

Global Markets Research

Daily Market Highlights

Key Takeaways

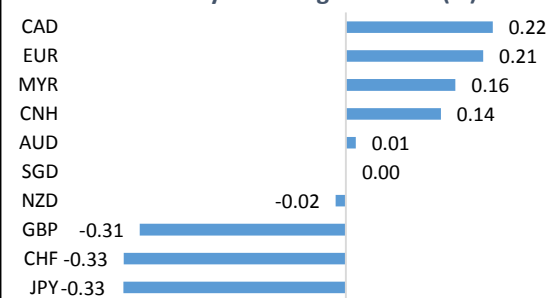
- US stocks bounced off from last Friday's fall** and kicked off the week on a positive note banging on **stimulus-driven economic recovery hopes** despite rising Covid-19 cases across the country that had prompted state governors to pause reopening. The Dow Jones added 580pts or 2.3%, the S&P 500 rose 1.5% and NASDAQ picked up 1.2%. Meanwhile, 10Y UST yield was 2bps lower at 0.62% compared to the previous session as **investors continued to buy bonds; gold price gained** a mere 0.1% to \$1772.82 while **the dollar index also picked up** 0.1% to 97.536, **confirming the the lingering presence of market jittery**. Oil prices managed to gain ground too with Brent adding 1.7% to \$41.71/barrel and WTI settling higher (+3.1%) to \$39.7/barrel.
- The Covid-19 pandemic remains the major force in market this week** although markets are also looking towards Fed Chair Powell's speech as well as key data such as ISM index and job report. **China's official PMI data are also slated for a 9am release today**. **Brexit negotiations have resumed in Brussel** as chief negotiators from the UK and EU met face-to-face for the first time since March.
- On the data front, **US pending home sales surged more than 40%, a good sign for existing home sales in the coming months**. The Dallas Fed Manufacturing Index saw hefty rebound. **Eurozone economic sentiment picked up modestly**. **Japan jobless rate rose** to 2.9% in May and industrial production fell 8.4% MOM. **Hong Kong exports fell** 7.4% YOY in May, dampened by poor global demand. **Vietnam GDP growth eased** to a mere 0.36% in the second quarter.
- USD saw modest gains, with the DXY up 0.1% to 97.536. USD gained against JPY and CHF but weakened against CAD and EUR, helped by the constructive data. 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 0.16% lower at 4.2835 on Monday. We are **neutral to slightly bullish on USDMYR** today as investors are likely to adopt a wait-and-see approach to assess the current Covid-19 situation in major countries. This week's slew of economic data would also serve as market driver with the FOMC meeting minutes and Powell's speech also in the pipeline. Downside risk to MYR remains from potential second waves in key economies, US-China tension and downbeat commodity market.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	25,595.80	2.32	-10.31
S&P 500	3,053.24	1.47	-5.50
FTSE 100	6,225.77	1.08	-17.46
Hang Seng	24,301.28	-1.01	-13.79
KLCI	1,494.43	0.42	-5.94
STI	2,574.10	-1.17	-20.13
Dollar Index	97.54	0.1	1.1
WTI oil (\$/bbl)	39.70	3.14	-34.98
Brent oil (\$/bbl)	41.71	1.68	-36.80
Gold (\$/oz)	1,772.82	0.09	16.74
CPO (RM/tonne)	2,479.00	0.36	-18.06

Source: Bloomberg

Daily FX Changes vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↑
Japan	↓	Hong Kong	↓
Vietnam	→		

Up Next

Date	Event	Prior
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%
	CH Manufacturing PMI (Jun)	50.6
	CH Non-manufacturing PMI (Jun)	53.6
	NZ ANZ Business Confidence (Jun F)	-33.0
	HK Retail Sales Value YoY (May)	-36.1%
01/07	US MBA Mortgage Applications (46174)	-8.7%
	US ADP Employment Change (Jun)	-2760k
	US Markit US Manufacturing PMI (Jun F)	49.6
	US Construction Spending MoM (May)	-2.9%
	US ISM Manufacturing (Jun)	43.1
	EU Manufacturing PMI (Jun F)	46.9
	UK Manufacturing PMI (Jun F)	50.1
	JP Manufacturing PMI (Jun F)	37.8
	JP Tankan Large Mfg Outlook (2Q)	-11.0

