

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks fell from record highs overnight as a slew of weak corporate earnings and a less dovish than expected ECB weighed on sentiments.** Shares of carmaker Ford Motor plunged after reporting disappointing profits and lowering its guidance, Tesla shares suffered a brutal sell-off on bigger than expected Q2 losses. Facebook gave up yesterday's gain as CFO David Wehner said the company expects revenue to fall "sequentially" moving forward. Boeing shares extended further declines following yesterday's larger than expected losses. **The ECB left key interest rates unchanged, signaling an easing bias and opening door for rate cuts and QE but did not disclose any specifics both in the official statement and Mario Draghi's press conference.** European stocks closed lower as Draghi pointed to worsening growth outlook, saying that a 2H rebound was unlikely. **Global bonds yield rose** - 10Y UST yield edged up by 3bps to 2.08%, 10Y German bund yield rebounded off record low to -0.36%. Oil prices retraced some of previous day's losses- both WTI and Brent rose 0.3% to \$56.02/barrel and \$63.39/barrel.
- **US data were mixed overnight.** Factory orders rebounded by 2.0% MOM in June according to preliminary readings. The core capital orders, a barometer of firms' investment spending, increased yet another month by a solid 1.9%. Advance reports show that US goods trade deficit went down to \$74.17b in June. Both exports and imports fell again after a brief surge in the previous month when US-China trade tensions escalated. Inventory investment in the US appeared lackluster as wholesale inventory rose 0.2% MOM in June while retail inventory fell 0.1%. **In Asia, Hong Kong exports slumped further by 9.0% for the eighth straight month in June,** confirming that slower demand from China is taking toll on the SAR's weakening external trade sector.
- **The dollar index ended 0.11% higher at 97.791** as the overall DXY gained from a dovish ECB. **We are mildly bullish on USD today** as market reacts to a dovish ECB. However, in the medium term, expect the level of dovishness of major global central banks to determine the direction of the overall USD.
- **MYR closed marginally stronger at 4.1145** on some last minute support before the close. **We are mildly bullish USDMYR** intraday given a stronger DXY post a dovish ECB that hinted that they may restart their bond-buying program. We remain bullish MYR over the medium term due to impending Fed rate cut.
- **SGD closed 0.21% weaker against the USD** at 1.3674 in line with general USD strength. **We are mildly 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. We also look towards US-China trade talks and the possibility of any trade resolution for medium term guidance.

Overnight Economic Data

US
Hong Kong



What's Coming Up Next

Major Data

- US 2Q GDP Annualized QOQ
- Singapore Industrial Production

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1100	1.1110	1.1151	1.1175	1.1200	→
GBPUSD	1.2380	1.2420	1.2455	1.2500	1.2530	↘
USDJPY	108.00	108.30	108.68	108.75	109.00	↗
AUDUSD	0.6900	0.6925	0.6953	0.6975	0.7000	↘
EURGBP	0.8880	0.8920	0.8954	0.8975	0.8990	↗
USDMYR	4.1125	4.1175	4.1220	4.1250	4.1300	↗
EURMYR	4.5600	4.5750	4.5960	4.6000	4.6150	↗
JPYMYR	3.7700	3.7850	3.7935	3.8100	3.8250	↘
GBPMYR	5.1100	5.1250	5.1340	5.1500	5.1750	↘
SGDMYR	3.0100	3.0125	3.0155	3.0180	3.0220	↘
AUDMYR	2.8500	2.8600	2.8660	2.8800	2.9000	↘
NZDMYR	2.7250	2.7400	2.7461	2.7650	2.7800	↘
USDSGD	1.3620	1.3650	1.3673	1.3700	1.3720	↗
EURSGD	1.5180	1.5210	1.5248	1.5260	1.5290	↗
GBPUSD	1.6850	1.6950	1.7031	1.7050	1.7150	↘
AUDSGD	0.9470	0.9500	0.9510	0.9540	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	1,656.58	0.25	-2.01	CRB Index	177.88	-0.19	4.76
Dow Jones Ind.	27,140.98	-0.47	16.35	WTI oil (\$/bbl)	56.02	0.25	22.97
S&P 500	3,003.67	-0.53	19.82	Brent oil (\$/bbl)	63.39	0.33	17.83
FTSE 100	7,489.05	-0.17	11.31	Gold (\$/oz)	1,414.58	-0.79	10.36
Shanghai	2,937.36	0.48	17.78	CPO (RM/tonne)	1,903.00	1.04	-2.54
Hang Seng	28,594.30	0.25	10.63	Copper (\$/tonne)	6,007.00	0.13	0.70
STI	3,381.26	0.38	10.18	Rubber (sen/kg)	471.00	0.11	24.27

