

Global Markets Research

Daily Market Highlights

Key Takeaways

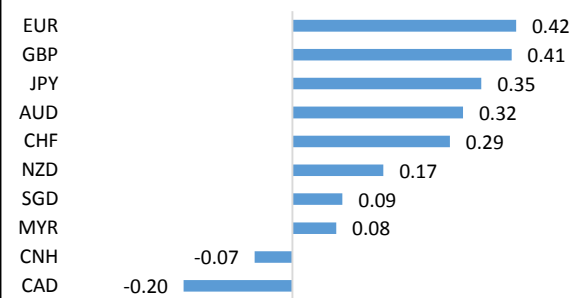
- US stocks extended gains** for the second consecutive session, powered by renewed investor confidence that the global economy is recovering post-pandemic-lockdown. **PMI data for major economies showed encouraging signs although they are still largely below 50 expansion area, nonetheless are on track for recovery.** The Dow Jones added 131pts or 0.5%; the S&P500 rose 0.4%, led by consumer discretionary stocks and tech stocks; NASDAQ outperformed and hit another record high after picking up 0.7%, boosted by Apples and Amazon shares. Stocks also rallied in Europe and benchmarks in key Asian markets also finished higher. Looking at other asset classes, 10Y UST yield was flat at 0.71%; gold price climbed further (+0.8%) to multi-year high of \$1768.41/ounce; crude oil were modestly lower – Brent crude fell 1.0% to \$42.63/barrel and WTI was little changed (-0.2%) at \$40.37/barrel ahead of a report that is expected to show higher stockpiles. The greenback weakened for the second day amid a general risk-on mood.
- US trade adviser Peter Navarro said in an interview that the US-China trade agreement was “over”, triggering some jittery, only to then issued a statement to retract his “out of context” remarks. **President Trump declared on Twitter that the Phase One trade pact signed in mid January was still “intact”** and White House National Economic Council Director Larry Kudlow defended Trump’s statement. **Key central banking event today is the RBNZ’s monetary policy decision and it is expected to keep OCR steady at 0.25%.**
- Flash Markit PMIs all picked up in the US, Eurozone, UK and Japan, save for a modest drop in Japan’s manufacturing PMI. Other than encouraging PMI data, US new home sales jumped 16.6% and Richmond Fed Manufacturing Index rebounded. Singapore inflation remained in the negative.
- The US dollar weakened a second consecutive day as sentiment lifted. DXY lost 0.4% to 96.646. We turn **neutral to bearish 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’s monetary policy accommodation should remain a large factor in driving further moves downwards.
- USDMYR finished little changed at 4.2750 despite broad dollar weakness, as MYR market weighed rising Covid-19 cases in multiple countries and general retreat in sentiment. We are still **bearish on USDMYR** today as the pair is likely to open lower, catching up with the broad USD weakness overnight. MYR is likely benefiting from the return of risky sentiment as markets cheered recovery in major economies. Downside risk such as the second wave of Covid-19 outbreak in the US, China, South Korea linger and may weigh on MYR if the tides of sentiment turn again.

Market Snapshots

	Last Price	DoD%	YTD %
Dow Jones Ind.	26,156.10	0.50	-8.35
S&P 500	3,131.29	0.43	-3.08
FTSE 100	6,320.12	1.21	-16.21
Hang Seng	24,907.34	1.62	-11.64
KLCI	1,507.04	-0.28	-5.14
STI	2,634.92	0.20	-18.24
Dollar Index	96.65	-0.4	0.2
WTI oil (\$/bbl)	40.37	-0.22	-34.05
Brent oil (\$/bbl)	42.63	-1.04	-35.61
Gold (\$/oz)	1,768.41	0.80	16.76
CPO (RM/tonne)	2,489.00	0.16	-17.73

Source: Bloomberg

Daily FX Performances vs USD (% change)



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↑
UK	↑	Japan	→
Singapore	↓		

Up Next

Date	Event	Prior
24/06	MA CPI YoY (May)	-2.90%
	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%
25/06	US Advance Goods Trade Balance (May)	-\$69.7b
	US Durable Goods Orders (May P)	-17.70%
	US GDP Annualized QoQ (1Q T)	-5.00%
	US Initial Jobless Claims (20 Jun)	--
	US Kansas City Fed Manf. Activity (Jun)	-19
	JN All Industry Activity Index MoM (Apr)	-3.80%
	NZ Trade Balance NZD (May)	1267m

