

## Global Markets Research

### Daily Market Highlights

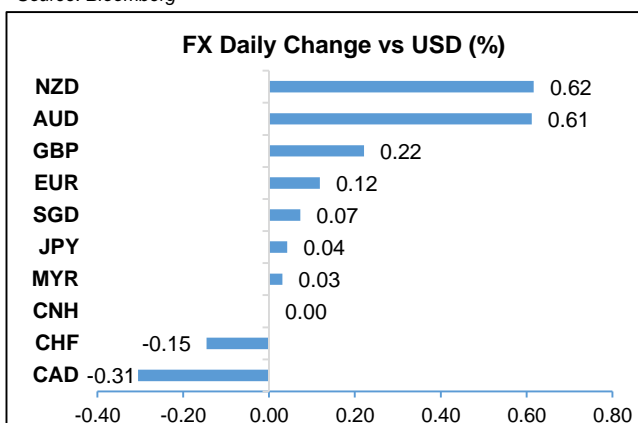
#### Key Takeaways

- US stocks climbed further overnight in anticipation of a potential stimulus deal in Washington** although Democratic and Republican leaders have yet to reach any agreement whether to extend the weekly \$600 unemployment supplement. The Dow Jones rose 0.7%, the S&P500 picked up 0.6% and the NASDAQ's 1% pushed it higher to above 11,000 for the first time on record. Tech shares led the gain as investors continued to cheer the sector's robust Q2 earnings which benefited from the pandemic. **Treasury yields fell across the curve** by around 0.2 to 2.4bps. 10Y UST yield was 1.1bps lower at 0.54% compared to the previous session. **Gold futures marched forward** with a 1% daily increase to \$2051.5/ounce. **Crude oils retreated slightly** from the recent gains - Brent crude edged down a little to \$45.09 (-0.2%).
- Other than US jobless claims, Japanese spending and wages both fell. Australia services PMI improved but remained sub-50.** As of writing, stock futures point to mixed openings in Asian equity markets. Sentiment is expected to be cautious ahead of the weekend. **Investors are looking towards China's July trade data for guidance.** Markets are expecting exports to fall a mere 0.6% YOY (Jun: +0.5%). Exports had been swinging between gains and losses since the economy reopened in March. Markets are also eyeing a US agreement ahead of lawmakers and the White House's self-imposed Friday deadline. **The US nonfarm payrolls are expected to be at 1.48mil in July (Jun: +4.8mil), signaling slower job growth.**
- The USD saw mixed performances against its major rivals.** NZD and AUD strengthened the most side-by-side, followed by the KRW; losses were seen in the CAD and CHF. The dollar index was slightly lower (-0.1%), staying below 93 on Thursday. **GBP surged after BOE tampered expectations of negative interest rates** but retraced some gains in the late session. **We are neutral on the greenback** amid signs of consolidation.
- USD/MYR fell below 4.19 to 4.1895 on Thursday. USD/MYR is now back to its pre-pandemic level and is oversold, we stick to our view that a consolidation is in sight. No change to our **neutral view on USDMYR** outlook

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,386.98	0.68	-4.03
S&P 500	3,349.16	0.64	3.66
FTSE 100	6,026.94	-1.27	-20.09
Hang Seng	24,930.58	-0.69	-11.56
KLCI	1,588.57	1.30	-0.01
STI	2,559.10	1.04	-20.59
Dollar Index	92.79	-0.09	-3.71
WTI oil (\$/bbl)	41.95	-0.57	-31.30
Brent oil (\$/bbl)	45.09	-0.18	-31.68
Gold (\$/oz)	2,051.50	1.00	34.69
CPO (RM/tonne)	2,847.00	-0.68	-5.90

Source: Bloomberg



Source: Bloomberg

#### Overnight Economic Data

US	↑	Japan	↓
Australia	↑		

#### Up Next

Date	Event	Prior
07/08	CN Exports YoY (Jul)	0.5%
	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%
10/08	NZ ANZ Business Confidence (Aug P)	-31.8
	CN PPI YoY (Jul)	-3.0%
	CN CPI YoY (Jul)	2.5%
	EU Sentix Investor Confidence (Aug)	-18.2

