

## Global Markets Research

### Daily Market Highlights

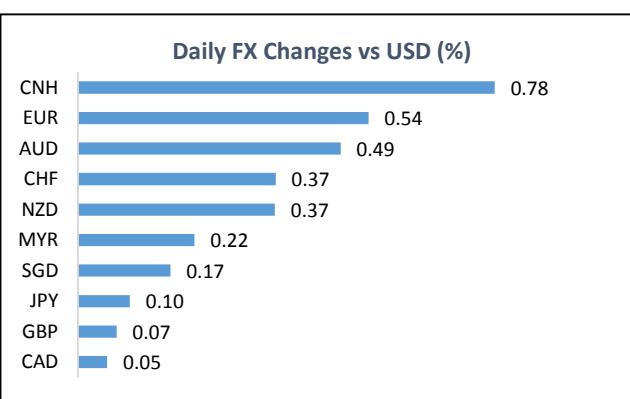
#### Key Takeaways

- US stocks kicked off the week with a rally overnight, taking cue from the strong finishes in Asian and European markets as **markets turned risk-on amid continuous economic recovery hopes despite the continuous surge in Covid-19 cases in the US**. The ISM non-manufacturing index, a main gauge of US services activity jumped sharply back above the neutral threshold of 50, alongside general thoughts that authorities would not impose a strict second lockdown even as the second wave of virus is taking root. The Dow Jones added nearly 460pts or 1.8%. The S&P rose 1.6% of which the communication services sector jumped nearly 20%; gains were broad-based across nearly all sectors. NASDAQ outperformed with a 2.2% rally to another record high.
- US 10Y treasury yield rose 1bp to 0.68% while gold price climbed 0.5% to \$1784.68/barrel. Crude oils recovered Friday's losses with some rebound - Brent settled at \$43.10/barrel while WTI was little changed at \$40.63/barrel. The US dollar weakened sharply as investors turned risk-on; the dollar index fell 0.5% to 96.725. As of writing, stock futures are pointing to strong openings in Asian equities. **The RBA is expected to announce its cash rate decision at 12.30pm. BNM's OPR announcement is scheduled at 3pm.**
- On the data front, **US ISM Non-manufacturing Index rose sharply to 57.1 in June while the Markit Services PMI was revised higher to 47.9**. Eurozone Sentix Investor Confidence Index picked up to -18.2 and retail sales jumped nearly 18%. Japanese data were downbeat with household spending falling 16.2% and cash earnings 2.1% lower. Hong Kong private sector economy PMI moves to 49.6, nearing stabilisation. Australia AiG services PMI was little changed, as the sector struggles to recover.
- USD fell sharply as risk sentiment improved. DXY weakened by 0.5% to close at 96.725. This was led by gains in CNH, EUR, AUD, among others. We are **neutral to bearish 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. A break of the low on 2 July shifts attention towards more movements downward. However, a return of risk aversion may trigger a rebound.
- USDMYR held steadily for most part of Monday but gyrated lower belatedly at the end of the session, finishing 0.22% lower at 4.2780. **The pair is expected to open lower**, corresponding with the weaker greenback overnight but the loss is likely limited by the **cautious tone ahead of today's BNM OPR decision at 3pm**. We are maintaining view that the central bank would keep the policy rate unchanged at the current 2.00%.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,287.03	1.78	-7.89
S&P 500	3,179.72	1.59	-1.58
FTSE 100	6,285.94	2.09	-16.66
Hang Seng	26,339.16	3.81	-6.56
KLCI	1,576.90	1.56	-0.75
STI	2,689.61	1.38	-16.55
Dollar Index	96.73	-0.5	0.3
WTI oil (\$/bbl)	40.63	-0.05	-33.46
Brent oil (\$/bbl)	43.10	0.70	-34.59
Gold (\$/oz)	1,784.68	0.49	17.64
CPO (RM/tonne)	2,419.50	-0.04	-20.03

Source: Bloomberg



Source: Bloomberg

#### Overnight Economic Data

US	↑	Eurozone	↑
Japan	↓	Hong Kong	↑
Australia	→		

#### Up Next

Date	Event	Prior
07/07	MA BNM Overnight Policy Rate (07 Jul)	2.00%
	MA Foreign Reserves (30 Jun)	\$102.8b
	JP Leading Index CI (May P)	77.7
	AU RBA Cash Rate Target (07 Jul)	0.25%
08/07	US MBA Mortgage Applications (03 Jul)	--
	JP Eco Watchers Survey Outlook SA (Jun)	36.5

