

Global Markets Research

Daily Market Highlights

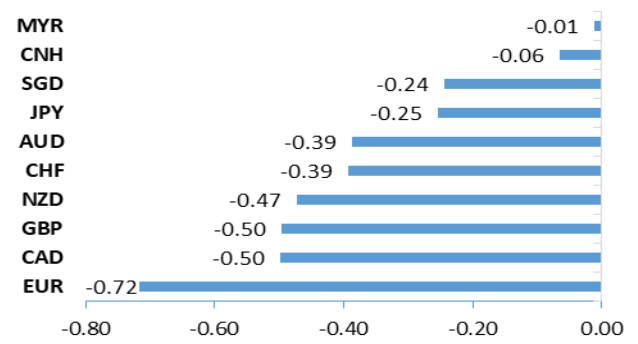
Key Takeaways

- **US stocks failed to hang on to early gains** going into mid-American trading session and ended near the day's low as **markets tried to decipher the higher than expected CPI prints and its policy implications**. The three benchmark stock indices shed 0.3-0.4% on Tuesday, halting two days of rally. Losses in the Dow were led by industrials and financials. **JPMorgan and Goldman Sachs reported mixed earnings results** which somewhat clouded the outlook.
- **US treasuries were under pressure for a third consecutive day** as the surprised pick-up in US CPI renewed chatter of a sooner than later Fed policy tightening. The curve bear steepened with yields falling 2-5bps across the curve after weak demand for the 30Y bond reopening. **The DXY continued to forge ahead**, up a staggering 0.53% d/d to close at 92.75, just a tad off its intraday high of 92.81. On the commodity front, **gold and oil prices rallied**. Gold futures rose 0.2% d/d to \$1809.90/oz. Crude oil prices jumped 1.6-1.8% on supply concerns as the **IEA warned of a worsening supply crunch**. The Brent and WTI last traded at \$76.49 and \$75.25/ barrel respectively, around its highest levels in three years.
- Tracking the overnight pullback in US stocks, **futures point to a generally weaker start in Asian markets today**, with lower openings in Japan and Hong Kong and even Singapore and Malaysia. **Market attention will shift to RBNZ in early Asia trading (10am)**. The central bank is expected to leave its official cash rate unchanged at 0.25% and maintain a hawkish stance in preparation for a hike. **Later in the day, the Fed Beige Book and Fed Chair semi-annual testimony will be in focus, on top of UK CPI and US PPI prints.**
- The USD strengthened as inflation concerns spiked up again in the markets. CPI came in stronger than expected, and confirmed that the economy is seeing broad price pressures, that may warrant its central bank to tighten monetary policy. DXY rose by 0.53% to close at 92.75. At this stage, we see some **upsides**, even as the USD enters overbought territory pointing to some consolidation. After CPI data, market focus turns to PPI, retail sales and Beige Book.
- USD/MYR edged up a little to close at 4.1920 on Tuesday, its highest in 11 months. The pair remains **overall bullish** and overnight USD gains could push USD/MYR to test the 4.20 key resistance level. No change to our weekly forecast range of 4.15-4.20 for now. A break of the 4.20 key psychological level would lead the pair towards the 4.23 handle but we would expect some imminent pullback first since the pair is overbought.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,888.79	-0.31	13.99
S&P 500	4,369.21	-0.35	16.32
FTSE 100	7,124.72	-0.01	10.28
Hang Seng	27,963.41	1.63	2.69
KLCI	1,519.56	0.44	-6.62
STI	3,166.81	0.63	11.36
Dollar Index	92.75	0.53	3.13
WTI oil (\$/bbl)	75.25	1.55	55.09
Brent oil (\$/bbl)	76.49	1.77	64.35
Gold (\$/oz)	1,809.90	0.22	-4.97
CPO (RM/tonne)	4,005.00	0.07	5.73

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑	China	↑
Australia	→	Singapore	↑

Up Next

Date	Events	Prior
14/07	JP Industrial Production MoM (May F)	-5.9%
	UK CPI YoY (Jun)	2.1%
	EZ Industrial Production SA MoM (May)	0.8%
	US MBA Mortgage Applications (09 Jul)	-1.8%
	US PPI Final Demand YoY (Jun)	6.6%
15/07	US U.S. Federal Reserve Releases Beige	
	AU Employment Change (Jun)	115.2k
	AU Unemployment Rate (Jun)	5.10%
	CH GDP YoY (2Q)	18.30%
	CH Retail Sales YoY (Jun)	12.40%
	CH Industrial Production YoY (Jun)	8.80%
	CH Fixed Assets Ex Rural YTD YoY (Jun)	15.40%
	UK Jobless Claims Change (Jun)	-92.6k
	UK ILO Unemployment Rate 3Mths (May)	4.70%
	UK Employment Change 3M/3M (May)	113k
US Empire Manufacturing (Jul)	17.4	
US Philadelphia Fed Business Outlook (Jul)	30.7	
US Initial Jobless Claims (10 Jul)	373k	
US Industrial Production MoM (Jun)	0.80%	

