

Global Markets Research

Daily Market Highlights

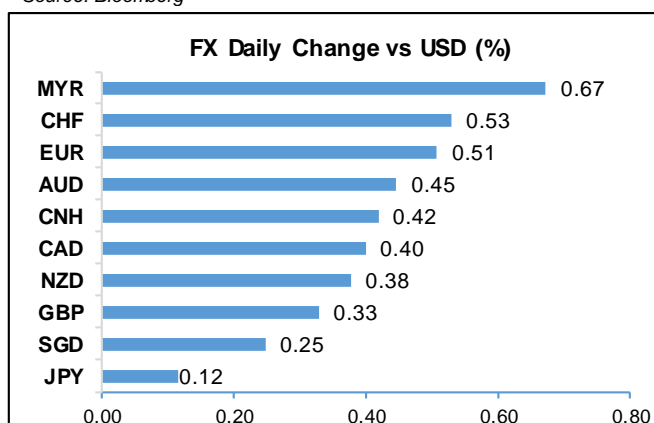
Key Takeaways

- US stocks pushed higher overnight as investors anticipated a new coronavirus stimulus package by US lawmakers.** The Dow Jones outperformed peers by adding 373pts or 1.4% whereas the broader S&P 500 picked up 0.6%. NASDAQ managed to climb by 0.5%. Industrials, materials and financials shares led the gains. Wednesday trading session ended without a deal at Congress but investors were optimistic over House Speaker Nancy Pelosi's positive remark as well as White House negotiators' comments that an agreement could be reached by Friday.
- Treasury yields rose 1-4bps across the curve, reversing last session's movements - 10Y UST yield edged up by 4bps to 0.548%. **Gold futures hit another record high**, closing 1.5% higher at \$2031.1/ounce, extending the ongoing bull run. The dollar fell again overnight. **Crude oil prices rose for the fifth session alongside higher equity prices and a more-than-expected fall (-7.4mil barrels) in US crude inventory last week.** Brent futures jumped sharply by 1.7% to \$45.17/barrel while WTI settled 1.2% higher at \$42.19/barrel.
- July services PMIs point to uneven recovery among major economies** – the US ISM Non-manufacturing Index surged to 58.1. US data were mixed- **the private sector added a mere 167k jobs according to the ADP report**, exports jumped and mortgage applications fell. Retail sales data were encouraging in the Eurozone and Singapore.
- Key event today is the Bank of England's monetary policy meeting** which would serve as a driver for GBP. The central bank is expected to keep its benchmark unchanged, focus would be on its economic projection as well as any hints on negative rates and more monetary stimulus. The data calendar is limited to US initial jobless claims which has been rising for two weeks. A Bloomberg survey shows that analysts are expecting new claims to come in at 1.4mil (prior week: 1.434mil).
- On the FX front, **bear momentum for DXY continued on Wednesday, with DXY now down below 93.** Bullish market sentiment brought about broad-based gains in EUR and AUD, with CHF also rising strongly.
- USD/MYR fell nearly 0.7% to 4.1910 on Wednesday, breaking the 4.20 support level. MYR was the top gainer among its Asian peers. Pair is oversold and consolidation is not far from now.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,201.52	1.39	-4.68
S&P 500	3,327.77	0.64	3.00
FTSE 100	6,104.72	1.14	-19.06
Hang Seng	25,102.54	0.62	-10.95
KLCI	1,568.13	-0.50	-1.30
STI	2,532.69	0.68	-21.41
Dollar Index	92.87	-0.55	-3.74
WTI oil (\$/bbl)	42.19	1.18	-30.90
Brent oil (\$/bbl)	45.17	1.67	-31.56
Gold (\$/oz)	2,031.10	1.49	33.35
CPO (RM/tonne)	2,866.50	1.31	-5.26

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Eurozone	↑
UK	↑	Japan	↑
China	→	Hong Kong	↓
Singapore	↑		

Up Next

Date	Event	Prior
06/08	UK Bank of England Bank Rate (06 Aug)	0.1%
	US Initial Jobless Claims (01 Aug)	1,434k
07/08	CN Exports YoY (Jul)	0.5%
	AU AiG Perf of Services Index (Jul)	31.5
	JP Household Spending YoY (Jun)	-16.2%
	JP Labor Cash Earnings YoY (Jun)	-2.1%
	AU Home Loans Value MoM (Jun)	-11.6%
	MA Industrial Production YoY (Jun)	-22.1%
	JP Leading Index CI (Jun P)	78.4
	MA Foreign Reserves (30 Jul)	\$104.0b
	US Change in Nonfarm Payrolls (Jul)	4,800k
	US Unemployment Rate (Jul)	11.1%
	US Average Hourly Earnings YoY (Jul)	5.0%

