

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks broadly gained overnight, pushed up by surging chip stocks which outweighed weakness in trade-sensitive industrial bellwether shares.** The Dow fell 0.3%, weighed down by Boeing and Caterpillar shares. Boeing reported its largest ever quarterly losses due to the grounding of its 737 Max models while Caterpillar posted disappointing earnings and cut guidance, citing weak Chinese demand. The broader S&P 500 and NASDAQ each rose 0.5% and 0.9% to reach record highs, boosted by rising semiconductors/chip shares after Texas Instrument reported upbeat earnings and hinted better outlook. The Philadelphia Semiconductor Index spiked by 3.1%, its largest jump since June last year. **Bond yields retreated amidst weaker data and ahead of today's ECB meeting.** 10Y benchmark UST yield drifted 3bps lower to 2.04%, 10Y German Bund yield dropped 2bps to -0.38% as the ECB is likely to turn more dovish and revise its forward guidance. Oil prices ended lower as investors shifted focus back to weaker global demand – WTI lost 1.6% to \$55.88/barrel while Brent crude slipped by 1% to \$63.18/barrel.
- **Flash PMI data continued to display weaker trend in manufacturing and solid services across major economies.** The flash US Markit manufacturing PMI slipped to a neutral reading of 50.0 in July to indicate stagnation in business conditions, however the services PMI edged up. PMIs were more dismal in the Euro area as the manufacturing print slid further down to 47.0 while services PMI also went down slightly. Japan manufacturing PMI stayed below 50.0 as well while services PMI rose comfortably above the neutral level. **US new home sales rose lesser than expected** and mortgages applications fell, confirming a lacklustre housing market. On the home front, **Malaysia CPI jumped at its fastest pace in a year**, by 1.5% YOY in June as expected, mainly due to the exceptionally low reading last June following the zerorization of GST.
- **The dollar index closed almost unchanged, inching only 0.03% lower at 97.682** as markets consolidate against recent moves ahead of ECB meeting. **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 flattish at 4.1165** as the broad market is in some form of consolidation ahead of ECB meeting. **We are neutral USDMYR** intraday given a flat DXY overnight and generally consolidative markets. However, over in the medium term, we are bullish MYR over an expected Fed rate cut.
- **SGD closed marginally stronger by 0.07% against the USD** at 1.3646. **We are neutral 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

Malaysia	↑
US	→
Eurozone	↓
Japan	→

What's Coming Up Next

Major Data

- US Wholesale Inventories, Durable Goods Orders, Initial Jobless Claims, Cap Goods Orders Nondef Ex Air, Kansas City Fed Manf. Activity
- Hong Kong Trade Report

Major Events

- ECB Governing Council Meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1100	1.1110	1.1138	1.1150	1.1175	→
GBPUSD	1.2380	1.2430	1.2484	1.2500	1.2530	↘
USDJPY	107.70	108.00	108.22	108.50	108.75	→
AUDUSD	0.6925	0.6950	0.6978	0.7000	0.7025	→
EURGBP	0.8880	0.8900	0.8925	0.8950	0.8990	↗
USDMYR	4.1100	4.1150	4.1190	4.1200	4.1250	→
EURMYR	4.5600	4.5700	4.5869	4.6000	4.6100	→
JPYMYR	3.7700	3.7900	3.8068	3.8200	3.8300	→
GBPMYR	5.1100	5.1250	5.1417	5.1500	5.1750	↘
SGDMYR	3.0150	3.0175	3.0195	3.0225	3.0250	→
AUDMYR	2.8500	2.8600	2.8742	2.8800	2.9000	→
NZDMYR	2.7400	2.7500	2.7605	2.7800	2.7950	→
USDSGD	1.3600	1.3630	1.3651	1.3675	1.3700	→
EURSGD	1.5150	1.5180	1.5202	1.5230	1.5260	→
GBPUSD	1.6850	1.6950	1.7035	1.7050	1.7150	↘
AUDSGD	0.9480	0.9510	0.9524	0.9550	0.9575	→

* 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	1,652.41	-0.20	-2.26	CRB Index	178.22	-0.45	4.96
Dow Jones Ind.	27,269.97	-0.29	16.90	WTI oil (\$/bbl)	55.88	-1.57	22.64
S&P 500	3,019.56	0.47	20.45	Brent oil (\$/bbl)	63.18	-1.02	17.43
FTSE 100	7,501.46	-0.73	11.49	Gold (\$/oz)	1,425.86	0.57	11.11
Shanghai	2,923.28	0.80	17.22	CPO (RM/tonne)	1,882.00	0.37	-3.61
Hang Seng	28,524.04	0.20	10.36	Copper (\$/tonne)	5,999.00	0.52	0.57
STI	3,368.44	-0.14	9.77	Rubber (sen/kg)	471.00	0.43	24.27

