

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks slipped overnight as a series of Fed officials' remarks tamed enthusiasm surrounding aggressive rate cut prospects.** Fed Chair Jerome Powell said that the Fed was weighing whether current economic uncertainties warrant a rate cut and clarified that **the central bank was insulated from "short-term political pressure", effectively sending message that it won't succumb to President Trump's demand for lower rates.** St. Louis Fed President James Bullard said that a 50bps cut in the fed funds rate would be "overdone", dimming the likelihood that the Fed is in for a swift easing to support the economy. **Traders trimmed bets on faster rate cuts as futures now show a 23% chance of a 50bps cuts in the fed funds rate** versus the 38% seen prior to policy makers' less than dovish remarks. Overall markets are still pricing in 100% chance of a cut in late July. The Dow erased 179pts or 0.7% whereas the S&P 500 and NASDAQ lost 1.0% and 1.5% respectively. Treasuries yield fell 2-3bps along the curve. Yield on 2Y notes, highly sensitive to short term interest rate changes was flat at 1.73% while 10Y UST yield ticked down by 2bps to 1.99%. Crude oil benchmarks ended mixed again amidst US-Iran tensions as WTI fell 0.1% to \$57.83/barrel while Brent gained 0.3% to \$65.05/barrel.
- Economic data are scanty and releases all came from the US. **Consumer confidence was hampered in June over slower job growth and trade tensions as Conference Consumer Confidence Index plunged nearly 10pts to 121.5.** The Richmond Fed's Fifth District Survey of Manufacturing Activity reported that its headline manufacturing index fell back to 3.0 in June, adding to signs of slower US manufacturing growth. **Housing markets were mixed with a negative bias.** New home sales fell 7.8% MOM in May. The FHFA House Price Index picked up 0.4% in April while the S&P CoreLogic Case Schiller House Price Index for 20 largest US cities was flat MOM.
- **The Dollar index closed higher by 0.24% at 96.222** as Fed officials' comments tamed rate cut expectations. **We remain bearish USD over the medium term** but given Fed comments, we may see some retracement back higher in the USD from now until the actual cut announcement.
- **MYR closed weaker by 0.10%** against the USD at 4.1445. **We remain bullish MYR** in line with the broad USD weakness theme. However, we may be facing some short term volatility due to Fed official comments that dampened expectations of aggressive rate cuts.
- **SGD closed marginally weaker by 0.07% at 1.3545 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. However, since rate cut expectations are tamed by Fed officials, we may see some short term volatility as markets readjust expectations.

Overnight Economic Data

US



What's Coming Up Next

Major Data

- Malaysia CPI
- US MBA Mortgage Applications, Wholesale Inventories, Durable Goods Orders, Advance Goods Trade Balance
- Singapore Industrial Production

Major Events

- RBNZ Official Cash Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1300	1.1330	1.1362	1.1390	1.1400	↗
GBPUSD	1.2600	1.2650	1.2688	1.2700	1.2730	↘
USDJPY	106.80	107.00	107.36	107.70	108.00	↘
AUDUSD	0.6900	0.6930	0.6963	0.6975	0.7000	→
EURGBP	0.8900	0.8925	0.8959	0.8975	0.9000	→
USDMYR	4.1400	4.1450	4.1500	4.1550	4.1600	↘
EURMYR	4.6850	4.7050	4.7155	4.7350	4.7500	↗
JPYMYR	3.8400	3.8550	3.8660	3.8750	3.8900	↗
GBPMYR	5.2500	5.2600	5.2660	5.2900	5.3100	↘
SGDMYR	3.0575	3.0600	3.0640	3.0650	3.0675	→
AUDMYR	2.8600	2.8750	2.8885	2.8900	2.9050	→
NZDMYR	2.7250	2.7400	2.7535	2.7600	2.7750	→
USDSGD	1.3500	1.3520	1.3548	1.3555	1.3580	↘
EURSGD	1.5350	1.5370	1.5395	1.5430	1.5460	→
GBPSGD	1.7125	1.7150	1.7185	1.7200	1.7230	↘
AUDSGD	0.9375	0.9400	0.9430	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	1,676.61	0.03	-0.83	CRB Index	180.88	0.49	6.52
Dow Jones Ind.	26,548.22	-0.67	13.81	WTI oil (\$/bbl)	57.83	-0.12	26.82
S&P 500	2,917.38	-0.95	16.38	Brent oil (\$/bbl)	65.05	0.29	20.91
FTSE 100	7,422.43	0.08	10.32	Gold (\$/oz)	1,423.44	0.26	10.61
Shanghai	2,982.07	-0.87	19.57	CPO (RM/tonne)	1,941.00	-1.57	-0.59
Hang Seng	28,185.98	-1.15	9.05	Copper (\$/tonne)	6,042.00	1.38	1.29
STI	3,304.27	-0.22	7.67	Rubber (sen/kg)	493.50	0.30	30.21

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US FHFA House Price Index MOM	Apr	0.4%	0.1%	0.2%
US S&P CoreLogic CS 20-City YOY NSA	Apr	2.5%	2.6% (revised)	2.5%
US Richmond Fed Manufact. Index	Jun	3.0	5.0	2.0
US New Home Sales MOM	May	-7.8%	-3.7% (revised)	1.6%
US Conf. Board Consumer Confidence	Jun	121.5	131.3 (revised)	131.0