Source: Bloomberg

Macroeconomics

- **Services PMIs point to uneven recovery across major economies:**
 - US ISM Non-manufacturing Index rose to 58.1 in July (Jun: 57.1), its fastest pace of expansion since Feb-19; Markit Services PMI rose to 50 (Jun: 47.9).
 - Eurozone Services PMI was revised slightly lower from 55.1 to 54.7 in July (Jun: 48.3), its first expansion reading in five months since the outbreak of the virus.
 - UK CIPS Services PMI also broke the 50 neutral threshold to 56.5 in July (Jun: 47.1), indicating robust services sector activity.
 - Japan Jibun Bank Services PMI rose slightly to 45.4 in July (Jun: 45.0), painting a weak picture of a services sector that struggles to recover from the pandemic-induced shock.
 - China Caixin Services PMI fell to 54.1 in July (Jun: 58.4), indicating that the rate of expansion has eased from the recent rebound.
 - Hong Kong private sector PMI fell to 44.5 in July (Jun: 49.6) as the economy relapsed into deeper state of downturn after a new wave of infection.
 - Singapore private sector PMI climbed higher to 45.6 in July (Jun: 43.2) amid ongoing economic recovery.
- **US data were mixed:**
 - US private sector added 167k in July, missing analysts' expectation for a 1.2mil gains. The gains in June was revised sharply by 1.95mil from around 2.37mil to 4.3mil. In July, jobs mainly came from the services sector (+166k) while the manufacturing sector added a mere 1k jobs. Collectively from May to July, total jobs recovered amounted to 7.5mil, still way below the 19.7mil losses recorded in March-April. The sharply slower growth in pay rolls suggests that the labour market is struggling to recover from the pandemic downturn.
 - US international trade deficit narrowed to \$50.7b in June, from \$54.8b in May. This reflects a surge in exports (+9.4%) which outweighed the increase in imports (+4.7%). The deficit with China fell to \$26.7b (May: \$27.9b).
 - US mortgage application fell 5.1% last week, after a minor 0.8% decline in the prior week. Both applications for purchases and refinancing fell despite lower interest rates.
- **Eurozone retail sales fully recovered in July:** Eurozone retail sales rose 5.7% MOM in July, missing analyst expectation (+6.1%). The upward revision of June's retail sales growth from 17.8% to 20.3% however offered comfort as the recent rebound has more than offset the sharp drop of sales in March and April. June retail sales was 1.3% higher compared to the same month last year, its first YOY growth in four months as consumer spending returned following the lifting of lockdown restriction across the continent.
- **Singapore retail sales gained in June:** Singapore's retail sales improved in June, after partial lifting of circuit breaker measures. Overall up 51.1% m/m (seasonally adjusted). Retail sales still fell 27.8% YOY compared to the 52% drop a month ago. Retail sales ex auto decreased 24.2% YOY from -45.1%. There was a notable swing of computers/telecom equipment growth compared to the fall a month ago.

Forex

MYR (Neutral)

- USD/MYR fell nearly 0.7% to 4.1910 on Wednesday, breaking the 4.20 support level. MYR was the top gainer among its Asian peers. Pair is oversold and consolidation is not far from now.
- **Factors supporting:** Economic recovery
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

USD (Neutral Outlook over 1 Week Horizon)

- Bear momentum for DXY continued on Wednesday, with DXY now down below 93. Bullish market sentiment brought about broad-based gains in EUR and AUD, with CHF also rising strongly.
- **Factors supporting:** Risk aversion, US-China relations, stretched low DXY levels
- **Factors against:** Complacent markets, positive developments from global policy makers, poor US economy

EUR (Neutral)

- EUR/USD touched a high of 1.1905 overnight before coming off slightly below 1.19. Stronger momentum remains despite our view that some consolidation is due.
- **Factors supporting:** Solid fiscal support on confidence, recovering economy
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, stretched levels.

GBP (Neutral)

- GBP/USD moved beyond 3 August high and reached 1.3162 before coming off slightly. Pair in overbought territory and is due some consolidation at some stage.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY touched a low of 105.32 before some slight rebound towards 105.6 level. Given prior underperformance we see some near-term room for JPY gains vs. the greenback. Consolidation may also be due close to 105 levels.
- **Factors supporting:** BOJ policy, risk aversion, USD weakness
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bearish)

- AUD/USD surpassed the 31 July high on 5 August, reaching a high of 0.7241. However, pair tapered down slightly thereafter. Despite strong momentum higher, we see possible consolidation at some point.
- **Factors supporting:** Current account, resilient economy
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations, stretched levels

SGD (Neutral-to-Bearish)

- USD/SGD reached another low of 1.3670 on 5 August, before a recovery back to 1.37 big figure. We see possibility of near-term consolidation.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

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