

Global Markets Research

Daily Market Highlights

Key Takeaways

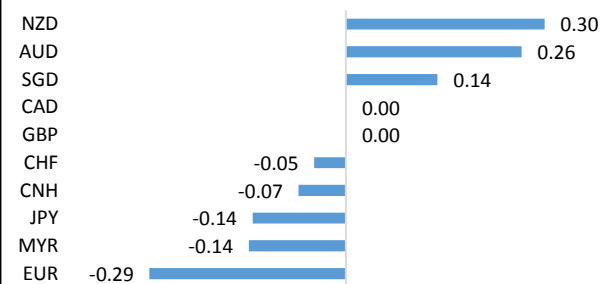
- US stocks finished higher in a choppy Thursday's trading session**, led by the surge in bank stocks at late trading hours **after the Federal Deposit Insurance Commission eased regulations for banks that could free up billions in the sector**. The regulator announced that bank would require to set aside less cash as collateral for derivative trades between a firm's different affiliates. **Restrictions to invest in venture capital would also be loosened**. Stocks had failed to find directions throughout the session amid mixed US economic data and the record rise in Covid-19 cases. The CDC estimated that only 1 in 10 cases are likely to have been identified, meaning that the number of actual cases would have been 10 times higher. Meanwhile, Europe is again vulnerable for a potential second wave of outbreak as WHO announced weekly uptick in the continent.
- The Dow Jones added nearly 300pts or 1.2%, the S&P500 rose 1.1%, led by the 2.7% gain in financials while NASDAQ also picked up 1.1% back above the 10,000 mark. 10Y UST yield was 1bp higher at 0.69%, while gold price added a mere 0.1%, recovering from previous day's losses. The dollar index gained for the second day by 0.3% to 97.429 signaling lingering market jittery. Crude oil prices were modestly higher (+1.8 to +1.9%)- Brent crude closed at \$41.05/barrel and WTI settled at \$38.72/barrel. Earlier, **the ECB released its meeting minutes and discussed the importance of recalibrating its PEPP program**.
- US data were mixed. Jobless claims continued to trend down** (initial jobless claims at 1.48mil last week), **durable goods orders rebounded** by 15.8% in May. **Trade deficit widened** as exports continued to decline. The third reading of **1Q GDP growth was unrevised at -5%**. Japan All Industry Index extended losing streak at 6.4%. New Zealand consumer confidence recovered this month.
- The USD gained for a second consecutive day, as DXY closed higher by 0.3% to 97.429. 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, being biased for some strength for now. Still, the Fed's accommodative monetary policy should remain a large factor in driving subsequent moves downwards.
- USDMYR finished slightly higher (+0.15%) at 4.2780 on Thursday. We remain **bullish on USDMYR** today as risk sentiment likely retreat ahead of the weekend. 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.	25,745.60	1.18	-9.79
S&P 500	3,083.76	1.10	-4.55
FTSE 100	6,147.14	0.38	-18.50
Hang Seng	24,781.58	-0.50	-12.09
KLCI	1,489.20	-0.89	-6.27
STI	2,590.15	-1.46	-19.63
Dollar Index	97.43	0.3	1.1
WTI oil (\$/bbl)	38.72	1.87	-36.67
Brent oil (\$/bbl)	41.05	1.84	-37.47
Gold (\$/oz)	1,763.79	0.15	16.32
CPO (RM/tonne)	2,517.00	0.38	-16.81

Source: Bloomberg

Daily FX Performances vs USD (% change)



Source: Bloomberg

Overnight Economic Data

US	→	Japan	↓
New Zealand	↑		

Up Next

Date	Event	Prior
26/06	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)	78.9
	SG Industrial Production YoY (May)	13.00%
29/06	NZ ANZ Consumer Confidence Index (Jun)	97.3
	US Pending Home Sales MoM (May)	-21.80%
	US Dallas Fed Manf. Activity (Jun)	-49.2
	EC Economic Confidence (Jun)	67.5
	EC Consumer Confidence (Jun F)	-14.7
	JP Retail Sales MoM (May)	-9.60%
	JP Retail Sales YoY (May)	-13.70%
	HK Exports YoY (May)	-3.70%

