Global Markets Research

Daily Market Highlights

Key Takeaways

- **US main benchmarks soared overnight in what appeared to be their best day since March as investors rushed to buy cheaper shares following the selloff in the previous session.** The Dow Jones (+1.6%), S&P 500 (+1.5%) and NASDAQ (+1.6%) all rebounded on Tuesday after shedding 1-2% at the start of the week as the rapid spread of Covid-19's Delta variant spooked the markets. Treasury yields recovered from the previous session's dip. **The yield on 10Y UST rose 3.3bps to just above 1.2%, after having sunk to 1.19% on Monday** during a rush to safe havens. Overall, front-end yields declined 1.6 to 2.4bps while longer-term yields rose 0.5 to 5.7bps.

- Gold futures rose slightly (+0.1%) after falling for two sessions, last trading at $1811.4/oz on Tuesday. Oil prices stabilised on Tuesday after the dramatic selloff on Monday. Oil benchmarks had fallen 6.8-7.5% on Monday as markets reacted to OPEC+'s decision to phase out oil production cuts by September next year against a backdrop of risk aversion. Brent crude rose 1.1% to $69.35/barrel. **The RBA released its latest meeting minutes and revealed that decided to adjust its weekly bond purchases to AUD4b (from AUD5b prior) as the economic outcomes had improved.** As of writing, stock futures are pointing up in Japan and Hong Kong, as stocks are expected to track US markets overnight. The ECB's meeting remains in focus as investors expect a change in the central bank's forward guidance.

- On the data front, **US housing starts rose 6.3% m/m in June while building permits fell 5.1% m/m, indicating that homebuilders were working through the backlogs** accumulated in the previous months when construction costs were at sky-high levels. Japan's CPI ex-fresh food rose 0.2% y/y in June, matching analysts' expectations, while exports rose 48.6% y/y in the same month, inflated by low base.

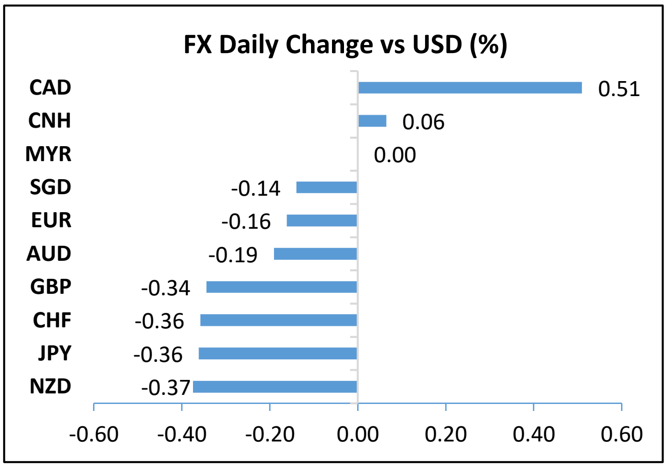
- The dollar strength extended to Tuesday's session as all G10 currencies weakened against the greenback except the CAD. **This left the DXY slightly higher at near 93 levels**. We see slight upsides for the upcoming session. Attention will turn towards initial jobless claims and PMIs closer the end of the week.

- **USD/MYR rallied by 0.5% to close at 4.2255 on Monday before the public holiday**. Pair is expected to remain bullish, targeting 4.23 next as the dollar bulls continue to dominate the market, but the highly overbought RSI condition suggests an imminent pullback.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,511.99	1.62	12.76
S&P 500	4,323.06	1.52	15.10
FTSE 100	6,881.13	0.54	6.51
Hang Seng	27,259.25	-0.84	0.10
KLCI*	1,519.97	-0.16	-6.59
STI*	3,111.20	-1.30	9.40
Dollar Index	92.97	0.09	3.38
WTI oil ($/bbl)	67.42	1.51	38.95
Brent oil ($/bbl)	69.35	1.06	33.88
Gold (S/oz)	1,811.40	0.12	-4.43
CPO (RM/tonne)*	4,249.50	1.75	12.18

**Closings on 19 July 2021*



Source: Bloomberg

Overnight Economic Data			
US	→	JP	↑

Up Next

Date	Events	Prior
21/07	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%
22/07	AU NAB Business Confidence (2Q)	17.0
	HK CPI Composite YoY (Jun)	1.0%
	EZ ECB Deposit Facility Rate (22 Jul)	-0.5%
	US Chicago Fed Nat Activity Index (Jun)	0.29
	US Initial Jobless Claims (17 Jul)	360k
	US Leading Index (Jun)	1.3%
	US Existing Home Sales MoM (Jun)	-0.9%
	EZ Consumer Confidence (Jul A)	-3.3
	US Kansas City Fed Manf. Activity (Jul)	27.0

