Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equities all ended in the red following report showing initial jobless claims unexpectedly rose** 1.416m during the week ended 18-June, its first increase since mid-March. This overshadowed quarterly earnings where Tesla's came in better than expected. The massive 52m cumulative claims since 20-March also reignited concerns over the health of the US labour market as the pandemic shows no signs of abating in the US. **Earlier, European and Asian stocks traded mixed amid ongoing tension between the US and China. The Dollar Index continued to lose ground**, by 0.31% DOD to 94.69, below the 95.0 handle for yet another day. **Gold stayed biddish** and gained a futher 0.86% to $1887.44/oz. 10Y UST yields shed about one basis point to 0.58%, down by ~3bps from a week ago. **Crude oil fell** approximately 2.0% as concern over a supply glut was execerbated by demand woes amid a gloomy growth outlook.

- **US data releases largely disappointed.** Initial jobless claims staged a surprised uptick to 1.416m for the week ended 18 June, its first increase since mid-March and signaled odds of further weakening in the already grim labour market as Covid-19 infections continue climbing in the country. Leading index grew at a slower pace, pointing to a slower recovery ahead. Kansas City manufacturing activity picked up less than expected in July. **Consumers remained pessimistic, wary on growth outlook in the Eurozone.** Inflaiton outlook remains very much muted in Singapore despite the narrowed decline in CPI. Trade surplus narrowed substantailly in New Zealand amid a fall in exports and jump in imports.

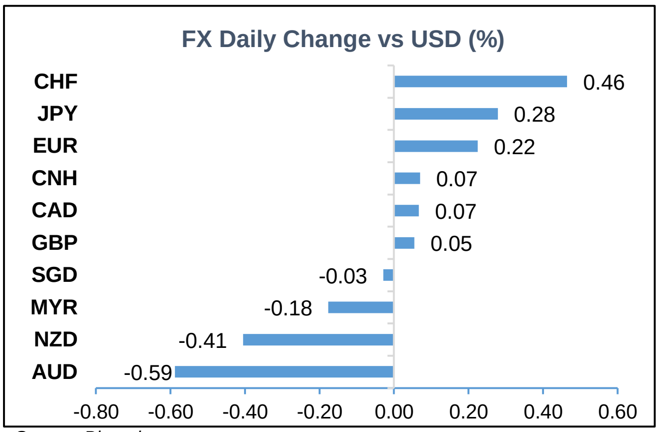
- DXY initially rebounded to 95.18 on a weak jobless report, before hitting a low of 94.59. DXY overall weakened as safe haven currencies outperformed. No change to our **neutral to bearish outlook on the USD on a one week horizon.** Softening growth outlook in the US economy, a complacent markets, positive developments from global policymakers, will support the USD bears. We however caution that the USD may still see some intermittent bounce from overly stretched low levels, and risk aversion.

- MYR weakened for the first time in five days, by 0.18% to 4.2595 vs the USD on Thursday. A late session selloff in the MYR erased all gains which saw it dipping below the 4.25 handle at 4.2485 in earlier trading. Despite protracted USD weakness, **MYR is expected to remian neutral to slightly bearish today** ahead of the weekend. Swing in market sentiments will remain a major influence to the pair's fate. While the downward trajectory in the pair is interjected temporarily, the pair is still expected to head towards 4.2450 - 4.2480 as early as next week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,652.33	-1.31	-6.61
S&P 500	3,235.66	-1.23	0.15
FTSE 100	6,211.44	0.07	-17.65
Hang Seng	25,263.00	0.82	-10.38
KLCI	1,606.42	1.22	1.11
STI	2,612.35	0.69	-18.94
Dollar Index	94.69	-0.31	-1.76
WTI oil ($/bbl)	41.07	-1.98	-32.82
Brent oil ($/bbl)	43.31	-2.21	-39.05
Gold (S/oz)	1,887.44	0.86	24.40
CPO (RM/tonne)	2,739.50	0.88	-9.45

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↓	EU	→
Singapore	↑	New Zealand	↓

