Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock benchmarks saw mixed performances on Thursday as investors rotated back into the tech sectors.** Longer-term treasury yields fell sharply; the dollar strengthened and gold prices tanked as markets digested the Fed's latest guidance that it would raise rates sooner than expected. On Thursday, the Dow fell for the fourth consecutive session (-0.6%) while the S&P 500 was down (-0.04%) albeit slightly, for the third day in a row as the selloff in energy, financials, materials and industrial shares offset the rally of the tech sector. NASDAQ rose 0.9%.

- Meanwhile, **long term yields plummeted** on Thursday after the Fed brought forward two potential rate hikes to 2023, **spurring a major flattening of the yield curve.** The 30-year bond yields plunged nearly 12bps to 2.09%, further flattening the 5Y30Y spread by another 10bps. The yield on the 10Y notes was 7bps lower at 1.50%. **The dollar extended its post-FOMC strength as it rose against most G10 currencies except the JPY.** EUR and AUD were down by 0.7% while GBP shed 0.5%. **Gold prices slumped** to below the $1800 mark amid the strong dollar; futures lost a whopping 4.6% to trade at $1773.8/oz. **Crude oil benchmarks fell over 1.5% on profit taking activity.** Brent crude settled at $73.08/barrel. **Bank Indonesia maintained its seven-day reverse repo rate at 3.5%;** the rupiah fell over 0.8%. **The BOJ is expected to keep its policy framework intact later today. Stock futures rose in Japan and Hong Kong as Asian shares are set to track the overnight rally of US tech shares.**

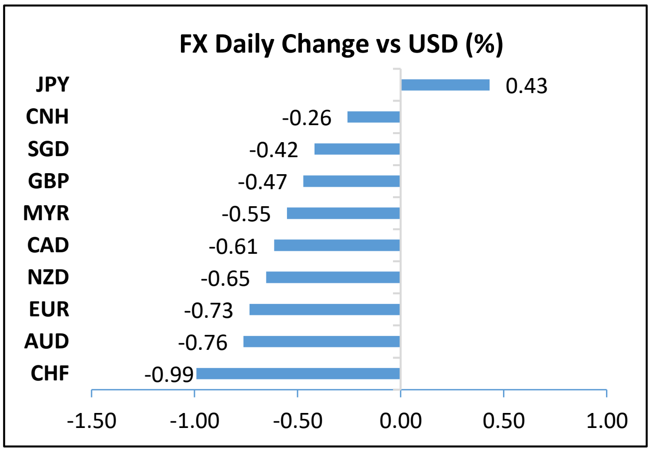
- In the data docket, **initial jobless claims in the US rose for the first time after six weeks of successive declines, to 412k.** The Conference Board Leading Index extended its steady monthly gain. The Eurozone's headline inflation hit 2.0% y/y while Japan's CPI ex fresh food rate turned positive at 0.1% y/y. **Australia reported a super strong job report.**

- USD strengthened again on Thursday's session. DXY was up 0.83% to close at 91.89, after briefly breaking the 92 level. With market concerns regarding tighter US monetary policy likely to linger on, we continue to see some **gains in the USD**.

- USD/MYR rose 0.6% to close at 4.1395. As USD bulls continue to dominate the market, we maintain our **bearish outlook for MYR** today; expecting USD/MYR to break 4.14, with 4.15 being a key resistance.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,823.45	-0.62	10.51
S&P 500	4,221.86	-0.04	12.40
FTSE 100	7,153.43	-0.44	10.73
Hang Seng	28,558.59	0.43	4.87
KLCI	1,570.86	-0.47	-3.46
STI	3,138.31	-0.04	10.36
Dollar Index	91.89	0.83	2.17
WTI oil ($/bbl)	71.04	-1.54	46.41
Brent oil ($/bbl)	73.08	-1.76	41.08
Gold (S/oz)	1,773.80	-4.61	-6.31
CPO (RM/tonne)	3,536.50	0.77	-6.64



Source: Bloomberg

Overnight Economic Data			
US	→	EZ	↑
AU	↑	JP	↑

Up Next

Date	Events	Prior
18/06	JP BOJ Policy Balance Rate (18 jun)	-0.1%
	UK Retail Sales Inc Auto Fuel MoM (May)	9.2%
21/06	UK Rightmove House Prices MoM (Jun)	1.8%
	CH 1-Year Loan Prime Rate (21 Jun)	3.85%
	US Chicago Fed Nat Activity Index (May)	0.24
22/06	JN Machine Tool Orders YoY (May F)	140.7%
	MA Foreign Reserves (15 Jun)	$110.9b
	HK CPI Composite YoY (May)	0.7%
	EC Consumer Confidence (Jun A)	-5.1
	US Richmond Fed Manufact. Index (Jun)	18.0
	US Existing Home Sales MoM (May)	-2.7%