Source: Bloomberg

Macroeconomics

- US jobless claims trending down as economy reopened:** Initial jobless claims continued to fall last week to 1.48mil, from 1.54mil prior, as smaller number of Americans claimed for unemployment benefits following the reopening of the US economy. Continuous claims which was lagged by one week also slid to 19.52 mil, from 20.29mil.
- US economy contracted 5% in 1Q, number unrevised:** US real GDP contracted at an annualised rate of 5% QOQ in the first quarter of 2020, according to the BEA's unrevised third estimate. This follows the 2.1% QOQ growth in 4Q last year prior to the Covid-19 outbreak. Compared to the same quarter last year, the economy managed to eke out a tiny 0.3% growth, a far cry from the 2.3% expansion recorded in the preceding quarter.
- US goods trade deficit widened in May:** US goods trade deficit went up to \$74.3b in May, from \$70.7b in April, as exports continued to fall albeit at a smaller magnitude of 5.8% MOM (Apr: -25.1%) Shipments of all goods categories fell save for that of consumer goods. The decline in imports was more modest at 1.2% (Apr: -13.6%) decline in goods imports of which automotive vehicles continued to record large contractions (-32.8% vs -52.2% prior).
- Substantial rebound in US durable goods orders:** Orders of durable goods in the US rebounded by 15.8% MOM in May, recovering from the double digit declines in the previous months (Apr: -18.1%) after the economy reopened. Shipments of durable goods also rose 4.4% (Apr: -18.6%). Rebound was broad-based across all key group of products, of which transportation equipment gained 80.7%. Motor vehicles rose 27.5%. Orders of the so-called core capital goods only gained a modest 2.3% (Apr: -6.5%), indicating that businesses remained wary of raising capex spending. On a separate note, the Kansas City Fed Manufacturing jumped to 2 in June, from -25 prior, in line with the general trend of other regional manufacturing gauges.
- ECB sees PEPP as most effective policy tool:** The latest ECB meeting minutes revealed the Governing Council's extensive discussion in the effectiveness of its pandemic emergency purchase program (PEPP). Members agreed that the program was the "most effective and efficient tool" for providing additional monetary accommodation in the current environment. Recalibrating the PEPP was thus the most appropriate action to maintain favourable funding costs for the real economy and providing temporary support in response to pandemic related shock. This has resulted in the central bank expanding PEPP by €600b and extended the program's timeline horizon to at least June 2021.
- Sustained decline in Japan's services and manufacturing:** Japan's All Industry Index fell 6.4% YOY in April, extending its current losing streak to three-month long. This was mainly driven by the 6% fall in the services or tertiary index which made up large chunk of the headline index. Manufacturing fell 9.8% while construction was flat.
- New Zealand consumer confidence rebounded:** The ANZ-Roy Morgan Consumer Confidence Index climbed to 104.5 in June, from 97.3 in May pointing to substantial recovery in consumer sentiment as the government completely lifted lockdown rules in New Zealand earlier this month following the successful elimination of community transmission.

Forex

MYR (Bearish)

- USDMYR finished slightly higher (+0.14%) at 4.2780 on Thursday.
- We remain bullish on USDMYR today as risk sentiment likely retreat ahead of the weekend. 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.

USD (Bullish)

- The USD gained for a second consecutive day, as DXY closed higher by 0.3% to 97.429.
- 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, being biased for some strength for now. Still, the Fed's accommodative monetary policy should remain a large factor in driving subsequent moves downwards.

EUR (Neutral-to-Bearish)

- EUR underperformed other G10 currencies and was 0.29% down against the USD on Thursday. EUR/USD is now closer to 1.12 after past few days' movements.
- EUR looks to benefit from improvements in fundamentals and risk sentiments. However, EUR may have to be defensive as the USD rebounds.

GBP (Neutral-to-Bearish)

- GBP was flat on Thursday. Range movements kept GBP/USD around 1.2420 levels.
- 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 stayed above 107 as JPY slightly weakened against the USD on Thursday.
- 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 rebounded a little, by 0.26% on Thursday. This brought pair closer to 0.69 big figure.
- 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)

- The SGD was resilient against the USD on Thursday. Still, it looked to be recovering, as USD/SGD was seen crawling downwards towards the 1.39 big figure.
- We see range movements 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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