

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

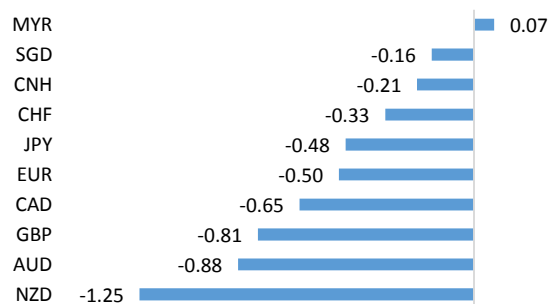
- US stocks plunged overnight**, taking cue from the fall in European equities as concerns over rising Covid-19 cases and global growth deepened. Cases are accelerating across the US, even reaching new daily highs in certain states like Texas and Arizona according to the Wall Street Journal. Countries around the world appear vulnerable to a second wave of outbreak given rising cases in Germany and the recent outbreak in China's capital Beijing. Meanwhile, situation remains horrid in Brazil after cases passed 1million last week. **The IMF revised its global growth forecast, expecting global GDP to contract 4.9% in 2020, larger than its previous projection of -3.0% in April. A recovery in 2021 was also expected to be smaller at 5.4%, versus prior prediction of 5.8%.** Both advanced (-1.9ppt) and emerging (-2.0ppt) economies saw almost equal downgrades, and notably the UK growth forecast was trimmed by 3.7ppt to -10.2%, the EU 2.7ppt to -10.2%, the US 2.1ppt to -8.0%, and India a whopping 6.4ppt to -4.5%. China's growth projection was trimmed slightly by 0.2ppt to +1.0%.
- The Dow Jones shed 710pts or 2.7%, the S&P 500 lost 2.6% and NASDAQ retreated below 10,000 (-2.2%). Key European benchmarks all closed around 3% lower. **The renewed risk aversion raised demand for safe havens - 10Y UST yield was 3bps lower at 0.68%, and the dollar rebounded to snap two-day losing streak.** Gold price fell 0.4% to \$1761.17 after surging to multi-year high as markets took profit. **Oil prices fell more than 5%, over record stockpile and renewed demand concerns.** Brent settled at \$40.31/barrel and WTI closed at \$38.01/barrel.
- US data were limited with the FHFA House Price Index recording a stable 0.2% growth in April and mortgage applications falling nearly 9% last week. **Japan's leading index pointed to better growth outlook** although the coincident index still showed worsening current condition. Earlier on Wednesday, **the RBNZ had left its OCR unchanged at 0.25% as expected.** Meanwhile New Zealand recorded a sharp fall in its annual trade deficit. At home, **Malaysia CPI registered its third consecutive decline, by 2.9% YOY in May.**
- The USD reversed two days of losses. DXY closed 0.5% higher at 97.148. We are **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. The Fed's monetary policy accommodation should remain a large factor in driving further moves downwards.
- USDMYR finished little changed at 4.2720 on Wednesday. We turned **bullish on USDMYR** today as the pair is likely to open higher to catch up with the rebound in USD strength overnight. As expected, downside risk in the form of potential second wave of Covid-19 outbreak in the US and other countries is materializing, turning the tides of sentiment and giving rise to the USD.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	25,445.94	-2.72	-10.84
S&P 500	3,050.33	-2.59	-5.59
FTSE 100	6,123.69	-3.11	-18.81
Hang Seng	24,781.58	-0.50	-12.09
KLCI	1,502.63	-0.29	-5.42
STI	2,628.62	-0.24	-18.44
Dollar Index	97.15	0.5	0.9
WTI oil (\$/bbl)	38.01	-5.85	-37.91
Brent oil (\$/bbl)	40.31	-5.44	-38.71
Gold (\$/oz)	1,761.17	-0.41	16.16
CPO (RM/tonne)	2,507.50	0.74	-17.12

Source: Bloomberg

#### Daily FX Performances vs USD (% change)



Source: Bloomberg

#### Overnight Economic Data

US	→	Japan	→
New Zealand	↑	Malaysia	↓

#### Up Next

Date	Event	Prior
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
26/06	JN All Industry Activity Index MoM (Apr)	-3.80%
	NZ Trade Balance NZD (May)	1267m
	US Personal Income (May)	10.50%
	US Personal Spending (May)	-13.60%
	US PCE Core Deflator YoY (May)	1.00%
	US U. of Mich. Sentiment (Jun F)	--
	SI Industrial Production SA MoM (May)	3.60%
	SI Industrial Production YoY (May)	13.00%
NZ ANZ Consumer Confidence Index (Jun)	97.3	

