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.

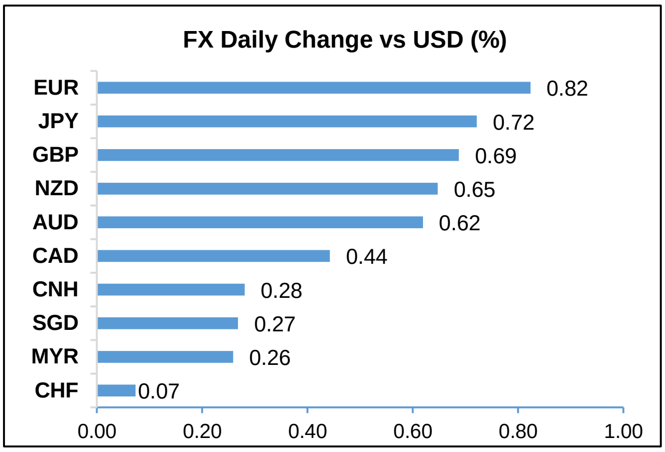
- The dollar weakened for the seventh consecutive session, the dollar index lost 0.8% to 93.668, its largest single-day decline since late May this year. The dollar weakened against all major currencies; the SEK and EUR led the gains among the G10s. We remain **neutral to bearish USD** over a one-week 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 (S/oz)	1,942.24	2.11	28.20
CPO (RM/tonne)	2,805.50	2.04	-7.27

Source: Bloomberg



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)

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- **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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