

## Global Markets Research

### Daily Market Highlights

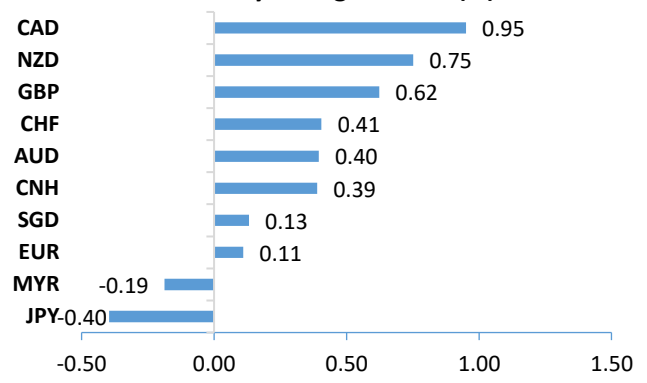
#### Key Takeaways

- **US stocks extended gain on Wednesday after rebounding from the sharp losses at the start of the week, highlighting the resilience of the equity market.** Investors now shifted their focus to the US corporate earnings, looking past the recent concerns over the spread of the Covid Delta variant. The Dow and S&P 500 both advanced 0.8% while NASDAQ picked up 0.9%. Treasury yields continued to recover from the dip on Monday amid a boost in risk sentiment. The 10Y UST yield rose 6.7bps to 1.29% after having plunged to a five-month-low earlier in the week. Overall, yields were up by 0.8 to 6.7bps across the curve.
- The USD broadly weakened while gold futures fell 0.4% to \$1803.4/oz amid falling appetites for safe havens. Meanwhile **crude oil prices rallied over 4%, bouncing back from the selloff earlier this week.** This came despite the higher headline US crude inventories as investors might have focused on the inventory drop at Cushing, Oklahoma to 18-month low instead. The boost in risk sentiments and the strong outlook for oil prices have also led investors to enter the oil markets at a bargain.
- Dataflow were light on Wednesday. US mortgage applications fell 4% last week. Japan's machine tool orders rebounded over 6% m/m as government lifted restrictions. **Australia's retail sales fell 1.8% m/m as the country faced multiple regional lockdowns** last month.
- Stock futures are sharply higher in Japan and Hong Kong as Asian markets are expected to track the strong performance of their US counterparts overnight. **The ECB's Governing Council meeting is the main event of the day as markets are looking forward to a change in the central bank's forward guidance.** The ECB had in the past two weeks said that it has decided to revise its inflation goal to 2% after a six-month long strategy review.
- **USD retreated from the prior outperformance, weakening against all G10 currencies except the JPY.** This led the dollar index to fall 0.2% to 92.8 on Wednesday, snapping a four-day winning streak. A turnaround in sentiment is expected to weigh on the USD today, as stronger risk appetites make safe havens less appealing, although a significant sell down in USD is unlikely. Attention will turn towards initial jobless claims and PMIs closer the end of the week.
- **USD/MYR climbed another 0.2% to 4.2330.** We see 4.25 as the key resistance after breaching 4.23. However, the weaker broad USD overnight is expected to weigh on the pair while the highly overbought RSI condition indicates some pullback.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,798.00	0.83	13.69
S&P 500	4,358.69	0.82	16.04
FTSE 100	6,998.28	1.70	8.32
Hang Seng	27,224.58	-0.13	-0.02
KLCI	1,516.52	-0.23	-6.80
STI	3,119.00	0.25	9.68
Dollar Index	92.75	-0.24	3.13
WTI oil (\$/bbl)	70.30	4.27	45.40
Brent oil (\$/bbl)	72.23	4.15	39.44
Gold (\$/oz)	1,803.40	-0.44	-4.84
CPO (RM/tonne)	4,314.00	1.52	13.89

#### FX Daily Change vs USD (%)



Source: Bloomberg

#### Overnight Economic Data

US	↓	JP	↑
AU	↓		

#### Up Next

Date	Events	Prior
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
	23/07	UK GfK Consumer Confidence (Jul)
MA CPI YoY (Jun)		4.4%
SG CPI YoY (Jun)		2.4%
UK Retail Sales Inc Auto Fuel MoM (Jun)		-1.4%
MA Foreign Reserves (15 Jul)		\$111.1b
EZ Markit Eurozone Composite PMI (Jul P)		59.5
UK Markit/CIPS UK Composite PMI (Jul P)		62.2
	US Markit US Composite PMI (Jul P)	63.7

Source: Bloomberg

## Macroeconomics

### Lower US mortgage applications last week:

- Mortgage applications in the US dropped 4% w/w last week after the 16% surge in the previous week. Both refinancing (-2.8%) and purchases (-6.4%) applications fell despite generally lower borrowing costs.