Source: Bloomberg

Macroeconomics

US CPI and small business optimism jumped in June:

- CPI quickened to 0.9% m/m in June (May: +0.6%), against market expectation for a easier +0.4% print. YOY, prices unexpectedly picked up to 5.4% (May: +5.0%) while core CPI ex-food and energy also rose 0.9% m/m and 4.5% y/y, reflecting higher underlying price pressure arising from supply bottlenecks in the system as the US economy reopened. The current price trajectory, if sustained, could set the stage for an earlier than expected Fed tightening.
- NFIB small business optimism unexpectedly increased to 102.5 in June (May: 99.6). This best reading since last October was driven by increased expectations among small business owners that the economy will improve. The optimism was also driven by more plans for hiring and raising compensation amid difficulties to fill vacant positions.

China's external trade surprised on the upside in June:

- China's trade surplus improved to USD 51.5bn in June, from USD 45.5bn a month ago. Exports expanded 32.2% y/y, significantly higher than consensus expectations of 23.0%. Imports also grew by 36.7% y/y, compared to consensus estimates of 29.5%. Overall result will be positive for net exports and support GDP growth. 2Q GDP reading and other key June data will be released on Thursday.

Business confidence weakened as virus cases rose in Australia:

- NAB business confidence softened in June (11 vs 20) while business conditions also pulled back (24 vs 36), as rising cases in New South Wales and the resultant lockdown took a toll on confidence and outlook. Nonetheless, NAB said overall confidence remains around twice its long run average after strengthening in early 2021.

Singapore economy grew 14.3% y/y in 2Q:

- Singapore's economy grew by 14.3% y/y in 2Q-2021, inflated by last year's circuit breaker. However, it contracted by 2.0% q/q, as a result of tightened restrictions from the Heightened Alert Phases. The outlook ahead is brighter, as the economy gradually lifts restrictions as vaccination rates increase.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR edged up a little to close at 4.1920 on Tuesday, its highest in 11 months. The pair remains overall bullish and overnight USD gains could push USD/MYR to test the 4.20 key resistance level. No change to our weekly forecast range of 4.15-4.20 for now. A break of the 4.20 key psychological level would lead the pair towards the 4.23 handle but we would expect some imminent pullback first since the pair is overbought.

USD (Neutral-to-Bullish)

- The USD strengthened as inflation concerns spiked up again in the markets. CPI came in stronger than expected, and confirmed that the economy is seeing broad price pressures, that may warrant its central bank to tighten monetary policy. DXY rose by 0.53% to close at 92.75. At this stage, we see some upsides, even as the USD enters overbought territory. After CPI data, market focus turns to PPI, retail sales and Beige Book.

EUR (Neutral-to-Bearish)

- EUR/USD plummeted by 0.72% on Tuesday's session, brought about by dollar strength. Pair fell to a close of 1.1776 from 1.1861 prior. We anticipate downside pressures for the upcoming session. Technical indicators point downward. We place support at 1.1710 and resistance close to 1.1890. Industrial production and CPI are the upcoming data releases.

GBP (Bearish)

- GBP/USD was adversely affected by USD strength, down by 0.50% d/d. Pair closed at 1.3814 in the process, after a 1.38 low. We turn more bearish on the pound, on potential weakness after Covid-19 cases spike. We see a range of 1.3626 to 1.3924. Downside momentum is persisting, according to technical indicators. Focus shifts towards CPI and PPI data.

JPY (Neutral-to-Bearish)

- USD/JPY was up by 0.25% to a close of 110.63, affected by dollar strength. However, the yen was more resilient in an environment of risk aversion. We see further upsides, with pair likely to trade within 110 to 111.04. Focus shifts to Bank of Japan policy decision on 16 July, where it is likely to stay relatively less hawkish than other central banks.

AUD (Neutral-to-Bearish)

- AUD/USD was down a second consecutive session, closing at 0.7447. This was 0.39% lower than previous session close of 0.7476. Covid-19 closures continue to be a significant factor for Australia's economic outlook ahead. We continue to see slight downsides for AUD/USD for the upcoming session. Momentum is strong on the downside. We estimate a range around 0.7307 to 0.7530. Data focus is on employment change for June.

SGD (Neutral-to-Bearish)

- USD/SGD headed higher to close at 1.3553, after a 1.3562 intraday high on Tuesday's session. SGD stayed resilient on data watch and Covid-19 developments. We stay slightly bearish on SGD strength, given Asian currency weaknesses and Covid-19 outbreaks in the region. Pair is likely to mostly trade within a range of 1.3445 and 1.3651. Resistance at 1.3600 for further upsides.

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