

Global Markets Research

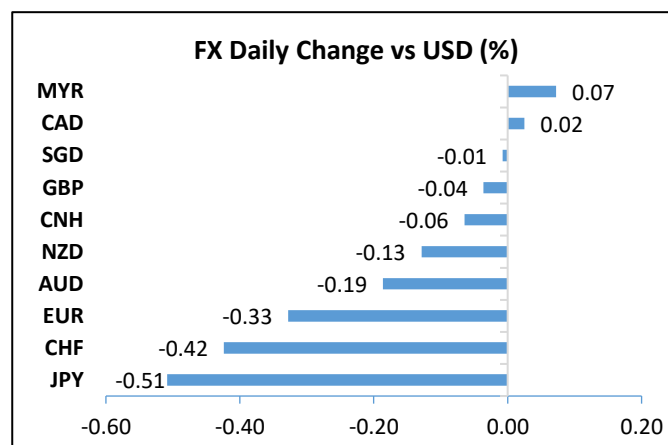
Daily Market Highlights

Key Takeaways

- **US stocks generally traded higher on the last day of June.** The S&P 500 (+0.1%) notched its fifth record closing in a row and the Dow (+0.6%) climbed, thanks to higher industrials, financials and energy shares. NASDAQ (-0.2%) retreated from all-time high as tech shares slipped lower. **All three benchmarks closed out the first half of the year with more than 12% gains**, with the S&P 500 outperforming at +14.4%, **on the back of firmer economic optimism** after Covid-19 cases in the US fell sharply alongside the ramp-up of vaccinations.
- **Treasury yields stabilised overnight as investors weighed current data while anticipating the crucial NFP payrolls due Friday.** Yields were little changed across the curve, closing less than 1bps from their previous levels. 10Y UST yield was last seen at 1.47% on Wednesday. **The dollar strengthened further against all G10 currencies (except CAD) on cautious sentiment.** Gold prices managed to rebound from recent losses despite the stronger USD. Futures rose 0.5% to \$1771.60/oz. **Crude oil prices advanced ahead of today's OPEC+ meeting** where the group of oil producers are expected to raise output alongside their allies. **The weekly EIA data showed a strong 6.7mil-barrels withdrawal of the US' crude stockpiles, a sign of firm US demand.** Brent crude (+0.5%) settled at \$75.13/barrel and WTI (+0.7%) closed at \$73.47/barrel. **Futures indicate that stocks are poised for a muted start in Hong Kong and Asia today.**
- **The US private sector added more than expected 692k jobs in June** according to the ADP report. Pending home sales unexpectedly rose 8.0% m/m in May. The Eurozone's inflation eased to 1.9% y/y rate in June. The UK's 1Q GDP growth was revised down to -1.6% q/q, from -1.5% prior. The BOJ's quarterly Tankan Survey showed improvements in Japan's business conditions and outlook. China's NBS PMIs slowed in June. Hong Kong's retail sales rose 10.5% y/y in May. **Key US data due today are ISM manufacturing index, and initial jobless claims.**
- The DXY gained by 0.42% to close at 92.44. This came as the USD particularly strengthened against the EUR and JPY. Concerns about Covid-19 variants is started to weigh on markets. ADP report showed better than expected job gains, as housing sales rose. We see slight **upsides for the DXY** at this stage, following some momentum stronger.
- USD/MYR closed slightly lower (-0.07%) at 4.1490. Amid cautious sentiment and higher demand for safe havens, USD bulls may continue to manifest themselves in the Asian session. **USD/MYR is targeting to hit the 4.16-mark** and we eye a weekly range of 4.13-4.18.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,502.51	0.61	12.73
S&P 500	4,297.50	0.13	14.41
FTSE 100	7,037.47	-0.71	8.93
Hang Seng	28,827.95	-0.57	5.86
KLCI	1,532.63	-1.01	-5.81
STI	3,130.46	1.33	10.08
Dollar Index	92.44	0.42	2.78
WTI oil (\$/bbl)	73.47	0.67	51.42
Brent oil (\$/bbl)	75.13	0.49	44.05
Gold (\$/oz)	1,771.60	0.45	-6.58
CPO (RM/tonne)	3,727.50	0.62	-1.60



