Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rose further overnight, after the lower initial jobless claims data added signs to strong US economic recovery.** The S&P 500 (+0.5%) clinched its sixth consecutive record high, supported by the broad-based rally across nearly all sectors. Energy shares rallied the most amid higher oil prices. The Dow rose 0.4% while NASDAQ climbed modestly (+0.1%). **Crude oil prices advanced after the OPEC+ meeting yielded no decision with regards to output policy.** The UAE has blocked a deal that would have required members to boost output by 400k barrels per day every month from August to December. The status quo practise would further tighten the oil market as demand for crudes strengthened further in the second half of 2021. Brent crude rose nearly 1.0% to $75.84/barrel on Thursday.

- **Longer-term yields fell modestly as investors awaited Friday's NFP job report.** The yield on 10Y UST was 1bp lower at 1.46%. **The dollar index firmed up for the seventh straight session, closing 0.2% higher at 92.60.** All G10s weakened against the USD, with the GBP suffering the largest loss (-0.5%). Meanwhile, **gold prices picked up further amid firmer demand for safe havens**. Futures edged up for the second session (+0.3%) to $1776.8/oz. **Futures indicate that higher stocks opening in Japan and Hong Kong may see a more muted start.**

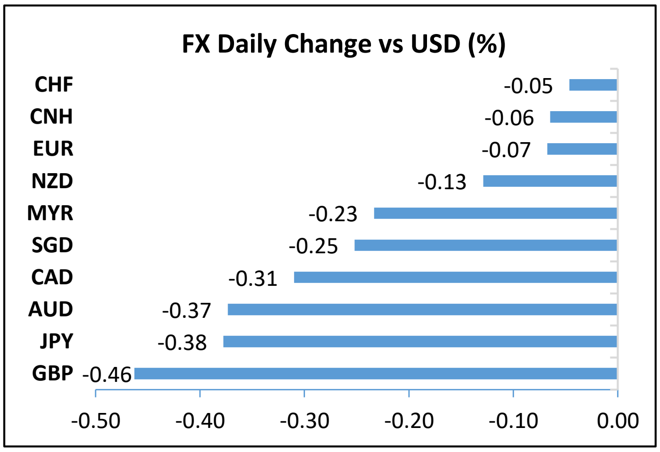
- **The latest set of PMI data showed solid readings for western developed economies (US, UK, Eurozone) and weaker gauges for Asian economies such as China, Japan, Malaysia and Vietnam.** Initial jobless claims in the US fell to a new pandemic low of 364k. Residential construction continued to rise albeit more moderately. The Eurozone's unemployment rate fell to 7.9% in May. Australia's exports jumped 6.0% m/m in May:

- DXY went up by 0.17% on Thursday, closing at 92.60. This was due to many major currencies' weakness against the dollar, even as the EUR held up in a resilient fashion. Initial jobless claims came off further as ISM manufacturing stayed in highly positive territory. We see **slight upsides** for the DXY at this stage, following some momentum stronger.

- USD/MYR closed 0.2% higher at 4.1585. USD bulls may continue to manifest themselves in today's session. **USD/MYR is neutral to bullish** targeting to hit the 4.16-mark although focus is slowly shifting towards next week's BNM MPC decision, which may leave the pair subdued within a familiar range.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,633.53	0.38	13.16
S&P 500	4,319.94	0.52	15.01
FTSE 100	7,125.16	1.25	10.29
Hang Seng	28,827.95	-0.57	5.86
KLCI	1,534.23	0.10	-5.71
STI	3,124.19	-0.20	9.86
Dollar Index	92.60	0.17	2.96
WTI oil ($/bbl)	75.23	2.40	55.05
Brent oil ($/bbl)	75.84	0.95	46.41
Gold (S/oz)	1,776.80	0.29	-6.27
CPO (RM/tonne)	3,918.00	5.11	3.43



Source: Bloomberg

Overnight Economic Data			
US	→	EZ	↑
UK	↓	JP	↓
CN	↓	AU	↑
NZ	→	MA	↓

Up Next

Date	Events	Prior
02/07	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%
05/07	SG Markit Singapore PMI (Jun)	54.4
	JP Jibun Bank Japan PMI Services (Jun F)	47.2
	AU Retail Sales MoM (May F)	0.1%
	CN Caixin China PMI Services (Jun)	55.1
	SG Retail Sales YoY (May)	54.00%
	EZ Markit Eurozone Services PMI (Jun F)	58.0
	EZ Sentix Investor Confidence (Jul)	28.1
	UK Markit/CIPS UK Services PMI (Jun F)	61.7

Source: Bloomberg

Macroeconomics

Strong manufacturing PMI in the West; Asia's factory activity weakened:

