

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

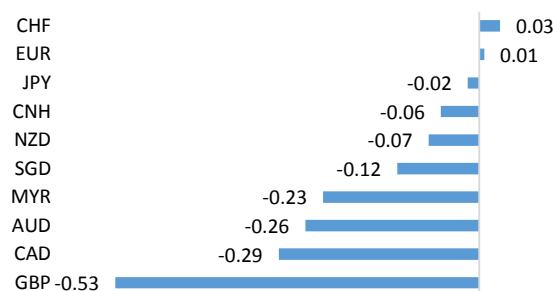
- Markets went risk-off on renewed virus concerns**, US stocks plunged on Friday, ending the week with losses as markets retreated in response to rising Covid-19 cases across the country. The Dow Jones lost 2.8%, the S&P500 fell 2.4% and NASDAQ was also down by 2.6%. The declines were broad-based across all sectors. For the week, the Dow Jones shed more than 850pts or 3.3% after swinging between gains and losses; the S&P 500 fell 2.9% while the NASDAQ experience a more modest decline of 1.9%.
- Safe havens assets benefitted** from cautious sentiment, gold surged by 1.6% last week to multi-year high of \$1771.3/ounce and 10Y UST yield traded lower (-5bps) at 0.65%. **Crude oil benchmarks were modestly lower last week amid renewed concerns for oil demand.** Brent crude fell 2.8% WOW to \$41.02/barrel and WTI slipped to \$38.49/barrel (-3.2%). Risk-off sentiment is likely to dominate global market this week as **12 states are pausing reopening following the surge in Covid-9 cases; this could hamper chances of the expected economic recovery. Cases are topping 2.5mil in the US and is showing no sign of slowing down. Globally, total cases breached the 10mil mark.**
- Still no cheer on the data front.** US consumer spending rebounded by 8.2% in May while personal income came off from the high, recording 4.2% drop. Core PCE annual rate was steady at 1.0%. Consumer confidence saw modest recovery. Japan retail sales fell 12.3% YOY in May. Singapore industrial production fell 7.4% in May.
- The greenback finished Friday a little lower, with DXY falling 0.2% to a 97.433 close. 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. As Covid-19 cases resurges in the US, there is a case for a return towards 98 levels. Risk sentiments will likely remain integral for USD movements. Thereafter, Fed accommodation will likely remain a large factor in driving further moves downwards.
- USDMYR finished 0.23% higher at 4.2905 as the week came to an end. **We remain bullish on USDMYR** today as risk sentiment likely retreats further this week as global markets turn cautious, assessing Covid-19 situation in major economies. This week's slew of economic data would also serve as market driver with the FOMC meeting minute in the pipeline. Downside risk to MYR remains, stemming from potential second waves in key economies, US-China tension, downbeat commodity market, on top of rising concerns over a potential rating downgrade following S&P outlook revision from stable to negative last Friday, echoing a similar move by Fitch back in April.

#### Market Snapshots

	Last Price	DoD%	YTD%
<b>Dow Jones Ind.</b>	25,015.55	-2.84	-12.34
<b>S&amp;P 500</b>	3,009.05	-2.42	-6.86
<b>FTSE 100</b>	6,159.30	0.20	-18.34
<b>Hang Seng</b>	24,549.99	-0.93	-12.91
<b>KLCI</b>	1,488.14	-0.07	-6.33
<b>STI</b>	2,604.51	0.55	-19.19
<b>Dollar Index</b>	97.43	-0.20	1.1
<b>WTI oil (\$/bbl)</b>	38.49	-0.59	-36.96
<b>Brent oil (\$/bbl)</b>	41.02	-0.07	-39.03
<b>Gold (\$/oz)</b>	1,771.29	0.43	16.83
<b>CPO (RM/tonne)</b>	2,470.00	-1.87	-18.36

Source: Bloomberg

#### Daily FX Changes vs USD (%)



Source: Bloomberg

#### Overnight Economic Data

US	→	Japan	↓
Singapore	↓		

#### Up Next

Date	Event	Prior
29/06	US Pending Home Sales MoM (May)	-21.80%
	US Dallas Fed Manf. Activity (Jun)	-49.2
	EC Economic Confidence (Jun)	67.5
	JP Retail Sales YoY (May)	-13.7%
	HK Exports YoY (May)	-3.0%
30/06	US S&P CoreLogic CS House Prices (Apr)	4.35%
	US MNI Chicago PMI (Jun)	32.3
	US Conf. Board Consumer Confidence (Jun)	86.6
	EU CPI Estimate YoY (Jun)	0.10%
	UK GfK Consumer Confidence (Jun)	-36
	UK GDP QoQ (1Q F)	-2.0%
	JP Jobless Rate (May)	2.6%
	JP Industrial Production YoY (May P)	-15%
	CN Manufacturing PMI (Jun)	50.6
	CN Non-manufacturing PMI (Jun)	53.6
	NZ ANZ Business Confidence (Jun F)	-33.0
	HK Retail Sales Value YoY (May)	-36.10%