Source: Bloomberg

Macroeconomics

- **Flash Markit PMIs point to continuous economic recovery across developed countries.**
 - US manufacturing PMI picked up to 49.6 in June (May: 39.8) and services PMI climbed to 46.7 (May: 37.5) signaling a notable slowdown in the ongoing output contraction as businesses reopened on a larger scale.
 - Eurozone manufacturing PMI rose to 46.9 in June (May: 39.4) and the services PMI picked up to 47.3 (May: 30.5), extending ongoing recovery and pointing to slower economic downturn.
 - UK manufacturing PMI rose to 50.1 in June (May: 40.7), just a touch above the neutral threshold to indicate a turnaround in the manufacturing sector; the services PMI gained footing to 47 (May: 29.0) also a substantial rebound.
 - Japan manufacturing PMI fell to 37.8 in June (May: 38.4), indicating a further sharp deterioration in the overall operating condition of the manufacturing sector. The services PMI on the other hand jumped to 42.3 (May: 26.5); although remaining below 50, the rebound points to sharp recovery in services activity as the State of Emergency was lifted.
- **US new home sales recovered:** Sales of new homes in the US jumped by 16.6% MOM in May to 676k units following the 5.2% decline in the previous month. This offers some comfort to that real estate activities are indeed recovering despite the new home sales making up smaller portion of overall housing market in the US.
- **Richmond Fed index rebounded:** The Richmond Fed Manufacturing Index came in at 0 in June, recovering from -27 in May, signaling the rebounding activity in the Fifth District's manufacturing industry and largely in line with the other regional manufacturing gauge.
- **Singapore inflation persisted in negative territory for the 2nd consecutive month:** Singapore headline inflation fell 0.8% YOY in May (April: -0.7%) and core inflation improved to -0.2% in May (April: -0.3%). Further deflationary pressures were seen in clothing/footwear, transport and recreation/culture. Food inflation offset the prior weaknesses, exacerbated by the supply disruptions during the pandemic. Otherwise, nothing new from the trends were being observed.

Forex

MYR (Bullish)

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- We are still bearish on USDMYR today as the pair is likely to open lower, catching up with the broad USD weakness overnight. MYR is likely benefiting from the return of risky sentiment as markets cheered recovery in major economies. Downside risk such as the second wave of Covid-19 outbreak in the US, China, South Korea linger and may weigh on MYR if the tides of sentiment turn again.

USD (Neutral-to-Bearish)

- The US dollar weakened a second consecutive day as sentiment lifted. DXY lost 0.4% to 96.646.
- We turn **neutral to bearish** 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's monetary policy accommodation should remain a large factor in driving further moves downwards.

EUR (Neutral-to-Bullish)

- EUR gained another 0.42% against the dollar, after a 0.74% increase the day before. This came after the pair fell below the 1.12 big figure at the start of the week. EUR/USD has now moved above 1.13 in the process.
- EUR looks to continue benefitting from improvements in fundamentals and risk sentiments. However, EUR may have to be defensive if the USD rebounds.

GBP (Neutral-to-Bullish)

- GBP strengthened an additional 0.41% against the USD on Tuesday. Pair is now looking to reach above-1.2550 levels.
- The near-term lift for the week may be temporary. Brexit uncertainty, Covid-19 infection rates and possibly fragile fundamentals will likely continue to weigh down on the GBP.

JPY (Neutral)

- JPY rebounded against the USD. USD/JPY hit a low of 106.07 before rebounding to 106.53 at the time of writing. Pair remains range-bound since mid-June.
- Downsides may be limited, as we see a psychological support around the 106 big figure. However, return of risk aversion may point towards some JPY resilience over the one-week horizon.

AUD (Neutral-to-Bearish)

- AUD/USD gained 0.32% vs. the USD on Tuesday but struggled to return to the highs seen in early June.
- We see 0.70 as a huge resistance. Momentum is weakening as positive signs fade. 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 0.68 big figure.

SGD (Neutral-to-Bearish)

- SGD strengthened slightly against the USD as sentiments improved, but still underperforming other currencies' rebound. This returned the SGD down below 1.39 levels after looking to hit 1.40 on Monday.
- 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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