Up Next

Date	Event	Prior
24/07	US Markit Manufacturing PMI (Jul P)	49.8
	US Markit Services PMI (Jul P)	47.9
	US New Home Sales MoM (Jun)	16.60%
	EC Markit Manufacturing PMI (Jul P)	47.4
	EC Markit Services PMI (Jul P)	48.3
	UK GfK Consumer Confidence (Jul P)	-27
	UK Retail Sales Inc Auto Fuel MoM (Jun)	12.00%
	UK Markit PMI Manufacturing SA (Jul P)	50.1
	UK Markit/CIPS Services PMI (Jul P)	47.1
	SG Industrial Production YoY (Jun)	-7.40%
27/07	US Durable Goods Orders (Jun P)	15.7%
	US Cap Goods Orders Nondef Ex Air (JunP)	1.6%
	US Dallas Fed Manf. Activity (Jul)	-6.1
	JP Leading Index CI (May F)	79.3
	HK Exports YoY (Jun)	-7.4%
	CH Industrial Profits YoY (Jun)	6.0%

Source: Bloomberg

Macroeconomics

- ***US initial jobless claims unexpectedly rose; gain in leading index slowed:*** Initial jobless claims staged a surprised uptick to 1.416m for the week ended 18 June (prior 1.307m revised), its first increase since mid-March and signaled odds of further weakening in the already grim labour market as Covid-19 infections continue climbing in the country. In separate releases, leading index grew at a slower pace of 2.0% MOM in Jun (May: +3.2% revised), pointing to a slower recovery ahead. Kansas City manufacturing activity picked up less than expected to 3 in July (Jun: 1). The increase was driven by all components from production to employment and prices, except new export orders that saw further deterioration (-10 vs -8), foretelling challenges in the manufacturing sector in the wake of dwindling global demand.

- ***Eurozone consumers stayed pessimistic***: Consumers' pessimism showed little change in July (-15.0 vs -14.7 in June). This came in worse than expectation for a -12.0 reading, a sign the road to recovery will be patchy ahead.

- ***Singapore CPI saw narrower decline in June***: Consumer prices fell 0.5% YOY in Jun as expected (May: -0.8% YOY). Core inflation was however steady at -0.2% YOY. Deflationary pressures remain prevalent in most categories led by clothing/ footwear, transport, recreation/ culture while food inflation remained elveated at 2.3% YOY in June (May: +2.2%). We expect little changes in the outlook ahead by MAS.

- ***New Zealand exports slowed***: Trade surplus narrowed to N$426m for the month of June (May: N$1286m revised), as exports fell 6.1% MOM but imports jumped 12.9% MOM. Exports to most major regions slowed but shipment to the US showed some pick-up. The jump in imports, if sustained, would reflect a return of domestic demand that would support growth going forward.

Forex

MYR (Neutral-to-Slightly Bearish)

- MYR weakened for the first time in five days, by 0.18% to 4.2595 vs the USD on Thursday. A late session selloff in the MYR erased all gains which saw it dipping below the 4.25 handle at 4.2485 in earlier trading. Despite protracted USD weakness, MYR is expected to remian neutral to slightly bearish today ahead of the weekend. Swing in market sentiments will remain a major influence to the pair's fate. While the downward trajectory in the pair is interjected temporarily, the pair is still expected to head towards 4.2450 - 4.2480 as early as next week.
- **Factors supporting**: Economic recovery
- **Factors against**: Risk aversion, US-China relations, domestic politics

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

- DXY initially rebounded to 95.18 on a weak jobless report, before hitting a low of 94.59. DXY overall weakened as safe haven currencies outperformed.
- **Factors supporting**: Risk aversion, US-China relations, stretched low DXY levels
- **Factors against**: Complacent markets, positive developments from global policymakers, poor US economy

EUR (Neutral-to-Bullish)

- EUR/USD hit a high of 1.1627 on Thursday before tapering its gains. EUR remains favoured even as risk aversion climbed, due to more confidence in policy making and economic rebound.
- **Factors supporting**: Solid fiscal support on confidence, recovering economy
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, stretched levels

GBP (Neutral)

- GBP/USD was roughly flat despite enduring a low of 1.2673 on Thursday. Pair subsequently recovered to 1.2741 at close.
- **Factors supporting**: Breakthrough in news
- **Factors against**: Risk aversion, Brexit, twin deficits

JPY (Neutral)

- USD/JPY dipped sharply on Thursday and Friday open. Now pair has hit a low of 106.53, after being above 107 on Thursday open. We still see a range of 106-108, now biased on the downside.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD saw some profit taking as it faded downwards. Pair came off to the 0.71 big figure.
- **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 hit a low of c.1.383 before reaching a high of 1.387 on Thursday. Pair looked to be trading in a bid over the past days.
- **Factors supporting**: Fed vs. MAS policy, economic recovery
- **Factors against**: Risk aversion, trade war, US-China

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