

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

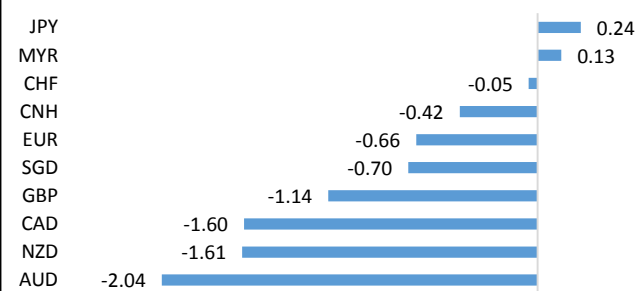
- Risk sentiment retreated in global markets overnight, sending US stocks down by 5-7% as investors became concerned of a second Covid-19 wave in the US** after cases topped 2mil in the states and jumped in more than 20 states in the US. The Dow Jones suffered a 1862pts or nearly 7% DOD losses, its worst day since the sell-off in March this year. The S&P500 fell 5.9% of which losses were broad-based across all sectors; energy (-9.5%) and financials (-8.2%) shares were top losers. NASDAQ plunged by 5.3%, snapping its four-day winning streak. Investors had been betting on equities as the US economy gradually reopened despite high infection rates.
- Growing protests across the countries that may give rise to a second wave of the pandemic and Washington's recently more relaxed approach in combating the virus. **The Trump Administration appeared to have dropped Covid-19 containment off its agenda, served as a trigger point for markets. Investors piled into safe havens assets, pressuring treasury yields and boosting the greenback.** 10Y UST yield fell for the fourth session by 6 basis points to 0.67% amid general declines in global bond yields. The dollar index regained momentum and surged 0.8% to 96.73. Gold price ended 0.6% lower amid profit taking at \$1727.7/ounce. **Crude oils erased their recent gains** – Brent crude fell 7.6% to \$38.55/barrel, below \$40 for the first time in five sessions; WTI tumbled 8.2% to \$36.34/barrel, on report on higher inventories.
- On the data front, **US initial jobless claims fell to 1.54mil** as the rising jobless claims trend is easing in recent weeks. The number of continuous claims also fell to 20.9mil. Producer prices index recovered 0.4% as demand returned. New Zealand manufacturing PMI rebounded. **Malaysia saw a record 32% decline in IPI.**
- USD bears took a breather as renewed fear that a second Covid-19 wave will further dampen global growth sent chills to the markets. The Dollar Index brushed off earlier losses in the Asian and European sessions to end the day 0.8% higher at 96.73, following losses in the EUR, GBP and Aussie. Meantime, haven currencies like the CHF and JPY gained grounds. We turn **neutral on the USD** for the week ahead. While the Fed policy guidance on lower for longer will likely augur well for USD bears, downbeat growth assessment and renewed risk aversion could keep haven demand in USD supported overall near term.
- USDMYR finished slightly lower(-0.13%) at 4.2455 on Thursday. **The pair's daily outlook is bullish today**, reacting to the renewed strength in the greenback overnight and a general retreat in risk sentiment. Investors are reassessing markets at this turning point and is likely to sell MYR ahead of the weekend. In the short-to-medium term, uncertainty about US-China tension continues to linger and pose as a downside risk to MYR.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	25,128.17	-6.90	-11.95
S&P 500	3,002.10	-5.89	-7.08
FTSE 100	6,076.70	-3.99	-19.43
Hang Seng	24,480.15	-2.27	-13.16
KLCI	1,557.25	-1.14	-1.98
STI	2,704.21	-3.44	-16.09
Dollar Index	96.73	0.8	0.5
WTI oil (\$/bbl)	36.34	-8.23	-40.48
Brent oil (\$/bbl)	38.55	-7.62	-43.26
Gold (\$/oz)	1,727.70	-0.63	13.91
CPO (RM/tonne)	2,405.50	-0.33	-20.49

Source: Bloomberg

#### Daily FX Performances vs USD (% change)



Source: Bloomberg

#### Overnight Economic Data

US	↑	Malaysia	↓
New Zealand	↑		

#### Up Next

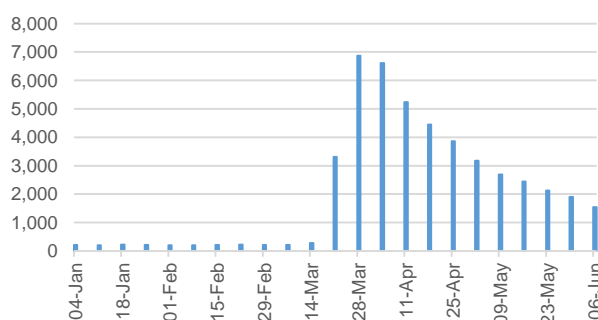
Date	Event	Prior
12/06	US Import Price Index YoY (May)	-6.8%
	US U. of Mich. Sentiment (Jun P)	72.3
	EU Industrial Production SA MoM (Apr)	-11.3%
	UK Monthly GDP (MoM) (Apr)	-5.8%
	UK Industrial Production MoM (Apr)	-4.2%
	UK Visible Trade Balance GBP/Mn (Apr)	-£12,508m
	JP Industrial Production YoY (Apr F)	-14.4%
15/06	US Empire Manufacturing (Jun)	-48.5
	EU Trade Balance SA (Apr)	23.5b
	UK Rightmove House Prices YoY (Jun)	--
	CN Industrial Production YoY (May)	3.9%
	CH Retail Sales YoY (May)	-7.5%
	CH Fixed Assets Ex Rural YTD YoY (May)	-10.3%
	NZ Performance Services Index (May)	25.9

Source: Bloomberg

## Macroeconomics

- **Trend in US initial jobless claims eased:** The number of Americans filing for unemployment benefits continued to increase but by a smaller magnitude last week, pointing to the easing trend in job losses. Initial jobless claims came in at 1.54mil for the week ended 5 June (previous: 1.897mil), which brings the total 12-week claims at more than 44mil since US states began to issue social distancing orders in mid-March. The number of continuous claims which lagged by one-week also fell to 20.93mil for the week ended 30 May, from the prior 21.27mil, suggesting that people are returning to their jobs after the economy reopened.

