Global Markets Research

Daily Market Highlights

Key Takeaways

- **US' main stock indexes rallied to clinch a trio of record highs on Friday after the labour department said that the US economy added 850k jobs in June.** The S&P 500 rose 0.8% in its seventh consecutive record-setting session, while the Dow picked up 0.4% to its first all-time high since early May. Tech shares led the gains, boosting NASDAQ by 0.8% to a fresh high as well. Financials and energy shares were down. Friday's rally left stocks to close out the week with their second successive gains (+1% to 1.9% w/w). **Treasuries gained alongside higher stocks as markets reacted to the higher unemployment rate, which eased the concerns of a sooner Fed tightening.** This in turn led yields to slip lower by 1.9bps to 4.2bps. The yield on 10Y UST fell 3.4bps to 1.42% and was down by 10bps for the week.

- **Gold prices traded higher for the third straight day**, with futures up by 0.4% to $1783.3/oz which translates to a modest 0.4% weekly gain. Brent crude (+0.4%) picked up for the fourth session to $76.17/barrel amid views that the **global oil market would tighten further given the deadlock at OPEC+.** WTI (-0.1%) consolidated gains at $75.16/barrel. On a weekly basis, Brent was virtually unchanged while WTI outperformed (+1.5% w/w). **Asian shares are poised for a mixed start this morning as futures pointed up in Hong Kong but down in Japan. The US markets are closed today** for the Fourth of July's (Independence Day) celebration which fell on a Sunday.

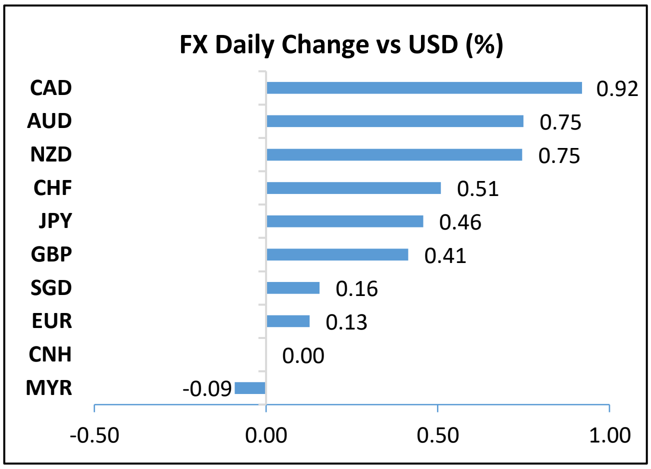
- Despite the 850k gain in NFP, the US' unemployment rate rose to 5.9% in June as the labour force expanded slightly. The average hourly earnings rose 0.3% m/m and 3.6% y/y. Factory orders rose 1.7% m/m in May while trade deficit widened to $71.2b thanks to the surge in imports. Home loans approvals in Australia jumped 4.9% m/m in May, driven by lending extended to investors.

- DXY was down by 0.4%, closing at 92.23. This came after perhaps some profit taking as the US registered strong employment data before the public holiday. We see some **slight upside** potential, despite the previous pullback. After non-farm payrolls, focus turns to FOMC minutes for 16 June where there was a change in FOMC forecasts. Covid-19 developments (delta variant) in the US may also shape market sentiments.

- USD/MYR closed slightly higher (less than 0.1%) at 4.1625 on Friday after being constrained within 4.16-4.1660 throughout Friday's session. The pair was up 0.1% w/w, marking its third weekly gain in a row. The pair is expected to stay **neutral to bearish** within the range of 4.14-4.17 in the week ahead, with cautiousness taking center stage ahead of BNM's OPR decision on 8 July. We see a slimmer chance of any OPR move this week after the announcement of the additional RM150bn aid package, but would expect BNM to shift to a more cautious stance, paving the way for further policy easing if need be, now that most part of Selangor, that contributed about a quarter of Malaysia GDP, is placed under enhanced movement restrictions for a preliminary two weeks. We would not be surprised if there is a preemptive cut.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,786.35	0.44	13.66
S&P 500	4,352.34	0.75	15.87
FTSE 100	7,123.27	-0.03	10.26
Hang Seng	28,310.42	-1.80	3.96
KLCI	1,533.35	-0.06	-5.77
STI	3,128.95	0.15	10.03
Dollar Index	92.23	-0.40	2.61
WTI oil ($/bbl)	75.16	-0.09	54.91
Brent oil ($/bbl)	76.17	0.44	47.05
Gold (S/oz)	1,783.30	0.37	-5.72
CPO (RM/tonne)	3,891.50	-0.68	2.73



Source: Bloomberg

Overnight Economic Data

US	➔	AU	↑↓

Up Next

Date	Events	Prior
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
06/07	JP Labor Cash Earnings YoY (May)	1.4%
	JP Household Spending YoY (May)	13.0%
	HK Markit Hong Kong PMI (Jun)	52.5
	AU RBA Cash Rate Target (06 Jul)	0.1%
	EZ Retail Sales MoM (May)	-3.1%
	EZ ZEW Survey Expectations (Jul)	81.3
	US Markit US Services PMI (Jun F)	64.8

Source: Bloomberg

Macroeconomics

US reported highest job gains since in nearly a year:

- The US' nonfarm payrolls rose 850k in June (May: +583k), surpassed the expected gains of 720k. This marked NFP's best month since August last year and came alongside a small net revision of +15k in April-May. The upbeat print ties with the generally positive economic indicators for the US as the ongoing economic recovery boosts hiring activity.
- The unemployment rate rose slightly from 5.8% to 5.9% (consensus: 5.6%) while the participation rate was unchanged at 61.6%, indicating the return of a small number of individuals to the labour market as the pandemic eased.
- The average hourly earnings rose 0.3% m/m (May: +0.4%) and 3.6% y/y (May: +1.9%).

