

Global Markets Research

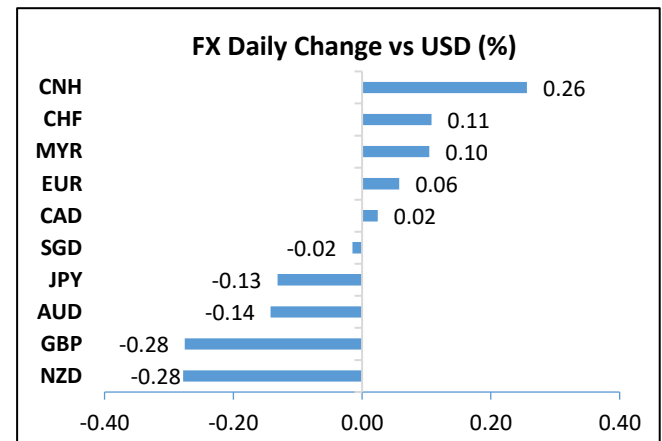
Daily Market Highlights

Key Takeaways

- **US stocks and treasury yields edged lower overnight** ahead of Thursday's key CPI data. The S&P 500 closed out the session 0.2% lower as it continued to range trade near-record levels and struggled to push through, weighed by financial and industrial shares. Health care shares rebounded. The Dow shed 0.4% and NASDAQ was down by 0.1%. **The lack of a clear catalyst, as well as general anticipation of the CPI data and to some extent, the ECB's meeting in Europe have generally kept global markets subdued.** Stock performances were mixed in Europe as the pan-European STOXX Europe 600 (+0.1%) barely moved in the most recent sessions.
- Treasury yields extended declines on Wednesday after a solid 10Y UST auction, signalling an easing in inflation concerns despite broad expectations that the CPI rate would come in higher on Thursday. The 10Y UST yield fell below 1.5% (-4.2bps). The Treasury Department's sale of \$38b 10Y US treasury notes yielded 1.497% with a bid-to-cover ratio of 2.58x (highest since July last year). **The greenback recorded mixed performances. CAD was unchanged after having recovered from the post-BOC knee jerk reactions. The BOC maintained its benchmark rate at 0.25% and the weekly QE purchase of CAD3b but signalled further bond tapering ahead.**
- On the commodity front, **gold futures were flat** at \$1893.2/oz. **Brent crude stayed unchanged** at \$72.2/barrel and WTI pulled back slightly (-0.1%) to \$69.96 as higher US stockpiles indicated weaker demand. President Biden is revoking the Trump Administration's bans on Chinese-owned social media apps Tik Tok and WeChat, ordering a review of foreign applications with potential security issues instead. **Asian stocks are set for muted openings after lacklustre US equities.** Focus shifted to the ECB's policy setting decision and President Lagarde's press conference as markets searched for a change in rhetoric regarding its asset purchase program. US' CPI and initial jobless claims are data highlights.
- The USD was marginally stronger on Wednesday's session. DXY rose by a mere 0.05% to a close of 90.12, after a brief dip to 89.837. Inflationary concerns support a **neutral dollar** for now and we see DXY hovering around or just above the 90 mark for the time being.
- USD/MYR fell 0.1% to 4.1170 on Wednesday. We continue to expect subdued trading of USD/MYR amid mixed USD performance before the release of US CPI, eyeing a weekly range of 4.10-4.14. Daily outlook is **neutral**.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,447.14	-0.44	12.55
S&P 500	4,219.55	-0.18	12.34
FTSE 100	7,081.01	-0.20	9.60
Hang Seng	28,742.63	-0.13	5.55
KLCI	1,581.48	-0.41	-2.81
STI	3,153.47	-0.43	10.89
Dollar Index	90.12	0.05	0.20
WTI oil (\$/bbl)	69.96	-0.13	44.19
Brent oil (\$/bbl)	72.22	0.00	39.42
Gold (\$/oz)	1,893.20	0.05	-0.10
CPO (RM/tonne)	4,177.50	0.88	10.28



Source: Bloomberg

Overnight Economic Data

US	↓	UK	↓
JP	↓	CN	↑
AU	↓	NZ	↑

Up Next

Date	Events	Prior
10/06	EZ ECB Deposit Facility Rate (10 June)	-0.5%
	US CPI YoY (May)	4.2%
	US Initial Jobless Claims (05 Jun)	385k
11/06	NZ BusinessNZ Manufacturing PMI (May)	58.4
	JP BSI Large Manufacturing QoQ (2Q)	1.6
	MA Industrial Production YoY (Apr)	9.3%
	UK Monthly GDP (MoM) (Apr)	2.1%
	UK Industrial Production MoM (Apr)	1.8%
	UK Visible Trade Balance GBP/Mn (Apr)	-
	US U. of Mich. Sentiment (Jun P)	82.9

Source: Bloomberg

Macroeconomics

US's mortgage applications fell for the third week:

- Mortgage applications fell 3.1% last week (prior: -4.0%), marking its third consecutive weekly decline. This reflects the continuous fall in the refinancing segment (-5.1%) which outweighed the small increase (+0.3%) in applications to buy homes. Recent mortgage demand showed easing demand in the housing market as potential buyers may have delayed decisions to purchase houses amid rising house prices in a tight inventory market.