Source: Bloomberg

## Macroeconomics

- Bank of England kept rate unchanged; dampened prospect of negative rate:** The Bank of England left its benchmark interest rate unchanged at 0.1% and maintained its QE program at £745b as widely expected. It stressed that the outlook for the UK and global economies remains “unusually uncertain” and warned that the projections are a less informative guide than usual. It said that higher-frequency indicators imply that spending has recovered significantly since the trough in activity in April. The revised growth was more optimistic - GDP now is expected to shrink by 9.5% in 2020 (versus May projection of 14%), followed by a 9% rebound in 2021 and 3.5% in 2022. CPI inflation is expected to fall further below the 2% target and average around 0.25% in the latter part of this year. It concluded by reiterating its preparedness to adjust monetary policy accordingly, mentioning that it didn't intend to tighten policy. The existing stance of monetary policy remained appropriate. Markets had been looking towards any hints or possibility of BOE bringing interest rate to below zero. In its accompanying monetary policy report, BOE reviewed the scenario of negative rates and highlights their potential drawbacks, dampening expectation that it would utilise this particular monetary toolkit.
- US initial jobless claims fell last week:** Initial jobless claims fell to 1.186mil for the week ended 1 Aug, better than analysts' expectation of 1.4mil. Claims for last week was revised a little to 1.435mil. The fall in first time jobless claims came after two weeks of unexpected increase, offering some relief to markets and policy makers. Continuous claims also fell to 16.1mil, from 16.9mil. However the latest ADP job report indicates that job growth has slowed substantially despite ongoing economic recovery. Today's nonfarm job report is expected to provide a clearer picture.
- Fall in Japanese wages could crimp spending:** Japan household spending fell lesser than expected in June, recording only 1.2% YOY decline (analysts' expectation: -7.8%). This marks spending's ninth consecutive month of fall, following the -16.2% trough in May. Nonetheless, spending is expected to remain weak moving forward as the economy struggles to recover from the lockdown downturn. June labour cash earnings, a gauge of wage growth fell for the third straight month (albeit lesser than expected) by 1.7% YOY (May: -2.3%) which could crimp consumer spending further in 3Q. Jobs are reported to be getting scarcer as seen in the sharp drop of the job-to-applicant ratio since December last year. The pandemic has helped hasten the whole process.
- Australia recovery threatened by new virus wave:** Australia AiG Performance of Services Index rose to 44.0 in July, from 31.5 in June as the services sector economy is trying to recover from its recent pandemic trough. This marked the index's eight straight month of sub-50 reading. New orders, employment and sales made noticeable improvement but remain at contraction levels. The ongoing recovery however could be threatened by the resurgence of the virus confined to Victoria, its second most populous state. Authority has declared a State of Disaster on Sunday and imposed a nightly curfew for Melbourne.

## Forex

### MYR (Neutral)

- USD/MYR fell below 4.19 to 4.1895 on Thursday. USD/MYR is now back to its pre-pandemic level and is oversold, we stick to our view that a consolidation is in sight.
- Factors supporting:** Economic recovery
- Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

### USD (Neutral Outlook over 1 Week Horizon)

- USD consolidated overnight, as a slight rebound was battered down. Overall, the DXY was a slight 0.09% down, hovering at levels below 92.9.
- Factors supporting:** Risk aversion, US-China relations, stretched low DXY levels
- Factors against:** Complacent markets, positive developments from global policymakers, poor US economy, US stimulus

### EUR (Neutral)

- EUR/USD continued to stretch gains, with a high of 1.1916 before tapering its gains. Still, we observed a bid tone overnight as EUR/USD stayed high at around 1.187.
- Factors supporting:** Solid fiscal support on confidence, recovering economy
- Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections, stretched levels

### GBP (Neutral)

- GBP/USD reached another high of 1.3186 before some consolidation. This comes after BOE kept its policy rate unchanged and dampened expectations of negative interest rates. However, BOE's Bailey sounded cautious of the outlook ahead. Markets still expect more accommodation ahead.
- Factors supporting:** Breakthrough in news, USD weakness
- Factors against:** Risk aversion, Brexit, twin deficits

### JPY (Neutral-to-Bullish)

- USD/JPY consolidated overnight but reached another new low of 105.30 on Thursday. 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 gained on Thursday but looked consolidative close to 0.724. Despite strong positive momentum, we see possible consolidation at some point.
- Factors supporting:** Current account, resilient economy
- Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections, China-Australia relations, stretched levels, RBA

### SGD (Neutral-to-Bearish)

- USD/SGD consolidated on Thursday, staying at around 1.369 levels. We see possibility of further near-term consolidation.
- Factors supporting:** Fed vs. MAS policy, economic recovery
- Factors against:** Risk aversion, trade war, US-China

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