

Global Markets Research

Daily Market Highlights

Key Takeaways

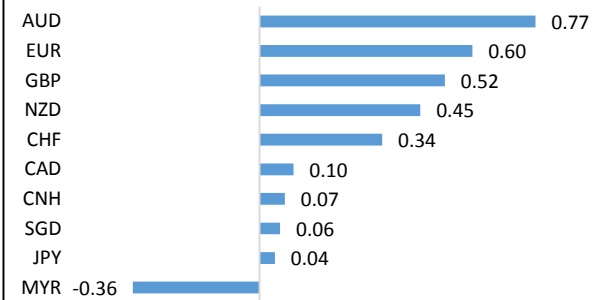
- Markets found relief in the Fed's announcement on corporate bonds purchase programme in the secondary market** that is expected to increase the Credit Facility by 10x to \$750bn to support market liquidity and the availability of credit to large employers. This much needed new catalyst offered some reliefs to the markets, reflected in the overnight steady climb in US equities with **the Dow, Nasdaq and S&P500 all ended in the green** by between 0.6%-1.4%. **US treasuries yields rose while the Dollar Index weakened** 0.63% to 96.71 as investors dumped safety assets and rotated out into equities. **Gold also pulled back 0.29% to \$1725/oz while crude oil rose more than 2.0% to \$37.12/ barrel (WTI) and \$39.72/ barrel (Brent).**
- Pandemic and growth concern took a temporary backseat and there was little to offer on the data front. We noted some improvement in dataflow but overall remains sub-par by and large and the **slightly weaker China numbers suggest the road to recovery not only in China but globally will be bumpy**. Markets will look towards the the Fed joint testimony to the Congress, BOJ policy meeting as well as RBA minutes today for possibility of any new catalysts. In addition, first tier retail sales and industrial production out of the US will also be scrutinized for the growth trajectory in May.
- The USD weakened on Monday, losing 0.63% to close at 96.71. AUD, EUR, and GBP gained at the expense of the USD. We turn **neutral to bearish** on the USD for the week ahead, after the reversal. Risk sentiments now driving USD weakness. Fed accommodation will likely remain a large factor in driving further moves downwards.
- USDMYR went through a volatile day before ending the day 0.36% higher at 4.2785, riding on continuous risk aversion in the market that resulted in further selloffs in regional equities. **We turn bearish on USDMYR today**, following overnight USD weakness and a lower opening this morning. 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.	25,763.16	0.62	-9.72
S&P 500	3,066.59	0.83	-5.08
FTSE 100	6,064.70	-0.66	-19.59
Hang Seng	23,776.95	-2.16	-15.65
KLCI	1,498.83	-3.05	-5.66
STI	2,613.88	-2.64	-18.89
Dollar Index	96.71	-0.6	0.2
WTI oil (\$/bbl)	37.12	2.37	-39.21
Brent oil (\$/bbl)	39.72	2.56	-39.98
Gold (\$/oz)	1,725.16	-0.32	13.84
CPO (RM/tonne)	2,392.00	0.02	-20.94

Source: Bloomberg

Daily FX Performances (% daily change)



Source: Bloomberg

Overnight Economic Data

US	↑	EU	↓
China	↑		

Up Next

Date	Event	Prior	
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%	
	UK Employment Change 3M/3M (Apr)	210k	
	JN BOJ Policy Balance Rate (16/06)	-0.1%	
	AU RBA Minutes of Jun. Policy Meeting		
	NZ Westpac Consumer Confidence (2Q)	104.2	
	17/06	US MBA Mortgage Applications (12/06))	--
		US Building Permits MoM (May)	-20.8%
		US Housing Starts MoM (May)	-30.2%
EC CPI YoY (May F)		0.3%	
UK CPI YoY (May) 0		0.8%	
JN Exports YoY (May)		-21.9%	
SI Non-oil Domestic Exports YoY (May)	9.7%		
AU Westpac Leading Index MoM (May)	-1.5%		

Source: Bloomberg

Macroeconomics

- **Sharp improvement in New York state business activities:** The Empire manufacturing index ticked up more than expected to -0.2 in June, marking a strong upbounce from -48.5 in May as the economy reopened. This was boosted by a 42-points jump in new order index almost back to the neutral level suggesting orders have stopped contracting. Shipment also saw a similar jump pointing to slight increase in shipment while firms were more optimistic about future conditions, with the index rising 27 points to 56.5 in June, its highest in more than a decade.
- **Narrower trade surplus in Eurozone:** Trade surplus in the Eurozone narrowed sharply to €2.9bn in April (Mar: €28.2bn), as exports fell at a much faster pace of 29.3% vs the 24.8% decline in imports. Weak global demand will continue to dampen exports outlook, ensuing a smaller trade surplus overall.
- **Data showed slower than expected recovery in China economy:** China data bag showed economic activities continued to recover in May, although overall momentum is slightly below expectations. This shall did little to alter our expectaton for a small positive growth in 2Q, after declining 6.8% YOY in 1Q. Industrial production picked up less than expected to increase 4.4% YOY in May (Apr: +3.9%) while retail sales fell more than expected by 2.8% YOY in May, even though this marked a considerable improvement from April's 7.5% decline, led by gains in household electronics and construction materials. Investmet remained weak as reflected in the continuous YTD decline in fixed asset investment (-6.3% vs -10.3%).

Forex

MYR (Bearish)

- USDMYR went through a volatile day before ending the day 0.36% higher at 4.2785, riding on continuous risk aversion in the market that resulted in further selloffs in regional equities.
- **We turn bearish on USDMYR today**, following overnight USD weakness and a lower opening this morning. In the short-to-medium term, uncertainty about US-China tension continues to linger and pose as a downside risk to MYR.

USD (Neutral to Bearish)

- The USD weakened on Monday, losing 0.63% to close at 96.71. AUD, EUR, and GBP gained at the expense of the USD.
- We turn **neutral to bearish** on the USD for the week ahead, after the reversal. Risk sentiments now driving USD weakness. Fed accommodation will likely remain a large factor in driving further moves downwards.

EUR (Neutral-to-Bearish)

- EUR/USD rebounded strongly with a 0.6% gain on Monday, helped by sentiments. This came after a period of consolidation from 3 June.
- 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 if USD strengthens again.

GBP (Bearish)

- GBP/USD gained 0.52% on Monday, outperforming other G10 currencies.
- 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 has consolidated on Monday after a brief period of higher, then lower moves. At this stage pair remains relatively entrenched above the 107 big figure.
- 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 0.77% on Monday. The pair is now looking to retake the 10 June high of 0.7063.
- Despite looking stretched, AUD is now looking quite balanced in terms of both its bullish and bearish signs. Pair remains much higher than 50, 100 and 200 day averages, so there may exist some pressure for a near-term retreat to 0.6551-0.6665.

SGD (Neutral-to-Bearish)

- USD/SGD moved lower below the 1.39 big figure This came after US Fed helped to buoy market sentiments. Sentiments on Singapore is also supported by the country moving to Phase 2 of the circuit breaker exit.
- With USD now turning weaker, SGD may look to stay in the lower half of the 1.38-1.40 range. Psychological resistance for USD/SGD is at 1.4000. Following which, the attention may turn to 100-day moving average of 1.4085.

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