Higher house prices in the UK:

- The RICS House Price Balance Index rose to 83% in May (Apr: 76%), beating a forecast of 77%. This marked its highest reading in 33 years and was the fourth consecutive monthly climb since February, suggesting that house prices will continue to increase this quarter and next. The upbeat reading reflects the currently strong housing demand in the UK after the government's stamp duty holiday was extended to September this year.

Japan's machine orders fell in May:

- Japan's machine tools order fell for the second month albeit only slightly at 0.5% m/m in May. This followed the 3.1% m/m decline in April. Like the previous month, the small 2.4% m/m gain in foreign orders was offset by the 7.6% slump in domestic orders, reflecting the weakness in economic activity following the reimposition of the State of Emergency in certain prefectures. Y/y, orders rose 140.7% (Apr: +120.8%), mainly because of the low base effect.

China's factory-gate inflation surged in May:

- China's PPI inflation beat expectations at 9.0% y/y in May, compared to the consensus forecast of 8.5%. This followed 6.8% y/y growth in the previous month. PPI also accelerated on a m/m basis, at 1.6%. The higher factory prices look most supported by mining and raw materials. Manufacturing also merits a mention.
- Consumer price inflation rose to 1.3% y/y in May from 0.9% prior, partially a result of base effects. On a monthly basis, CPI fell 0.2% m/m. Food inflation stayed subdued (0.3% y/y). Non-food inflation (1.6% y/y) was supported by transport/communications and recreation.

Australia's consumer confidence slipped in June amid Victoria lockdown:

- The Westpac's consumer confidence Index slipped to 107.2 in June, from 113.1 prior, marking its second month of decline. Consumer optimism has weakened recently particularly in their 1-year economic outlook as well as the climate to purchase major household items; this comes as a new Covid-19 outbreak prompted authority to put Victoria, the second most populous state in lockdown.

New Zealand's retail card rose for third month:

- Retail card spending in New Zealand rose for the third month in May by 1.7% m/m. This followed the upwardly revised 4.4% jump in April, a sign of stable consumer sentiment. Core spending (excluding fuel and motor vehicles) picked up 1.8% m/m, while total card spending which encompasses spending on services, travelling and health care rose 2.3% m/m (Apr: +4.4%).

Forex

MYR (Neutral)

- USD/MYR fell 0.1% to 4.1170 on Wednesday. We continue to expect subdued trading of USD/MYR amid mixed USD performance before the release of US CPI, eyeing a weekly range of 4.10-4.14.

USD (Neutral)

- The USD was marginally stronger on Wednesday's session. DXY rose by a mere 0.05% to a close of 90.12, after a brief dip to 89.837. Inflationary concerns support the dollar for now and we see DXY hovering around or just above the 90 mark for the time being.

EUR (Neutral-to-Bullish)

- EUR/USD closed slightly higher at 1.2180 the previous session, after a relatively narrow range of 1.2171 to 1.2218. Focus is on ECB policy meeting, which means that the pair may stay relatively stable until more developments later the evening. We watch a range of 1.2104 to 1.2254.

GBP (Neutral-to-Bearish)

- GBP/USD was down by 0.28% to close at 1.4118. This marked two successive sessions of downsides. Still, the pair has stayed relatively stuck within a range of 1.4100 to 1.4250 since 17 May. A break of the range downwards will likely test support of 1.4050. This comes after the EU said that it could impose tariffs on the UK.

JPY (Neutral-to-Bearish)

- USD/JPY was up by 0.13% to close at 109.63, although overall relatively limited by a small range. PPI for May came in stronger than expectations, also on a rising trend in line with global developments. Recent Covid-19 trends and economic fundamentals may limit yen strength. We place support at 109.10 and resistance at 109.90.

AUD (Neutral)

- AUD/USD slightly dipped by 0.14%, closing at 0.7731 on Wednesday. The pair has stayed within the 0.77-0.78 range mostly, hence looks anchored unless the dollar swings significantly. We anticipate the range to continue near-term.

SGD (Neutral)

- USD/SGD stayed relatively range bound on Wednesday's session. Pair was 0.02% up within a tight 1.3221-1.3251 range. Anticipation on reopening measures from 13 June may drive SGD movements, although any changes in measures may be modest and gradual. We anticipate a 1.3189 support and 1.3280 resistance.

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