Source: Bloomberg

## Macroeconomics

- **US ISM Non-manufacturing Index surged past 50:** The ISM Non-manufacturing Index jumped to 57.1 in June, from 45.4 in May, marking its biggest jump since February before the pandemic lockdown. Business activity, new orders, new export orders and inventories surged back up above 50 while employment slipped at slower rate. On a separate note, the final reading of Markit Services PMI was revised upwards to 47.9 in June (Flash: 46.7), from 37.5 in May, also signalling improvement in the services sector.
- **Investor Confidence improved in Eurozone:** The Sentix Investor Confidence Index improved to -18.2 in July, from -24.8 in June as it continued to recover from the trough in April (-42.9). Sentix said that the survey shows that expectations are falling slightly in almost all regions and investors continue to assume that the economic slump caused by the pandemic will not be offset within a year.
- **Eurozone retail sales recovered in May:** Retail sales in the Eurozone rebounded by 17.8% MOM in May, following two months of double-digit decline in April (-10.6%) and May (-12.1%). This was driven by the reversal in sales of both food and non food products of which textile, clothing and footwear recording nearly 150% increase after the economy reopened.
- **Japan household spending, wages fell:** Japan's household spending fell for the eighth consecutive month by a whopping 16.2% YOY in May, following the 11.1% decline in April, highlighting Japanese consumers' general caution in a pandemic economy. A separate release meanwhile showed that labour cash earnings, a key gauge of wage growth recorded a much sharper fall of 2.1% YOY in May, compared to the 0.7% decrease in April, undoing all the minor gains recorded in the past year. This reflects the drop in both base pay or contractual earnings (-1.7%) and bonus payout/special cash earnings (-11.3%), putting extra pressure on the government that has been trying to raise wages for years.
- **Hong Kong PMI moving towards stabilization:** The Hong Kong Markit PMI rose to 49.6 in June, from 43.9 in May, moving closer to 50 and approaching stabilisation amid an ongoing relaxation of containment measures.
- **Australia services sector struggled to recover:** The AiG Performance of Services Index fell slightly to 31.5 in June, from 31.6 in May, "indicating another serious contraction in activity and at a similar pace to May". The reading was the second lowest result on record following the trough in April, suggesting that Australia's services sector is still struggling to recover despite the gradual easing in lockdown measures in June as reduced customer demand continued to weigh on most businesses.

## Forex

### MYR (Neutral to slightly bullish)

- USDMYR held steadily for most part of Monday but gyrated lower belatedly at the end of the session, finishing 0.22% lower at 4.2780.
- The pair is expected to open lower, corresponding with the weaker greenback overnight but the loss is likely limited by the cautious tone ahead of today's BNM OPR decision at 3pm. We are maintaining view that the central bank would keep the policy rate unchanged at the current 2.00%.

### USD (Neutral-to-Bearish)

- USD fell sharply as risk sentiment improved. DXY weakened by 0.5% to close at 96.725. This was led by gains in CNH, EUR, AUD, among others.
- We are **neutral to bearish** 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. A break of the low on 2 July shifts attention towards more movements downward. However, a return of risk aversion may trigger a rebound.

### EUR (Neutral-to-Bullish)

- EUR/USD rose a decisive 0.54% on Monday, bringing pair to above 1.13 levels.
- Markets look reassured at this moment. However, Covid-19 cases are now climbing in Europe, amid warnings by the World Health Organisation. There is a chance of some pullback when risk aversion climbs sometime this week.

### GBP (Neutral-to-Bullish)

- GBP crept up by 0.07% against the greenback on Monday. GBP/USD is now above 1.25.
- 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 rose 0.10% vs. the USD on Monday.
- JPY looks to stay within a range of 106-108. Further moves away from the range looks unlikely at this stage.

### AUD (Neutral-to-Bullish)

- AUD/USD strengthened by 0.49%, now looking to test 0.70 once again. Pair benefitted from improved sentiments.
- 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-to-Bullish)

- USD/SGD rose by 0.17% on Monday, underperforming other currencies' rally.
- SGD may be supported by improving sentiments near-term. However, 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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