

Global Markets Research

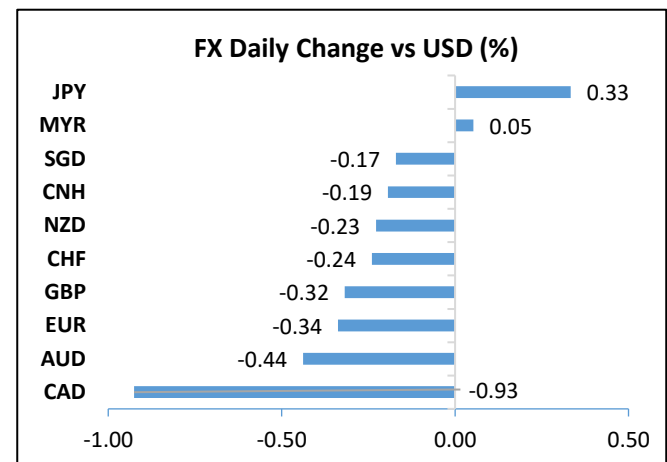
Daily Market Highlights

Key Takeaways

- **US stocks benchmarks recorded mixed performances after the long weekend.** The Dow (-0.6%) and S&P 500 (-0.2%) pulled back from last Friday's all-time highs, **weighed by the sell-down in energy, financial and industrial shares.** NASDAQ (+0.2%) advanced further to set a new record. Shares of Chinese ride hailing giant Didi Global plunged nearly 20% to below its IPO price of \$14 in US trading as China ramped up the ongoing cyber security crackdown as well as its scrutiny over Chinese companies whose shares are listed abroad.
- **Treasury yields tumbled as the US' ISM Services Index was down by nearly 4pts in the June survey, marking a larger than expected slowdown** in the services sector activity. The yield on 10Y UST fell 7.6bps to 1.35%, its lowest level in over four months. **Risk aversion boosted gold prices and the greenback.** All G10 currencies **weakened against the USD, except the JPY.** Gold futures rose 0.6% to \$1794.2/oz. Oil prices slumped as risk-off sentiments sparked a commodity selloff; oil benchmarks pulled back from the OPEC+ related rally where Brent crude (-3.4%) fell to \$74.53/barrel and WTI (-2.4%) to \$73.37/barrel. Earlier, **the RBA left its cash rate unchanged at 0.1% and maintained the Apr 2024 bond as its target for the 3Y yield.** It also said it would continue to purchase bonds but at a smaller weekly pace of AUD4b (versus AUD 5b prior).
- On the data front, the US' ISM Services Index fell to 60.1 in June, much lower than the consensus forecast. The Markit PMI also edged down sharply to 64.6, indicating slower services sector activity in the US. The Eurozone's retail sales rose 4.6% m/m as restrictions eased while the July's ZEW index continues to normalise to 61.2. Hong Kong's Markit PMI slipped to 51.4 in June, indicating a small retreat in private sector activity.
- USD strengthened on Tuesday's session, up by 0.36% and closing at 92.55. This came after the US stocks' rally snapped amid concerns on the economic outlook and Covid-19 variants. Focus turns to FOMC minutes for 16 June where there was a change in FOMC forecasts. Meantime, no change to our **neutral to bullish outlook on the USD.**
- USD/MYR closed little changed at 4.1545. We maintain a **neutral to bearish outlook for MYR**, expecting the pair to stay within the range of 4.14-4.17 with cautiousness taking centre stage ahead of BNM's OPR decision tomorrow. We see a slimmer chance of any OPR move this week after the announcement of the additional RM150bn aid package to ease the pain of individuals and businesses from the latest lockdown measures, but would expect BNM to shift to a more cautious stance, paving the way for further policy easing if need be.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,577.37	-0.60	12.97
S&P 500	4,343.54	-0.20	15.64
FTSE 100	7,100.88	-0.89	9.91
Hang Seng	28,072.86	-0.25	3.09
KLCI	1,531.63	-0.05	-5.87
STI	3,190.59	1.58	12.19
Dollar Index	92.55	0.36	2.90
WTI oil (\$/bbl)	73.37	-2.38	51.22
Brent oil (\$/bbl)	74.53	-3.41	43.88
Gold (\$/oz)	1,794.20	0.61	-5.25
CPO (RM/tonne)	3,959.00	0.49	4.51



Source: Bloomberg

Overnight Economic Data

US		EZ	→
HK			

Up Next

Date	Events	Prior
07/07	JP Leading Index CI (May P)	103.8
	MA Foreign Reserves (30 Jun)	\$111.0b
	US MBA Mortgage Applications (02 Jul)	-6.9%
08/07	US JOLTS Job Openings (May)	9286k
	US FOMC Meeting Minutes (16 Jun)	--
	UK RICS House Price Balance (Jun)	83.0%
	MA BNM Overnight Policy Rate (08 Jul)	1.75%
	US Initial Jobless Claims (03 Jul)	364k

Source: Bloomberg

Macroeconomics

RBA made adjustments to policy setting:

- The RBA had in the previous months foreshadowed that it would make adjustments to its policy setting on 6 July. The cash rate was left unchanged at 0.1% as expected while the key changes are (1) Retaining the April 2024 bond as the target bond for its 3Y yield target as opposed to extending it to the next maturity i.e., November 2024 bond. (2) Continuing its current AUD100b QE program after its original expiry in early September. The weekly purchase is scaled down from AUD5b to AUD4b until at least mid-November, after which a further review will be conducted.
- RBA acknowledged the near-term uncertainty of the recent Covid-19 outbreaks and related lockdowns in Australia but offered a less pessimistic view. It foresees the economy to bounce back after virus containment and easing of restrictions.
- It maintained its accommodative stance by reinforcing the commitment to achieve full employment and inflation targets.

