Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks whipsawed and USD saw sustained gains amid lingering pandemic concern.** US equity benchmarks managed to bounce back to close in the green by between 1.0-1.9% DOD led by some technology and financial names, despite lingering market jitters on pandmeic fear amid rising new cases that poses the risk of a double-dip in the US economy. **The Fed reinforced expectations for a sharp contraction in 2Q** (1Q: -5.0% QOQ) and said business balance sheets and household finanaces will be grappling with "persistent fragilities", taking the brunt of the pandemic fallout. **All eyes will be on the upcoming Fed testimony to the Congress** tomorrow and Wednesday. The Dow ended 1.9% higher after whipsawing within ~1,000 points last Friday, but failed to recoup Thursday's 7.0% losses to mark its first weekly fall in a month, and the biggest weekly decline since March. **10Y UST yield rose again and back above the 0.70% level as investors pared haven demand** for the first time in five days. Gold prices shrugged off profit taking activities to end 0.2% higher at $1730/ounce. Crude oils traded mixed, but both marked its first weekly decline in six weeks.

- **With the VIX remaining high near 40** after surging 48% the day before, doubling the 5-year average levels, it goes without say **volatility is here to stay for a while longer** and we should not be surpirsed by continuous wild swings as those we have seen recently in the markets. Earlier, European markets traded mixed while Asian markets largley reeled in the red. **Today, first tier China data will be in focus for sustainability of the recovery**. Even then, **China is also faced with risk of a second wave** with new cases reported in the capital city of Beijing that has prompted a localized lockdown.

- **On the data front, industrial** production across the world from the EU to UK and Japan **reaffirmed that depressed growth expectation and global recession is not unfounded**, even though US producer prices and consumer sentiments surprised on the upside.

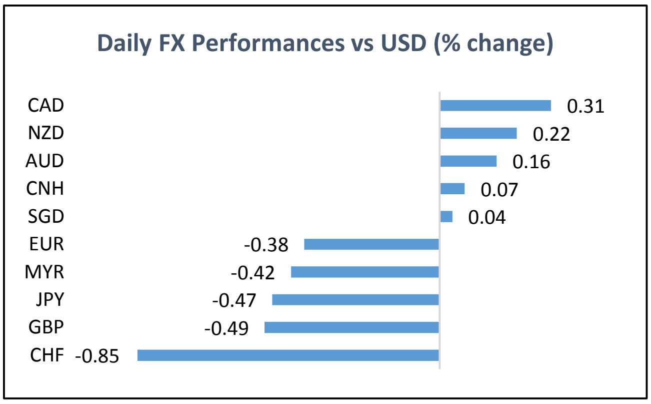
- The USD rebounded on Friday again, with a 0.61% gain to 97.32 close on Friday. This was the highest since early June. USD particularly gained against safe haven currencies and also the EUR and GBP. **We are bullish on the USD** for the week ahead. Risk aversion now driving USD strength. Fed accommodation is taking a pause in sustaining USD weaknesses.

- USDMYR reversed course and turned bullish on Friday, hitting the 4.28 handle against the USD in intraday trading before closing 0.42% DOD higher at 4.2620. **We remain bullish on USDMYR** today, amid sustained USD strength and a general retreat in risk sentiment. 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.	25,605.54	1.90	-10.28
S&P 500	3,041.31	1.31	-5.86
FTSE 100	6,105.18	0.47	-19.06
Hang Seng	24,301.38	-0.73	-13.79
KLCI	1,546.02	-0.72	-2.69
STI	2,684.63	-0.72	-16.70
Dollar Index	97.32	0.6	0.8
WTI oil ($/bbl)	36.26	-0.22	-40.62
Brent oil ($/bbl)	38.73	0.47	-42.32
Gold (S/oz)	1,730.75	0.18	14.24
CPO (RM/tonne)	2,390.00	-0.64	-21.00

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	EU	↓
UK	↓	Japan	↓

Up Next

Date	Event	Prior
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
16/06	US Retail Sales Advance MoM (May)	-16.4%
	US Industrial Production MoM (May)	-11.2%
	US NAHB Housing Market Index (Jun)	37
	EC ZEW Survey Expectations (Jun)	46
	UK Jobless Claims Change (May)	856.5k
	UK Average Weekly Earnings 3M/YoY (Apr)	2.4%
	UK ILO Unemployment Rate 3Mths (Apr)	3.9%

Source: Bloomberg

Macroeconomics

- ***Upside surprises in US consumer sentiments and import prices:*** The University of Michigan consumer senitments improved more than expected to 78.9 in June (May: 72.3) as consumers turned more upbeat on current conditions and future expectations following the reopening of the economy. Imports prices also rebounded more than expcected to increase 1.0% YOY in April, bouncing back strongly from March's 2.6% YOY decline and marked its first gain since January, led by higher energy prices. Ex-energy, import prices rose a mere 0.1% YOY. This, coupeld witht the 6.0% YOY increase in export prices, somewhat eased deflationary concern.

