

Global Markets Research

Daily Market Highlights

Key Takeaways

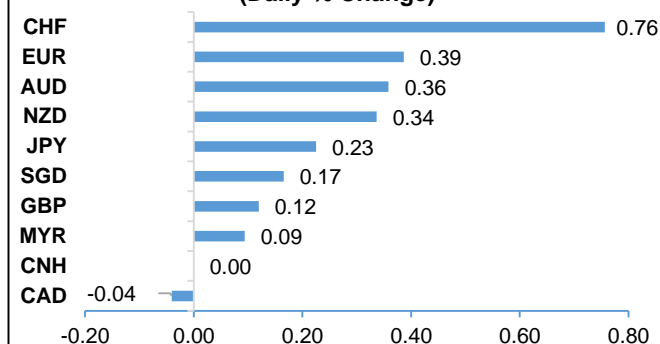
- US stocks ended last week on a mixed note as markets weighed surging Covid-19 cases in the US against positive economic data and mixed banks earnings.** On Friday, the Dow Jones closed 0.2% lower while the S&P 500 and NASDAQ both rose 0.3%. For the week, the Dow outperformed with a 2.3% gain compared with the S&P 500's more modest 1.2% increase; the NASDAQ meanwhile was down by 1.1% for the week. European stocks trade higher last week as major indexes rose around 2% WOW; FTSE 100 (+3.2% WOW) outperformed. Asian benchmarks saw mixed performances- stocks rose in Japan, Korea but slipped in Hong Kong, China and Singapore.
- On Friday, US treasury yields recorded minor movements. 10Y UST yield rose 1basis point to 0.627%. Gold recouped losses with a 0.7% DOD rebound on Friday, closing at \$1810/ounce. Crude oil prices fell for the second session albeit modestly (-0.4 to 0.5%) - Brent crude settled at \$43.14/barrel and WTI at \$40.59/barrel.
- US homebuilding rebounded last month as housing starts rose 17.3% MOM.** Building permits gained 2.1%. Consumer sentiment retreated according to the July University of Michigan Consumer Sentiment Index following the resurgence of the coronavirus cases. Eurozone inflation was subdued at 0.3% YOY in June. Singapore NODX jumped 16% YOY on low base effect.
- USD weakened on Friday, with DXY falling 0.42% to close at 95.94.** The bearish momentum looks set to continue at the start of the week, with DXY looking to move below 95.90. MTD low was at 95.78 on 15 July.
- USD/MYR finished little changed (-0.09%) at 4.2645 on Friday.** In the week ahead, we stick to our view of a neutral USDMYR, again MYR is still vulnerable to fragile sentiment. Baring from any major fundamental factor such as the escalation of US-China tensions. The pair should still sit comfortably within 4.25- 4.29 in our view.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,671.95	-0.23	-6.54
S&P 500	3,224.73	0.28	-0.19
FTSE 100	6,290.30	0.63	-16.60
Hang Seng	25,089.17	0.47	-11.00
KLCI	1,596.33	1.46	0.48
STI	2,618.48	-0.20	-18.75
Dollar Index	95.94	-0.42	-0.46
WTI oil (\$/bbl)	40.59	-0.39	-33.52
Brent oil (\$/bbl)	43.14	-0.53	-34.64
Gold (\$/oz)	1,810.42	0.74	19.32
CPO (RM/tonne)	2,607.00	2.36	-13.83

Source: Bloomberg

FX Performance vs USD (Daily % Change)



Source: Bloomberg

Overnight Economic Data

US	→	Eurozone	→
Singapore	↑		

Up Next

Date	Event	Prior
20/07	UK Rightmove House Prices YoY (Jul)	--
	JP Exports YoY (Jun)	-28.30%
	CH 1-Year Loan Prime Rate (44013)	3.85%
21/07	NZ Performance Services Index (Jun)	37.2
	US Chicago Fed Nat Activity Index (Jun)	2.61
	JP Natl CPI Ex Fresh Food YoY (Jun)	-0.20%
	JP Machine Tool Orders YoY (Jun F)	--
	HK CPI Composite YoY (Jun)	1.50%
	AU RBA Minutes of Jul. Policy Meeting ()	
	NZ Credit Card Spending MoM (Jun)	54.30%

