

Global Markets Research

Daily Market Highlights

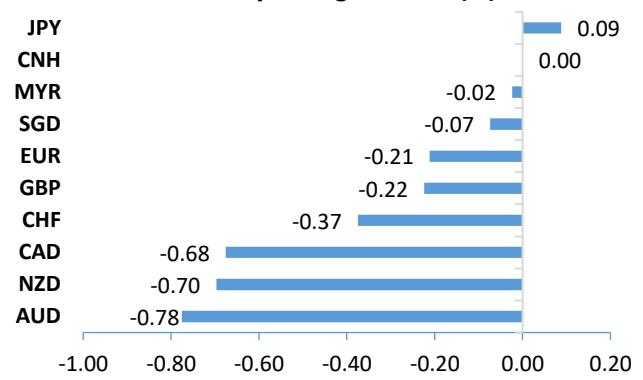
Key Takeaways

- US stock benchmarks continued to see mixed performances on Thursday and treasury yields fell** as Fed Chair Jerome Powell testified before the Senate Banking Committee. The S&P 500 fell 0.3% alongside a lower NASDAQ (-0.7%) while the Dow closed the choppy session 0.2% higher, hovering near its all-time high level. Energy shares sold off for another session as oil prices slumped further, followed by growth sectors namely info tech and consumer discretionary and communication services. **Powell stuck to the point that inflation will likely remain elevated in the coming months before moderating and reiterated the Fed's readiness to adjust policy if inflation was materially higher than its goal.**
- Longer term US yields extended decline on Powell's continuously dovish message while the yields on the front end were flat. The 10Y UST yield fell 4.7bps to 1.3%. The dollar strengthened across the board except against the JPY; commodity currencies suffered the heaviest losses. The dollar index rebounded 0.2% to 92.6. In the commodity market, gold prices recorded modest gains. Futures rose 0.2% to \$1829/oz. **Crude oil prices plunged further as the US reported higher inventories and OPEC forecast oil demand to return to its pre-pandemic level only in 2022.** Brent crude fell 1.7% to \$73.47/barrel while WTI shed 2.0% to \$71.65/oz.
- On the data front, **US initial jobless claims slipped to a new pandemic low of 360k last week** while industrial production rose 0.4% m/m in June. The UK added only 25k jobs in the three months to May. **China's GDP growth numbers showed some resilience in 2Q, with a 7.9% y/y and 1.3% q/q expansion.** Australia added a net 29.1k jobs in June. New Zealand CPI beat expectations at 3.3% y/y in 2Q (1Q: +1.5%), marking its first time breaching the RBNZ's 1-3% target band in nearly 10 years. This came as RBNZ announced ending its QE program by next Friday.
- The DXY rebounded from previous session losses to end the day slightly higher at 92.62, catching up in late US trading session as markets digested Powell's dovish testimony and focused on renewed slowing growth concern instead. The greenback advanced against most majors notably commodity currencies. We are **neutral on USD** today, expecting some continued range movements. DXY has been trading between 92.0-92.8 levels for most part of this month. Focus turns to retail sales data as the week concludes.
- USD/MYR was constrained within a tight range of 4.1950-4.2000 for most of Thursday's session before inching up to above 4.20 in the afternoon to close little changed d/d at 4.2025. Overall **USD/MYR remains bullish**; a break above the 4.20 psychological level could lead the pair towards the 4.23 handle but the overbought RSI condition likely caps any upside and may lead to another pullback. Domestic issues particularly the development of the Covid-19 situation in Malaysia would remain a major driver in the short term.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,987.02	0.15	14.31
S&P 500	4,360.03	-0.33	16.08
FTSE 100	7,012.02	-1.12	8.54
Hang Seng	27,996.27	0.75	2.81
KLCI	1,520.82	0.56	-6.54
STI	3,139.98	-0.42	10.41
Dollar Index	92.62	0.23	2.99
WTI oil (\$/bbl)	71.65	-2.02	47.67
Brent oil (\$/bbl)	73.47	-1.73	41.83
Gold (\$/oz)	1,829.00	0.22	-3.40
CPO (RM/tonne)	4,074.00	0.92	7.55

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑	UK	↑
CN	↑	AU	↑
NZ	↑		

Up Next

Date	Events	Prior
16/07	JP BOJ Policy Balance Rate (16 Jul)	-0.1%
	EZ Trade Balance SA (May)	9.4b
	EZ CPI YoY (Jun F)	2.0%
19/07	US Retail Sales Advance MoM (Jun)	-1.3%
	NZ Performance Services Index (Jun)	56.1
	UK Rightmove House Prices YoY (Jul)	--
20/07	US NAHB Housing Market Index (Jul)	81.0
	JP Natl CPI Ex Fresh Food YoY (Jun)	0.1%
	CN 1-Year Loan Prime Rate (20 Jun)	3.85%
21/07	AU RBA Minutes of July Policy Meeting	
	US Building Permits MoM (Jun)	-2.9%
	US Housing Starts MoM (Jun)	3.6%
	JP Exports YoY (Jun)	49.6%
	AU Westpac Leading Index MoM (Jun)	-0.06%
	AU Retail Sales MoM (Jun P)	0.4%
	JP Machine Tool Orders YoY (Jun F)	96.6%

Source: Bloomberg

Macroeconomics

Initial jobless claims fell to 360k; industrial production growth moderated:

- Initial jobless claims slipped to a new pandemic low of 360k last week, from the upwardly revised 386k in the week before, reaffirming the view that hiring pace is outweighing layoffs in the US economy.
- Industrial production rose 0.4% m/m in June (May: +0.7% revised), a smaller gain compared to the consensus forecast of 0.6%. Manufacturing output fell 0.1% m/m as an ongoing shortage of semiconductors contributed to a 6.6% decrease in the production of motor vehicles and parts. Excluding motor vehicles and parts, industrial output rose 0.4%.
- In separate reports, the NY Fed Empire State Manufacturing Index jumped over 25pts to a record high of 43 in July (Jun: 17.4) thanks to higher new orders and shipments. The Philadelphia Fed's General Activity Index edged lower to 21.9 in July (June: 30.7), but still implies solid growth. Both surveys reported strong price pressures at factories.