- ***Eurozone industrial production saw record fall***: Industrial output fell at a faster rate of 17.1% SA MOM in the Eurozone in April, widening from the 11.3% SA MOM decline in March, but the reading was better than the expected 20.0% MOM decline. Production of consumer durables, non-durables and intermediate goods all contracted at double-digit pace, reaffirming the case for deeper contraction in 2Q economic activities.

- ***Sharper than expected contraction in UK data reaffriming a grim outlook:*** Monthly GDP showed contraction in the UK economy deepened to 20.4% MOM or 24.5% YOY in April (Mar: -5.8% MOM and -5.7% YOY), reportedly wiping out 18 years of growth in two months. The decline was broad-based led notably by a 40% MOM plunge in construction, manufacturing (-24%) and servies (-19%) in the wake of Covid-19 lockdown for the whole month of April. In separate ONS releases, visible trade deficit widened as the decline in goods exports (-£13.7bn) outweighed that of imports (-£11.8bn). Adding to signs of a brutally battered economy, industrial production registered a 20.3% MOM decline in April (Mar: -4.2%), with the manufacutirng output plunging 24.3% MOM. 12 out of the 13 sectors contracted, with the transport equipment sector experiencing the biggest drop.

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- ***Japan industrial production fell more than initially estiamted***: The decline in Japan industrial output was bigger than initailly estimated at 9.8% MOM in April (initial -9.1% MOM) while the inventory ratio rose 13.6% MOM due to a drop in shipment in the wake of weakening global dmeand and countries lockdown. YOY, the decline also turned out bigger than expected at 15.0%, from first estimate and survey of 14.4%.

Forex

MYR (Bearish)

- USDMYR reversed course and turned bullish on Friday, hitting the 4.28 handle against the USD in intraday trading before closing 0.42% DOD higher at 4.2620.
- We remain bullish on USDMYR today, amid sustained USD strength and a general retreat in risk sentiment. In the short-to-medium term, uncertainty about US-China tension continues to linger and pose as a downside risk to MYR.

USD (Bullish)

- The USD rebounded on Friday again, with a 0.61% gain to 97.32 close on Friday. This was the highest since early June. USD particularly gained against safe haven currencies and also the EUR and GBP.
- We are **bullish** on the USD for the week ahead. Risk aversion now driving USD strength. Fed accommodation is taking a pause in sustaining USD weaknesses.

EUR (Neutral-to-Bearish)

- EUR/USD weakened 0.38% on Friday, after being at stretched levels previously. Pair is now around the 1.12-1.13 range, and looking to move lower.
- We are neutral-to-bearish on EUR for the week. Momentum to weaken is not strong at the moment. However, the EUR may turn out a casualty of USD strength.

GBP (Bearish)

- GBP/USD lost 0.49% on Friday, and saw a small crawl downwards on Monday open.
- We are bearish on GBP during periods of USD strength. Fundamentally, there are less reasons to be optimistic on the GBP than the EUR, given Brexit uncertainty, worse Covid-19 infection and fundamentals.

JPY (Neutral-to-Bearish)

- JPY weakened 0.47% on Friday against the USD. USD/JPY looked to find solace at a low of 106.58 on 11 June and has moved upwards since.
- We are neutral to bearish on the JPY on the week ahead. There exist strong supports around the 106 and 107 big figures, unless risk aversion climbs significantly.

AUD (Bearish)

- AUD/USD overall gained 0.16% on Friday, but was mostly consolidative. Pair traded sideways above 0.68 on Monday open.
- Bearish signs for the AUD is gathering steam after AUD hit a high of 0.7063 on 10 June. Pair remains much higher than 50, 100 and 200 day averages, so there is some pressure for a near-term retreat to 0.6551-0.6665.

SGD (Neutral-to-Bearish)

- USD/SGD consolidated on Friday, with a slight 0.04% gain against the USD. However, pair is looking to trade on a bid higher on Monday open.
- With USD rebounding there is some momentum for SGD to weaken near-term, with psychological resistance for USD/SGD at 1.4000. Following which, the attention may turn to 100-day moving average of 1.4085.

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