US' factory orders saw healthy gains in May:

- Factory orders rose 1.7% m/m in May, roughly matched the consensus forecast (+1.6%). April's orders were revised higher to indicate a much smaller decline (-0.1%).
- Durable goods orders rose 2.3% m/m after April's fall (-0.7%) while the core capital orders eked out a small 0.1 % m/m gain (Apr: +2.7%). Overall, it was a decent reading that painted a solid manufacturing picture, but the current supply chain bottlenecks may constrain orders in the coming months.
- In a separate note, the US' trade deficit widened to $71.2b in May (Apr: -$69.1b), fuelled by the higher imports (+1.3%). This showed the US economy's strong demand for overseas goods and services which outweighed export growth (+0.6%).

Australia' investor home loans soared in May:

- Home loans approvals in Australia surged 4.9% m/m in May (Apr: +3.7%), as mortgages continued to increase amid the ongoing housing boom. The strong increase in loans were driven by the lofty climb in investor loans (+13.3% m/m), as owner-occupied loans picked up a mere 1.9% m/m, a slowdown compared to previous month. Such disparity may prompt regulators to impose stricter macroprudential policies.

Singapore's PMI showed slight improvement in June:

- Singapore's manufacturing PMI improved to 50.8 in June, from 50.7 in May. New orders, output, inventory and employment picked up slightly. Input prices also climbed a little more than the previous month. Stocks of finished goods fell back. This was also helped by electronics index improving to 50.6 from 50.4 prior.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR closed slightly higher (less than 0.1%) at 4.1625 on Friday after being constrained within 4.16-4.1660 throughout Friday's session. The pair was up 0.1% w/w, marking its third weekly gain in a row. The pair is expected to stay within the range of 4.14-4.17 in the week ahead, with cautiousness taking center stage ahead of BNM's OPR decision on 8 July. We now see a slimmer chance of any OPR move this week after the announcement of the additional RM150bn aid package, but would expect BNM to shift to a more cautious stance, paving the way for further policy easing if need be, now that most part of Selangor, that contributed about a quarter of Malaysia GDP, is placed under enhanced movement restrictions for a preliminary two weeks.

USD (Neutral-to-Bullish)

- DXY was down by 0.4%, closing at 92.23. This came after perhaps some profit taking as the US registered strong employment data before the public holiday. We see some slight upside potential, despite the previous pullback. After non-farm payrolls, focus turns to FOMC minutes for 16 June where there was a change in FOMC forecasts. Covid-19 developments (delta variant) in the US may also shape market sentiments.

EUR (Neutral-to-Bearish)

- EUR/USD was up by 0.13% to close at 1.1865, snapping a losing streak that still saw an intraday low to 1.1808. Downsides are still possible, looking at 1.1710 support and 1.2000 resistance. Technicals point downward. After PPI data, focus shifts to Sentix Investor Confidence and retail sales. Covid-19 resurgence potentially may dampen on the EUR.

GBP (Neutral-to-Bearish)

- GBP/USD rebounded by 0.41% to a close of 1.3824, after an intraday low of 1.3733. We see some downsides, with 1.3620 support and 1.3910 resistance. Technicals indicate rising downside momentum. The UK will release industrial production next week.

JPY (Neutral-to-Bearish)

- USD/JPY topped out at 111.66, before some reversal brought the pair below previous day close of 111.53, at 111.05 for the week. USD/JPY is now looking to hit our estimated resistances of 112 and 112.90. Conversely we see a 110.80 support. Technical momentum is still biased on the upside.

AUD (Neutral-to-Bearish)

- AUD/USD was initially suffering from downside pressures to reach a low of 0.7445, although it rebounded to close the week at 0.7526, 0.75% d/d higher. We see downside momentum and eye 0.7400 support / 0.7650 resistance. Technical indicators are pointing at more downsides. Focus shifts to the Reserve Bank of Australia's policy decision on 6 July, as well as retail sales data. Any improvements in Covid-19 situation or reduced restrictions may help the AUD find some footing.

SGD (Neutral)

- USD/SGD retreated to 1.3467 after an intraday 1.3521 high, from some profit taking. We see slight movements higher, as upside technical momentum is staying high. We place resistance at 1.3600 and support at 1.3420. Data to watch is retail sales figures. Finance Minister Lawrence Wong is also due to speak and update of Budget measures to support underperforming sectors on 5 July.

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