10 July, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks broadly fell, dollar and treasuries gained as risk sentiment retreated: US stocks ended on a mixed note overnight as the tech-heavy NASDAQ continued to overperformed its peer, gaining 0.5% to hit another record high while the Dow Jones and S&P500 failed to hold on to previous session's gains Stocks broadly fell in the US as the tides of sentiment made an abrupt turn again as investors looked at surging Covid-19 cases and the Surpreme Court's ruling that stated President Trump had no right to block the release of his finances. The Dow Jones lost 361 pts or 1.4%, back to below 26,000; the S&P 500 slipped 0.6% of which losses were broad-based across nearly all sectors save for consumer discretionary and infotech. Stocks in Europe also finished lower earlier, in contrast with the broad gains observed in key Asian markets.

- Meanwhile, 10Y UST yield fell 5bps to 0.61%, its largest decline in nearly two weeks. Gold price retreated by 0.3% to $1803.55/ounce amid profit taking activities while dollar regained strength. Crude oils were hit by a pessimism of poor outlook – WTI settled 3.1% lower at $39.62/barrel, reversing all its recent gains while Brent closed 2.2% lower at $42.35/barrel.

- Data remained scanty on Thursday- US jobless claims continued to fall with initial jobless claims coming in lower at 1.3mil last week. China inflation eased to 2.5% and PPI deflation also slipped to 3% in June. Japan PPI deflation eased to 1.6% while machine tools orders rebounded by more than 30% MOM. Australia home loan approvals saw a record drop of 11.6%. New Zealand retail card spending extended gains with a 16.3% increase.

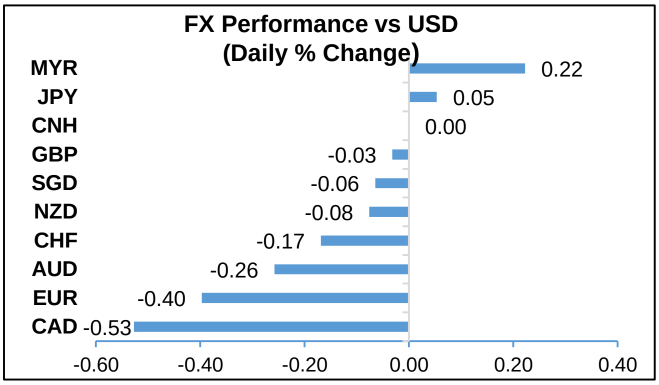
- Weakness in the dollar was temporary. The greenback regained footing on Thursday as risk sentiment retreated again. The DXY recovered by 0.3%, closing at 96.7. Gains were seen against nearly all major currencies save for the JPY. Sentiments remain volatile and a zig-zag movement seems most likely. No change to current view that the DXY will continue 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 0.22% lower at 4.2625 amid a temporary weakness in the USD. Pair is likely to rebound and trade slightly higher again as market sentiment is working in favour of the greenback ahead of the weekend. In addition, the MYR market is still assessing recent OPR cut, as BNM's dovishness raises questions on the pace of domestic economic recovery. Today's industrial production data could provide us more insights of the state of the economy after MCO rules were eased.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	25,706.09	-1.39	-9.92
S&P 500	3,152.05	-0.56	-2.44
FTSE 100	6,049.62	-1.73	-19.79
Hang Seng	26,210.16	0.31	-7.02
KLCI	1,583.25	-0.02	-0.35
STI	2,652.65	-0.63	-17.69
Dollar Index	96.70	0.3	0.4
WTI oil ($/bbl)	39.62	-3.13	-35.11
Brent oil ($/bbl)	42.35	-2.17	-35.59
Gold (S/oz)	1,803.55	-0.30	18.80
CPO (RM/tonne)	2,439.50	0.62	-19.37

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Japan	↑
China	↑	Australia	↓
New Zealand	↑		

Up Next

Date	Event	Prior
10/07	MA Industrial Production YoY (May)	-32.00%
	US PPI Final Demand YoY (Jun)	-0.80%
13/07	US NFIB Small Business Optimism (Jun)	94.4
	US CPI YoY (Jun)	0.10%
	EU Industrial Production SA MoM (May)	-17.10%
	EU ZEW Survey Expectations (Jul)	58.6
	UK Monthly GDP (3M/3M) (May)	-10.40%
	UK Industrial Production MoM (May)	-20.30%
	UK Visible Trade Balance GBP/Mn (May)	-£7490m
	UK ILO Unemployment Rate 3Mths (May)	3.90%
	UK Employment Change 3M/3M (May)	6k
	JP Industrial Production YoY (May F)	--
	CN Exports YoY (Jun)	-3.30%

Source: Bloomberg

Macroeconomics

- ***US jobless claims continued to fall:*** Labour market in the US continued to stabilise although the number of jobless people remain historically high. Initial jobless claims in the US was lower last week at 1.3mil, compared to the week earlier (1.4mil). Continuous claims which lagged for a week also slipped to 18.06mil, from 18.76mil, adding to firm signs that US workers are returning to jobs as businesses continued to hire.