Smaller gains in initial jobless claims



Source: BLS

- **US producer prices recovered as economy reopened:** Producer prices index recovered partially in May, adding 0.4% MOM from the 1.3% decline in April, driven by the jump in prices of food (+6%) and the rebound in prices of energy (+4.5%) and transportation and warehousing (+1.5%). This coincides with the minor recovery in global crude oil prices and the reopening of the economies that had boosted demand in general. On an annual basis, producer prices fell 0.8% YOY in May, slower than -1.2% in April.
- **New Zealand manufacturing on the way to recovery:** The Business NZ Performance of Manufacturing Index rose to 39.7 in May, from the low of 26.1 in April as the manufacturing sector shows some signs of recovery. Firms boosted production and new orders as half of May was at alert level 2 according to BNZ but employment took another hit. BNZ warned that the ending of wage subsidy for businesses however may make "the road to recovery that bit longer".
- **Record decline in Malaysia IPI:** Malaysia industrial production plunged 32.0% YOY in April (Mar: -4.9% YOY), worse than both ours as well as market consensus estimates of 27% and 18% YOY respectively. That said, the hefty double-digit does not come as a complete surprise as we understand that operating capacity in the system was almost halved during the MCO period following closure of most factories and businesses to contain the virus. Again, the decline in production was broad-based spanning manufacturing (-37.2% YOY), mining (-19.6% YOY) and the electricity (-19.2% YOY) sectors. In separate releases, wholesale & retail trade value plummeted 37.1% YOY and 35.7% MOM in April (Mar: -5.7% YOY) while manufacturing sales tumbled 33% YOY during the same month, reaffirming our expectation for a deep contraction in 2Q GDP. We remain cautious on general expectation for a V-shape recovery as we anticipate the recovery path will be challenging in lieu of the "new normal" when the pandemic eventually subsides, not to mention policy constraints given the already ultra-loose monetary policy and stretched fiscal and debt positions of many economies.

## Forex

### MYR (Bearish)

- USDMYR finished slightly lower(-0.13%) at 4.2455 on Thursday.
- The pair's daily outlook is bullish today, reacting to the renewed strength in the greenback overnight and a general retreat in risk sentiment. Investors are reassessing markets at this turning point and is likely to sell MYR ahead of the weekend. In the short-to-medium term, uncertainty about US-China tension continues to linger and pose as a downside risk to MYR.

### USD (Neutral)

- USD bears took a breather as renewed fear that a second Covid-19 wave will further dampen global growth sent chills to the markets. The Dollar Index brushed off earlier losses in the Asian and European sessions to end the day 0.8% higher at 96.73, following losses in the EUR, GBP and Aussie. Meantime, haven currencies like the CHF and JPY gained grounds.
- We turn **neutral on the USD** for the week ahead. While the Fed policy guidance on lower for longer will likely augur well for USD bears, downbeat growth assessment and renewed risk aversion could keep haven demand in USD supported overall near term.

### EUR (Neutral-to-Slightly Bearish)

- EUR/USD were sold off amid risk aversion, pulling back all the way to the 1.12 big figure, from the 1.1422 high just days ago.
- We are neutral to slightly bearish on EUR for the week, anticipating some consolidation to set in following recent strong gains, with added support from prospects of a firmer USD.

### GBP (Neutral to Slightly Bearish)

- GBP/USD weakened for a third consecutive day, breaking below the 1.26 handle. The pair has already been in consolidation mode earlier this week, after hitting a high of 1.2813.
- We are neutral to slightly bearish on GBP expecting further downward pressure from USD weakness. There are less reasons to be optimistic on the GBP than the EUR, given Brexit uncertainty, worse Covid-19 infection and fundamentals. Progress in Brexit talks will be keenly watched after Germany's ambassador to the EU said that there has been no real progress in the EU-UK trade deal.

### JPY (Bullish)

- JPY bulls stayed extended for the fourth straight day, pushing USD/JPY further below 107, a fresh one-month low.
- We now turn bullish on the JPY for the week ahead on refuge demand amid risk aversion in the markets. Relatively higher central bank accommodation from the Fed may also cause JPY to strengthen further.

### AUD (Bearish)

- AUD/USD continued its downward trajectory and overnight USD gain pushed it even below the 0.69 handle.
- AUD is now bearish in our view, after breaking below the 0.69-0.70 ranges, more so if the greenback stays firm and growth concern continues taking center stage, in addition to risks surrounding US-China or China-Australia relations, and commodity markets.

### SGD (Neutral-to-Bearish)

- USD/SGD trended higher touching 1.39 in intraday trading as the pair remains in consolidation mode.
- Renewed risk-off in the markets and failure to break the 1.38 support level will likely exert downward pressure on SGD, projecting a slight bullishness in USDSGD, unless USD bulls reverse.

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