

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks kicked off the week with modest gains as investors looked past rising infection cases in certain US states and focused on current economic recovery.** The Dow Jones added more than 150pts or 0.6% while the S&P500 rose 0.6%; NASDAQ outperformed again with a 1.1% gain that propelled it to a record close. Nonetheless, lingering uncertainties that stoked investors' concerns were evident in rising gold price which was pushed further (+0.6%) to more-than-seven-year high of \$1754.43/ounce. 10Y UST yield was 2bps higher at 0.71% while the dollar snapped winning streak; the dollar index reversed course and fell 0.6% to 97.039. Brent crude traded 2.1% higher at \$43.08 at closing while WTI edged 1.8% higher at \$40.46/ barrel.
- Asian and European equities closed mainly lower on Monday. **RBA's governor Phillip Lowe warned that Covid-19 "shadow" could last for years** although the Australian economy is outperforming. **BOE's governor Andrew Baily said that the central bank would unwind its huge (bond buying) balance sheet before lifting rates again. Flash PMI data would be key market drivers today,** offering further assessment of the sustainability of post-reopening economic conditions in the US, Eurozone, UK and Japan.
- On the data front, US existing home sales fell 9.7% MOM to a near-decade low. Chicago Fed National Activity Index rebounded back to positive territory, indicating substantial recovery. Eurozone consumer confidence remained battered while UK factory orders at depressed levels. Hong Kong inflation eased, New Zealand credit card spending bounced back. Malaysia foreign reserve was slightly lower.
- The US dollar corrected on Monday, with the dollar index falling 0.6% to 97.039. Some fading risk aversion helped NZD and AUD gains after prior losses. We are **neutral to bullish on the USD** for the week ahead. DXY has remained in range movement since 10 June, after a bottom of 95.716 on 11 June. Risk sentiments will likely remain integral for USD movements. Fed accommodation will likely remain a large factor in driving further moves downwards.
- USDMYR finished slightly higher (+0.26%) at 4.2785 on Monday, vs our neutral expectations. We are **bearish on USDMYR today** as the pair is likely to open lower, catching up with the broad USD weakness overnight. Having said that, the MYR market continues to grapple with the uncertainties surrounding potential second waves of Covid-19 outbreaks in the US and China, any bad news could still weigh on the local unit in the short term

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,024.96	0.59	-8.81
S&P 500	3,117.86	0.65	-3.50
FTSE 100	6,244.62	-0.76	-17.21
Hang Seng	24,511.34	-0.54	-13.05
KLCI	1,511.24	0.26	-4.88
STI	2,629.69	-0.20	-18.40
Dollar Index	97.04	-0.6	0.6
WTI oil (\$/bbl)	40.46	1.79	-33.74
Brent oil (\$/bbl)	43.08	2.11	-34.64
Gold (\$/oz)	1,754.43	0.61	15.58
CPO (RM/tonne)	2,485.00	3.84	-17.86

Source: Bloomberg

Daily FX Performances vs USD (% change)

NZD	1.14
AUD	1.07
GBP	0.96
EUR	0.74
CAD	0.63
CHF	0.50
SGD	0.36
CNH	0.28
JPY	-0.02
MYR	-0.26

Source: Bloomberg

Overnight Economic Data

US	→ Eurozone	↓
UK	↓ Hong Kong	↓
New Zealand	↑ Malaysia	→

Up Next

Date	Event	Prior
23/05	US Markit US Manufacturing PMI (Jun P)	39.8
	US Markit US Services PMI (Jun P)	37.5
	US New Home Sales MoM (May)	0.60%
	US Richmond Fed Manufact. Index (Jun)	-27
	EC Markit Manufacturing PMI (Jun P)	39.4
	EC Markit Services PMI (Jun P)	30.5
	UK Markit PMI Manufacturing (Jun P)	40.7
	UK Markit/CIPS Services PMI (Jun P)	29
	JP Jibun Bank Japan PMI Mfg (Jun P)	38.4
	JP Jibun Bank Japan PMI Services (Jun P)	26.5
	SG CPI YoY (May)	-0.70%
	24/06	MA CPI YoY (May)
	US MBA Mortgage Applications (19 Jun)	--
	US FHFA House Price Index MoM (Apr)	0.10%
	JP Leading Index CI (Apr F)	76.2
	JP Coincident Index (Apr F)	81.5
	NZ RBNZ Official Cash Rate (24 Jun)	0.25%

