

Global Markets Research

Daily Market Highlights

Key Takeaways

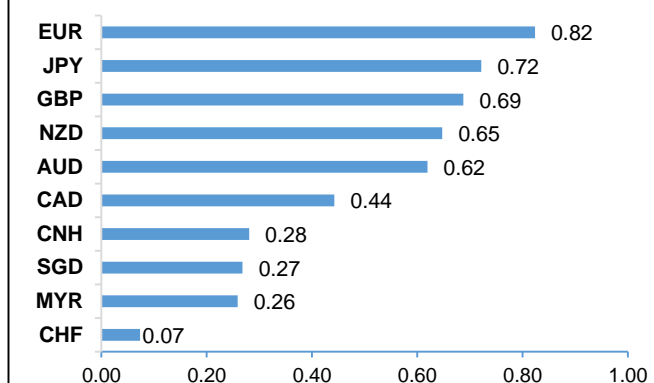
- US stocks kicked off the new week with gains overnight, in anticipation of a busy week filled with corporate earnings releases as well as the FOMC meeting.** NASDAQ outperformed its peers with a 1.7% DOD increase; the Dow Jones saw a more modest gain of 0.4% whereas the S&P500 rose 0.7%, gains were led by the infotech sector (+1.6%). Earlier, stocks in Europe had generally fallen while Asia equities recorded mixed performances. **Senate Republicans announced their roughly \$1 trillion pandemic relief package** as the existing \$600 weekly unemployment supplement is set to expire this month. **A deal has yet to be reached with the Democrats.**
- Gold futures contracts for August delivery soared to \$1945/ounce as of writing.** Spot gold closed at \$1942.24/ounce, inching to \$1953.92/ounce today. The current bull run in the precious metal carried on as various reasons such as the pandemic, uncertainty over global economic recovery and persistent US-China tension led investors to pile into the traditional safe haven. Meanwhile, **global bond yields generally went up yesterday.** Yield on 10Y benchmark UST rose 2.6bps to 0.615%. Brent crude was little changed at \$43.41/barrel while WTI rose 0.75% to \$41.6/barrel.
- Economic releases were a mixed bag – better in the US and China but remained weak in Japan and Hong Kong.** US durable goods orders rose 7.3% MOM in June, beating expectations. Japan's economic indicators suggest that the economy is struggling to recover. China's June industrial profits were 11.5% higher compared to last year. Hong Kong exports fell 1.3% YOY as global demand remained weak.
- The dollar weakened for the seventh consecutive session, the dollar index lost 0.8% to 93.668, its largest single-day decline since late May this year. The dollar weakened against all major currencies; the SEK and EUR led the gains among the G10s. We remain **neutral to bearish USD** over a one-week horizon.
- USD/MYR fell 0.26% DOD to 4.2520 on Monday. Pair is vulnerable to ongoing USD weakness and is likely to open lower today. We stick to our **neutral outlook** ahead of the FOMC meeting. Pair is likely staying in the range of 4.24-4.27 in anticipation of overall risk aversion in the markets. USD movement and shift in risk sentiments will remain a key determinant for the pair.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,584.77	0.43	-6.85
S&P 500	3,239.41	0.74	0.27
FTSE 100	6,104.88	-0.31	-19.06
Hang Seng	24,603.26	-0.41	-12.72
KLCI	1,591.48	0.12	0.17
STI	2,575.79	-0.14	-20.08
Dollar Index	93.67	-0.81	-2.82
WTI oil (\$/bbl)	41.60	0.75	-31.87
Brent oil (\$/bbl)	43.41	0.16	-34.23
Gold (\$/oz)	1,942.24	2.11	28.20
CPO (RM/tonne)	2,805.50	2.04	-7.27

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑	China	↑
Japan	→	Hong Kong	↓

Up Next

Date	Event	Prior
28/07	MA Exports YoY (Jun)	-25.5%
	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
29/07	US MBA Mortgage Applications (24 Jul)	--
	US Advance Goods Trade Balance (Jun)	-\$74.3b
	US Pending Home Sales MoM (Jun)	44.3%
	HK GDP YoY (2Q A)	-8.9%
	AU CPI YoY (2Q)	2.2%

Source: Bloomberg

Macroeconomics

- **US durable goods rose in June:** Preliminary reading indicates that US durable goods orders rose 7.3% MOM in June after the hefty 15.1% rebound in May. This beats analysts' expectation of a 6.9% gain. Growth was broad-based across key categories save for the orders of commercial aircrafts. The 3.3% gain in core capital orders (May: +1.6%) was an encouraging sign that businesses are raising capex.
- **China industrial firms recorded growth in profits:** China industrial profits rose 11.5% YOY in June, extending its gain from 6% growth in May, confirming the ongoing recovery in industrial companies' activity spurred by the reopening of the economy. However, profits for the first six months of 2020 were still 12.8% lower compared to the same period in 2019. Manufacturing profits were still down by 9.8% YOY.
- **Japan's economic indicators suggest struggling economy:**
 - Japan capital spending was unchanged in the first quarter of 2020, compared to the same quarter last year. This followed a 3.5% YOY decline in 4Q19 and highlighted the impact of the pandemic shock on Japanese firms' intention to expand. Company sales was 7.5% lower compared to last year and profits fell 28.4% YOY.
 - The All Industry Index, a gauge of Japan's economic activity fell 3.5% MOM in May (Apr: -7.6%), marking its fourth consecutive month of decline since February.
 - The Leading Index rose slightly to 78.4 in May, from 77.7 in April, still well below the above 90 levels seen prior to the pandemic.
- **Hong Kong exports fell in June; shipments to China increased:** Hong Kong trade data disappointed as exports recorded a decline of 1.3% YOY in June (May: -7.4%). Analysts had been expecting a gain of 3.8%. This is mainly driven by fall in exports to majority of its trading partners which offset the 8.8% YOY growth in exports to its biggest trading destination, China. This highlights weak demand around the world. Imports also fell more than expected by 7.1% YOY in June (May: -12.3%).

Forex

MYR (Neutral)

- USD/MYR fell 0.26% DOD to 4.2520 on Monday. Pair is vulnerable to ongoing USD weakness and is likely to open lower today. We stick to our neutral outlook ahead of the FOMC meeting. Pair is likely staying in the range of 4.24-4.27 in anticipation of overall risk aversion in the markets. USD movement and shift in risk sentiments will remain a key determinant for the pair.
- **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)

- USD hit a fresh low on Monday. DXY reached a low of 93.668, as most G10 currencies gained against the greenback. This is led by EUR and JPY gains.
- **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's bid tone continued on Monday, with a high of 1.1781.
- **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 touched 1.29 on USD weakness on Monday.
- **Factors supporting:** Breakthrough in news
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY dipped further on Monday, triggered by USD weakness. USD/JPY hit a low of 105.12 in the process. We had turned more bullish on JPY on potential risk adversity.
- **Factors supporting:** BOJ policy, risk aversion
- **Factors against:** Weak fundamentals

AUD (Neutral)

- AUD/USD moved higher on Monday after some consolidation on Friday. Pair touched a high of 0.7162 in the process.
- **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 dipped further on Monday, breaking the 1.3804 support that we long touted. At this moment, USD/SGD is close to 1.378 after a low of 1.3774.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

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