

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks finished lower overnight amidst relatively subdued trading as markets turned their attention to this week's G20 Summit in Japan where President Trump is expected to meet President Xi to revive stalling trade talks.** The Dow was virtually unchanged, whereas the S&P 500 and NASDAQ each edged down slightly by 0.2% and 0.3%. Ahead of Trump-Xi meeting, rate cuts expectations continued to dominate markets following last week's FOMC meeting with futures pointing to 100% chance of a rate cut in end-July. Treasuries yield fell by around 4bps along the curve partly supported by safe haven demand as US-Iran tensions ratcheted up. **Trump had announced fresh sanctions on Monday targeting the Iranian Supreme Leader Ayatollah Ali Khamenei.** The yield on 2Y notes inched 4bps lower to 1.73% while 10Y UST yield also slipped 4bps to 2.01%. Crude oil benchmarks diverged as WTI rose 0.82% to \$57.90/barrel while Brent crude settled 0.5% lower at \$64.86 despite ongoing US-Iran tensions.
- US data were mixed. US Chicago Fed National Activity Index (CFNAI) rose to -0.05 in May, led by improvements in production-related indicators thus pointing to a pickup in economic growth last month. However, the Dallas Fed **Manufacturing Survey general business activity index declined further to -12.1 in June, the latest Fed factory gauge to indicate a sharp slowdown in US manufacturing sector.** In Asia, Japan leading indicators suggest constrained growth outlook, Singapore headline CPI rose in May but core inflation steadied. **New Zealand exports hit a record high in May,** led by dairy shipments.
- **The Dollar index closed lower by 0.12% at 95.990** as the broad USD continues to lose ground on Fed rate cut expectations. **We remain bearish USD over the medium term** as Fed rate cut expectations continues to dominate market trading.
- **MYR closed stronger by 0.20%** against the USD at 4.1405. **We maintain bullish MYR** in line with the broad USD weakness theme as there is still room for USD weakness in the more medium term.
- **SGD closed stronger by 0.13% at 1.3535 against USD.** **We remain bullish SGD** in the short term as the weak USD theme still has significant room to play out especially against EM.

#### Overnight Economic Data

US	→
Japan	→
Singapore	→
New Zealand	↑

#### What's Coming Up Next

##### Major Data

- US FHFA House Price Index, S&P CoreLogic CS 20-City House Price Index, New Home Sales, Richmond Fed Manufacturing Index, Conference Board Consumer Confidence

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1350	1.1380	1.1402	1.1430	1.1450	↗
GBPUSD	1.2700	1.2720	1.2743	1.2800	1.2830	↗
USDJPY	106.80	107.00	107.35	107.70	108.00	↘
AUDUSD	0.6900	0.6930	0.6969	0.6975	0.7000	↗
EURGBP	0.8900	0.8925	0.8950	0.8975	0.9000	→
USDMYR	4.1350	4.1400	4.1420	4.1500	4.1550	↘
EURMYR	4.6850	4.7050	4.7255	4.7350	4.7500	↗
JPYMYR	3.8400	3.8550	3.8615	3.8750	3.8900	↗
GBPMYR	5.2500	5.2600	5.2805	5.2900	5.3100	↗
SGDMYR	3.0575	3.0600	3.0630	3.0650	3.0675	↗
AUDMYR	2.8600	2.8750	2.8860	2.8900	2.9050	↗
NZDMYR	2.7250	2.7400	2.7505	2.7600	2.7750	↗
USDSGD	1.3500	1.3520	1.3530	1.3550	1.3575	↘
EURSGD	1.5370	1.5400	1.5430	1.5460	1.5490	↗
GBPSGD	1.7200	1.7220	1.7241	1.7270	1.7300	→
AUDSGD	0.9375	0.9400	0.9425	0.9450	0.9475	↗

\* 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	1,676.13	-0.36	-0.85	CRB Index	179.99	0.83	6.00
Dow Jones Ind.	26,727.54	0.03	14.58	WTI oil (\$/bbl)	57.90	0.82	27.06
S&P 500	2,945.35	-0.17	17.49	Brent oil (\$/bbl)	64.86	-0.52	20.56
FTSE 100	7,416.69	0.12	10.23	Gold (S/oz)	1,419.72	1.44	10.93
Shanghai	3,008.15	0.21	20.62	CPO (RM/tonne)	1,972.00	0.20	1.00
Hang Seng	28,513.00	0.14	10.32	Copper (\$/tonne)	5,971.00	-0.03	0.10
STI	3,311.53	-0.30	7.91	Rubber (sen/kg)	491.00	-0.10	29.55