- ***Consumer inflation eased in China; Smaller PPI deflation***: CPI rose 2.5% YOY in June, down from May's 2.7%. Prices decreased 0.1% MOM. Food inflation stayed high (11.1% YOY) vs. non-food (0.3% YOY). PPI fell at a smaller pace of 3% YOY after a 3.7% drop a month ago (consensus -3.2%, HLBS: -3.3%). This translates to 0.4% MOM increase and is congruent with PMI indications of rising input and output prices. Prices are slightly positive for manufacturing sector.

- ***Japan PPI deflation eased in June:*** Producer prices posted a 0.6% MOM gain in June, from the 0.4% decline in May. This led to a smaller annual decline in the index (-1.6% vs -2.7%), indicating that the ongoing deflation is easing in Japanese factories.

- ***Machine tool orders in Japan rebounded:*** Machine tool orders rebounded by 31.2% MOM in June, snapping the two-month losing streak and offering positive signal that orders are recovering in Japan. The increase was driven by both domestic and foreign demand. This translates into a 32% YOY decline in June, a smaller fall compared to the massive 53% drop in May.

- ***Record fall in Australia approved home loan:*** Australia home loans approval saw a record drop of 11.6% MOM in May, much bigger than analyst expectation for a 5.5% decline. This followed a 4.8% drop in approvals in April, highlighting the impact of Covid-19 pandemic on the domestic housing market despite record low interest rates. Home loans extended for investment purposes fell 15.6% (Apr: -4.2%) while owner occupied loans dropped 10.2% (Apr: -5%).

- ***Higher retail card spending in New Zealand:*** New Zealand retail card spending extended ongoing recovery with a 16.3% MOM increase in June. This followed the whopping 78.9% rebound in May, after the lifting of lockdown had led consumers back to retail sector. The YOY growth was also positive, as card spending was 8% higher compared to figures recorded in the same month last year (May: -6%).

Forex

MYR (Neutral-to-slightly bearish)

- USDMYR finished 0.22% lower at 4.2625 amid a temporary weakness in the USD. Pair is likely to rebound and trade slightly higher again as market sentiment is working in favour of the greenback ahead of the weekend. In addition, the MYR market is still assessing recent OPR cut, as BNM's dovishness raises questions on the pace of domestic economic recovery. Today's industrial production data could provide us more insights of the state of the economy after MCO rules were eased.

USD (Bullish)

- Weakness in the dollar was temporary. The greenback regained footing on Thursday as risk sentiment retreated again. The DXY recovered by 0.3%, closing at 96.7. Gains were seen against nearly all major currencies save for the JPY.
- Sentiments remain volatile and a zig-zag movement seems most likely. No change to current view that the DXY will continue 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-slightly bearish)

- EUR failed to hold on to gains and slipped 0.4% to below 1.13 as the USD staged a rebound.
- EUR is sentiment-driven with markets constantly assessing risks at various fronts. We see chances of an occasional gains and losses in the near term as global markets weighed surging Covid-19 cases and ongoing economic recovery.

GBP (Neutral-to-slightly-bearish)

- GBP/USD was little changed (-0.03%) on Thursday and is seen trading at 1.26 as of writing.
- Chancellor Sunak's fiscal announcement was only a short term boost to the GBP, as the lack of progress in Brexit talks and fragile fundamentals post downside risk to the pair.

JPY (Neutral-to-slightly-bullish)

- JPY gained slightly (+0.05%) against the USD as risk sentiment retreated.
- JPY looks to stay within a range of 106-108. Further moves away from the range looks unlikely at this stage.

AUD (Neutral-to-slightly-bearish)

- AUD/USD weakened by 0.26% overnight and is now trading lower at 0.6939.
- We continue to 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-slightly bearish)

- SGD slipped 0.06% on Thursday ahead of today's polling.
- No change to our view that 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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