Source: Bloomberg

Macroeconomics

- **US Existing home sales fell to decade low:** Existing home sales extended decline, falling 9.7% MOM in May, to a seasonally adjusted annual rate of 3.91mil units, its lowest since Oct 2020. This follows the dramatic 17.8% drop in April as the Covid-19 pandemic disrupted housing market activity.
- **Chicago Fed National Activity Index back to positive:** The Chicago Fed National Activity Index recovered sharply and back to a positive territory of 2.61 in May, from the trough of -17.89 in April, led by improvements in production and employment related indicators. This indicates a substantial increase in economic growth this as the US economy reopened.
- **Eurozone consumer confidence remained battered:** The European Commission's preliminary consumer confidence index rose to -14.7 in June, from -18.8 in May, reflecting consumers' pessimistic outlook despite a minor improvement in reading.
- **UK factory order books remained depressed:** The CBI Industrials Trends Survey reported that its manufacturing book order index remained at a severely depressed level of -58% in June, only slightly higher than -62% in May. In the three months to June, the gauge was down from -54 to -57, indicating that British factories suffered the worst quarterly activity drop on record as the country struggles to contain Covid-19 pandemic.
- **Hong Kong inflation eased in May:** CPI inflation eased to 1.5% YOY in May, from 1.9% in April due to smaller increase in prices of pork, fresh vegetables and private housing rentals. Underlying inflation which excludes government's one-off relief measures was also lower at 1.9%, compared to 2.3% prior. Censat said that the effect of the surge in pork prices that started in May last year began to wane. Inflation is expected to ease in the near term, as both external and domestic price pressure abate amid subdued economic conditions.
- **New Zealand credit card spending rebounded in May:** Credit card spending rebounded by 54.3% MOM in May as New Zealand eased social distancing rules. This follows the 41.3% decline in April during the lockdown. Compared to the same month last year, spending was still 21.1% lower (Apr: -49.1%). Spending is likely to recover further in June after the government's complete removal of restrictions in June in response to the country's successful efforts in eliminating community transmission.
- **Malaysia foreign reserves slightly lower:** The international reserves of Bank Negara Malaysia was slightly lower at \$102.8b as at 15 June 2020 (previous: \$102.9b). The reserves position is sufficient to finance 8.2 months of retained imports and is 1.1 times total short-term external debt.

Forex

MYR (Bearish)

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USD (Bullish)

- The US dollar corrected on Monday, with the dollar index falling 0.6% to 97.039. Some fading risk aversion helped NZD and AUD gains after prior losses.
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EUR (Neutral-to-Bearish)

- EUR gained 0.74% vs. the USD. This came after the pair fell below the 1.12 big figure. EUR/USD has now recovered to 1.128 and looking towards 1.13.
- In the week ahead, EUR may be driven by tonight's PMI data, especially if there are some differential performances between the major economies. EUR may have to be defensive against a resurgent USD.

GBP (Neutral-to-Bearish)

- GBP strengthened almost 1% against the USD on Monday. Pair is now looking to reach above-1.25 levels.
- Despite the Monday rebound, we are bearish on GBP during periods of USD strength. Brexit uncertainty, Covid-19 infection rates and possibly fragile fundamentals will likely continue to weigh down on the GBP.

JPY (Neutral-to-Bullish)

- JPY weakened against the USD on a day where most currencies rebounded. USD/JPY's lower moves have now been checked with improving risk sentiments. Pair was mostly consolidative and crept up a little on Monday.
- Expect some JPY strength on current momentum. A return of risk aversion likely points towards some JPY resilience over the one-week horizon. However, we see a psychological support around the 106 level.

AUD (Neutral-to-Bearish)

- AUD/USD rebounded strongly after prior dips. AUD rose by 1.07% vs the USD on Monday, breaking the 0.69 big figure in the process.
- Some correction may be ahead. 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. Still, AUD is now looking quite balanced in terms of both its bullish and bearish signs.

SGD (Neutral-to-Bearish)

- SGD gained 0.36% against the greenback on Monday, underperforming other currencies' rebound. This pushed the SGD down closer to 1.39 levels after looking to hit 1.40 earlier.
- A break 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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