

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks extended further gains overnight on upbeat earnings and rising trade optimism**, pushing the S&P 500 back above 3,000. Wall Street got a boost after Coca Cola and United Technologies reported earnings that topped estimates and on news that **US Trade Representative Robert Lighthizer and senior officials would travel to Shanghai next week for high level trade negotiations**. The Dow added 177pts or 0.7%, the broader S&P 500 index clinched a 0.7% gain while NASDAQ rose 0.6%. Treasuries fell as stocks rose - UST yields edged up by 3-5bps along the curve, benchmark 10Y treasuries yield rose 3bps to 2.08%. The pound turned lower as hardline Brexiteer Boris Johnson was named new U.K. prime minister. Crude oil prices rose on trade optimism and drawdown in US crude stocks – WTI and Brent rose nearly 1% to \$56.77/barrel and \$63.83/barrel.
- **US data were weak**. The 1.7% MOM fall in existing home sales and a mere 0.1% MOM growth in FHFA house price index confirmed the sluggish growth in the housing market. The Richmond Fed Manufacturing Index dropped sharply to -12 in July, its lowest since early 2013. The flash reading of the European Commission consumer confidence index improved to -6.6 in July. Pre-Brexit activities continued to unwind, weighing on British factories growth as the CBI trends total orders index fell sharply to -34 in June. Japan machine tools orders dropped by 37.9% YOY in June, the largest fall in nearly a decade. New Zealand trade surplus improved due to lower imports. Singapore headline inflation eased to 0.6% YOY in June.
- **The dollar index closed 0.39% higher at 97.710** as USD strength continues to dominate. **We remain bearish on USD in the medium term** as the Fed is more or less committed to a rate cut by the end of this month. However, in the shorter term, the overall USD may be subjected to headline volatility.
- **MYR closed weaker by 0.15% at 4.1185** as the broad USD strength continues. **We are bullish USDMYR** intraday given a higher DXY overnight and generally higher UST yields. However, over in the medium term, we are bullish MYR over an expected Fed rate cut.
- **SGD closed 0.34% weaker against the USD** at 1.3655. **We are bearish SGD today** but remain bullish SGD in the medium term as yield differential is likely to narrow as the Fed signals a July cut is more or less confirmed.

Overnight Economic Data

US	↓
Eurozone	↑
UK	↓
Japan	↓
Singapore	↓
New Zealand	↓

What's Coming Up Next

Major Data

- Malaysia CPI
- US MBA Mortgage Applications, Markit Flash Manufacturing, Services PMI, New Home Sales
- Eurozone Markit Flash Manufacturing and Services PMI
- Japan Jibun Bank Flash Manufacturing PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1100	1.1120	1.1147	1.1175	1.1200	↘
GBPUSD	1.2380	1.2420	1.2435	1.2450	1.2490	↘
USDJPY	107.70	108.00	108.22	108.50	108.75	↗
AUDUSD	0.6925	0.6950	0.6988	0.7000	0.7025	↘
EURGBP	0.8920	0.8950	0.8966	0.8990	0.9020	→
USDMYR	4.1175	4.1200	4.1250	4.1275	4.1300	↗
EURMYR	4.5700	4.5900	4.5990	4.6100	4.6300	↘
JPYMYR	3.7700	3.7900	3.8130	3.8200	3.8300	↘
GBPMYR	5.1000	5.1150	5.1300	5.1500	5.1750	↘
SGDMYR	3.0150	3.0175	3.0200	3.0225	3.0250	↘
AUDMYR	2.8600	2.8800	2.8834	2.9000	2.9100	↘
NZDMYR	2.7400	2.7500	2.7625	2.7800	2.7950	↘
USDSGD	1.3600	1.3630	1.3661	1.3675	1.3700	↗
EURSGD	1.5170	1.5200	1.5235	1.5260	1.5290	↘
GBPSGD	1.6850	1.6950	1.6995	1.7050	1.7150	↘
AUDSGD	0.9500	0.9530	0.9553	0.9580	0.9610	→

* 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	1,655.67	0.02	-2.06	CRB Index	179.04	0.27	5.44
Dow Jones Ind.	27,349.19	0.65	17.24	WTI oil (\$/bbl)	56.77	0.98	24.75
S&P 500	3,005.47	0.68	19.89	Brent oil (\$/bbl)	63.83	0.90	18.64
FTSE 100	7,556.86	0.56	12.32	Gold (\$/oz)	1,417.83	-0.49	10.49
Shanghai	2,899.95	0.45	16.28	CPO (RM/tonne)	1,875.00	0.46	-3.97
Hang Seng	28,466.48	0.34	10.14	Copper (\$/tonne)	5,968.00	-0.82	0.05
STI	3,373.13	0.47	9.92	Rubber (sen/kg)	470.50	-0.21	24.14

