19 June, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks closed Thursday's session on a flattish note as renewed concerns over the second wave of Covid-19 outbreak built up in the wake of rising cases across US states.** Investors also parsed the easing trend in initial jobless claims although the number of Americans claiming for unemployment benefits remained high. The Dow Jones, S&P500 and NASDAQ were little changed by -0.2% to 0.3% DOD overnight, in the absense of any strong market driver.

- **US yields fell modestly across the board offering signs that risk sentiment is retreating;** 10Y UST yield ended 3 basis points lower at 0.71%. Gold price fell 0.2% to $1722.93/ounce while the dollar turned stronger, another signs that markets are becoming more risk averse. Crude oil prices regained footing, adding around 2% overnight; Brent crude settled at $41.51/barrel and WTI closed at $38.84/barrel. **Futures are pointing to a mixed start in Asian stock markets. US-China relation could be back in the spotlight as President Trump threatened breaking up with China, saying that "complete decoupling" from China could be an option.**

- On Thursday, **the Bank of England boosted its bond buying program by £100b but maintained its policy rate.** US jobless claims continued to trend down albeit remained historically high. Philly Fed Manufacturing Index showed signs of improvement. Japan inflation faltered and the economy risks slumping into deflation. Australia job report dissapointed.

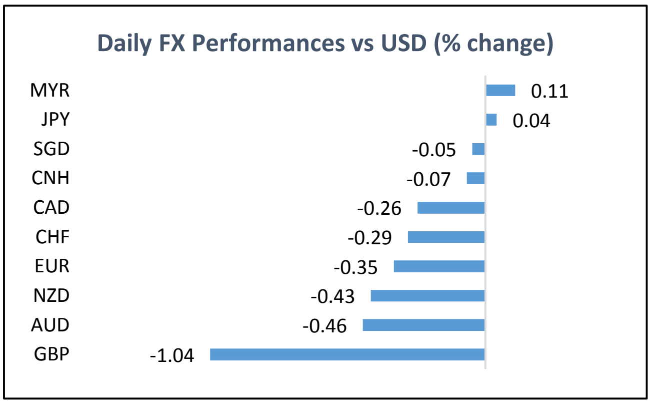
- The USD advanced on Thursday, with the dollar index 0.3% higher closing at 97.421. It gained against the GBP, AUD and NZD. DXY has seen some range movement since 10 June, after a bottom of 95.716 on 11 June. However, recent moves appear to show a bid tone. We are **neutral to bullish on the USD** for the week ahead, after USD moved away from the bottom of the range. Risk sentiments will likely remain integral for USD movements. Fed accommodation will likely remain a large factor in driving further moves downwards.

- USDMYR finished little changed (+0.1%) at 4.2780 on Thursday, in line with our neutral expectations amid a lack of market driver. **We are neutral to slightly bullish on USDMYR** today as weekend approaches; the sense of uncertainties surrounding second wave of Covid-19 outbreak in the US and China as well as the relation between these two countries appeared to have returned. This could weigh on the local unit in the short to medium term. Having said that, a strong market driver remains absent for now that could decisively weaken the MYR.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,080.10	-0.15	-8.61
S&P 500	3,115.34	0.06	-3.57
FTSE 100	6,224.07	-0.47	-17.48
Hang Seng	24,464.94	-0.07	-13.21
KLCI	1,504.91	-1.40	-5.28
STI	2,665.66	-0.15	-17.29
Dollar Index	97.42	0.3	1.1
WTI oil ($/bbl)	38.84	2.32	-36.39
Brent oil ($/bbl)	41.51	1.97	-36.88
Gold (S/oz)	1,722.93	-0.23	13.59
CPO (RM/tonne)	2,419.50	0.62	-20.03

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	➔	Japan	↓
Australia	↓		

Up Next

Date	Event	Prior
19/06	UK Retail Sales Inc Auto Fuel MoM (May)	-18.1%
	JP Natl CPI Ex Fresh Food YoY (May)	-0.2%
22/05	MA Foreign Reserves (15 Jun)	$102.9b
	US Chicago Fed Nat Activity Index (May)	-16.74
	US Existing Home Sales MoM (May)	-17.80%
	EU Consumer Confidence (Jun A)	-18.8
	CN 1-Year Loan Prime Rate (22 Jun)	3.85%
	NZ Credit Card Spending MoM (May)	-41.30%
	HK CPI Composite YoY (May)	1.90%

Source: Bloomberg

Macroeconomics

- ***BOE boosted bond buying by £100b:*** The Bank of England kept bank rate unchanged at 0.1% on Thursday and instead chose to raise it current bond buying program by £100b to a total £745b in a move to further ease its monetary policy. BOE turned more optimistic over outlook, highlighting that recent data suggest that the fall in 2Q GDP might be less severe than initially expected. However it raised concerns over the “materially” weakened labour market. The outlook for the UK and global economy remained uncertain. It reiterated its pledge to take further action as necessary to support the economy.

- ***Slight fall in US jobless claims:*** US initial jobless claims was slightly lower at 1.51mil for the week ended 12 June, compared to the revised 1.57mil in the previous week. This is consistent with the recently easing trend as the economy reopened. Continuous claims which lagged by one week fell minimally to 20.54mil for the week ended 5 June (prior: 20.61mil), suggesting that many Americans remained unemployed.

- ***Philly Fed Manufacturing Index rebounded***: The Philadelphia Fed Manufacturing Survey reported that its diffusion index for general business activity rose to 27.5 in June, from -43.1 in May, its first positive reading since February. This suggests that manufacturing conditions in the region showed signs of improvement, coinciding with the gradual reopening of the economy.

- ***Japan inflation faltered:*** Inflationary pressure in Japan continued to lose steam in May with headline inflation recording a mere 0.1% YOY growth, unchanged from the rate in April. The closely watched CPI ex-fresh food extended its decline for the second month, with a -0.2% rate (Apr: -0.2%), risk sending the economy into deflation again in the short to medium term.

- ***Disappointing Australia Job Report:*** Australia lost nearly 228k jobs in May, following the 607k losses in April. This is worse than expectation of -125k though an improvement from April. Full-time job losses totaled 89k while part-time employment fell nearly 139k. Unemployment rate went up to 7.1% versus 6.4% prior, the highest jobless rate since Oct-2001. Prime Minister Morrison said the job losses were “devastating” after measures to contain Covid-19 led to business closures. Jobs are likely to recover in July onwards as the government is allowing phase-by-phase reopening of the economy by July. The risk of rising cases in Australia is also low given its relative success in containing the outbreak and the country border remains closed.

Forex

MYR (Bearish)

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USD (Bullish)

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EUR (Neutral-to-Bearish)

- EUR continued to come off on Thursday, after some USD rebound. EUR/USD is now down to close to 1.12 big figure after a low of 1.1186 on 18 June.
- Momentum to weaken further is not strong at the moment. However, the EUR may turn out a casualty if USD strengthens again.

GBP (Neutral-to-Bearish)

- GBP/USD underperformed other G10 currencies on Thursday. Bank of England’s latest move depressed the GBP.
- 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-Bullish)

- USD/JPY mostly stayed below the 107 big figure on Thursday. JPY was resilient as the USD advanced, with slight gains against the dollar.
- We are neutral to bullish on the JPY on the week ahead. A return of risk aversion is likely to point towards some JPY resilience over the one-week horizon.

AUD (Neutral-to-Bearish)

- AUD/USD weakened by 0.46% to close at 0.6889.
- 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 experienced a slight gain on Thursday. Pair was resilient despite some USD strength.
- A breakthrough of the 1.38-1.40 range will likely signal at some momentum. 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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