HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded from the post-FOMC selloff as investors rotated back to equities in what appeared to be an easing of concerns over the Fed's sooner-than-expected hawkish shift.** The Dow Jones snapped a six-day losing streak to add 586pts or 1.8% after suffering its worst week since late October. Monday's rebound marked the blue-chip index's best daily performance since early March. The S&P 500 rose 1.4%, lifted by stocks of all categories; cyclical shares led the broad-based rally as markets focused on the US' positive growth outlook. Energy shares topped the group with over 4% gain, followed by financials, industrials and materials shares. Tech-heavy NASDAQ underperformed with a relatively modest 0.8% increase.

- **The yield curve steepened as the front-end yields were flat while longer-term yields recovered partially from the post-FOMC declines.** The yield on 10Y UST climbed 5bps to 1.49%, leaving the 2Y10Y spread 6bps higher. Gold prices rebounded amid weaker USD. Spot price rose over 1% while futures went up 0.8% to $1781.8/oz. Crude oil prices rallied on strong consumption outlook and little progress in the Iranian talks. Brent crude picked up 1.9% to $74.9/barrel and WTI jumped 2.8% to $73.66/oz. Fed Chair Jerome Powell will testify before a subcommittee on the Covid-19 pandemic today. Futures pointed up in Hong Kong and Japan, indicating that Asian shares are set to track the overnight rally of US stocks.

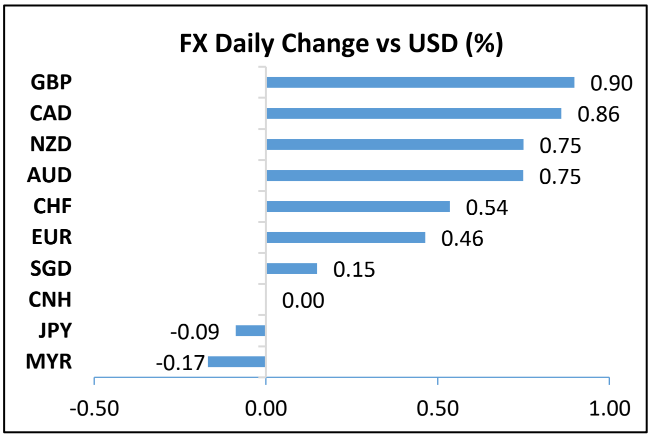
- Data were limited as the week kicked off. **The US' Chicago Fed National Activity Index rose to +0.29 in May, suggesting a pick-up in economic growth.** The UK's Rightmove House Price Index rose 0.8% m/m to a third straight record of £336,073. Key release today is the US' existing home sales report.

- **DXY pulled back by 0.35% on Monday's session, after peaking at 92.41. Pair closed at 91.90**. This was helped by slight easing of concerns about the US Federal Reserve's hawkish stance over the past week. Most G10 currencies, except the JPY strengthened against the USD. The pound rose nearly 1% while the euro recorded a more modest 0.5% gain. JPY fell less than 0.1%. We see a breather for USD strength for now before further rallies. Focus shifts to June PMIs and May PCE data, on economic trends and price pressures.

- **USD/MYR gained 0.2% to 4.1465 on Monday** as most Asian currencies caught up with the USD rally last Friday. USD/MYR is likely to open lower, tracking the broad market overnight after the USD moved downwards. We continued to see a weekly range of 4.12-4.16.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,876.97	1.76	10.69
S&P 500	4,224.79	1.40	12.48
FTSE 100	7,062.29	0.64	9.31
Hang Seng	28,489.00	-1.08	4.62
KLCI	1,572.24	-1.06	-3.38
STI	3,117.87	-0.84	9.64
Dollar Index	91.90	-0.35	2.18
WTI oil ($/bbl)	73.66	2.82	51.81
Brent oil ($/bbl)	74.90	1.89	44.59
Gold (S/oz)	1,781.80	0.79	-5.89
CPO (RM/tonne)	3,509.00	-0.57	-7.37