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US FHFA House Price Index MOM	May	0.1%	0.4%	0.4%
US Richmond Fed Manufacturing Index	Jul	-12.0	2.0	5.0
US Existing Home Sales MOM	Jun	-1.7%	2.5%	-0.4%
EU Consumer Confidence	Jul A	-6.6	-7.2	-7.2
UK CBI Trends Total Orders	Jul	-34.0	-15.0	-15.0
JP Machine Tool Orders YOY	Jun F	-37.9%	-27.3%	--
SG CPI YOY	Jun	0.6%	0.9%	0.8%
NZ Trade Balance NZD	Jun	365m	175m	100m
NZ Exports NZD	Jun	5.0b	5.7b	5.3b

Source: Bloomberg

➤ Macroeconomics

- US housing markets plagued by falling existing home sales and near stagnating price growth; Richmond Fed manufacturing index slumped:** US existing home sales dropped more than expected by 1.7% MOM in June (May:+2.5%) suggesting that the US housing markets still failed to recover despite lower borrowing costs. A lack of properties available for sales was one key factor behind the slump while at the same time, potential buyers could also be adopting a wait and see approach for even lower interest rates as the Fed is expected to cut rate later this month. Meanwhile, the Federal Housing Finance Agency (FHFA) reported that its house price index rose by a mere 0.1% MOM in May (Apr: +0.4%), the lowest reading since early 2017, adding to signs of a lacklustre market. Separately, the Richmond Fed Manufacturing Survey showed that its headline Manufacturing Index dropped sharply to -12 in July (Jun: 2.0), the lowest since early 2013. Activity weakened in Fifth District's factories as shipments, new orders and employment fell this month.
- Eurozone consumer sentiments improved in July:** The flash reading of the European Commission consumer confidence index improved to -6.6 in July (Jun: -7.2), reflecting a still-solid labour market and expectations that the ECB might ease policy to counter slower growth outlook.
- Pre-Brexit activities continued to unwind, weighing on British factories growth:** The CBI trends total orders index fell sharply to -34 in June (May: -15), its weakest level since Apr 2010, pointing to continued weakness in British manufacturing industry. The index gauges manufacturers' expected level of volume orders for the next three months, a reading above 0 indicates optimism and below means pessimism. After a business bump in Q1, pre-Brexit deadlines buying activities continued to unwind, as firms and clients scaled back on productions and purchases, weighing on overall growth in the manufacturing sector.
- Japan machine tools order dropped most in the nearly a decade:** Japan machine tools orders dropped by 37.9% YOY in June (May: -27.3%), its largest drop in nearly a decade, confirming that a global economic slowdown is dragging Japan's manufacturing sector. Both domestic and foreign orders recorded declines, with orders from China, Europe, North America and South America all fell last month.
- New Zealand trade surplus rose on lower imports:** International trade weakened in New Zealand in June as exports dropped by 12.7% MOM in June (May: +4.5%) while imports fell by an even larger magnitude of 16.5% MOM (May: +8.7%), leaving the country's trade surplus to improve to NZ\$365m (May: 175m revised). On a yearly basis, exports growth eased to a slower pace of 2.8% YOY (May: +7.4%) while imports plunged 10.0% (May: +8.1%), driven by a 39% and 16% decline in fuel and vehicles. The sharp annual drop in fuel was a result of unfavourably high base in 2018 when fuel imports were astoundingly high in the same period last year due to a refinery shutdown.
- Singapore inflation eased in June:** The CPI- all items inflation eased to 0.6% YOY in June (May: +0.9%) due to lower private road transport, services and retail inflation and a larger decrease in the costs of electricity & gas as well as accommodation. The MAS core inflation, which excludes the costs of accommodation and private road transport, eased to 1.2% YOY in June (May: +1.3%).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
24/07	Malaysia	CPI YOY	Jun	1.5%	0.2%	--
24/07	US	MBA Mortgage Applications	Jul-19	--	-1.1%	--
		Markit US Manufacturing PMI	Jul P	51.0	50.6	--
		Markit US Services PMI	Jul P	51.8	51.5	--
		New Home Sales MOM	Jun	5.1%	-7.8%	--
25/07		Wholesale Inventories MOM	Jun P	0.5%	0.4%	--
		Durable Goods Orders	Jun P	0.8%	-1.3%	--
		Initial Jobless Claims	Jul-20	218k	216k	--
		Cap Goods Orders Nondef Ex Air	Jun P	0.2%	0.5%	--
		Kansas City Fed Manf. Activity	Jul	3.0	0.0	--
24/07	Eurozone	Markit Eurozone Manufacturing PMI	Jul P	47.7	47.6	--
		Markit Eurozone Services PMI	Jul P	53.3	53.6	--
25/07		ECB Main Refinancing Rate	Jul-25	0.0%	0.0%	--
24/07	Japan	Jibun Bank Japan PMI Mfg	Jul P	--	49.3	--
25/07	Hong Kong	Exports YOY	Jun	-2.3%	-2.4%	--
		Trade Balance HKD	Jun	-45.0b	-34.7b	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1152	-0.51	1.1210	1.1146	-2.76
GBPUSD	1.2440	-0.29	1.2482	1.2418	-2.51
USDJPY	108.23	0.33	108.29	107.83	-1.35
AUDUSD	0.7005	-0.44	0.7036	0.6996	-0.79
EURGBP	0.8965	-0.23	0.9005	0.8953	-0.24
USDMYR	4.1185	0.15	4.1210	4.1130	-0.36
EURMYR	4.6033	-0.21	4.6124	4.6024	-2.62
JPYMYR	3.8068	-0.15	3.8165	3.8063	1.30
GBPMYR	5.1180	-0.13	5.1343	5.1145	-2.84
SGDMYR	3.0191	-0.15	3.0238	3.0182	-0.55
AUDMYR	2.8930	-0.12	2.8950	2.8895	-1.03
NZDMYR	2.7701	-0.63	2.7761	2.7688	-0.31
CHFMYR	4.1822	-0.15	4.1895	4.1800	-0.40
CNYMYR	0.5985	0.15	0.5991	0.5979	-1.11
HKDMYR	0.5273	0.11	0.5277	0.5265	-0.17
USDSGD	1.3655	0.34	1.3658	1.3598	0.22
EURSGD	1.5228	-0.17	1.5265	1.5218	-2.55
GBPSGD	1.6990	0.07	1.7020	1.6939	-2.36
AUDSGD	0.9566	-0.08	0.9592	0.9553	-0.56

