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. Globallly, 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.

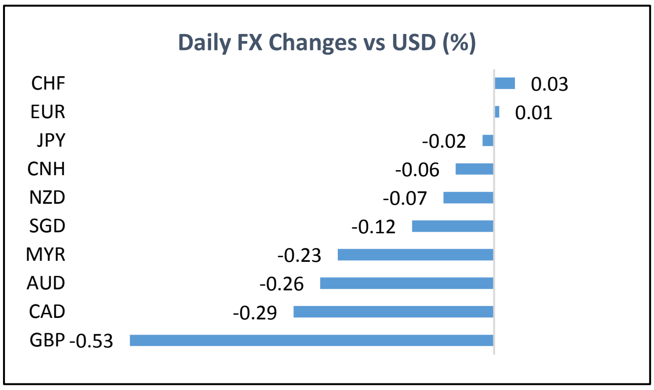
- The greenback finished Friday a little lower, with DXY falling 0.2% to a 97.433 close. We are **neutral to bullish on the USD** for the week ahead. DXY has remained in range movement since 10 June, after a bottom of 95.716 on 11 June. As Covid-19 cases resurges in the US, there is a case for a return 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 %
Dow Jones Ind.	25,015.55	-2.84	-12.34
S&P 500	3,009.05	-2.42	-6.86
FTSE 100	6,159.30	0.20	-18.34
Hang Seng	24,549.99	-0.93	-12.91
KLCI	1,488.14	-0.07	-6.33
STI	2,604.51	0.55	-19.19
Dollar Index	97.43	-0.20	1.1
WTI oil ($/bbl)	38.49	-0.59	-36.96
Brent oil ($/bbl)	41.02	-0.07	-39.03
Gold (S/oz)	1,771.29	0.43	16.83
CPO (RM/tonne)	2,470.00	-1.87	-18.36

Source: Bloomberg



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)

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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.

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