Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks retreated from record high levels overnight while treasuries rallied as investors unwound reflation trades amid growing concerns that the super infectious Covid delta variants could dampen global economic recovery**. The reversal in equities came after the S&P 500 (-0.9%) and NASDAQ (-0.7%) hit their respective all-time highs in the previous session; the Dow shed 0.8%. The selling was broad-based across all eleven S&P sectors, with financials, info tech and consumer discretionary shares being the major losers. Stocks had fallen in Europe earlier while Asian markets ended mostly in the red amid a synchronised withdrawal from risky assets.

- **Investors bought treasuries, weighing on treasury yields for the fourth consecutive session**. The 10Y UST yield fell as low as 1.27% in Thursday's session, its lowest point since February, before closing at 1.29% (-2.3bps). Gold prices consolidated at $1800/oz after recent gains. Crude oil prices recovered partially from the recent selloffs as the US EIA reported a larger than expected withdrawal in its crude inventory that indicated solid demand. WTI rose 1% to $72.94/barrel and Brent crude picked up 0.9% to $74.12/barrel.

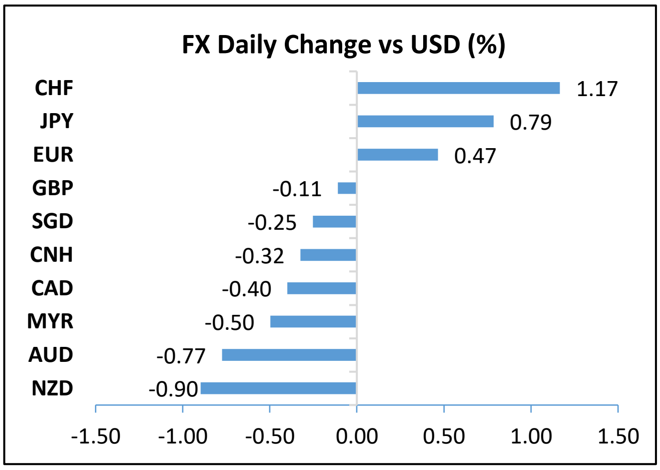
- **The ECB unveiled the outcomes of its strategy review which includes setting the inflation goal at 2%** (from "below, but close to 2%") and allowing it to overshoot. It said it would take into account climate change while making policy consideration. **BNM left OPR unchanged at 1.75% as expected**, but said that the growth outlook is subject to "significant" downside risk, leaving the door open for a rate cut in the near future. Data release was limited to the **US' initial jobless claims which had edged up slightly to 373k last week**.

- **DXY was down by 0.3% to a close of 92.4 as the USD saw mixed performances against its G10 peers**. The CHF and JPY were top gainers, boosted by the retreat in risk appetites. The EUR strengthened after ECB's announcement. GBP weakened alongside commodity currencies. The lower DXY came amid lower US yields and renewed pandemic concerns. We now turn slightly bearish on USD for the day on some possible reversal. Market focus is on CPI and PPI next week on any price further pressures.

- **USD/MYR strengthened 0.5% to 4.1825 on Thursday, a level last seen in August last year**, as local political uncertainty dominated headlines while the BNM's less optimistic outlook further intensified the selling pressure towards the end of the session. We are neutral to bullish on USD/MYR today, expecting risk aversion to continue weighing on MYR ahead of the weekend. Having said that, the pair is close to being overbought, indicating an imminent pullback.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,421.93	-0.75	12.47
S&P 500	4,320.82	-0.86	15.04
FTSE 100	7,030.66	-1.68	8.82
Hang Seng	27,153.13	-2.89	-0.29
KLCI	1,508.71	-1.40	-7.28
STI	3,107.59	-1.08	9.28
Dollar Index	92.42	-0.25	2.76
WTI oil ($/bbl)	72.94	1.02	50.33
Brent oil ($/bbl)	74.12	0.94	43.09
Gold (S/oz)	1,800.20	-0.11	-4.82
CPO (RM/tonne)	3,921.50	-2.72	3.52



