

Global Markets Research

Daily Market Highlights

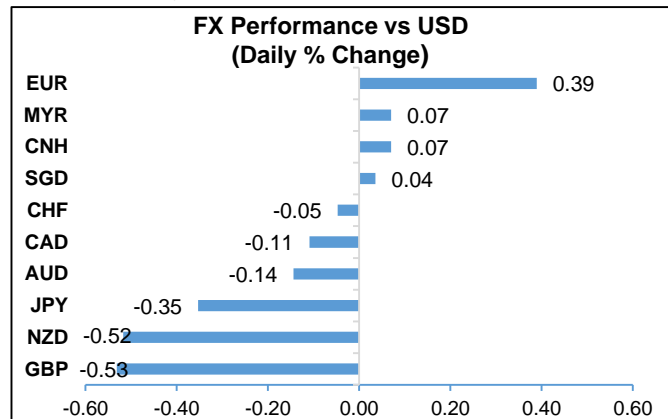
Key Takeaways

- US stocks broadly closed Monday's session on a lower note** after an early rally waned in response to California's decision to roll back on reopening amid surging Covid-19 cases. Cases continued to rise in the US and worldwide; the WHO said that globally, cases rose by 1mil in a span of five days; the US continued to see record increase where states like Florida alone added 15,000 cases in a single-day. Hong Kong meanwhile is battling its third wave by swiftly introducing strict social distancing rules.
- The Dow Jones alongside its major peers had started the week with encouraging gains, ahead of the earnings season that kicks off today, rising more than 400pts before easing from the top of 2,6639 to finish the day little changed (+0.04%). The S&P 500 fell 0.94%, led by losses in the infotech and telecommunication sectors. The tech-heavy NASDAQ was down by 2.1% from its record high, snapping a three-day gaining streak. Stocks in Europe and Asia had closed higher earlier. Meanwhile, US treasury yields fell on Monday as investors bought the safer assets; 10Y UST yield fell 2.6bps to 0.618%. Gold price rose slightly (+0.2%) back above \$1800/ounce. Crude oil fell more than 1% - Brent crude settled at \$42.72/barrel and WTI at \$40.1/barrel. As of writing, **stock futures are pointing to mixed openings in key Asian markets later. Investors will be closely scrutinizing US big banks' 2Q earnings results tonight.**
- Singapore officially entered technical recession** with the 2Q GDP advance estimates. **GDP growth fell by 12.6% YOY and 41.2% QOQ SAAR**, coming off a previous 0.7% YOY and 4.7% QOQ SAAR drop. The circuit breaker which lasted from 7 April to 2 June was mainly responsible for the disruption in business activities. Construction saw its growth roughly halved, while services also contracted 13.6% YOY.
- The USD weakened on Monday despite higher risk aversion. DXY was down by 0.2%, closing at 96.646, mainly as EUR gained. 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. Economic data and central bank policies will likely be key drivers.
- USDMYR was little changed (+0.07%) at 4.2640 on Monday, in line with our neutral expectations in the absence of any key market driver. The pair may open slightly higher today to catch up with some USD gains overnight. We continue to see **USDMYR moving on a neutral note**, potentially swinging between minor gains and losses in response to volatile sentiment, baring 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.	26,085.80	0.04	-8.59
S&P 500	3,155.22	-0.94	-2.34
FTSE 100	6,176.19	1.33	-18.11
Hang Seng	25,772.12	0.17	-8.58
KLCI	1,606.43	0.92	1.11
STI	2,631.08	-0.81	-18.36
Dollar Index	96.46	-0.2	0.1
WTI oil (\$/bbl)	40.10	-1.11	-34.33
Brent oil (\$/bbl)	42.72	-1.20	-35.27
Gold (\$/oz)	1,802.76	0.23	18.75
CPO (RM/tonne)	2,400.00	-1.94	-20.67

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

Nil

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%	
	CN Exports YoY (Jun)	-3.3%	
	15/07	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

- **Singapore GDP fell 12.6% YOY in 2Q:** Singapore officially entered technical recession with the 2Q GDP advance estimates. GDP growth fell by 12.6% YOY and 41.2% QOQ SAAR, coming off a previous 0.7% YOY and 4.7% QOQ SAAR drop. The circuit breaker which lasted from 7 April to 2 June was mainly responsible for the disruption in business activities. Construction saw its growth roughly halved, while services also contracted 13.6% YOY.
- **Major Asian and European data coming up; US earnings in focus:**
 - After a quiet Monday, the economic calendar is packed with first tiered data. Up next is China's June international trade data. Analysts are expecting a 2% YOY decline according to a Bloomberg survey.
 - European data are expected to be out in the afternoon and they include the UK job report, industrial production, monthly GDP as well as the Eurozone's industrial production and Germany ZEW Survey.
 - At night, while the spotlight is on earnings of JP Morgan, Citigroup and Wells Fargo, US CPI and the Small Business Optimism Index will also be on investors' radar.

Forex

MYR (Neutral)

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- We continue to 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.

USD (Neutral)

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- 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. Economic data and central bank policies will likely be key drivers.

EUR (Neutral)

- EUR/USD gained 0.39% on Monday, after hitting a high of 1.1374. Pair is now moving sideways close to 1.135 after paring gains.
- Momentum has turned neutral in our view. We are neutral EUR/USD for the week. Economic data may shift pair depending on differentials.

GBP (Neutral)

- GBP weakened by 0.53%, contrasting with GBP's gain. This made GBP/USD move closer to 1.255. This came as China announced sanctions against US officials.
- 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 weakened by 0.35% on Monday, contradicting Friday's moves. This moved USD/JPY above 107 handle without any breakthrough.
- We remain neutral on the 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 was down a further 0.14% on Monday after Friday's losses. This came after Monday open saw AUD gains and a high of 0.6993.
- The pair's outlook is subject to the new lockdowns imposed in Melbourne and parts of Victoria, China's GDP data and Australia job report. 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 dipped by 0.04% on Monday. Pair was slightly up on Tuesday after Singapore GDP release. Singapore officially entered technical recession with a huge collapse in 2Q activity.
- Momentum upwards looks limited for now, with psychological 1.4000 big figure resistance holding up. For the week ahead, focus is on China's GDP data (Thursday).

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