Source: Bloomberg

Overnight Economic Data

US	→	EZ	↓
UK	↓	JP	↑
CN	↓	HK	↑
NZ	↓		

Up Next

Date	Events	Prior
01/07	US, EZ, UK, JP, CN, VN, MA Manf. PMI (Jun)	
	AU Exports MoM (May)	3.0%
	EZ Unemployment Rate (May)	8.0%
	US Initial Jobless Claims (26 Jun)	411k
	US ISM Manufacturing (Jun)	61.2
	US Construction Spending MoM (May)	0.2%
02/07	NZ ANZ Consumer Confidence MoM (Jun)	-1.2%
	AU Home Loans Value MoM (May)	3.7%
	US Change in Nonfarm Payrolls (Jun)	559k
	US Unemployment Rate (Jun)	5.8%
	US Trade Balance (May)	-\$68.9b
	SG Purchasing Managers Index (Jun)	50.7
	US Factory Orders (May)	-0.6%

Source: Bloomberg

Macroeconomics

US' private sector added 692k jobs in June:

- The ADP employment report showed that the US private sector added 692k jobs in June, higher than the expected gains of 600k. However, the job gains in May were revised down to 886k, versus 978k prior. In June, job creations concentrated in the leisure/hospitality sector as the sector benefited from the higher travelling confidence, with more Americans going on their post-lockdown vacations in summer.
- Pending home sales unexpectedly rose 8.0% m/m in May, compared to the expected decline of 1.0%. This marked contract signings' biggest increase since June last year, pointing to some recovery in existing home sales this month.
- The MBA mortgage applications fell 6.9% w/w last week after having just recorded a modest gain in the previous week. The purchase index which tracks the number of mortgage applications to buy homes, instead of refinancing, fell 4.8% to its lowest level in more than a year, reaffirming views that limited supply and record high home prices are weighing on housing demand.
- The MNI Chicago PMI pulled back sharply to 66.1 in June from the record high in July (75.2), nonetheless still signals expansion. New orders and output rose at slower paces compared to the previous month but price gain accelerated.

Eurozone's inflation eased in June:

- The Eurozone's HICP inflation rate held steadily at 0.3% m/m in June (May: +0.3%) according to a preliminary reading. The annual rate eased to 1.9% y/y, from 2% prior. The underlying inflation rate also came in lower at 0.9% y/y, from 1.0%. Both readings matched the consensus estimates. The smaller gain in prices of energy as well as services had weighed on the headline index; prices of food/alcohol as well as non-energy industrial goods rose at faster paces.

UK's GDP contracted 1.6% in first quarter:

- The UK economy contracted slightly more than expected in the first quarter, as GDP growth was revised down to -1.6% q/q, from -1.5% prior. In the previous quarter, the economy grew 1.3% q/q.
- Household consumption and investment subtracted 2.6ppts and 1.6ppts respectively from the headline index as spending and investment had slumped in the first months of the year when the UK was still in lockdown. Net exports contributed positively (+2.3ppts) mainly because of the sharper contraction in imports relative to exports.
- The y/y growth was unrevised at -6.1% (4Q: -7.3%), marking its fifth consecutive contraction.

Japan's Tankan Survey showed improvements:

- The BOJ released its quarterly Tankan Survey this morning. The Large Manufacturing Index for 2Q21 missed forecast at 14.0, versus 16.0 expected. This still represents a steep climb from the previous quarter (5.0), indicating a marked improvement in manufacturing conditions. The Outlook Index rose to 13.0 (1Q: 4.0), reflecting stronger optimism for 3Q's manufacturing outlook.
- The Large Non-Manufacturing Index turned positive (1.0 vs -1.0 prior) but lack the sharp improvement in manufacturing. The outlook gauge rose to 3.0 (prior: -1.0). The services sector began to see light at the end of the tunnel as the government lifted the State of Emergency measures ahead of the Summer Olympics.
- The Large All-industry Capex rose 9.6% y/y (1Q: 3.0%), better than forecast of 7.2% and partly because of the low base. This adds to signs of firmer recovery in 3Q.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR closed slightly lower (-0.07%) at 4.1490. Amid cautious sentiment and higher demand for safe havens, USD bulls may continue to manifest themselves in the Asian session. USD/MYR is targeting to hit the 4.16-mark and we eye a weekly range of 4.13-4.18.

