

Global Markets Research

Daily Market Highlights

Key Takeaways

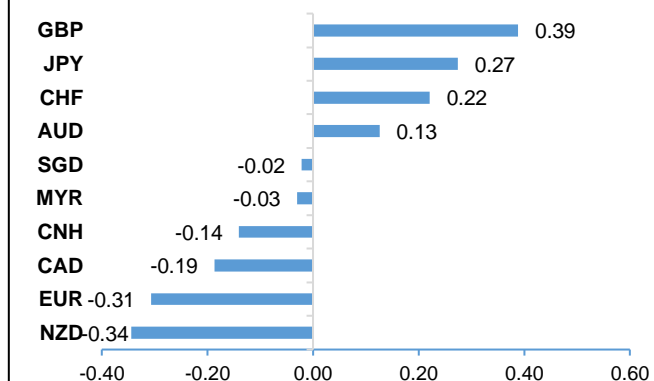
- US stocks fell overnight, reversing Monday's gains in response to mixed corporate earnings** while European and Asian equities recorded mixed performances earlier. The Dow Jones lost 205pts or 0.8%, after several Dow components reported weak 2Q earnings. 3M's earnings per share nearly met estimates, McDonalds' saw a 30% decline in revenue and a huge miss in earnings. Pfizer, Visa and Raytheon Technologies topped estimates. The S&P 500 fell 0.7% and NASDAQ recorded a sharper decline of 1.3%. Investors are currently grappling with uncertain economic outlook amid continuing rise in Covid-19 cases while US lawmakers are negotiating a \$1 trillion additional relief package. Focus shifts to the FOMC meeting today when the Fed's policy stance as well as Jerome Powell's press conference will be closely watched.
- Treasury yields fell 1-5bps across the curve as safe havens benefitted from heightened risk aversion.** The yield on 10Y benchmark UST was 3.6bps lower at 0.58% compared to the previous session. **Gold prices continued to trend higher** – futures for August delivery closed 0.7% higher at \$1944.6/ounce overnight and hit a new all-time high this morning (\$1948.9/ounce as of writing). Spot gold rose 0.8% to \$1958.43/ounce on Tuesday. Brent crude slipped 0.4% to \$43.22/barrel and WTI settled 1.3% lower at \$41.04/barrel.
- Looking at data, **US Conference Board Consumer Confidence Index which fell nearly 6pts in July.** House prices were little changed MOM in May according to the S&P CoreLogic Case Schiller Index. The Richmond Fed Manufacturing Index returned to positive. Malaysia exports surprised with an 8.8% YOY growth.
- In the FX market, the DXY stabilised with a tiny 0.03% gain following seven consecutive losing sessions.** This reflects the rebound in the greenback against many key currencies. Among the G10s, the dollar managed to stage an upturn against the EUR, CAD, NZD and all the Scandinavian currencies. GBP surged to a fresh multi-month top and was the winner among other gainers (JPY, CHF, AUD).
- USD/MYR was little changed on Tuesday (+0.03%) at 4.2535,** in line with our neutral expectation. No change to our neutral outlook ahead of the FOMC statement. Pair is likely staying 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.	26,379.28	-0.77	-7.57
S&P 500	3,218.44	-0.65	-0.38
FTSE 100	6,129.26	0.40	-18.74
Hang Seng	24,772.76	0.69	-12.12
KLCI	1,609.94	1.16	1.33
STI	2,582.97	0.28	-19.85
Dollar Index	93.70	0.03	-2.79
WTI oil (\$/bbl)	41.04	-1.35	-32.79
Brent oil (\$/bbl)	43.22	-0.44	-39.18
Gold (\$/oz)	1,958.43	0.83	29.13
CPO (RM/tonne)	2,835.00	1.05	-6.30

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US → Malaysia ↑

Up Next

Date	Event	Prior
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%
30/07	US FOMC Rate Decision (29 Jul)	0-0.25%
	US GDP Annualized QoQ (2Q A)	-5.0%
	US Initial Jobless Claims (25 Jul)	--
	EU Economic Confidence (Jul)	75.7
	EU Unemployment Rate (Jun)	7.4%
	JN Retail Sales YoY (Jun)	-12.3%
	HK Retail Sales Value YoY (Jun)	-32.8%
	NZ ANZ Business Confidence (Jul F)	-29.8

Source: Bloomberg

Macroeconomics

- US consumer confidence fell in July:** The Conference Board Consumer Confidence Index fell to 92.6 in July (June: 98.3) after having increased in June. This reflects the nearly 15pts fall in the Expectations index which offset the more modest rise in the Present Situation Index. This indicates the resurgence in Covid-19 infections in the US had led consumers to grow less optimistic about the short term economic outlook and their financial prospects, which does not bode well for consumer spending.
- US house prices saw slower annual gain:** The nationwide S&P CoreLogic Case Schiller House Price Index was 4.5% YOY higher in May, compared to the same month last year, easing from the 4.7% YOY growth in April. A similar index for 20 US cities gained 3.7% YOY in May, also a tad weaker from the 3.9% gain in April. MOM, the index was virtually unchanged (+0.04%) as house prices were largely flat in May when the economy reopened.
- Richmond Fed Manufacturing returned to positive:** Richmond Fed Manufacturing Index went up to 10 in July, from 0 in June, pointing to ongoing recovery in factory activity. The index had troughed in April (-54) and July's print marked its first positive reading in four months.
- MY exports surprisingly grew 8.8% YOY in June:** Exports surprisingly rebounded and grew 8.8% YOY to RM82.9bn in June (May: -25.5% YOY to RM62.7bn). This came in way above market consensus estimate of -10.0% YOY and ours -13.5% YOY, and beating even the most bullish market forecast for a 2.5% YOY gain. We suspect the sharp rebound in June was due to backlog clearance and pent-up demand following the partial if not complete resumption of economic activities as Malaysia and other global economies emerged from some sort of lockdowns. Notably, exports to China and the US spiked 46.8% and 27.6% YOY respectively during the month, while exports to Singapore (+3.7%) and ASEAN (+1.7%) also rebounded. Improvement was seen across manufacturing and agriculture exports. Overall imports however continued falling for the 4th consecutive month, albeit at a much more modest pace of 5.6% YOY to RM62.0bn in June (May: -30.4% YOY to RM52.3bn). This pushed trade surplus to a record high of RM20.9bn in June (May: RM10.4bn). MOM, exports turned around to increase 32.3% MOM in June (May: -3.2%) whilst imports printed a 18.6% YOY gain (May: -23.6%).

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 stabilised on Tuesday. This came as the USD gained against the EUR, yet weakened further against GBP and JPY.
- 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 reverted from a high of 1.1781 registered on 27 July and stayed close to 1.171 on Tuesday.
- 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 outperformed EUR and many other G10 currencies on Tuesday. Pair gained and touched a high of 1.2953 before coming off.
- Factors supporting:** Breakthrough in news, USD weakness
- Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY dipped again on Tuesday, now seeing levels last seen around March. This came alongside an intraday low of 104.96. The breakaway from the 106-108 range suggests pressure on the downside for the pair.
- Factors supporting:** BOJ policy, risk aversion, USD weakness
- Factors against:** Weak fundamentals

AUD (Neutral)

- AUD/USD stayed range bound overnight, around the 0.715 level. Overall, AUD still had a small gain against USD on Tuesday.
- 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 touched a low of 1.376 but rebounded closer to 1.38 overnight. Pair overall stayed roughly stable on Tuesday.
- Factors supporting:** Fed vs. MAS policy, economic recovery
- Factors against:** Risk aversion, trade war, US-China

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