Source: Bloomberg

Macroeconomics

RBA minutes signalled no rate hike before 2024:

- The RBA's latest minutes revealed that officials decided to adjust its weekly bond purchases to AUD4b (from AUD5b prior) as the economic outcomes had been materially better than earlier expected and the outlook had improved.
- They also agreed that there should be flexibility to increase or reduce weekly bond purchases in the future due to the high degree of economic uncertainty. A review will be done at the November 2021 meeting.
- Officials decided to retain the April 2024 bond as the target bond for its 3Y yield curve control, instead of a rollover to November 2024 bond, as the faster-than-expected recovery in 2021 suggests alternative plausible scenarios for economic outlook and the cash rate over the period towards November 2024.
- RBA reaffirmed its accommodative stance, signalling that it would not raise cash rate before 2024 as it did not expect the conditions to raise rate to be met yet.

US homebuilders worked through backlogs in June as construction costs fell:

- Housing starts rose 6.3% m/m in June, better than the expected gain of 1.2%. However, May's data were revised down to show a much smaller gain of 2.1% (vs +3.6% prior).
- Building permits unexpectedly fell 5.1% m/m, compared to the consensus estimate of +0.7%. This followed the slightly revised 2.9% decline in May. Instead of applying for new permits, developers worked through the backlogs accumulated in the previous months when construction costs were at sky-high levels. Lumber prices had peaked in May at around $1700 per thousand board feet and have fallen since then to circa $550.

Japan's inflation remained subdued in June:

- Japan's CPI ex-fresh food rose 0.2% y/y in June, matching analysts' expectations. This followed a 0.1% gain in May. The still-subdued inflation reflected cheaper mobile phone charges which partially offset the gains in prices of other goods. The y/y CPI rate is expected to accelerate in July onwards, inflated by the low bases from the same period in 2020 when inflation had turned negative.
- Meanwhile, a separate report showed that Japan's trade data continued to be inflated by low bases from last year. Exports rose 48.6% y/y in June (May: +49.6%) while imports gained 32.7% y/y (May: +27.9%).

Forex

MYR (Neutral-to-Bearish)

- USD/MYR rallied by 0.5% to close at 4.2255 on Monday before the public holiday. Pair is expected to remain bullish, targeting 4.23 next as the dollar bulls continue to dominate the market, but the highly overbought RSI condition suggests an imminent pullback.

USD (Neutral-to-Bullish)

- USD strengthened on Monday and Tuesday's sessions. DXY was up by another 0.09% to close at 92.97 on Tuesday's session. This came amid strong confidence in the US, as equity indexes advanced. We see slight upsides for the upcoming session. Attention will turn towards initial jobless claims and PMIs closer the end of the week.

EUR (Neutral-to-Bearish)

- EUR/USD closed 0.16% down on Tuesday's session, closing at 1.1781. The bearish momentum continues ahead of the European Central Bank meeting on 22 July. The pair may be more resilient for now as markets await more clarity on policy stance, after the special session allowing for inflation overshoot. We watch support of 1.1710 and resistance of 1.1930.

GBP (Bearish)

- GBP/USD stayed in a downward trend, losing for the fourth consecutive session. Pair closed 0.34% lower to close at 1.3628. This came as the UK announced rising Covid-19 cases even as it reopened fully. We see more downsides for the pair, after prior outperformance at the start of the year. Watch support of 1.3567, while resistance is at 1.3740 for any rebound in momentum.

JPY (Neutral-to-Bearish)

- USD/JPY rebounded on Tuesday after coming off on Monday. Pair stayed just below 110 in the process, closing at 109.85. While the yen may outperform on risk aversion, it remains weak from fundamentals and dollar strength. Olympics and Covid-19 outbreaks in focus. We watch a resistance of 111 and support of 109.10 for the pair.

AUD (Neutral-to-Bearish)

- AUD/USD pulled back by another 0.19% after a 0.77% fall in Monday's session. This has brought the pair to a close of 0.7330 after an intraday low of 0.73. RBA minutes did not reveal significant surprises. Market focus for the pair turns to retail sales and Markit PMI figures. NZD resilience may slightly support the AUD from further underperformance. We see immediate support at 0.73 (next: 0.7190) and resistance at 0.7410.

SGD (Bearish)

- USD/SGD stayed in a bid tone on both Monday and Tuesday, even as Singapore markets were closed on Tuesday. Authorities announced return to tighter measures (Phase 2 Heightened Alert) from 22 July to 18 August. We are bullish on USD/SGD for the upcoming session on Asian FX weakness and USD strength. We see immediate resistances of 1.3790, while support is at 1.3600.

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