Source: Bloomberg

Macroeconomics

- US homebuilding activity recovered further in June:** Housing starts in the US rose 17.3% MOM to a seasonally adjusted annual pace of 1.186mil in June (May: 1.1mil revised). This roughly met analysts' expectation of 1.19mil unit. Housing starts have now rose for the second consecutive month, following the 8.2% gain in May, but recent gains have not pushed it back to pre-pandemic level of 1.3-1.6mil units. Building permits meanwhile disappointed with a mere 2.1% MOM gain (May: +14.1%) to 1.24mil units. This is still below pre-pandemic levels of 1.4-1.5mil, adding to signs of wariness among home builders, but we have reasons to believe that housing demand remains firm given extremely low borrowing costs and solid mortgage applications.
- US Consumer sentiment retreated in July:** The University of Michigan Consumer Sentiment Index fell to 73.2 in July, according to a preliminary reading, reversing the recent rebound in June (78.1). This reflects the retreat in consumer sentiment following the widespread resurgence of Covid-19 in the US. The University warned that "declines are more likely in the months ahead as the coronavirus spreads and causes continued economic harm, social disruptions, and permanent scarring" and it advocated for more aggressive fiscal response, adding that "without action, another plunge in confidence and a longer recession is likely to occur".
- Eurozone inflation well below target:** Eurozone HICP inflation rate was unrevised at 0.3% MOM in June (May: -0.1%). The annual rate was also unrevised at 0.3% MOM (May: +0.1%), far below the ECB's target of "just below 2%". This is mainly a result of smaller fall in prices of energy (-9.3% vs -11.9%) as global crude oil stabilised in June). The core CPI rate eased to 0.8% YOY in June from 0.9% prior. Services inflation eased to 1.2% YOY, from 1.3%.
- Singapore NODX jumped 16%, benefitted from low base:** NODX rose 16.1% in June, compared to the same month last year, mainly because of a favourable low base. This follows a downwardly revised 4.6% decline in May. Growth was driven by both non-electronics and electronics. NODX to top markets increased in general but shipments to Hong Kong, Indonesia and Thailand declined. Major contributions in growth came from Japan, South Korea and Taiwan. Month-on-month change was minimal at +0.5% (May: -4.6%), indicating entrenched weakness in global demand as much of the globe is still battling Covid-19 recession. The gain in non-electronics surpassed that of electronics.

Forex

MYR (Neutral)

- USD/MYR finished little changed (-0.09%) at 4.2645 on Friday. In the week ahead, we stick to our view of a neutral USDMYR, again MYR is still vulnerable to fragile sentiment. Barring from any major fundamental factor such as the escalation of US-China tensions. The pair should still sit comfortably within 4.25- 4.29 in our view.
- Factors supporting:** Economic recovery
- Factors against:** Risk aversion, US-China relations, domestic politics

USD (Neutral-to-Bearish Outlook over 1 Week Horizon)

- USD weakened on Friday, with DXY falling 0.42% to close at 95.94. The bearish momentum looks set to continue at the start of the week, with DXY looking to move below 95.90. MTD low was at 95.78 on 15 July.
- Factors supporting:** Risk aversion, US-China relations, stretched low DXY levels.
- Factors against:** Complacent markets, positive developments from global policymakers

EUR (Neutral-to-Bullish)

- EUR/USD looked to return to the MTD high of 1.1452 on 15 July. This comes as the EU crawls to the finishing point of the stimulus package. No agreement reached at the point of writing though.
- Factors supporting:** Solid fiscal support on confidence, recovering economy
- Factors against:** Risk aversion, 2nd wave of Covid-19 infections, stretched levels

GBP (Neutral-to-Bearish)

- GBP/USD stayed grounded on Friday around a tight range of 1.2512-1.1274. This continued the trend of range movements since the move higher on 7 July.
- Factors supporting:** Breakthrough in news
- Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral)

- USD/JPY was seen in a slight offered Tone on Friday, coming off towards 107. Against a longer trend, USD/JPY stayed relatively in a tight 106.5-107.5 range since 9 July. We still see a range of 106-108.
- Factors supporting:** BOJ policy, risk aversion
- Factors against:** Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD touched 0.7 once again on 17 July, despite failing to reach the high of 0.7038 on 15 July. Pair is in a bid tone on Monday, looking for further gains above 0.7000.
- Factors supporting:** Current account, resilient economy
- Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations, stretched levels

SGD (Neutral-to-Bullish)

- USD/SGD dipped on Friday towards 1.39. Despite looking to trend lower since 7 July, USD/SGD failed to break recent ranges and the recent low of 1.3871 on 24 June.
- Factors supporting:** Fed vs. MAS policy, economic recovery
- Factors against:** Risk aversion, trade war, US-China

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.