Source: Bloomberg

Overnight Economic Data	
US ↑	UK ↑

Up Next

Date	Events	Prior
22/06	JP Machine Tool Orders YoY (May F)	140.7%
	MA Foreign Reserves (15 Jun)	$110.9b
	HK CPI Composite YoY (May)	0.7%
	EZ Consumer Confidence (Jun A)	-5.1
	US Richmond Fed Manufact. Index (Jun)	18.0
	US Existing Home Sales MoM (May)	-2.7%
23/06	JP Jibun Bank Japan PMI Mfg (Jun P)	53.0
	JP Jibun Bank Japan PMI Services (Jun P)	46.5
	SG CPI YoY (May)	2.1%
	EZ Markit Eurozone Manufacturing PMI	63.1
	EZ Markit Eurozone Services PMI (Jun P)	55.2
	UK Markit UK PMI Manufacturing SA (Jun	65.6
	UK Markit/CIPS UK Services PMI (Jun P)	62.9
	US MBA Mortgage Applications (18 Jun)	4.2%
	US Markit US Manufacturing PMI (Jun P)	62.1
	US Markit US Services PMI (Jun P)	70.4
	US New Home Sales MoM (May)	-5.9%

Source: Bloomberg

Macroeconomics

Chicago Fed National Activity Index pointed to pick-up in US growth:

- The Chicago Fed National Activity Index rose to +0.29 in May, from -0.09 in April, suggesting a pick-up in economic growth. The index's gain was supported by production and employment-related indicators, as industrial production continued to rise in the US while NFP payrolls were higher. This is broadly in line with the positive outlook for the US economy.

UK's property asking prices rose to another record high:

- Property prices in the UK continued to rise in June albeit at a slower pace compared to the previous two months. The UK's Rightmove House Price Index rose 0.8% m/m to a third straight record of £336,073 after having risen 1.8% m/m previously. Demand continued to be sustained by the UK's government's stamp duty holiday which is set to expire at the end of this month. The much smaller increase in June also suggests that demand may have cooled after buyers ramped up purchases in the first five months of the year.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR gained 0.2% to 4.1465 on Monday as most Asian currencies caught up with the USD rally last Friday. USD/MYR is likely to open lower, tracking the broad market overnight after the USD moved downwards. We continued to see a weekly range of 4.12-4.16.

USD (Neutral-to-Bearish)

- DXY pulled back by 0.35% on Monday's session, after peaking at 92.41. Pair closed at 91.90. This was helped by slight easing of concerns about the US Federal Reserve's hawkish stance over the past week. We see a breather for USD strength for now before further rallies. Focus shifts to June PMIs and May PCE data, on economic trends and price pressures.

EUR (Neutral)

- EUR/USD rebounded by 0.46% to close at 1.1919, after three sessions of losses. Anticipate some stabilizations after a pause in dollar strength. However, technical indicators point towards an offer tone, eyeing support at 1.1800 and resistance at 1.2000. For the week, focus is on Markit PMI and ECB's economic bulletin.

GBP (Neutral-to-Bullish)

- GBP/USD returned 0.9% higher to close at 1.3934 on Monday, after underperforming other G10 performances on Friday. Watch support at 1.3730 after prior break of 1.3800, with resistance at 1.3950 for any further rebound. Attention is on whether Bank of England also shift towards a more hawkish view on 24 June, alongside PMI data.

JPY (Neutral-to-Bearish)

- USD/JPY was up slightly on Monday's session, after staying in a range of 109.72 to 110.35. The pair closed at 110.27 after ending the day on a bid tone. Momentum is biased on the upside, and we place resistance at 110.97, while immediate support is at 110 before 108.90.

AUD (Neutral-to-Bullish)

- AUD/USD rebounded by 0.75%, hitting a close of 0.7535 to put some room above Friday's low of 0.7476. Pair managed to get a grip above 0.75 big figure, and we see slight upsides for the day ahead. Watch resistance at 0.7640, while support is around 0.7470. Focus shifts to Markets PMIs for June.

SGD (Neutral-to-Bullish)

- USD/SGD was slightly lower, after a peak of 1.3475 for the day (highest since early April). Pair eventually closed lower at 1.3431, 0.15% down d/d. Immediate support is at 1.3410 before 1.3350. Resistance at 1.3490. For the week ahead, watch CPI and industrial production data.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my