

Global Markets Research

Daily Market Highlights

Key Takeaways

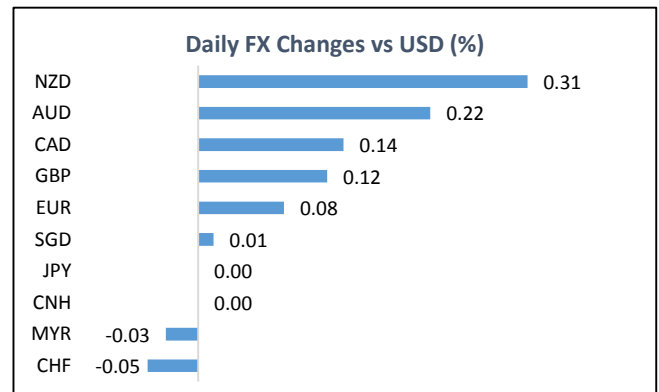
- **Global stocks ended mixed amid cautious sentiment** while the US stock markets were closed on Friday for the Fourth of July Independence Day holiday. European stocks slipped lower with the FTSE 100 leading the losses (-1.3%), followed by the French CAC 40 (-0.84%) and Germany's DAX (-0.64%). Asian equities had ended higher earlier as stocks in China, Hong Kong and Japan rallied. Looking at other asset classes, gold price fell a little (-0.2%) to close the week at \$1772/05/ounce. Crude oil prices were 0.8% lower – WTI settled at \$40.32/barrel and Brent at \$42.8/barrel.
- Over the weekend, **ECB President Christine Lagarde said that the pandemic would shrink the supply chain by 35%**, and change the global economy profoundly, shifting the system towards more digitisation and automation. **In the week ahead, sentiment is likely to remain cautious as investors watch the continuous surge in US Covid-19 cases. Economic data flow is also light this week with US ISM non-manufacturing index being a major highlight tonight.**
- Economic data were mixed as well. Services PMI continued to tick up in the Eurozone, UK, Japan and China. UK consumer confidence improved but remained depressed. Australia retail sales rebounded but Singapore retail sales were halved. PMI however ticked higher following the reopening of the economy in June.
- USD was stable on Friday. DXY fell by a slight 0.1% as NZD, AUD gained. We are **neutral on the USD** for the week ahead. DXY has remained in range movement since 10 June, after a bottom of 95.716 on 11 June. DXY should stay within 96.84-97.80 for now. Some risk aversion may provide a bid tone in the coming days.
- USDMYR finished little changed at 4.2875 on Friday, holding around recent ranges for the fourth consecutive session. **The neutral mode in USDMYR is likely to extend into this week** ahead of the tomorrow's BNM's OPR decision. We are maintaining view that the central bank would keep the policy rate at the current 2.00%.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	25,827.36	0.36	-9.50
S&P 500	3,130.01	0.45	-3.12
FTSE 100	6,157.30	-1.33	-18.36
Hang Seng	25,373.30	0.99	-9.99
KLCI	1,552.65	1.07	-2.27
STI	2,652.94	0.62	-17.68
Dollar Index	97.17	-0.10	0.8
WTI oil (\$/bbl)	40.32	-0.81	-33.97
Brent oil (\$/bbl)	42.80	-0.79	-35.20
Gold (\$/oz)	1,772.05	-0.20	16.79
CPO (RM/tonne)	2,420.50	1.00	-20.00

Source: Bloomberg

*Dow, S&P and WTI closing as at 2 July



Source: Bloomberg

Overnight Economic Data

Eurozone	↑	UK	↑
Japan	↑	China	↑
Australia	↑	Singapore	→

Up Next

Date	Event	Prior
06/07	US Markit US Services PMI (Jun F)	46.7
	US ISM Non-Manufacturing Index (Jun)	45.4
	EU Sentix Investor Confidence (Jul)	-24.8
	EU Retail Sales MoM (May)	-11.70%
	UK Markit/CIPS UK Construction PMI (Jun)	28.9
	HK Markit Hong Kong PMI (Jun)	43.9
07/07	MA BNM Overnight Policy Rate (07 Jul)	2.00%
	MA Foreign Reserves (30 Jun)	\$102.8b
	JP Household Spending YoY (May)	-11.10%
	JP Labor Cash Earnings YoY (May)	-0.60%
	JP Leading Index CI (May P)	77.7
	AU AiG Perf of Services Index (Jun)	31.6
	AU RBA Cash Rate Target (07 Jul)	0.25%