US ISM and PMI indicated slower than expected growth in services activity:

- The ISM Services PMI fell to 60.1 in June, from 64.0 in May, which is much lower than the consensus forecast of 63.5. Analysts had been predicting only a small pullback from May's record high reading. The slowdown in services activity reflects smaller gain in production and new orders as well as contraction in employment and inventories. New export orders, while remaining positive, were down by nearly 10pts. Respondents of the survey continued to report strong demand, higher prices as well as the broad-based supply chain disruptions.
- In line with the ISM Survey, the Markit Services PMI fell to 64.6 in June, also a sharp retreat from the all-time high in May (70.4), adding to signs of slower services sector growth.

Eurozone's retail sales rose in May:

- Eurozone's retail sales rose more than expected by 4.6% m/m in May (Apr: -3.9%) after the sales in April was revised lower to indicate a sharper 3.9% decline. The rebound reflects higher sales in fuels (+8.1%) as well as non-food products (+8.8%) after the easing of restrictions in the region; online sales also bounced back partially (+2.0%) from the previous decline.
- In a separate report, Germany's ZEW investor expectation index plunged to 61.2 in July (Jun: 81.3), reflecting the ongoing normalisation of economic sentiment, after the index rose multi-year high in May.

Hong Kong's PMI remained above 50:

- Hong Kong's Markit PMI slipped to 51.4 in June (May: 52.5), indicating a small retreat in private sector activity from the multi-year high in May. Nonetheless this marked the PMI's fifth consecutive month above the 50-threshold, reflecting ongoing improvement in the domestic economy against a backdrop of low Covid-19 cases. Production and new orders eased in June as foreign demand slumped following the resurgence in Covid-19 cases in its trading destination.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR closed little changed at 4.1545. We maintain a neutral to bearish outlook for MYR, expecting the pair to stay within the range of 4.14-4.17 with cautiousness taking centre stage ahead of BNM's OPR decision tomorrow. We see a slimmer chance of any OPR move this week after the announcement of the additional RM150bn aid package to ease the pain of individuals and businesses from the latest lockdown measures, but would expect BNM to shift to a more cautious stance, paving the way for further policy easing if need be.

USD (Neutral-to-Bullish)

- USD strengthened on Tuesday's session, up by 0.36% and closing at 92.55. This came after the US stocks' rally snapped amid concerns on the economic outlook and Covid-19 variants. Focus turns to FOMC minutes for 16 June where there was a change in FOMC forecasts.

EUR (Neutral-to-Bearish)

- EUR/USD pulled back by 0.34% to close at 1.1824, after a low of 1.1807. A stronger USD brought downward momentum once again. We see chances of more downsides, with 1.1710 support and 1.2000 resistance. Little on the data front until industrial production on 14 July.

GBP (Neutral-to-Bearish)

- GBP/USD was down by a somewhat significant 0.32%. The pair hit a low of 1.3773 in the process, before a recovery to 1.38 at close. With USD strength returning, we eye a 1.3620 support and a 1.3910 resistance. Covid-19 developments in the UK may be pivotal for the GBP. Monthly GDP and industrial production data will likely be the data focus in the coming days.

JPY (Neutral)

- USD/JPY was down by 0.31%. Safe havens like JPY outperformed from market concerns. Pair closed at 110.63 in the process. We see some neutrality in the coming session, with a range of 110 to 112. However, there is limited JPY strength given that Japan is struggling with containing Covid-19 outbreaks ahead of Olympics.

AUD (Neutral-to-Bearish)

- AUD/USD went off by 0.44%, closing at 0.7497 after it hit a high of 0.7599. Market concerns were unfavourable for the Aussie even as high oil and commodity prices initially supported. RBA was more neutral than expected, disappointing market hawks as it maintained its policy stance. Still, it tapered asset purchases slightly. We eye support at 0.7400 and resistance at 0.7650. Any improvements in Covid-19 situation or reduced restrictions may help the AUD find some footing.

SGD (Neutral-to-Bearish)

- USD/SGD endured upside pressures, hitting a 1.3488 high before closing at 1.3476. This was due to USD strength rather than SGD weakness. SGD will likely remain supported by resilient fundamentals and progress in Covid-19 vaccination. We see resistance at 1.3550. If the pair breaks our range of 1.3420 to 1.3490.

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