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US Chicago Fed Nat Activity Index	May	-0.05	-0.48 (revised)	0.05
US Dallas Fed Manf. Activity	Jun	-12.1	-5.3	-2.0
JP Leading Index CI	Apr F	95.9	95.7	--
JP Coincident Index	Apr F	102.1	101.1	--
SG CPI YOY	May	0.9%	0.8%	0.6%
NZ Trade Balance NZD	May	264m	383m (revised)	250m
NZ Exports NZD	May	5.81b	5.50b (revised)	5.61m

Source: Bloomberg

**Macroeconomics**

- US Chicago Fed National Activity Index points to pickup in growth:** Chicago Fed National Activity Index (CFNAI) rose to -0.05 in May (Apr: -0.48 revised), led by improvements in production-related indicators, pointing to a pickup in economic growth last month. Three of the four broad categories of indicators increased from April, but only one of the four categories made a positive contribution to the index. The contribution from production-related indicators rose in May due to a 0.4% MOM increase in industrial production. Employment-related indicators made a negative contribution as nonfarm payroll gained by a mere 75k.
- US Texas manufacturing index latest Fed factory gauge to fall, points to manufacturing slowdown:** The Dallas Fed Manufacturing Outlook Survey reported that its general business activity index declined further to -12.1 in June (May: -5.3), a three-year low as firms noted worsened activity this month compared to the last. While production and new orders recorded increases, the firms appeared to be pessimistic as the company outlook index fell to -5.5 (May: -1.7), another three-year low while the index which gauges uncertainties regarding outlook shot up to 21.6. The Dallas Fed index was the latest to point to a sharp slowdown in US manufacturing sector, joining the NY Fed and Philly Fed factory gauges which had both recorded unexpected declines this month.
- Japan leading indicators suggest constrained growth:** Japan April leading index was revised upwards to 95.9 (Mar: 95.7) in a final reading according to the Cabinet Office in Tokyo while the coincident index was also changed higher to 102.1 (Mar: 101.1). Both indicators remained well below last year's averages, indicating a constrained growth outlook for the economy.
- Singapore headline CPI rose in May; core inflation steadied:** Singapore CPI-All Items inflation quickened for the fourth running months by 0.9% YOY in May (Apr: +0.8%) driven by upward pressures from the non-core components namely accommodation and private road transport costs according to MAS. Higher cost of private road transport, retail and food inflation together with the modest decline in accommodation cost outweighed a larger fall in electricity and gas costs. Cost of electricity and has fallen by a sharper rate due to the "dampening effect of the phased nationwide launch of the Open Electricity Market (OEM) on electricity prices". The MAS core inflation which excludes accommodation and private road transports, was steady at 1.3% YOY (Apr: +1.3%) after easing for four months. MAS said in a statement that external sources of inflation are likely to be benign for the rest of 2019 as this year's global oil prices are not expected to exceed 2018's average while global food prices should only pick up slightly on average. On the domestic front, firm labour market conditions are expected to support moderate wage increases. An acceleration in inflationary pressures is unlikely against the backdrop of slower GDP growth, uncertainties in the global economy and the continuing restraining effects of MAS' monetary policy tightening in 2018. Thus MAS Core Inflation is expected to come in near the mid-point of the forecast range of 1–2% in 2019 and the CPI for All Items inflation is expected to average 0.5–1.5% in 2019.
- New Zealand exports hit record high, led by dairy products:** New Zealand exports hit a record high of NZD5.81b in May (Apr: NZD5.5b) due to 33% YOY spike in milk powder exports. That said on an annual basis, exports growth was slower at 8.5% YOY (Apr: +10.8%) while imports growth was a tad faster at 7.6% YOY (Apr: +7.4%). MOM, exports picked up 5.5% (Apr: -1.75) while imports gained 8.2% (Apr: +7.3%), leading the trade surplus to narrow to NZD264m (Apr: 383m revised). The RBNZ is expected to leave its Official Cash Rate unchanged at 1.5% tomorrow.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
26/06	Malaysia	CPI YOY	May	0.3%	0.2%	--
<b>25/06</b>	<b>US</b>	<b>FHFA House Price Index MOM</b>	<b>Apr</b>	<b>0.2%</b>	<b>0.1%</b>	--
		<b>S&amp;P CoreLogic CS 20-City YOY NSA</b>	<b>Apr</b>	<b>2.5%</b>	<b>2.7%</b>	--
		<b>Richmond Fed Manufact. Index</b>	<b>Jun</b>	<b>2.0</b>	<b>5.0</b>	--
		<b>New Home Sales MOM</b>	<b>May</b>	<b>1.6%</b>	<b>-6.9%</b>	--
		<b>Conf. Board Consumer Confidence</b>	<b>Jun</b>	<b>131.0</b>	<b>134.1</b>	--
26/06		MBA Mortgage Applications	21 Jun	--	-3.4%	--
		Wholesale Inventories MOM	May P	0.5%	0.8%	--
		Durable Goods Orders	May P	-0.3%	-2.1%	--
		Cap Goods Orders Nondef Ex Air	May P	0.1%	-1.0%	--
		Advance Goods Trade Balance	May	-\$71.9b	-\$72.1b	--
26/06	Singapore	Industrial Production YOY	May	-1.8%	0.1%	--
26/06	New Zealand	RBNZ Official Cash Rate	26 Jun	1.5%	1.5%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1399	0.26	1.1404	1.1360	-0.60
GBPUSD	1.2743	0.05	1.2767	1.2708	-0.14
USDJPY	107.30	0.02	107.54	107.25	-2.15
AUDUSD	0.6963	0.53	0.6969	0.6926	-1.18
EURGBP	0.8948	0.28	0.8961	0.8919	-0.45
USDMYR	4.1405	0.20	4.1490	4.1395	0.16
EURMYR	4.7172	0.62	4.7238	4.6596	-0.21
JPYMYR	3.8602	0.14	3.8665	3.8145	2.73
GBPMYR	5.2755	0.21	5.2906	5.2189	0.15
SGDMYR	3.0602	0.01	3.0647	3.0233	0.80
AUDMYR	2.8800	0.29	2.8847	2.8451	-1.47
NZDMYR	2.7400	0.44	2.7423	2.6992	-1.39
CHFMYR	4.2449	0.42	4.2526	4.1934	1.09
CNYMYR	0.6022	0.28	0.6037	0.6022	-0.50
HKDMYR	0.5306	0.21	0.5311	0.5240	0.45
USDSGD	1.3535	0.13	1.3564	1.3532	-0.70
EURSGD	1.5427	0.13	1.5433	1.5403	-1.31
GBPSGD	1.7246	0.19	1.7284	1.7212	-0.85
AUDSGD	0.9425	0.42	0.9432	0.9390	-1.85