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA CPI YOY	Jun	1.5%	0.2%	1.5%
US MBA Mortgage Applications	Jul-19	-1.9%	-1.1%	--
US Markit Manufacturing PMI	Jul P	50.0	50.6	51.0
US Markit Services PMI	Jul P	52.2	51.5	51.8
US New Home Sales MOM	Jun	7.0%	-8.2% (revised)	5.1%
EU Markit Manufacturing PMI	Jul P	47.0	47.6	47.7
EU Markit Services PMI	Jul P	53.3	53.6	53.3
JP Jibun Bank Japan PMI Mfg	Jul P	49.6	49.3	--
JP Jibun Bank Japan Services PMI	Jul P	52.3	51.9	--

Source: Bloomberg

➤ Macroeconomics

- US manufacturing growth stagnated, services saw modest growth:** The flash US Markit Manufacturing PMI slipped to a neutral 50.0 in July (Jun: 50.6), its lowest level since Sep 2009, signaling a stagnant business conditions and thus adding to recent concerns of the health of the US manufacturing industry. Lower output, employment and stocks of purchases dragged down the headline PMI with firms citing the downturn in the automotive sector and heightened global economic uncertainty as key factors behind the loss of momentum. Meanwhile, the flash services PMI rose to 52.2 this month (Jun: 51.5) to suggest a modest growth in the industry, supported by price discounting as average charges went down to a great extent, it is worth noting that business expectations for the next 12 months were seen falling sharply across the sector. Both PMI readings left the flash composite index to edge up a tad higher to 51.6 (June: 51.5), an indication that the US economy started Q3 on a rather weaker footing.
- US new home sales rebounded; mortgages demand fell:** After two successive months of declines, new home sales in June inched up by 7% (May: -8.2% revised) to 646k units (May: 604k revised), but missed analysts' call for 658k units. Sales for the previous month also turned out to have fallen by more than initially expected. Mortgage applications fell again for the fourth running week by 1.9% for the week ended 19 Jul (previous: -1.1%) even as interest rates turned lower last week. These latest readings together with yesterday's falling new home sales confirmed the overall lacklustre activity in the US housing market despite lower borrowing cost.
- Eurozone manufacturing sector downturn deepened, services growth eased:** The flash Eurozone manufacturing PMI fell deeper to 47.0 in July (Jun: 48.5), marking its sixth successive month of sub-50 reading and pointing to deeper manufacturing downturn in the single currency area amidst dropping new orders and exports. The entrenched weakness in factories activities was however countered by the continuous, albeit slower expansion of the services sector of which PMI fell slightly to 53.3 (June: 53.6), leaving the overall Euro area growth outlook to remain much subdued, evident in the fall of the flash composite PMI to 51.5 (Jun: 52.2). Business confidence was said to have plunged to the lowest level since late 2014, pointing to even dimmer prospect ahead. Amidst deteriorating data, the ECB Governing Council is expected to revise its forward guidance tonight, money markets however are pricing in a 44% chance that the ECB would cut its key deposit rate further in the negative territory.
- Japan manufacturing downturn continued, services sector held up:** The flash Jibun Bank Manufacturing PMI (formerly Nikkei manufacturing PMI) rose slightly to 49.6 in July (Jun: 49.3) pointing to continuous downturn in Japanese manufacturing sector. According to Markit, weak demand from China remained a key factor behind sluggish demand for Japanese goods while heightened frictions between Japan and South Korea also added downside risk to the manufacturing supply chain in Japan. On the contrary, the flash services PMI rose to 52.3 in the same month (Jun: 51.9), indicating a solid and stronger expansion in Japanese service sector. This left the composite index to rise to 51.2 (Jun: 50.8), a slight improvement in the overall outlook for Japanese economy this month.