USD (Neutral-to-Bullish)

- The DXY gained by 0.42% to close at 92.44. This came as the USD particularly strengthened against the EUR and JPY. Concerns about Covid-19 variants is started to weigh on markets. ADP report showed better than expected job gains, as housing sales rose. We see slight upsides for the DXY at this stage, following some momentum stronger.

EUR (Neutral-to-Bearish)

- EUR/USD was down by 0.33% to a close of 1.1858. This comes as inflation came in as expected in the Eurozone, stable at 0.3% m/m. Attention will likely shift towards PPI on further upside factory price pressures. We see downside momentum for now, with the pair staying in a 1.18 to 1.20 range.

GBP (Neutral-to-Bearish)

- GBP/USD reached an intraday low of 1.3799, but recovered to close at 1.3831. This meant that the pair was only down by 0.04% as dollar strength intensified. 1Q GDP growth was slightly revised downwards. Domestic demand weighed on the economy at that time. The bias from technicals is still on the downside. We now shift focus towards a lower 1.3670 to 1.3910 range.

JPY (Neutral-to-Bearish)

- USD/JPY broke 111. Yen weakness brought the pair up to a 111.11 close, 0.51% higher. Japan's Tankan large manufacturing index improved to 14 from 5, but missed forecasts. The large non-manufacturing index turned positive to 1 from -1 prior. Technicals point towards more upsides. The break to a 15-month high shifts attention to a 112.10 resistance, with support at 110.50.

AUD (Neutral-to-Bearish)

- AUD/USD fell back by 0.19%, registered a third consecutive session of losses to close at 0.7498. This was mainly shaped by dollar strength. AUD is weighed by Covid-19 lockdowns and slow vaccination progress. We eye support at 0.7410, and resistance at 0.7550.

SGD (Neutral-to-Bearish)

- USD/SGD was in a resilient mode. Pair only hit a high of 1.3457 before closing at 1.3454, a 0.01% change from previous day's 1.3453. Progress in vaccination and expectations about further relaxing of measures help to support the SGD for now. We eye the 100-day MA of 1.3340 as the support, while resistance is around 1.3490. Momentum is fading on the upside. Singapore will release PMI figures for June.

China's PMIs stayed in positive territory; non-manufacturing PMI missed expectations:

- Manufacturing PMI came off slightly to 50.9 in June, from 51.0 in May. New orders improved to 51.5 from 51.3. Employment, inventories of raw materials, and suppliers' deliver time fell but at a more subdued pace. There are some improvements for small enterprises (49.1 from 48.8), but large and medium enterprises' expansion are slowing.
- Meanwhile, the non-manufacturing PMI pulled back to 53.5 from 55.2. The biggest miss is new orders, now contracting at 49.6, versus 52.2 a month ago. Input prices and selling prices turned less positive while employment fell at a faster pace.
- This brought the composite PMI to 52.9 in June from 54.2 in May. Overall result appears to be positive for the economy but showing further stabilisation and slowdown from previous recovery pace. This came after monetary conditions were tightened in China recently, as money supply growth slowed.

Hong Kong's retail sales rose in May:

- Hong Kong's retail sales rose 9.6% m/m in May (Apr: -2.3%), translating to a 10.5% y/y growth (Apr: +12.1%). This is better than the estimated 6.9% y/y gain and marked its fourth consecutive growth, partly because of the low bases from last year. Nonetheless, the positive readings indicate stronger consumption in Hong Kong where the retail sector had been severely battered by the pandemic and the domestic unrests for more than two years.

New Zealand's business sentiment weighed by rising cost pressures:

- New Zealand's ANZ Confidence Index slipped to the negative territory in June at -0.6, from 1.8 in May. Despite a stronger activity outlook (+4.5pts), the survey highlighted the issue of rising cost pressures across the industry leading to contemplations of raising prices. The inflation expectations gauge rose to 2.4%, from 2.2% prior.

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