### Japan's machine tool orders rose in June:

- Japan's machine tool orders rose 6.6% m/m in June (May: 0%), marking its first monthly rise since March. This was supported by the surge in domestic orders (+34.4%) as the government lifted the State of Emergency measures on affected prefectures in mid-June. Foreign orders (-3.6%) declined for the first time in five months. Compared to the same month last year, orders were 96.6% y/y higher (May: +141.9%).

### Australia's retail sales battered by lockdowns:

- Australia's retail sales fell 1.8% m/m in June (May: +0.4%) according to a preliminary report, reflecting the immediate impact of various lockdowns and restrictions on the retail sector. Sales were down across all industries except food. Sales are likely to remain affected in July as the lockdown extended in New South Wales while Victoria and Southern Australia reintroduced restrictions to contain the new Covid wave.
- The Westpac Leading Index's six-month annualised growth rate slowed to 1.3% in June, from 1.7% in May, partially because of the above mentioned pandemic related lockdowns. The easing in the US industrial production (one of the components) was also a contributor. The higher commodity prices which had risen 27% YTD provided some buffers.

## Forex

### MYR (Neutral to Bullish)

- USD/MYR climbed another 0.2% to 4.2330. We see 4.25 as the key resistance after breaching 4.23. However, the weaker broad USD overnight is expected to weigh on the pair while the highly overbought RSI condition indicates some pullback.

### USD (Neutral-to-Bearish)

- USD retreated from the prior outperformance, weakening against all G10 currencies except the JPY. This led the dollar index to fall 0.2% to 92.8 on Wednesday, snapping a four-day winning streak. A turnaround in sentiment is expected to weigh on the USD today, as stronger risk appetites make safe havens less appealing, although a significant sell down in USD is unlikely. Attention will turn towards initial jobless claims and PMIs closer the end of the week.

### EUR (Neutral-to-Bearish)

- EUR/USD closed slightly higher (+0.1%) at 1.1794, thanks to the broadly weaker USD. Pair is still biased towards the downside ahead of the ECB's announcement today as markets await the change in the central bank's forward guidance. The decision to allow inflation overshoot its new 2% target implies that accommodative policy would stay for a longer period of time. We watch for support at 1.1710 and resistance of 1.1930.

### GBP (Neutral to Bearish)

- GBP/USD rallied 0.6% to 1.3713, riding on the broad USD weakness. The UK has continued to report huge number of new Covid cases and some renewed Brexit tension may weigh on the pair. A slide below 1.37 could expose the pair back to circa 1.3600. We watch for support at 1.3567 and resistance at 1.3740.

### JPY (Neutral-to-Bearish)

- USD/JPY advanced further (+0.4%) to 110.29 amid higher US yield. JPY remains weak from fundamentals and likely to take some beating from the boost in risk appetites. The Olympics as well as the new Covid outbreak in Tokyo are the main focus. Resistance is at 111 and support at 109.10.

### AUD (Neutral)

- AUD/USD rebounded by 0.4% to 0.7359, benefitting from the boost in risk sentiment and the rebound in higher oil prices. Despite the renewed appetites, further upsides are capped by the ongoing lockdowns in half of Australia. We see immediate support at 0.73 (next: 0.7190) and resistance at 0.7410.

### SGD (Neutral to Bullish)

- USD/SGD weakened 0.1% to 1.3636 amid a broad-based weakening of the USD. Pair is expected to benefit from the weaker USD today although we expect only marginal gains. Authorities has tightened Covid measures (Phase 2 Heightened Alert) from 22 July to 18 August as Singapore's Covid cases continued to rise. We see immediate support at 1.3600.

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