Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equities fell for the second session on Friday, concluding the week in the negative territory as risk aversion led investors to sell stocks**. The Dow Jones fell 0.7%, the S&P500 lost 0.6% and NASDAQ lost declined by 0.9%. For the week, the Dow was 0.8% lower compared to the prior week, the S&P500 edged slightly lower by 0.3% and NASDAQ recorded higher losses of 1.3%. Stocks had also fallen in both Europe and Asia on Friday. Investors continued to grapple with major uncertainties regarding global economic outlook amid climbing coronavirus cases in major economies as well as intensifying US-China tension. Gold benefitted from this persisting fear and volatile sentiment.

- **On Friday, the most actively traded gold futures (for next month's delivery), gained 0.4% to $1,897.50/ounce**, surpassing its Aug-2011 high. Spot gold hit $1900 mark and closed at $1902.02/ounce. Meanwhile, 10Y UST yield was little changed on Friday (0.59%); but was 3.6bps lower compared to the prior week.

- **Flash Markit PMI data were encouraging in the US, Eurozone and the UK, pointing to ongoing recovery**. US new home sales beat expectations with a 13.8% MOM growth. UK consumer sentiment remained pessimistic based on the latest GfK Consumer Confidence. Singapore industrial production fell more than expected.

- **The Dollar Index fell for the sixth consecutive session, finishing 0.3% lower at 94.435 on Friday.** The EUR, GBP and AUD continued to be pushed higher. The bearish momentum continued further on Friday. DXY reached a low of 94.334 as a result of a weaker US PMI (compared to Eurozone and UK). We are neutral-to-bearish on the USD for the week ahead, as Covid-19 cases hurt the economy. July Markit PMI figures are important for USD direction, with markets expecting positive prints, alongside advance GDP estimates. Corporate earnings can also help to swing USD direction. Fed actions are also likely to be keenly watched, although there may not be much changes to its recent stance

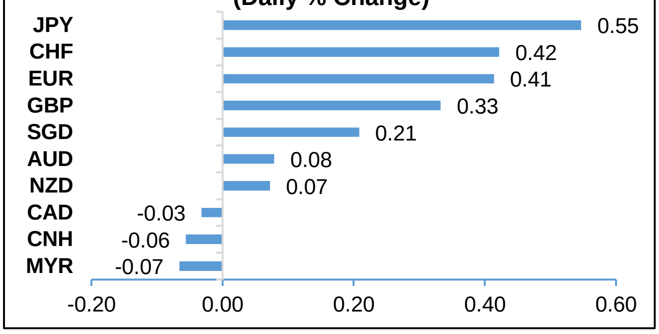
- **USD/MYR rose a mere 0.1% DOD on Friday to 4.2630, in line with our neutral expectation.** Daily trading range remained tight within 4.2575 - 4.2665. MYR outlook is largely neutral this week, likely in the range of 4.24-4.27 in anticipation of overall risk aversion in the markets. While the downward trajectory in the pair appears to be interjected temporarily, the pair is still expected to test 4.2450- 4.2480 this week. USD movement and shift in risk sentiments will remain a key determinant for MYR fate.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,469.89	-0.68	-7.25
S&P 500	3,215.63	-0.62	-0.47
FTSE 100	6,123.82	-1.41	-18.81
Hang Seng	24,705.33	-2.21	-12.36
KLCI	1,589.61	-1.05	0.05
STI	2,579.51	-1.26	-19.96
Dollar Index	94.44	-0.3	-2.2
WTI oil ($/bbl)	41.29	0.54	-32.62
Brent oil ($/bbl)	43.34	0.07	-34.58
Gold ($/oz)	1,902.02	0.77	26.39
CPO (RM/tonne)	2,749.50	0.37	-9.12

Source: Bloomberg

FX Performance versus USD (Daily % Change)