Source: Bloomberg

Macroeconomics

• *Services PMI ticked up across major economies:*

- Eurozone Services PMI was revised 1.0ppt higher to 48.3 in June (May: 30.5), marking its best level since four month, but nonetheless still a sub-50 reading.
- UK CIPS Services PMI surged to 47.1 in June (May: 29.0), to signal a turnaround in the services sector's business condition.
- The Jibun Bank Japan Services PMI recorded steep improvement to 45 in June (May: 26.5), suggesting that the rate of contraction is easing.
- The Caixin China Services PMI recorded a sharp increase to 58.4 in June (May: 55), offering firmer sign that activity is expanding rapidly in the country's services industry and in line with the official NBS reading.

- *UK consumer confidence still at depressed level:* The GfK Consumer Confidence Index picked up modestly to -27 in July, up from -30 in June. This represents an improvement from the near historic low of -36, but still a depressed reading in our view despite cases are gradually trending down and businesses are reopening phase-by-phase.

- *Upbeat Australia retail sales:* Australia monthly retail sales growth was revised higher to 16.9% in May, from the initial estimate of 16.3%. This followed the 17.7% MOM decline in April when retail sales registered its record decline during a nationwide lockdown to contain Covid-19.

- *Singapore retail sales halved in May; PMI improved in June:* Singapore's retail sales plunged 52.1% YOY in May, Numbers for May retail sales was worse than April's as the circuit breaker started on 7 April. Even supermarket sales tapered down as hoarding faded. Sales are expected to rebound in the coming months. Meanwhile, Singapore's PMI show that the economy is gradually reopening in June. Markit whole economy PMI improved to 43.2 from 27.1 prior. Manufacturing PMI also climbed to 48 compared to 46.8 prior. This was helped by the electronics sector (47.6 vs. 46.2).

Forex

MYR (Neutral)

- USDMYR finished little changed at 4.2875 on Friday, holding around recent ranges for the fourth consecutive session.
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USD (Neutral-to-Bullish)

- USD was stable on Friday. DXY fell by a slight 0.1% as NZD, AUD gained.
- We are **neutral** on the USD for the week ahead. DXY has remained in range movement since 10 June, after a bottom of 95.716 on 11 June. DXY should stay within 96.84-97.80 for now. Some risk aversion may provide a bid tone in the coming days.

EUR (Neutral)

- EUR/USD was a slight 0.08% up vs. the USD on Friday.
- While PMI data was encouraging, uncertainty is creeping in. Covid-19 cases are now climbing in Europe, and officially warned by the World Health Organisation. There is a chance of some pullback when risk aversion climbs sometime this week.

GBP (Neutral-to-Bearish)

- GBP gained a modest 0.12% against the USD on Friday.
- With GBP stretched to weekly highs, we stay slightly bearish. We see Covid-19 becoming a bigger drag in the coming days. Brexit uncertainty, and possibly fragile fundamentals will also likely continue to weigh down on the GBP.

JPY (Neutral)

- JPY was flat vs. the USD on Friday.
- JPY looks to stay within a range of 106-108. Further moves away from the range looks unlikely at this stage.

AUD (Neutral)

- AUD/USD rose 0.22% on Friday, emerging as one of the outperforming currencies alongside NZD and CAD.
- We see 0.70 as a huge resistance. Consolidation may continue. As the AUD/USD pair remains above its moving averages, some return to 0.67 levels is possible if market fears climb some more.

SGD (Neutral)

- USD/SGD was stable on Friday, without much movements.
- Improving data (such as China's PMI) is counterbalanced by risk aversion that a second global wave of Covid-19 cases is escalating. Momentum upwards looks limited for now, with psychological 1.4000 big figure resistance holding up.

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