Source: Bloomberg

Forex

MYR

- **MYR closed weaker by 0.15% at 4.1185** as the broad USD strength continues.
- **We are bullish USDMYR** intraday given a higher DXY overnight and generally higher UST yields. However, over in the medium term, we are bullish MYR over an expected Fed rate cut.

USD

- **The dollar index closed 0.39% higher at 97.710** as USD strength continues to dominate.
- **We remain bearish on USD in the medium term** as the Fed is more or less committed to a rate cut by the end of this month. However, in the shorter term, the overall USD may be subjected to headline volatility.

EUR

- **EUR closed 0.51% weaker against the USD at 1.1152** in the face of broad USD strength.
- **We are bearish EUR today** as USD dominance is in play alongside the market continuing to position ahead of the ECB meeting due later this week.

GBP

- **GBP closed 0.29% weaker at 1.2440** as the broad USD continues to gain ground.
- **We are bearish GBP today** on market positioning ahead of ECB meeting and we remain bearish GBP over the medium term as new PM Boris Johnson still has a long way to go to hammer out a Brexit deal.

JPY

- **JPY finished weaker by 0.33% at 108.23** as the broad USD continues to gain.
- **We are bearish JPY today** on a stronger USD but remain bullish JPY over the medium term on an imminent Fed July rate cut. Ongoing trade uncertainties and persistently weak inflation according to the Fed also likely to support JPY strength in the medium term.

AUD

- **AUD closed 0.44% weaker at 0.7005** as the pair continues to lose ground in the face of broad USD strength.
- **We are bearish AUD today** as the USD rebounds on market positioning ahead of ECB meeting but we remain bullish AUD over the medium term as a Fed July cut is imminent.

SGD

- **SGD closed 0.34% weaker against the USD at 1.3655.**
- **We are bearish SGD today** but remain bullish SGD in the medium term as yield differential is likely to narrow as the Fed signals a July cut is more or less confirmed.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.