Source: Bloomberg

## Macroeconomics

- **US consumer spending rebounded in May:** Personal expenditure (PCE), a key gauge of consumer spending in the US rose 8.2% MOM in May, following the 12.6% drop in the April. This was in line with most indicators that showed a massive rebound after the US economy reopened last month. Personal income fell 4.2% MOM, coming off from the 10.8% gain in April thanks to the federal government's stimulus checks. In the same report, the core PCE price index rose a mere 0.1% MOM (Apr: -0.4%); the annual rate was flat at 1.0% (Apr: +1.0%), indicating subdued inflation in the system in a strained economy.
- **Modest recovery in US consumer sentiment:** The University of Michigan Consumer Sentiment Index went up to 78.1 in June, from 72.3 in May thanks to improving perception over both current economic conditions and expectations. Most consumers believe that the economic conditions "could hardly worsen from the recent shutdown on the national economy". The survey also reported that confidence in government economic policies has fallen in the June survey to its lowest level since Trump entered office.
- **Double digit fall in Japan retail sales:** Japan retail sales fell by 12.3% YOY in May (Apr: -13.9%), marking its seventh decline in eight months since October last year, as Covid-19 pandemic weighed down on an already weak retail sector following the sales tax hike.
- **Singapore industrial production unexpectedly contracted in May:** Singapore's industrial production fell 7.4% YOY in May, after 13.6% increase in April (Consensus: 6.7% YOY; HLBS: 4.5%). This was unexpected. Some forecasts were for double digit increases. Result was affected by Biomedical- the lumpy biomedical production came off after strong growth past few months. Performances worsened for transport engineering, general manufacturing and chemicals.

## Forex

### MYR (Bearish)

- USDMYR finished 0.23% higher at 4.2905 as the week came to an end.
- We remain bullish on USDMYR today as risk sentiment likely retreats further this week as global markets turn cautious, assessing Covid-19 situation in major economies. This week's slew of economic data would also serve as market driver with the FOMC meeting minute in the pipeline. Downside risk to MYR remains, stemming from potential second waves in key economies, US-China tension, downbeat commodity market, on top of rising concerns over a potential rating downgrade following S&P outlook revision from stable to negative last Friday, echoing a similar move by Fitch back in April.

### USD (Bullish)

- The greenback finished Friday a little lower, with DXY falling 0.2% to a 97.433 close.
- 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. As Covid-19 cases resurges in the US, there is a case for a return towards 98 levels. Risk sentiments will likely remain integral for USD movements. Thereafter, Fed accommodation will likely remain a large factor in driving further moves downwards.

### EUR (Neutral-to-Bearish)

- EUR was resilient against USD strength and ended Friday 0.01% stronger.
- While PMI data was encouraging, uncertainty is creeping in. Covid-19 cases are now climbing in Europe, and officially warned by the World Health Organisation. Data focus for the week is likely on confidence indices and prices data.

### GBP (Neutral-to-Bearish)

- GBP fell by 0.53% against the USD on Friday.
- We see Covid-19 becoming a bigger drag in the coming days. Brexit uncertainty, and possibly fragile fundamentals will also likely continue to weigh down on the GBP.

### JPY (Neutral)

- USD/JPY stayed above 107 as JPY slightly weakened against the USD on Thursday.
- JPY looks to stay within a range of 106-108, without any breakthrough. Focus on data is on Tankan and Japan's other key economic data on employment and retail sales.

### AUD (Neutral-to-Bearish)

- AUD/USD fell by 0.26% on Friday, with pair remaining around 0.686 on Monday open.
- We see 0.70 as a huge resistance. Technicals show that momentum is fading. Consolidation may continue. As the AUD/USD pair remains above its moving averages, some return to 0.6667 levels is possible if market fears climb some more.

### SGD (Neutral-to-Bearish)

- The SGD weakened by 0.12% against the USD on Friday. This came after industrial production unexpectedly contracted in May.
- For the week ahead, attention will likely be on Singapore's PMI for signs of further recovery in June. A global second wave of Covid-19 cases has started to gain attention. 1.4000 remains a huge psychological level to break. We also focus on the 200-day MA of 1.3863 as a key support.

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.