Source: Bloomberg

## Macroeconomics

- US house price stable in April; mortgage applications fell last week:** House prices were relatively stable when most of the US was in lockdown as the FHFA House Price Index gained a modest 0.2% MOM in April, extending from the 0.1% increase in March. Mortgage applications fell 8.7% for the week ended 19 June, reversing the 8% gain recorded in the prior week. This was mainly a result of higher fall in refinancing activity (-12%), compared to the relatively smaller decline in the “purchases” index (-3%) indicating a still solid purchase market.
- Leading indicator suggests improvement in Japan's outlook:** Japan's official leading index rose to 77.7 in April, from 76.2 in March according to the Cabinet's Office indicating a slight improvement in economic outlook. However, the coincident index was lower at 80.1 (Mar: 81.5), suggesting that current economic condition has worsened.
- No surprise from RBNZ:** The RBNZ kept its Official Cash Rate (OCR) at 0.25% as widely expected and reiterated its stance to carry on current monetary easing via its NZD60b Large Scale Asset Purchase Program (LSAP). It said that the government's larger than expected fiscal stimulus as well as the containment of Covid-19 gave cause for “some confidence but significant economic challenges remain”. The balance of economic risks remains to the downside. In the published meeting minutes, the monetary policy committee noted the effectiveness in the LSAP program and that it is not yet clear whether the monetary stimulus delivered is sufficient to meet its mandate. Staffs are working on ensuring a broader range of monetary policy tools including “a term lending facility, reductions in the OCR, and foreign asset purchases, as well as reassessing the appropriate quantum of the current LSAP”.
- New Zealand annual trade deficit shrank in May:** New Zealand's May imports rose 4.8% while exports registered a smaller 2% growth, shrinking the May's trade surplus to NZD1.25b (Apr: 1.34b). The country however recorded a trade deficit of NZD1.3b in the 12 months to May (Apr: -NZD2.4b), its lowest deficit since Dec-14 thanks to two months of low imports according to StatisticNZ.
- Sustained decline in Malaysia inflation:** Consumer Price Index (CPI) registered its third straight month of decline in May, sustaining the 2.9% YOY fall, dampened by the declines in transport (-20.8% YOY) and housing & utilities costs (-2.6% YOY). The decline was smaller than our expectation of -3.2% YOY but largely within consensus estimate for a 2.8% YOY fall. Despite the negative headline CPI, core CPI remained positive at 1.1% YOY in May, suggesting the deflation in the system is only specific to selected sectors due to adjustment in administered prices namely fuel and electricity. We continue to expect subdued price pressure ahead amidst weak demand condition even though the recent recovery in global crude oil prices could alleviate further downward pressure on transportation costs. Depending on the trajectory of global crude oil prices, we may see a return in CPI readings to positive territory earlier than expected in the second half of the year, which may result in a smaller negative print for the full year. No change to our full year CPI forecast at -0.7% and OPR pause view for now.

## Forex

### MYR (Bearish)

- USDMYR finished little changed at 4.2720 on Wednesday.
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### USD (Neutral-to-Bearish)

- The USD reversed two days of losses. DXY closed 0.5% higher at 97.148.
- We are **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. The Fed's monetary policy accommodation should remain a large factor in driving further moves downwards.

### EUR (Neutral-to-Bullish)

- EUR weakened 0.50% against the USD on Wednesday, bringing EUR/USD below 1.13 in the process. Pair is now around 1.125 levels.
- 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 fell 0.81% compared to the USD on a ray of risk aversion. This depressed GBP/USD level to just above 1.24 big figure.
- The previous 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)

- USD/JPY headed above the 107 big figure once again when JPY weakened. On the larger scheme, this ensured that the pair remained mostly in a 106-108 range (except for early June) since mid-April.
- 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 fell by 0.88% vs. the USD on Thursday. This was more resilient than NZD's 1.25% drop. AUD/USD turned towards 0.6850 levels in the process.
- We see 0.70 as a huge resistance. Momentum is weakening as positive signs fade. Some more 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)

- Risk aversion hurt the SGD on Wednesday. USD/SGD went up slightly towards 1.39 ranges.
- Range bound for now, but 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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