- The US' ISM manufacturing index retreated to 60.6 in June, from a recent high (May: 62.6), while the Markit PMI was unchanged at 62.1. Both readings point to robust expansion.
- The Eurozone's manufacturing PMI rose to 63.4 in June (May: 63.1), marking its fourth month above the 60-mark.
- The UK's manufacturing PMI retreated to 63.9 in June from the recent high (May: 65.6), but still at a historically elevated level that indicates strong manufacturing growth.
- Japan's final manufacturing PMI was revised higher by nearly 1pt to 52.4 in June, but still represented a retreat from May's reading (53.0). The supply chain pressure and delay in delivery had constrained manufacturing activity last month.
- China's Caixin manufacturing PMI slipped to 51.3 in June (May: 52.0), in line with the lower NBS' official reading, affirming the slowdown in manufacturing growth.
- Malaysia's manufacturing PMI slumped back to contraction area at 39.9 in June (May: 51.3) as the government introduced a stricter movement control order to contain the latest Covid wave.
- Vietnam's manufacturing PMI fell below 50 as well to 44.1 in June (May: 53.1) as the latest Covid outbreak weighed on manufacturing business conditions.

US' initial jobless fell to new pandemic low:

- Initial jobless claims fell to a new pandemic-era low of 364k last week (prior: 415k), after hovering at just above 410k for two weeks. This is better consensus forecast of 388k, indicating that layoffs continued to decline in the US.
- In a separate note, construction spending unexpectedly fell 0.3% m/m in May, following a downwardly revised gain of 0.1% in April. The consensus forecast was +0.4%. The headline number was weighed by a decline in non-residential construction spending (-0.7% m/m) which had been falling for the most part of this year and last. Spending in the residential sector rose 0.2% m/m, its slowest gain in four months.

Eurozone's unemployment rate slipped lower in May:

- The Eurozone's unemployment rate fell to 7.9% in May, from the upwardly revised 8.1% in the previous month, marking its lowest rate in a year. The lower unemployment rate came after restrictions were relaxed across the region where the revival of the services sector created jobs.

Australia's exports jumped in May:

- Australia's export growth matched expectations at 6.0% m/m in May (Apr: +3.0%) while imports beat estimates by rebounding 3.0% m/m (Apr: -3.0%).
- Notably, the rally in commodity prices alongside strong global demand, pushed Australia's iron ore exports (+18.3% m/m) to a record high of AUD16.6b. The shipment of coals (+9.9% m/m), copper (+38.5%) as well as that of wheat (+3.1%) and barley (+3.1%) were also higher.

New Zealand's consumer sentiment steadied in June:

- New Zealand's consumer confidence stabilised in June according to the ANZ Consumer Confidence Index (+0.1% vs -1.2% prior). Consumers turned positive over the 1-year outlook (+3 vs -1 prior) and assess the current climate to purchase major household items more favourably (22 vs 19 prior).

Forex

MYR (Neutral-to-Bearish)

- USD/MYR closed 0.2% higher at 4.1585. USD bulls may continue to manifest themselves in today's session. USD/MYR is targeting to hit the 4.16-mark although focus is slowly shifting towards next week's BNM MPC decision, which may leave the pair subdued within a familiar range.

USD (Neutral-to-Bullish)

- DXY went up by 0.17% on Thursday, closing at 92.60. This was due to many major currencies' weakness against the dollar, even as the EUR held up in a resilient fashion. Initial jobless claims came off further as ISM manufacturing stayed in highly positive territory. We see slight upsides for the DXY at this stage, following some momentum stronger.

EUR (Neutral-to-Bearish)

- EUR/USD was down by 0.07% to close at 1.1850, in an environment of dollar strength. The unemployment rate for Eurozone fell to 7.9%, from 8.1% prior. We see downside momentum for now, with the pair possibly staying in a 1.18 to 1.20 range.

GBP (Neutral-to-Bearish)

- GBP/USD pulled back by a further 0.46% to close at 1.3767. This came as Covid-19 situation worsened in the UK, partly from sporting events. The bias from technicals is still on the downside. We are eyeing a 1.3670 to 1.3910 range.

JPY (Neutral-to-Bearish)

- USD/JPY made further inroads above the 111 big figure, closing at 111.53 in the process. Markets are awaiting non-farm payrolls in the US, which may trigger further upsides if it shows further US outperformance and Japan underperformance in economic fundamentals. Despite being at a 15-month high, we target a 112.10 resistance, with support at 110.50.

AUD (Neutral-to-Bearish)

- AUD/USD was down by a further 0.37% to close at 0.7470, a fourth consecutive session of downward movements. 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 headed higher despite prior resilience, up by 0.25% to close at 1.3488. This comes despite some news that the government is looking to open up travel and loosen restrictions, as vaccinations rise. The move now shifts attention towards a resistance of 1.3550, with support at 1.3400.

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