- Malaysia CPI spiked in June on low base effect:** Consumer Price Index (CPI) jumped at its fastest pace in a year, by 1.5% YOY in June (May: +0.2% YOY) as expected, mainly due to the exceptionally low reading last June following the zerorization of GST. Services CPI quickened by a full percentage point to 2.6% YOY (May: +1.6% YOY) and core CPI jumped to 1.9% YOY in June (May: +0.4% YOY), both at their highest since Jan-18. However, inflation was stagnant MOM (May: +0.2% MOM), reflecting the absence of upward price momentum. Hence, the surge in headline and core CPI during the month should not be taken out of context as a sharp spike in inflationary pressure in the system. We are projecting inflation to average 1.4-1.5% YOY for the remaining of the year, after having barely grew by 0.2% YOY in 1H19, hence bringing full year CPI to 0.8% YOY in 2019. Inflationary trajectory ahead will depend much on the review of price ceiling for RON95 and diesel, which in turn hinges much on the movement in global crude oil prices. Meanwhile, the much anticipated and much delayed petrol subsidy system for the targeted B4 group may not have a material impact on CPI as it will likely be implemented in the form of cash assistance to the qualified group, which will not have any impact on pump prices.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
25/07	US	Wholesale Inventories MOM	Jun P	0.5%	0.4%	--
		Durable Goods Orders	Jun P	0.7%	-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	--
26/07		GDP Annualized QOQ	2Q A	1.8%	3.1%	--
25/07	Eurozone	ECB Main Refinancing Rate	Jul-25	0.0%	0.0%	--
25/07	Hong Kong	Exports YOY	Jun	-2.3%	-2.4%	--
		Trade Balance HKD	Jun	-49.1b	-34.7b	--
26/07	Singapore	Industrial Production YOY	Jun	-8.5%	-2.4%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1140	-0.11	1.1156	1.1127	-2.84
GBPUSD	1.2484	0.35	1.2522	1.2427	-2.14
USDJPY	108.19	-0.04	108.28	107.94	-1.38
AUDUSD	0.6977	-0.40	0.7009	0.6973	-1.04
EURGBP	0.8924	-0.46	0.8968	0.8906	-0.71
USDMYR	4.1165	-0.05	4.1225	4.1160	-0.41
EURMYR	4.5855	-0.39	4.5970	4.5845	-3.00
JPYMYR	3.8107	0.10	3.8152	3.8053	1.41
GBPMYR	5.1333	0.30	5.1333	5.1203	-2.55
SGDMYR	3.0177	-0.05	3.0199	3.0149	-0.60
AUDMYR	2.8729	-0.69	2.8837	2.8717	-1.71
NZDMYR	2.7576	-0.45	2.7625	2.7559	-0.76
CHFMYR	4.1771	-0.12	4.1834	4.1708	-0.53
CNYMYR	0.5989	0.05	0.5990	0.5982	-1.05
HKDMYR	0.5271	-0.04	0.5278	0.5268	-0.21
USDSGD	1.3646	-0.07	1.3665	1.3629	0.12
EURSGD	1.5201	-0.18	1.5233	1.5191	-2.73
GBPSGD	1.7034	0.26	1.7072	1.6964	-2.02
AUDSGD	0.9525	-0.43	0.9569	0.9514	-0.91

Source: Bloomberg

Forex

MYR

- **MYR closed flattish at 4.1165** as the broad market is in some form of consolidation ahead of ECB meeting.
- **We are neutral USDMYR** intraday given a flat DXY overnight and generally consolidative markets. However, over in the medium term, we are bullish MYR over an expected Fed rate cut.

USD

- **The dollar index closed almost unchanged, inching only 0.03% lower at 97.682** as markets consolidate against recent moves ahead of ECB meeting.
- **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 0.11% weaker against the USD at 1.1140** in muted trading.
- **We are neutral EUR today** as markets would likely be in consolidation ahead of the ECB meeting.

GBP

- **GBP closed 0.35% stronger at 1.2484** as markets cheer the appointment of Boris Johnson (BoJo) as the next UK PM.
- **We remain bearish GBP in the short term** on market positioning ahead of ECB meeting and **we remain bearish GBP over the medium term** as new PM BoJo still has a long way to go to hammer out a Brexit deal.

JPY

- **JPY finished marginally stronger by 0.04% at 108.19** as the broad market is in consolidation.
- **We are neutral JPY today** as markets await ECB meeting 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 0.40% weaker at 0.6977** as the pair continues to lose ground as it trades past 0.7000 psychological short term support.
- **We are neutral AUD today** as the market concentrates on the looming ECB meeting but **we remain bullish AUD over the medium term** as a Fed July cut is imminent.

SGD

- **SGD closed marginally stronger by 0.07% against the USD at 1.3646.**
- **We are neutral 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.

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