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Wholesale Inventories MOM	Jun P	0.2%	0.4%	0.5%
US Durable Goods Orders	Jun P	2.0%	-2.3% (revised)	0.7%
US Cap Goods Orders Nondef Ex Air	Jun P	1.9%	0.3% (revised)	0.2%
US Initial Jobless Claims	Jul-20	206k	216k	218k
US Kansas City Fed Manf. Activity	Jul	-1.0	0.0	3.0
EU ECB Main Refinancing Rate	Jul-25	0.0%	0.0%	0.0%
HK Exports YOY	Jun	-9.0%	-2.4%	-2.3%
HK Trade Balance HKD	Jun	-55.2b	-34.7b	-49.1b

Source: Bloomberg

➤ Macroeconomics

- ECB signaled an easing bias, widened doors for rate cuts and QE:** The ECB kept its key interest rates unchanged, but revised its forward guidance as widely expected by introducing easing bias in its official statement, suggesting that a rate cut is in the pipeline in the coming months. It now expects interest rates to remain at their present “or lower” levels at least through the first half of 2020. Citing low inflation, it added “the need for a highly accommodative stance of monetary policy for a prolonged period of time and is determined to act and stand ready to adjust all of its instruments, as appropriate. Options include tiered system for reserve remuneration, and potential new net asset purchases. The risks surrounding the euro area growth outlook remain tilted to the downside, reflecting the prolonged presence of uncertainties. President Draghi said in the post meeting press conference that the initially expected growth rebound in the second half had become less likely and outlook was getting worse and worse” but the risk of a recession was “pretty low”. The trigger for action is the continued shortfall in inflation. That said for now much of the information regarding future easing remained limited as Draghi said “substantive discussion” about policy changes would be carried out in September alongside release of new economic projections. The euro hit two-year low at the start of Draghi’s press conference but rebounded thereafter to finish nearly 0.1% higher at 1.1147 against the dollar.
- US durable goods orders rebounded; capex stayed resilient:** US factory orders rebounded by 2.0% MOM in June (May: -2.3% revised) according to preliminary readings. The core capital orders, a barometer of firms’ investment spending, increased yet another month by a solid 1.9% MOM (May: +0.3% revised), indicating resilience in US capex despite somewhat slower growth outlook.
- US goods exports fell, inventory growth lacklustre:** Advance reports show that US goods trade deficit went down to \$74.17b in June (May: -\$75.05b) as exports fell 2.7% MOM (May: +2.9%) while imports dropped by 2.2% MOM (May: +3.9%). Both exports and imports fell again after a brief surge in the previous month when US-China trade tensions escalated reflecting firms’ preparatory move to front load goods in anticipation of more tariffs. In the same report, inventory investment in the US appeared lackluster as wholesale inventory rose 0.2% MOM in June (May: +0.4%) while retail inventory fell 0.1% MOM (+0.6%). Separately initial jobless claims fell by 10k to 206k last week (previous: 216k) as the labour market stayed solid. The Kansas City Fed Manufacturing Index fell slightly to -1 in Jul (June: 0) suggesting that regional factory growth remained flattish.
- Hong Kong exports slipped for eight straight month:** Hong Kong exports slumped further in June, confirming that slower demand from China is taking toll on the SAR’s weakening external trade sector. Exports fell for the eighth straight month by 9.0% YOY in June (May: -2.4%) while imports also experienced its seventh successive month of decline, by 7.5% (May: -4.3%). On a monthly basis, exports dropped by 9.8% (May: +6.7%) and imports slipped by 3.4% (May: +5.9%) leaving the trade deficit to widen to HKD55.2b (May: -34.7b). Looking at country details, shipments to its largest trading partner, China as well as all the other key destinations recorded declines, a troubling sign that the Hong Kong economy is in for a rough ride moving into the third quarter.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
26/07	US	GDP Annualized QOQ	2Q A	1.8%	3.1%	--
29/07		Dallas Fed Manf. Activity	Jul	-5.0	-12.1	--
29/07	UK	Mortgage Approvals	Jun	65.8k	65.4k	--
29/07	Japan	Retail Sales YOY	Jun	0.2%	1.2%	1.3%
27/07	China	Industrial Profits YOY	Jun	--	1.1%	--
26/07	Singapore	Industrial Production YOY	Jun	-8.5%	-2.4%	--
29/07	Vietnam	CPI YOY	Jul	2.4%	2.2%	--
		Industrial Production YOY	Jul	--	9.6%	--
		Retail Sales YTD YOY	Jul	--	11.5%	--
		Exports YOY	Jul	7.1%	8.5%	--
		Trade Balance	Jul	-\$490m	\$400m	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1147	0.06	1.1188	1.1102	-2.79
GBPUSD	1.2458	-0.21	1.2518	1.2437	-2.37
USDJPY	108.63	0.41	108.75	108.04	-0.94
AUDUSD	0.6951	-0.37	0.6984	0.6943	-1.39
EURGBP	0.8950	0.30	0.8959	0.8892	-0.42
USDMYR	4.1145	-0.05	4.1205	4.1135	-0.46
EURMYR	4.5787	-0.15	4.5894	4.5773	-3.14
JPYMYR	3.8095	-0.03	3.8112	3.8043	1.38
GBPMYR	5.1351	0.04	5.1438	5.1310	-2.52
SGDMYR	3.0150	-0.09	3.0201	3.0150	-0.69
AUDMYR	2.8677	-0.18	2.8770	2.8668	-1.89
NZDMYR	2.7527	-0.18	2.7630	2.7523	-0.94
CHFMYR	4.1753	-0.04	4.1852	4.1743	-0.57
CNYMYR	0.5989	0.01	0.5997	0.5987	-1.04
HKDMYR	0.5268	-0.06	0.5272	0.5266	-0.27
USDSGD	1.3674	0.21	1.3687	1.3641	0.33
EURSGD	1.5243	0.28	1.5277	1.5164	-2.47
GBPSGD	1.7033	-0.01	1.7078	1.7011	-2.05
AUDSGD	0.9505	-0.21	0.9529	0.9492	-1.05