Source: Bloomberg

## Forex

### MYR

- **MYR closed stronger by 0.20%** against the USD at 4.1405.
- **We maintain bullish MYR** in line with the broad USD weakness theme as there is still room for USD weakness in the more medium term.

### USD

- **The Dollar index closed lower by 0.12% at 95.990** as the broad USD continues to lose ground on Fed rate cut expectations.
- **We remain bearish USD over the medium term** as Fed rate cut expectations continues to dominate market trading.

### EUR

- **EUR closed 0.26% stronger at 1.1399 against USD** amidst continued USD weakness.
- **We remain bullish on EUR** as the overall outlook continues to favour EUR strength in a weak USD environment.

### GBP

- **GBP closed marginally stronger by 0.05% at 1.2743** driven by a weaker USD but a stronger EUR capped gains.
- **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 107.30** consolidating recent gains although there is some slight guidance lower led by UST yields.
- **We remain bullish JPY** as a weak USD and lower UST yields will likely continue to weigh on the pair.

### AUD

- **AUD closed 0.53% stronger at 0.6963 against the USD.**
- **We remain bullish on AUD** over the short term due to a dovish Fed. However, as previously mentioned, 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 stronger by 0.13% at 1.3535 against USD.**
- **We remain bullish SGD** in the short term as the weak USD theme still has significant room to play out especially against EM.

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