

Global Markets Research

Daily Market Highlights

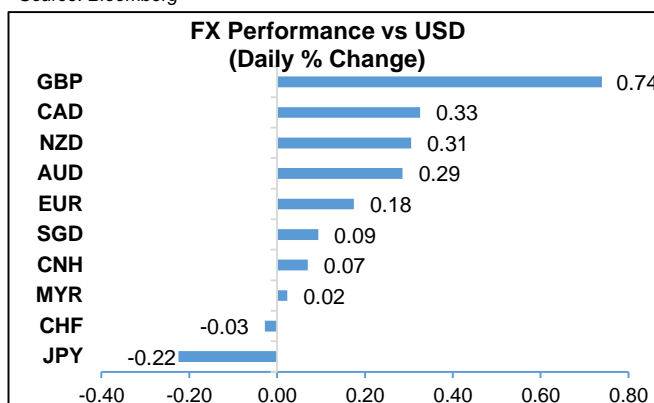
Key Takeaways

- US stocks kicked off the week with gains overnight, reacting to positive Covid-19 vaccines news despite mounting cases in the US ahead of major corporate earnings.** The Dow Jones was little changed (+0.03%), the S&P500 picked up 0.84%, mainly because of the gains in consumer discretionary, info tech and communication services stocks. NASDAQ outperformed with a 2.5% increase that propelled it to another all-time high. A vaccine developed by both AstraZeneca and Oxford University triggered an immune response to Covid-19, an encouraging development of the ongoing global vaccine race to end the pandemic.
- European stocks generally ended in positive territories save for the FTSE 100 (-0.5%).** The UK has ended its extradition treaty with Hong Kong, worsening its relation with China. Asian stocks traded on mixed notes- shares fell in Hong Kong, Taiwan and Korea but gained in Japan and China. Alibaba's payment arm Ant Group (previously Ant Financial) is seeking a valuation of more than \$200b as it plans for a dual listing in both Hong Kong and Shanghai. **Futures are indicating higher openings in Asian stocks later this morning. Key US earnings this week are Coca-Cola, Lockheed Martin, and United Airlines.**
- US treasury yields recorded minor movements overnight. 10Y benchmark UST yield fell by nearly 2 basis points to 0.61% and yield on the 2Y notes was little changed. **Gold price extended gain (+0.41%) to \$1817.77/ounce**, its highest level in more than nine years. Crude oil prices rebounded overnight as WTI gained 0.5% to \$40.81/barrel and Brent crude was 0.3% higher at \$43.28/barrel.
- Data were limited to Japan inflation numbers and trade report.** The CPI ex-fresh food inflation was at 0% following two months of negative rates. June exports was still 26% lower compared to last year. New Zealand services PMI rebounded back above 50.
- On the FX front, **the greenback weakened for the second session, the DXY fell 0.1% to 95.832.** The USD fell against nearly all G10 save for the JPY and was little changed against the CHF. GBP led the gains. 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 virtually unchanged (-0.02%) at 4.2635** on Monday, in line with our neutral expectation. 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. | 26,680.87 | 0.03 | -6.51 |
| S&P 500 | 3,251.84 | 0.84 | 0.65 |
| FTSE 100 | 6,261.52 | -0.46 | -16.98 |
| Hang Seng | 25,057.99 | -0.12 | -11.11 |
| KLCI | 1,589.45 | -0.43 | 0.04 |
| STI | 2,616.30 | -0.08 | -18.82 |
| Dollar Index | 95.83 | -0.11 | -0.58 |
| WTI oil (\$/bbl) | 40.81 | 0.54 | -33.16 |
| Brent oil (\$/bbl) | 43.28 | 0.32 | -34.42 |
| Gold (\$/oz) | 1,817.77 | 0.41 | 19.78 |
| CPO (RM/tonne) | 2,635.50 | 1.02 | -12.89 |

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

| | | | |
|-------|---|-------------|---|
| Japan | → | New Zealand | ↑ |
|-------|---|-------------|---|

Up Next

| Date | Event | Prior |
|------------------------------------|--|----------|
| 21/07 | US Chicago Fed Nat Activity Index (Jun) | 2.61 |
| | JP Machine Tool Orders YoY (Jun F) | -32% |
| | HK CPI Composite YoY (Jun) | 1.5% |
| | AU RBA Minutes of Jul. Policy Meeting () | |
| 22/07 | NZ Credit Card Spending MoM (Jun) | 54.3% |
| | MA CPI YoY (Jun) | -2.9% |
| | MA Foreign Reserves (15 Jun) | \$103.4b |
| | US MBA Mortgage Applications (17 Jun) | 5.1% |
| | US FHFA House Price Index MoM (May) | 0.2% |
| | US Existing Home Sales MoM (Jun) | -9.7% |
| | JP Jibun Bank Japan PMI Mfg (Jul P) | 40.1 |
| | JP Jibun Bank Japan PMI Services (Jul P) | 45.0 |
| AU Westpac Leading Index MoM (Jun) | 0.19% | |

Source: Bloomberg

Macroeconomics

- **Japan inflation stayed subdued, below central bank's target:** Japan headline inflation was unchanged at 0.1% YOY in June (May: +0.1%). The closely watched BOJ gauge, CPI ex fresh food inflation was unchanged compared to last year following two months of declines (May: -0.2%). This reflects higher prices of household goods and medical care and a smaller fall in cost of transport and communication. Inflation remained very subdued and way below the BOJ's 2% target.
- **Japan international trade remained weak despite economy reopening:** Japan exports grew 1.4% MOM in June, its first monthly increase in four months. Nonetheless, the rebound still translates into a whopping 26.2% YOY decline in June, following the 28.3% decrease in May. This marks exports' 19th consecutive month of contraction since late 2018 as the Covid-19 pandemic economic shock weighed further on an already weak trade sector. Imports fell 1.8% MOM, the annual fall was smaller at 14.4% YOY (May: -26.2%).
- **New Zealand Performance of Services PMI surged back above 50:** The Performance of Services PMI rebounded to 54.1 in June, from 37.5 in May indicating an expansion of activity in the services sector. The survey shows recovery in real estate and hospitality during the lockdown. The employment gauge however remained below 50 pointing to more job losses ahead.

Forex

MYR (Neutral)

- USD/MYR finished virtually unchanged (-0.02%) at 4.2635 on Monday, in line with our neutral expectation. 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 greenback weakened for the second session, the DXY fell 0.1% to 95.832. The USD fell against nearly all G10 save for the JPY and was little changed against the CHF. GBP led the gains. 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 closed modestly higher (+0.18%) at 1.1448. Pair looks to return to the MTD high of 1.1452 on 15 July. European leaders are inching closer to a massive stimulus deal as of writing.
- **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 led the gains among G10 with a major 0.7% gain to 1.2661, edging closer to the high in July.
- **Factors supporting:** Breakthrough in news
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral)

- USD/JPY gained 0.2% to 107.27 on Monday as JPY weakened amidst improving risk sentiment. 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 closed 0.3% higher at 0.7016, returning to above 0.7 level. Pair is 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 fell below 1.39 to 1.3889 (-0.09%) on Monday, potentially aiming for the recent low of 1.3875.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

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