Source: Bloomberg

Overnight Economic Data

US	↑	UK	→
Eurozone	↑	Singapore	↓

Up Next

Date	Event	Prior
27/07	US Durable Goods Orders (Jun P)	15.7%
	US Dallas Fed Manf. Activity (Jul)	-6.1
	JN Leading Index CI (May F)	79.3
	HK Exports YoY (Jun)	-7.4%
	CH Industrial Profits YoY (Jun)	6.0%
28/07	MA Imports YoY (Jun)	-30.4%
	US S&P CoreLogic CS US HPI (May)	4.73%
	US Conf. Board Consumer Confidence (Jul)	98.1
	US Richmond Fed Manufact. Index (Jul)	0

Source: Bloomberg

Macroeconomics

- ***Markit Flash PMIs point to continuous economic recovery:***
  - US manufacturing PMI rose to six-month high of 51.3 in July (Jun: 49.8), a reading above 50 indicates that the sector has returned to growth. The services PMI also edged up to 49.6 in July (Jun: 47.9).
  - EU manufacturing and services PMIs both surprised on the upside, bouncing back above expansionary mode and also way above pre-pandemic levels based on preliminary readings. The manufacturing PMI printed at a 19-month high of 51.1 in July (Jun: 47.4) while services at a 29-month high @ 55.1 (Jun: 48.3).
  - UK manufacturing and services PMIs also came in better than expected. The manufacturing PMI printed at a 16-month high of 53.6 in July (Jun: 50.1) while services at a record high @ 56.6 (Jun: 47.1).

- ***Housing demand stayed high in June despite pandemic:*** New home sales in the US recorded a 13.8% MOM growth in June to a seasonally adjusted annual rate of 776k units, while the gain in May was revised up substantially from 16.6% to 19.4%. The better-than-expected number confirmed that housing demand remains high in the US despite huge uncertainty surrounding the economic outlook of the pandemic stricken country.

- ***UK consumers remained pessimistic***: Consumer confidence as measured by GfK was unchanged at -27 in July, reflecting weaknesses and pessimism in the consumer sector going forward. Contrary to this, retail sales indeed expanded at a robust pace of 13.9% MOM in June (May: +12.3% upwardly revised), erasing all losses during the lockdown months. The jump was mainly spurred by non-essential purchases, which to us was due to pent-up demand that would dissipate sooner than later.

- ***Singapore industrial production surprised on the downside***: Industrial output contracted more than expected by 6.7% YOY in June, after a downwardly revised 8.1% fall in May. This came as biomedical retreated, falling 30.6% YOY. Electronics production was surprisingly strong, with an expansion of 17.3% YOY. Overall outlook still looks volatile, and this IPI print came after a double-digit expansion in non-oil domestic exports in June

Forex

MYR (Neutral)

- USD/MYR rose a mere 0.1% DOD on Friday to 4.2630, in line with our neutral expectation. Daily trading range remained tight within 4.2575 - 4.2665. MYR outlook is largely neutral this week, likely in the range of 4.24-4.27 in anticipation of overall risk aversion in the markets. While the downward trajectory in the pair appears to be interjected temporarily, the pair is still expected to test 4.2450- 4.2480 this week. USD movement and shift in risk sentiments will remain a key determinant for MYR fate.
- **Factors supporting**: Economic recovery
- **Factors against**: Risk aversion, US-China relations, domestic politics, imposition of second lockdown

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

- The bearish momentum continued further on Friday. DXY reached a low of 94.334 as a result of a weaker US PMI (compared to Eurozone and UK).
- **Factors supporting**: Risk aversion, US-China relations, stretched low DXY levels.
- **Factors against:** Complacent markets, positive developments from global policymakers

EUR (Neutral-to-Bullish)

- EUR/USD hit another high of 1.1658 on Friday, after solid PMI figures. 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 reached a high of 1.2804 before closing slightly lower at Friday's close. This is the highest since March.
- **Factors supporting**: Breakthrough in news
- **Factors against**: Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY dipped sharply on Friday, hitting a low of 105.68 before rebounding to 106.14 at close. We turn more bullish on JPY on potential risk adversity.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral)

- AUD/USD remained range bound as it got stuck at elevated. We turn neutral on market fears returning.
- **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 came off on Friday to close at 1.3824. Pair remains in attempts to break 1.38 level as USD weakened.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

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