weaker production growth and staff hiring. The flash Services PMI also inched lower to 50.7 in the same month (May: 50.9), the slowest pace of growth in more than 3 years. Both PMI readings suggest that growth is indeed sluggish and is nearly stalling in the US economy where survey respondents commented on a less favourable domestic conditions and a tendency for greater risk aversion among some clients. There are however some good news coming out from the housing market as existing home sales in the US rose 2.5% MOM in May (Apr: 0.0% reading) while the initial decline in April was revised upward to a flat reading, offering some respites that demand is picking up in the market amidst falling borrowing cost. Existing home sales make up majority of the US housing market and have been trending sideways since the second half of last year.
- PMIs suggest subdued growth in Euro area:** The flash Eurozone Manufacturing PMI ticked up slightly to 47.8 in June (May: 47.7), marking its fifth consecutive month below the 50.0 neutral threshold. The reading confirmed the ongoing downturn in the Euro area's manufacturing industry where output fell for the fifth straight month and at an even sharper pace in June. The flash Services PMI meanwhile edged up to a 7-month high of 53.4 (May: 52.9) over improved inflows of new work. While the resilience in the services sector reflects largely the relative strength of consumer demand and improving labour market, the continuous decline in factory activities will likely serve as a drag on overall outlook, suggesting that the pace of growth remains subdued in the Eurozone.
- Japan manufacturing PMI below 50, reaffirming weakness:** The flash Nikkei Manufacturing PMI for Japan ticked lower to 49.5 in June (May: 49.8) marking its fourth month residing below the 50.0 neutral threshold within a 5-month period, confirming the continuous weakness in the country's manufacturing sector. Details show that new orders and new exports orders both dropped at faster rates, reflecting the lackluster demand for Japanese goods amidst slower international trade. Output prices fell, another sign of muted inflation while employment increased at a quicker pace pointing to a fairly solid labour market.
- Hong Kong inflation eased in May:** Consumer price index rose 2.8% YOY in May (Apr: +2.9%) matching a Bloomberg consensus estimate. Underlying inflation which excludes distortions from government subsidies also came in slower at 2.8% YOY (Apr: +2.9%). Prices of food spiked in May, whereas cost of housing remained elevated due to higher private rent. Items such as clothing & footwear as well as durable goods continued to record declines while growth in transports costs also softened in the month.
- Malaysia foreign reserves ticked up in mid-June:** Malaysia international reserves rose to \$102.6b as at 14 June (previous: \$102.3b), sufficient to finance 7.2 months of retained imports and is 1.1-time total short-term external debt.

<b>Economic Calendar</b>						
<b>Date</b>	<b>Country</b>	<b>Events</b>	<b>Reporting Period</b>	<b>Survey</b>	<b>Prior</b>	<b>Revised</b>
<b>24/06</b>	<b>US</b>	<b>Chicago Fed Nat Activity Index</b>	<b>May</b>	<b>0.05</b>	<b>-0.45</b>	--
		<b>Dallas Fed Manf. Activity</b>	<b>Jun</b>	<b>-2.0</b>	<b>-5.3</b>	--
25/06		FHFA House Price Index MOM	Apr	0.2%	0.1%	--
		S&P CoreLogic CS 20-City YOY NSA	Apr	2.5%	2.7%	--
		Richmond Fed Manufact. Index	Jun	4.0	5.0	--
		New Home Sales MOM	May	1.8%	-6.9%	--
		Conf. Board Consumer Confidence	Jun	131.0	134.1	--
<b>24/06</b>	<b>Japan</b>	<b>Leading Index CI</b>	<b>Apr F</b>	--	<b>95.5</b>	--
		<b>Coincident Index</b>	<b>Apr F</b>	--	<b>101.9</b>	--
<b>24/06</b>	<b>Singapore</b>	<b>CPI YOY</b>	<b>May</b>	<b>0.6%</b>	<b>0.8%</b>	--
25/06	New Zealand	Trade Balance NZD	May	250m	433m	--
		Exports NZD	May	5.61m	5.55b	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1369	0.67	1.1378	1.1283	-0.78
GBPUSD	1.2737	0.28	1.2747	1.2643	-0.06
USDJPY	107.32	0.02	107.74	107.05	-2.13
AUDUSD	0.6926	0.04	0.6938	0.6903	-1.65
EURGBP	0.8922	0.36	0.8946	0.8885	-0.71
USDMYR	4.1490	0.05	4.1565	4.1380	0.38
EURMYR	4.6883	0.00	4.7021	4.6763	-0.83
JPYMYR	3.8657	0.39	3.8774	3.8594	2.87
GBPMYR	5.2642	-0.23	5.2852	5.2609	-0.06
SGDMYR	3.0598	0.04	3.0677	3.0533	0.79
AUDMYR	2.8718	0.05	2.8805	2.8651	-1.75
NZDMYR	2.7279	-0.18	2.7420	2.7250	-1.83
CHFMYR	4.2272	0.59	4.2356	4.2200	0.67
CNYMYR	0.6039	-0.31	0.6080	0.6039	-0.22
HKDMYR	0.5317	0.13	0.5324	0.5299	0.66
USDSGD	1.3552	-0.08	1.3580	1.3545	-0.57
EURSGD	1.5407	0.59	1.5421	1.5305	-1.36
GBPSGD	1.7278	0.29	1.7291	1.7166	-0.63
AUDSGD	0.9386	-0.04	0.9407	0.9373	-2.19

Source: Bloomberg

## Forex

### MYR

- MYR closed marginally weaker by 0.05% against the USD at 4.1490.
- We maintain bullish MYR as the broad USD weakness theme on Fed rate cut expectations still have room to go.

### USD

- The Dollar index closed lower by 0.42% at 96.213 as the broad USD continues to lose ground led by EUR.
- We remain bearish USD over the medium term as Fed rate cut expectations continues to dominate market trading.

### EUR

- EUR closed 0.67% stronger at 1.1369 against USD amidst continued USD weakness.
- We remain bullish on EUR over the medium term as the overall outlook continues to favour EUR strength as it breaches through multiple resistances and moving averages.

### GBP

- GBP closed 0.28% stronger at 1.2737 dragged by a weaker USD and stronger EUR.
- We remain bearish GBP over the medium term due to Brexit. However, as mentioned previously, we have to respect that in the shorter term, a broadly lower DXY due to Fed rate cut expectations should lead to a higher GBP.

### JPY

- JPY closed flat at 107.32 against the USD, consolidating recent gains.
- We remain bullish JPY as markets starts pricing in a Fed rate cut against relatively low yielders as they have less room to maneuver.

### AUD

- AUD closed marginally stronger 0.04% at 0.6926 against the USD.
- We remain bullish on AUD over the short term due to a dovish Fed. However, given lingering growth and inflation issues, we are cautiously bullish as the RBA remains dovish and may follow the Fed in a cut-for-cut scenario.

### SGD

- SGD closed marginally stronger by 0.08% at 1.3552 against USD.
- We remain bullish SGD in the short term as expected yield differential against the USD should lead to a relatively stronger SGD in line with regionals.

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