Source: Bloomberg

Macroeconomics

US' initial jobless claims snapped six-week falling streak:

- Initial jobless claims unexpectedly rose to 412k last week, after six weeks of declines. The consensus estimate was 360k as analysts expected first time claimers to continue its down trend amid the current hiring boom in the US. The claims in the previous week were revised slightly down to 375k. The jumps in new claims were concentrated in three states and could be a blip as firms continued to ramp up hiring nationwide.
- The Conference Board Leading Index rose 1.3% m/m in May (Apr: +1.3%), marking its steady move for the third successive month which indicates a solid economic recovery. The biggest driver for the index was the fall in jobless claims throughout May, followed by the strong ISM new orders.
- The Philadelphia Fed's Manufacturing Index was little changed at 30.7 in June, compared to 31.5 in May, indicating stable business conditions in the regional manufacturing sector.

Eurozone's inflation rose to 2% y/y in May:

- The Eurozone's monthly inflation pace eased for the second month to 0.3% m/m in May, from 0.6% in April.
- Compared to the same month last year, inflation went up to 2.0% y/y (Apr: +1.6%), its fastest acceleration since Oct-18, reflecting the broad-based price gains in all items. Higher prices of energy (+13.1% y/y) contributed the most to May's headline reading, followed by prices of services (+1.1% y/y). The core CPI rate also edged up to 1.0% y/y (Apr: +0.7%).

Japan's key inflation gauge turned positive in May:

- CPI ex-fresh food inflation rate turned positive for the first time in 14 months to 0.1% y/y in May (Apr: -0.1%), better than analysts' projection of a flat reading. This reflects the impact of the low base from last year, driven by bigger y/y gains in prices of education, clothing & footwear as well as a smaller decline in utilities. Prices of household goods continued to increase albeit at an easier pace. Despite the positive print, inflation remained very subdued in Japan and the BOJ will put its ultra loose policy in place to continually battle the weak price pressure.

Australia reported upbeat job data

- Australia's latest labour market reports far surpassed expectations with the economy adding a whopping 115.2k jobs in May, compared to consensus estimate of 30k gain. This came after it reported job losses of 30.7k in April. Full-time jobs (+97.5k) drove May's gains, which outweighed the 17.7k increase in part-timers.
- The unemployment rate fell sharply to 5.1% (Apr: 5.5%), compared to the estimate of 5.5%. Importantly the participation rate edged up from 65.9% to 66.2%, as the labour force expanded in tandem with the economic recovery.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR rose 0.6% to close at 4.1395. As USD bulls continue to dominate the market, we maintain our bearish outlook for MYR today; expecting USD/MYR to break 4.14, with 4.15 being a key resistance.

USD (Neutral-to-Bullish)

- USD strengthened again on Thursday's session. DXY was up 0.83% to close at 91.89, after briefly breaking the 92 level. With market concerns regarding tighter US monetary policy likely to linger on, we continue to see some gains in the USD.

EUR (Neutral-to-Bearish)

- EUR/USD continued to pull back significantly a second successive session. Pair broke support to close at 1.1907, with an intraday low of 1.1892. Pair was weighed down by USD strength post-FOMC. The break now shifts attention towards the next support at 1.1820. Resistance at 1.2070.

GBP (Neutral-to-Bearish)

- GBP/USD retreated once again, closing at 1.3922 after an intraday low of 1.3896. Pair looks set to stay on an offer tone post-FOMC. The break in previous support levels now shifts attention towards the support around the 1.3840 level, with resistance at 1.4000. Focus shifts to retail sales data on 18 June.

JPY (Neutral-to-Bearish)

- USD/JPY was down by 0.43% on Thursday, which meant that it gave back some of prior day's gains. Pair closed at 110.21. JPY was the outperformer among G10 currencies, with eyes on Bank of Japan's policy decision. Pair may test 31 March's high of 110.97 before forays above the 110 big figure. Support at 110.

AUD (Neutral-to-Bearish)

- AUD/USD fell a third successive session, breaking support to end the day at 0.7552. The breakaway from the 0.77 to 0.78 range now shifts focus towards a 0.7500 support, while resistance is at 0.7680. AUD may also be driven by future fluctuations in commodity prices.

SGD (Neutral-to-Bearish)

- USD/SGD was up by another 0.42%, closing at 1.3422 in the process. This meant a fifth consecutive session in bid tone. Pair is likely to be supported by market concerns on tighter US monetary policy. Besides, focus is on whether Singapore will reopen further following increased Covid-19 cases over the past week. Resistance shifts to 1.3470, while support is at 1.3340.

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