Source: Bloomberg

Overnight Economic Data

US

Up Next

Date	Events	Prior
09/07	CN CPI YoY (Jun)	1.3%
	CN PPI YoY (Jun)	9.0%
	UK Monthly GDP (MoM) (May)	2.3%
	UK Industrial Production MoM (May)	-1.3%
12/07	NZ Card Spending Retail MoM (Jun)	1.7%
	JP Core Machine Orders MoM (May)	0.6%
	MA Industrial Production YoY (May)	50.1%
	JP Machine Tool Orders YoY (Jun P)	141.9%
13/07	AU NAB Business Confidence (Jun)	20.0
	US NFIB Small Business Optimism (Jun)	99.6
	US CPI YoY (Jun)	5.0%
	CN Exports YoY (Jun)	27.9%
	CN Imports YoY (Jun)	51.1%

Source: Bloomberg

Macroeconomics

Initial jobless claims rose to 373k last week:

- Initial jobless claims missed forecast last night, coming in at 373k for the week ended 3 Jul, versus the consensus estimate of 350k. Claims for the week before were also revised higher to 371k (from 364k). Despite the slightly higher readings, the number of claims for unemployment benefits remained near the pandemic-era record low levels as hiring outpaced layoffs in the current economic recovery.

BNM strikes a more cautious note:

- BNM maintained the Overnight Policy Rate (OPR) at a record low of 1.75% at its July policy meeting, marking a pause for the sixth consecutive meeting. The decision was in line with our house view and general market consensus although we did see a slim chance of a pre-emptive cut earlier.
- The overall tone of the policy statement did not come in as dovish as expected, but has turned more cautious nonetheless in our view. The central bank highlighted that the growth outlook remains subject to "significant" downside risk, a tweak from "downside risk" in the last statement, and commented that the materialization of these downside risks could undermine the growth recovery. This left the door open for an OPR cut in the near future in our view.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR strengthened 0.5% to 4.1825 on Thursday, a level last seen in August last year, as local political uncertainty dominated headlines while the BNM's less optimistic outlook further intensified the selling pressure towards the end of the session. We are neutral to bullish on USD/MYR today, expecting risk aversion to continue weighing on MYR ahead of the weekend. Having said that, the pair is close to being overbought, indicating an imminent pullback.

USD (Neutral-to-Bearish)

- DXY was down by 0.3% to a close of 92.4 as the USD saw mixed performances against its G10 peers. This came amid lower US yields and renewed pandemic concerns. We now turn slightly bearish for the day on some possible reversal. Market focus is on CPI and PPI next week on any price further pressures.

EUR (Neutral-to-Bullish

- EUR/USD rose by 0.47% on Thursday, after an intraday low of 1.1784. Pair closed at 1.1845 in the process. We see a 1.1710 support and 1.2000 resistance. Pair may be driven by USD and Covid-19 developments in Europe near-term. There is little on the data front until industrial production on 14 July.

GBP (Neutral-to-Bullish)

- GBP/USD was down by 0.11% to a close of 1.3786, as some market concerns seeped in. Rising Covid-19 cases in the UK may dampen a potential GBP rally against the backdrop of dollar weakness. We eye a 1.3620 support and a 1.3910 resistance. Monthly GDP and industrial production data will likely be the data focus.

JPY (Neutral-to-Bullish)

- USD/JPY was significantly down on Thursday's session, from risk aversion. Pair closed at 109.72 after an intraday 109.53 low, after a 110.66 close the previous day. The 0.86% loss meant JPY outperformed among G10 currencies. The break of the 110 support shifts the focus to 109 support and 110.80 resistance. Japan announced that Olympics will be held without supporters.

AUD (Neutral-to-Bearish)

- AUD/USD was down by 0.77%, closing at 0.7429 in the process. The underperformance of AUD reflected risk aversion. 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 was up by 0.25% to a close of 1.3525, after a high of 1.3536. This reflected some concerns around Asia about economic recovery. Domestic focus will likely shift to GDP and NODX for the coming week. We place resistance at 1.3550 and support at 1.3480.

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