

Global Markets Research

Daily Market Highlights

Key Takeaways

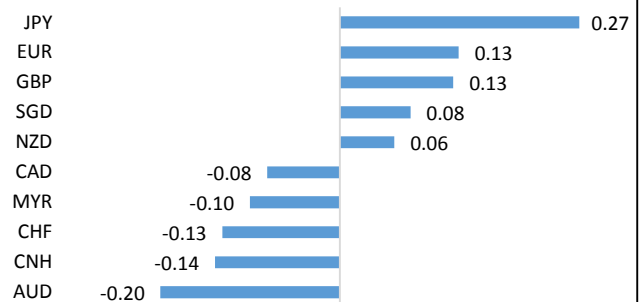
- **US stocks finished last week with its second back-to-back gain as investors looked past surging Covid-19 cases in the US.** All main benchmarks finished the week in positive territory, with the NASDAQ continuing to outperform its peers. On Friday, the Dow Jones rose 1.4%, the S&P500 gained 1.1% and NASDAQ was up slightly (+0.7%) to another record high. For the week, the Dow added 1.0%, the S&P500 picked up 1.8% and NASDAQ was 4.0% higher.
- Gold retreated 0.3% to below \$1800/ounce but scored decent weekly gain of 1.5%; 10Y US treasury yield rose 3bps to 0.64% and the dollar index was flat on Friday amid mix performance against its key rivals. Crude oil prices rebounded on Friday by more than 2.0% and closed out the week with minor gains of 0.6-1.0%. WTI went up to \$40.55/barrel and Brent settled at \$43/24/barrel. **The ECB and BOJ monetary policy meetings are due this week and they are expected to maintain their monetary policy stances. China 2Q GDP data as well as key US reading such as retail sales and industrial productions are also in focus.**
- Data were limited to **US PPI** on Friday which **recorded a 0.2% MOM fall**. This translates to a 0.8% YOY decline. **Malaysia industrial production fell 22.1% YOY in May**, following the 32% decline in the prior month. This, coupled with extended double-digit declines in other economic indicators **reaffirmed our view for a steel contraction in 2Q GDP**.
- The USD was mixed on Friday, gaining against AUD but weakening against the JPY. Overall, DXY was slightly down on Friday by 0.05% to close at 96.584. We are **neutral on the USD** for the week ahead. While sentiment is fragile, the general view is that the US would not re-enter any second lockdown even as cases surge in the country. This is further supported by positive economic data. In the week ahead, the dollar is expected to be driven by US first tiered data namely retail sales and CPI as well as the ECB's monetary policy decision. We see DXY holding above 96.5 barring from any major surprise to US data.
- **USDMYR** was little changed (+0.1%) at 4.2670 on Friday after holding relatively steady for the most part of the week despite a surprise OPR cut. In the week ahead, we see **USDMYR moving on a neutral note**, potentially swinging between minor gains and losses in response to volatile sentiment, barring from any major fundamental factor such as the escalation of US-China tensions. The pair should sit comfortably within 4.25- 4.29 in our view.

Market Snapshots

	Last Price	DoD%	YTD%
Dow Jones Ind.	26,075.30	1.44	-8.63
S&P 500	3,185.04	1.05	-1.42
FTSE 100	6,095.41	0.76	-19.19
Hang Seng	25,727.41	-1.84	-8.73
KLCI	1,591.84	0.54	0.19
STI	2,652.65	-0.63	-17.69
Dollar Index	96.65	0.0	0.2
WTI oil (\$/bbl)	40.55	2.35	-33.59
Brent oil (\$/bbl)	43.24	2.10	-35.05
Gold (\$/oz)	1,798.70	-0.27	18.70
CPO (RM/tonne)	2,453.00	0.55	-18.92

Source: Bloomberg

Daily FX Changes vs USD (%)



Source: Bloomberg

Overnight Economic Data

US ↓ Malaysia ↓

Up Next

Date	Event	Prior
14/07	US NFIB Small Business Optimism (Jun)	94.4
	US CPI YoY (Jun)	0.1%
	EU Industrial Production SA MoM (May)	-17.1%
	EU ZEW Survey Expectations (Jul)	58.6
	UK Monthly GDP (3M/3M) (May)	-10.4%
	UK Industrial Production MoM (May)	-20.3%
	UK Visible Trade Balance GBP/Mn (May)	-£7490m
	UK ILO Unemployment Rate 3Mths (May)	3.9%
	UK Employment Change 3M/3M (May)	6k
	JP Industrial Production YoY (May F)	-25.9%
15/07	CN Exports YoY (Jun)	-3.3%
	US MBA Mortgage Applications (10 Jul)	2.2%
	US Import Price Index YoY (Jun)	-6.0%
	US Empire Manufacturing (Jul)	-0.2
	US Industrial Production MoM (Jun)	1.4%
	UK CPI YoY (Jun)	0.5%
	JN BOJ Policy Balance Rate (15 Jul)	-0.1%
AU Westpac Consumer Conf Index (Jul)	93.7	

