

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

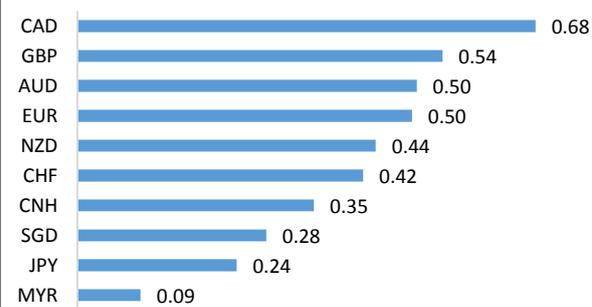
- US stocks rebounded modestly overnight, powered by optimism of economic recovery despite the US hitting 3mil mark in Covid-19 cases nationwide.** The general view is that there will not be any further lockdown even as the number of cases continued to surge on a daily basis. The Dow Jones added 177pts or 0.7% and the S&P 500 rose 0.8%. NASDAQ again outperformed with a 1.4% gain to a new record high. Communication services and info tech stocks led the gains among S&P500 shares. In separate appearances, **Fed officials were generally wary of outlook, raising concerns over how the soon-to-be-ending enhanced unemployment benefit could stall recovery.** Earlier, European stocks ended lower while stocks in Asia were mixed. Chinese stocks rallied for the seventh consecutive session; the Shanghai Composite Index was up by 1.7%.
- Meanwhile, 10Y UST yield climbed 2bps to 0.66%; **gold price** extended winning streak (+0.8%) for the third back-to-back session; the precious metal **breached \$1800/ounce to 8-year high.** Brent crude oils managed to rise modestly to \$43.29/barrel while WTI eased marginally to \$40.90/barrel. **The greenback retreated from Tuesday's brief rebound. China's CPI and PPI inflation data are in the pipeline today and the US jobless claims data are in focus at night.**
- Data releases were more pleasant overall** but limited to the 2.2% rise in US mortgage applications, as well as the recovery in UK RICS House Price Index (from -32% to -15%). Japan Economic Watcher Survey showed increases in both outlook and current condition indexes.
- The USD broadly weakened as most other currencies gained overnight. This was led by CAD, GBP, AUD and EUR. Overall, DXY fell by 0.5% to 96.43. We are **neutral to bearish on the USD** for the week ahead. Sentiments remain volatile and a zig-zag movement seems most likely. This will continue the DXY in range movement since 10 June, after a bottom of 95.716 on 11 June. However, a break of the low on 2 July shifts attention towards more movements downward. Looking at the other side, a return of risk aversion may trigger a rebound.
- USDMYR** finished little changed on Wednesday at 4.2720. The pair is set to open lower and **daily outlook is slightly bearish** after the USD broadly weakened overnight in another swing in sentiment. MYR market continues to ponder recent OPR cut, as BNM's dovishness suggests concerns over the pace of domestic recovery.

#### Market Snapshots

	Last Price	DoD%	YTD %
Dow Jones Ind.	26,067.28	0.68	-8.66
S&P 500	3,169.94	0.78	-1.88
FTSE 100	6,156.16	-0.55	-18.38
Hang Seng	26,129.18	0.59	-7.31
KLCI	1,583.50	1.07	-0.33
STI	2,669.49	0.30	-17.17
Dollar Index	96.43	-0.5	0.1
WTI oil (\$/bbl)	40.90	-0.05	-33.02
Brent oil (\$/bbl)	43.29	0.49	-34.33
Gold (\$/oz)	1,808.89	0.78	19.15
CPO (RM/tonne)	2,430.50	0.31	-19.67

Source: Bloomberg

#### Daily FX Changes vs USD (%)



Source: Bloomberg

#### Overnight Economic Data

US	↑	UK	↑
Japan	↑		

#### Up Next

Date	Event	Prior
09/07	US Initial Jobless Claims (04 Jul)	1427k
	JP Core Machine Orders MoM (May)	-12.0%
	JP Machine Tool Orders YoY (Jun P)	-52.8%
	CN PPI YoY (Jun)	-3.7%
	CN CPI YoY (Jun)	2.4%
10/07	AU Home Loans Value MoM (May)	-4.8%
	MA Industrial Production YoY (May)	-32.00%
	US PPI Final Demand YoY (Jun)	-0.80%
	JP PPI YoY (Jun)	-2.70%
	NZ Card Spending Retail MoM (Jun)	78.90%

Source: Bloomberg

## Macroeconomics

- **US mortgage applications rebounded last week:** MBA reported that mortgage applications increased 2.2% last week, compared to one week earlier. This followed the 1.8% decline in the previous week. This was driven by the 5.0% increase in the purchase index which tracks applications to purchase a home, underscoring ongoing housing demand even against a backdrop of a pandemic. The refinance index was little changed (+0.4%).
- **Recovery in UK housing market:** The RICS House Price Balance Index fell 15% in June, a smaller decline compared to the 32% fall in the May. The improved reading was a strong recovery from the trough in May, indicating that market is recovering.
- **Japan economic watcher survey reported improved outlook; business investment remains weak:** Japan's economic watcher survey reported that the diffusion index for current economic conditions went up to 38.8 in June, from 15.5 in May, marking its biggest jump on record. The index for outlook meanwhile also picked up to 44.0 (May: 36.5). Both indexes indicate optimism for the economy after the State of Emergency was lifted in late May. In a separate release this morning, core machinery orders unexpectedly bounced back to increase 1.7% MOM in May (Apr: -12.0% MOM) as a jump in non-manufacturing orders (+17.7% MOM) more than offset the 15.5% MOM decline in manufacturing orders. Orders still fell 16.3% YOY, reaffirming weaknesses in business investment.

## Forex

### MYR (Slightly bullish)

- USDMYR finished little changed on Wednesday at 4.2720.
- The pair is set to open lower and daily outlook is slightly bearish after the USD broadly weakened overnight in another swing in sentiment. MYR market continues to ponder recent OPR cut, as BNM's dovishness suggests concerns over the pace of domestic recovery.

### USD (Neutral-to-Bearish)

- The USD broadly weakened as most other currencies gained overnight. This was led by CAD, GBP, AUD and EUR. Overall, DXY fell by 0.5% to 96.43.
- We are neutral to bearish on the USD for the week ahead. Sentiments remain volatile and a zig-zag movement seems most likely. This will continue the DXY in range movement since 10 June, after a bottom of 95.716 on 11 June. However, a break of the low on 2 July shifts attention towards more movements downward. Looking at the other side, a return of risk aversion may trigger a rebound.

### EUR (Neutral-to-Bullish)

- EUR/USD rose by 0.50% on Wednesday, rebounding from Tuesday's hit. This brought the pair back above 1.13. Technicals indicate bias for upside movements.
- 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 gained 0.54% on Wednesday, outperforming most G10 currencies. GBP/USD is now above 1.26, still well below the 11 June high of 1.2813. This came as UK Finance Minister announces a mini budget for the UK.
- Brexit uncertainty, and possibly fragile fundamentals will likely continue to weigh down on the GBP. However, markets may take some Brexit developments positively.

### JPY (Neutral)

- JPY gained 0.24% but underperformed other G10 FX as USD weakened. USD/JPY stayed close to 107.5 in the process, continuing the trend since 1 July.
- 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 shrugged off Tuesday's weakness and rebounded by 0.50% on Wednesday. Pair still stayed just below 0.70 in the process. Momentum bias on upside for technicals.
- 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 fell by 0.28% on Wednesday as the USD strengthened. Momentum still hints at sideways movements with a bias on slight downside moves for USD/SGD.
- 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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