Source: Bloomberg

Macroeconomics

- US pending home sales beat expectations:** US pending home sales jumped 44.3% MOM in May, beating analysts' expectation of 19.7% increase. This follows the 21.8% decline in April. YOY, pending home sales was still 5.1% lower compared to the same month last year (Apr: -33.8%) following a massive drop. Pending homesales track the contract activity in the real estate sector and this latest rebound offers comfort that the existing home market is indeed recovering, although limited inventory remains among the key factors subduing overall sales.
- Hefty rebound in Dallas Fed Manufacturing Index:** The Dallas Fed Manufacturing Index came in at -6.1 in June, bouncing off the deep -49.2 reading in May, signaling the ongoing recovery in Texas' manufacturing activity. This is largely in line with other manufacturing gauge as factories reopened and workers returned to their jobs.
- Modest climb in Eurozone economic sentiment:** The European Commission Economic Sentiment Indicator (ESI) rose to 75.7 in June, from 67.5 in May, indicating a modest recovery in sentiment. Reading for all sub-indexes remained quite depressed – consumer confidence (-14.7), services confidence (-35.6), industrial confidence (-21.7), business climate (-2.26)—albeit improving.
- Japan jobless rate rose to 2.9%:** Japan's jobless rate rose to 2.9% in May, its highest since May 2017, from 2.6% in April. The number of unemployed persons rose by 10.7% to 1.97mil, reflecting the impact of Covid-19 lockdown on the labour market. Nonetheless, job losses in Japan remain relatively non-dramatic thanks to job protection program and a generally tight job market. This could be seen in a small decline in jobs-to-applicant ratio from 1.32 to 1.2 in the same month.
- Japan industrial output deep-dived:** Preliminary reading of industrial production disappointed with an 8.4% MOM contraction in May, from the 9.8% decline in April, in line with the latest PMI data that highlighted the weakness in manufacturing and marked its fourth consecutive month of contraction. Analysts had been expecting a much smaller fall of 5.6%. YOY, output saw a much deeper fall of near 26% (Apr: -15%).
- Hong Kong international trade fell in May:** Hong Kong international trade continued to take the hit from the reduced trading volume arising from the global pandemic. In May 2020, total exports of goods fell by 7.4% YOY, following the 3.7% decline recorded in April. The value of goods imports also decreased by 12.3% YOY after the 6.7% fall in April. This led to a visible trade deficit of \$13.7 b. Total exports to Asia was 4.6% YOY lower, mainly because of the substantial declines in goods shipments to the Philippines, India, Singapore and South Korea. Exports to Mainland China were slightly higher (+0.3%) and jumped 16.6% to Taiwan. Exports to the US, UK, and Germany also recorded double-digit declines, highlighting the weakness in global demand in general.

Forex

MYR (Neutral-to-Bearish)

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USD (Neutral-to-Bullish)

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- 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/USD saw a high of 1.1288 fading to mid-1.12 by close. Pair was 0.21% up against the USD on Monday.
- 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. There is a chance of some pullback when risk aversion climbs sometime this week.

GBP (Neutral-to-Bearish)

- GBP weakened 0.31% against the USD, as some progress in Brexit talks is eyed. British Prime Minister Boris Johnson promised a "Rooseveltian" boost to public spending. This came after some recovery following a dip early European trading hours.
- 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)

- JPY weakened 0.33% against the USD on Monday, as USD/JPY saw a daily high of 107.88. However, the bid tone faded and pair looks stable for now.
- JPY looks to stay within a range of 106-108, without any breakthrough. Focus on data is on Tankan.

AUD (Neutral-to-Bearish)

- AUD/USD was roughly flat on Monday despite seeing some choppy trading.
- 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)

- USD/SGD was on consolidation mood on Monday, flat. Technicals show subdued momentum.
- 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.

- **Sharp pull-back in Vietnam's GDP growth:** Vietnam real GDP growth eased further to a mere 0.36% in the second quarter of 2020, following the 3.82% YOY growth in the first quarter and better than consensus estimate for a 1.3% YOY contraction. This reflects more fully the impact of Covid-19 pandemic had on the fast growing economy as international borders remained closed to visitors in most parts of the world. In the same quarter last year, the economy had grown by 6.7% YOY. The manufacturing sector appears to be resilient while services continued to be battered by the absence of international visitors. Looking ahead, Vietnam economy is likely to see relatively subdued growth in the coming quarter as the rebound in manufacturing industry would not be able to offset the losses in tourism sector. June data were encouraging but still weak - industrial production rebounded by 7%, exports declined by smaller magnitude (-2%) and retail sales fell 0.8% in 1H2020. CPI jumped 3.2% mainly driven by a smaller fall in oil prices.

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