Source: Bloomberg

Forex

MYR

- **MYR closed marginally stronger at 4.1145** on some last minute support before the close.
- **We are mildly bullish USDMYR** intraday given a stronger DXY post a dovish ECB that hinted that they may restart their bond-buying program. We remain bullish MYR over the medium term due to impending Fed rate cut.

USD

- **The dollar index ended 0.11% higher at 97.791** as the overall DXY gained from a dovish ECB.
- **We are mildly bullish on USD today** as market reacts to a dovish ECB. However, in the medium term, expect the level of dovishness of major global central banks to determine the direction of the overall USD.

EUR

- **EUR closes marginally stronger against the USD at 1.1147** in a volatile see-saw session.
- **We are neutral to mildly bullish EUR today** as markets would likely continue to adjust positioning to reflect a perceived less dovish ECB.

GBP

- **GBP closed 0.21% weaker at 1.2458** as the EU reaffirms that there will be no renegotiation of the Brexit deal in place.
- **We remain bearish GBP over the short and medium term** as the sentiment surrounding the GBP remains poor as BoJo will either have to hammer out a Brexit deal with a narrowly leading majority government or force through a no-deal Brexit by 31 October.

JPY

- **JPY finished weaker by 0.41% at 108.63** as the pair leads the DXY higher on an overall stronger USD and higher UST yields.
- **We are bearish JPY today** as market might continue to express ECB dovishness via USD strength. However, in the medium term, **we remain bullish JPY** as a looming Fed rate cut will likely support JPY strength.

AUD

- **AUD closed 0.37% weaker at 0.6951** as pair continues to lose ground on a broadly stronger USD.
- **We are bearish AUD today** as the market may continue to express ECB dovishness via USD strength. However, **we remain bullish AUD** over the medium term over a looming Fed rate cut and possible trade resolution as US and China restart trade talks.

SGD

- **SGD closed 0.21% weaker against the USD** at 1.3674 in line with general USD strength.
- **We are mildly 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. We also look towards US-China trade talks and the possibility of any trade resolution for medium term guidance.

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