UK reported continuous job gains:

- The UK added only 25k jobs in the three months to May, below the expected gains of 91k. The modest gains followed the sharper 113k increase in the previous period and highlighted the issue of labour shortage as the economy reopened.
- Unemployment rate rose to 4.8% in the same period, from 4.7%. The average weekly earnings surged 7.3% y/y (Apr: +5.7%) on low base effect. The labour market remained supported by the furlough scheme which is set to expire in September.

Some positivity in 2Q GDP and June data:

- China's GDP growth numbers showed some resilience in 2Q, with a 7.9% y/y and 1.3% q/q expansion. This compares well with the 18.3% y/y (inflated by base effects from 2020 Covid-19 lockdowns) and 0.6% q/q increase a quarter ago.
- June results showed some positive performances in retail sales (+12.1% y/y) alongside some resilience in industrial production (+8.3% y/y) and fixed asset investment (+12.6%) Overall, these indicate that the economy continues to expand steadily.

Australia reported positive job data despite tighter measures:

- Australia added a net 29.1k jobs in June, versus the expectation of +20k. This came after the economy recruited some 115.2k people in May, and added to signs of a resilient economic recovery despite the regional lockdowns.
- Full-time jobs rose nearly 52k, but part-timers fell 22.5k as tighter restrictions had led businesses to reduce temporary staff. The unemployment rate fell to 4.9% in May (Apr: 5.1%), also surpassing expectations. The participation rate remained unchanged at historically elevated levels of 66.2%.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR was constrained within a tight range of 4.1950-4.2000 for most of Thursday's session before inching up to above 4.20 in the afternoon to close little changed d/d at 4.2025. Overall USD/MYR remains bullish; a break above the 4.20 psychological level could lead the pair towards the 4.23 handle but the overbought RSI condition likely caps any upside and may lead to another pullback. Domestic issues particularly the development of the Covid-19 situation in Malaysia would remain a major driver in the short term.

USD (Neutral)

- The DXY rebounded from previous session losses to end the day slightly higher at 92.62, catching up in late US trading session as markets digested Powell's dovish testimony and focused on renewed slowing growth concern instead. The greenback advanced against most majors notably commodity currencies. We are neutral on USD today, expecting some continued range movements. DXY has been trading between 92.0-92.8 levels for most part of this month. Focus turns to retail sales data as the week concludes.

EUR (Neutral-to-Bearish)

- EUR/USD weakened again on the back of a resurging greenback, down 0.2% d/d to a 1.1812 close, erasing all gains in Asia and European sessions. The pair remains overall bearish but we see smaller downside today. Support remains at 1.1710 and resistance around 1.1890. Next up is CPI later today. ECB meeting on 22-July will be key focus as markets look for more details on the shift in policy guidance framework.

GBP (Neutral)

- GBP/USD also reversed course and fell 0.2% d/d, closing at 1.3829 as the USD rebounded. The UK added fewer than expected jobs in May and unemployment rate rose. We expect some stabilisation today in anticipation of a more neutral USD. Near term outlook of the sterling may continue to be undermined by spike in Covid-19 cases. Data next week are mainly second tier before PMI prints on 23-July.

JPY (Neutral-to-Bullish)

- USD/JPY continued to edge lower, settling 0.1% down at 109.83, below the 110 handle for a second consecutive day. Haven demand amid some paring of risk as growth concerns come to the fore again shall keep JPY supported today. This is assuming no major surprises from the BOJ policy meeting today, where it is expected to stay relatively less hawkish compared to other central banks.

AUD (Neutral-to-Bearish)

- AUD/USD turned out to be the worst performing G10 on Thursday, losing 0.8% to a 0.7423 close as risk sentiments and the USD took a turn. We continue to see slight bearishness in AUD/USD for the upcoming session but 0.74 will serve as a key support. Focus shifts to RBA minutes on 20-July.

SGD (Neutral-to-Bearish)

- USD/SGD inched slightly higher to a 1.3541 close, after seeing some swings through the day between a tight range of 1.3520-1.3550. We remain bearish on the SGD, due to some deterioration in the Covid-19 situation which may deter further reopening or cause some restrictions to return. Resistance is at 1.3600, with support at 1.3490. CPI will be the next data focus in the week ahead.

New Zealand's CPI broke RBNZ's target band just as RBNZ announced ending QE:

- CPI inflation beat expectations at 3.3% y/y in 2Q (1Q: +1.5%), marking its first time breaching the RBNZ's 1-3% target band in nearly 10 years. Consensus forecast was 2.7% y/y.
- Compared to the previous quarter, CPI rose 1.3% q/q in 2Q (1Q: 0.8%), driven by the higher prices of housing & household utilities (+1.9%), food (+1.5%), transport (+2.2%) as well as clothing (+3.3%). Housing made the most contribution as prices of homes and rentals continued to pick up amid a housing boom. The RBNZ had announced this week that it would halt its asset purchase program by next week, among the earliest central banks to reduce stimulus and make a hawkish shift.
- The Business NZ Performance of Manufacturing Index advanced to 60.7 in June (May: 58.6) as factory activity rose further last month. This bodes well for manufacturing sales and 2Q GDP according to the BNZ.

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