Source: Bloomberg

Macroeconomics

- US factory prices fell in June:** US producer prices fell 0.2% MOM in June, following the 0.4% increase in May. This was mainly a result of lower prices of services (-0.3%) as prices of goods rose 0.2%. Prices of energy picked up for the second month by 7.7%, alongside the stabilisation of global crude oil prices. Compared to the same month last year, PPI continued to fall 0.8% YOY in June (May: -0.8%), marking its third month of decline.
- Malaysia industrial production fell 22.1%:** Industrial production extended its decline albeit at a more moderate pace of 22.1% YOY in May, narrowing from April's 32.0% YOY plunge. This came in better than ours as well as market expectations. All three sub-segments remained in contractionary mode. Manufacturing and electricity production managed to register smaller declines as more factories resume production whilst mining reported a bigger contraction due to bigger declines in both crude oil and natural gas production. Economic indicators continued to fall albeit at slower pace in May, reaffirming our view for a sharp contraction in 2Q GDP despite the improvement seen following more business reopening. The decline in industrial production, manufacturing sales and wholesale & retail trade remained hefty at double-digit pace of 22.1%, 19.8% and 23.8% YOY in May. On a broader scale, economic activities has continued to improve with PMI readings in some economies (US, China) bouncing above pre-pandemic levels in June. However, the improvement was primarily due to reopening optimism and pent-up demand. New orders, production, employment and output prices all continued to decline, albeit at slower pace compared to April/ May, underscoring underlying weaknesses and sustainability of such upticks. We are therefore sceptical these green shoots are sustainable going forward. Amidst prevailing uncertainties and inherent risks, the road to recovery ahead will be long and bumpy, and will not return to trend probably until late 2021.

Forex

MYR (Neutral)

- USD/MYR was little changed (+0.1%) at 4.2670 on Friday after holding relatively steady for the most part of the week despite a surprise OPR cut.
- In the week ahead, we see USD/MYR moving on a neutral note, potentially swinging between minor gains and losses in response to volatile sentiment, barring from any major fundamental factor such as the escalation of US-China tensions. The pair should sit comfortably within 4.25- 4.29 in our view.

USD (Neutral)

- The USD was mixed on Friday, gaining against AUD but weakening against the JPY. Overall, DXY was slightly down on Friday by 0.05% to close at 96.584.
- We are **neutral** on the USD for the week ahead. While sentiment is fragile, the general view is that the US would not re-enter any second lockdown even as cases surge in the country. This is further supported by positive economic data. In the week ahead, the dollar is expected to be driven by US first tiered data namely retail sales and CPI as well as the ECB's monetary policy decision. We see DXY holding above 96.5 barring from any major surprise to US data.

EUR (Neutral)

- EUR/USD gained 0.13% on Friday, staying at elevated levels.
- Momentum has turned neutral in our view just ahead of the weekend. We are neutral EUR/USD as the pair is very much data driven and markets are also anticipating the ECB's Governing Council meeting and President Christine Lagarde's press conference.

GBP (Neutral)

- GBP gained 0.13% on Friday, similar to EUR movements.
- In the week ahead, we see GBP/USD trading range-bound within 1.2550-1.2650 unless there is any major disappointment to UK industrial production and CPI numbers.

JPY (Neutral)

- JPY gained 0.27% on Friday, outperforming other G10 FX peers in the process. The retreat in sentiment provided a minor boost to JPY pushing USD/JPY down below 107.
- We are still neutral on JPY, expecting the pair to stay comfortably within 106-108. Any diversion from the range is unlikely in the short term.

AUD (Neutral-to-Bearish)

- AUD/USD weakened by 0.2% on Friday, underperforming other G10 FX.
- The pair's outlook is subject to the new lockdown imposed in Melbourne and parts of Victoria, China's GDP data and Australia job report. The recent fall in crude oil prices could also threaten Aussie's gain. 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)

- USD/SGD rose by 0.08% on Friday as the USD strengthened. Momentum still hints at sideways movements with a bias on slight downside moves for USD/SGD.
- Momentum upwards looks limited for now, with psychological 1.4000 big figure resistance holding up. For the week ahead, focus is on Singapore's advance GDP estimates (Tuesday) and China's GDP data (Friday).

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

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