Source: Bloomberg

Macroeconomics

- US consumer confidence hampered by softer job market and trade tensions:** The Conference Consumer Confidence Index plunged nearly 10pts to 121.5 in June (May: 131.3 revised). The Present Situation Index dropped 8pts due to less favourable assessment of the business and labour market conditions while the Expectations Index slipped by 11pts as consumers' expectations regarding short term outlook pulled back following the escalation in trade and tariffs tensions.
- Richmond Fed manufacturing index slipped in June:** The Richmond Fed's Fifth District Survey of Manufacturing Activity reported that its headline manufacturing index fell back to 3.0 in June (May: 5.0) after a slight improvement in the previous month, suggesting that factory activities in the Fifth District remain very much subdued this month, adding to signs of a slowing US manufacturing sector.
- Mixed signals in US housing markets:** Sales of newly built homes in the US fell 7.8% MOM in May (Apr: -3.7% revised), in contrast with the modest gain recorded in existing home sales in the same month. The good news was that the initial decline in the previous month turned out to be lesser than estimated as April figure was revised upwards from -6.9% to -3.7% MOM. House price indexes showed mixed signs as the Federal Housing Finance Agency House Price Index picked up at a faster pace of 0.4% MOM in April (Mar: +0.2%). The S&P CoreLogic Case Schiller House Price Index for 20 largest US cities meanwhile was flat MOM (Apr: +0.3% revised) and posted a slower 2.5% YOY (Mar: +2.6% revised). Overall housing data continued to flash mixed signals over the sector's prospect as sales appeared rather constrained for the first half of the year. We believe that sales likely remain moderate for this period of time as potential buyers hold back from making decisions while waiting for a move from the Fed.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
26/06	Malaysia	CPI YOY	May	0.3%	0.2%	--
26/06	US	MBA Mortgage Applications	21 Jun	--	-3.4%	--
		Wholesale Inventories MOM	May P	0.5%	0.8%	--
		Durable Goods Orders	May P	-0.2%	-2.1%	--
		Cap Goods Orders Nondef Ex Air	May P	0.1%	-1.0%	--
		Advance Goods Trade Balance	May	-\$71.8b	-\$72.1b	-\$70.9b
27/06		GDP Annualized QOQ	1Q T	3.2%	3.1%	--
		Initial Jobless Claims	22 Jun	220k	216k	--
		Pending Home Sales MOM	May	1.0%	-1.5%	--
		Kansas City Fed Manf. Activity	Jun	1.0	4.0	--
27/06	Eurozone	Economic Confidence	Jun	104.8	105.1	--
		Consumer Confidence	Jun F	-7.2	-6.5	--
27/06	Japan	Retail Sales YOY	May	1.2%	0.5%	0.4%
27/06	China	Industrial Profits YOY	May	--eco n	-3.7%	--
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%	--
27/06		ANZ Business Confidence	Jun	--	-32.0	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1367	-0.28	1.1412	1.1344	-0.86
GBPUSD	1.2689	-0.42	1.2784	1.2672	-0.50
USDJPY	107.20	-0.09	107.41	106.78	-2.29
AUDUSD	0.6961	-0.03	0.6978	0.6942	-1.28
EURGBP	0.8957	0.10	0.8964	0.8916	-0.35
USDMYR	4.1445	0.10	4.1460	4.1385	0.27
EURMYR	4.7161	-0.02	4.7291	4.7154	-0.24
JPYMYR	3.8703	0.26	3.8808	3.8534	2.99
GBPMYR	5.2885	0.25	5.2982	5.2723	0.40
SGDMYR	3.0617	0.05	3.0644	3.0584	0.85
AUDMYR	2.8876	0.26	2.8884	2.8794	-1.21
NZDMYR	2.7534	0.49	2.7570	2.7423	-0.91
CHFMYR	4.2476	0.06	4.2748	4.2462	1.15
CNYMYR	0.6022	-0.01	0.6028	0.6019	-0.51
HKDMYR	0.5308	0.04	0.5311	0.5299	0.49
USDSGD	1.3545	0.07	1.3557	1.3521	-0.61
EURSGD	1.5397	-0.19	1.5437	1.5378	-1.47
GBPSGD	1.7187	-0.34	1.7293	1.7176	-1.11
AUDSGD	0.9429	0.04	0.9439	0.9409	-1.86

Source: Bloomberg

➤ Forex

MYR

- **MYR closed weaker by 0.10%** against the USD at 4.1445.
- **We remain bullish MYR** in line with the broad USD weakness theme. However, we may be facing some short term volatility due to Fed official comments that dampened expectations of aggressive rate cuts.

USD

- **The Dollar index closed higher by 0.24% at 96.222** as Fed officials' comments tamed rate cut expectations.
- **We remain bearish USD over the medium term** but given Fed comments, we may see some retracement back higher in the USD from now until the actual cut announcement.

EUR

- **EUR closed 0.28% weaker at 1.1367 against USD** amidst broad USD strength.
- **We remain bullish on EUR** over the medium term but we may be seeing some short term correction back towards 1.1330 area due to Fed official's less dovish comments.

GBP

- **GBP closed weaker by 0.42% at 1.2689** dragged by a stronger USD and Brexit comments by lawmakers.
- **We remain bearish GBP** as Boris Johnson, one of the leading UK leadership candidates continues to make statements that should he win the leadership race, he would deliver Brexit on October 31 with or without a deal.

JPY

- **JPY closed marginally stronger by 0.09% at 107.20** in tune with lower 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 flat at 0.6961 against the USD.**
- **We turn neutral on AUD** over the short term as Fed officials tamed rate cut expectations alongside a potential RBNZ cut later today.

SGD

- **SGD closed marginally weaker by 0.07% at 1.3545 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. However, since rate cut expectations are tamed by Fed officials, we may see some short term volatility as markets readjust expectations.

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.