

Global Markets Research

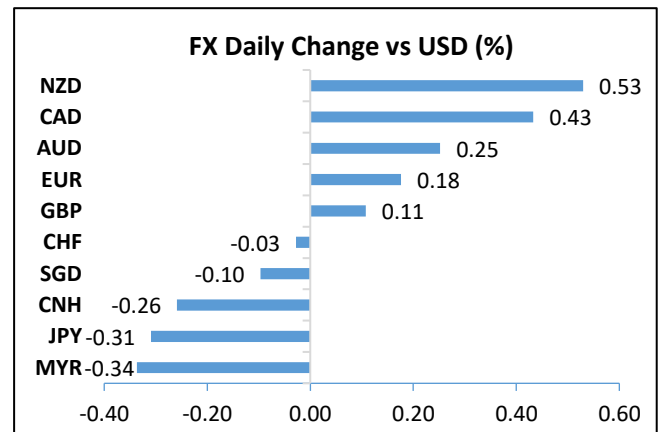
Daily Market Highlights

Key Takeaways

- US stocks extended gains to Tuesday's session after suffering a post-FOMC selloff last week;** investors bought more tech shares, pushing the NASDAQ (+0.8%) to hit a record high for the first time since late April. The Dow Jones rose 0.2% while the S&P 500 picked up 0.5%, driven by the tech and consumer discretionary sectors. Microsoft briefly hit \$2 trillion market value as its shares rose over 1%, making it the second US company to have done so after iPhone maker Apple. Volatility was high in the cryptocurrencies market as bitcoin rebounded after briefly plunging below \$30,000. **Fed Chair Jerome Powell testified before the House Select Subcommittee on Coronavirus Crisis and gave assurance that inflation is transitory in the US and will come down eventually. New York Fed President John Williams said in a separate event that raising rates is still "way off in future".**
- Yields fell around 3bps across the curve after Powell's testimony,** showing some signs of stabilisation from the post-FOMC volatilities. The yield on 10Y UST edged lower (-2.5bps) to 1.46%. Gold prices pulled back from the previous session's rallies. Futures shed 0.3% to \$1776.3/oz. Crude oil benchmarks fell on news that OPEC+ may consider to raise oil output to counter the currently tight supply market and strong demand. Brent was down slightly (-0.1%) to \$74.81/barrel and WTI fell 0.8% to \$73.06/barrel. **Stock futures rose in Hong Kong and Japan this morning,** suggesting that Asian shares may track the gains in their US counterparts. **Markets are watching a slew of preliminary PMI data for the developed economies as well as watching out for the BOE's MPC meeting tomorrow.**
- On the data front, the US' existing home sales fell for the fourth straight month in May (-0.9% m/m) and the median house price jumped to a record high of above \$350k.** The Eurozone's consumer confidence index turned less negative (-3.3 vs -5.1 prior). Japan's machine tool orders were unchanged m/m. Hong Kong's CPI inflation accelerated to 1% y/y. Malaysia's foreign reserves rose slightly to \$111.0b.
- DXY retreated for a 2nd straight day, as the rebound seen in Asian and European trading took a turn after Fed Chair Powell reiterated his transitory inflation view. The Dollar Index pulled back from an intraday high of 92.14 to close 0.16% lower d/d at 91.77, just a tad above its day low of 91.65. USD weakened against most G10 currencies except the safe havens (CHF and JPY). DXY will likely remain under some pressure amid readjustment and repositioning over earlier concerns on a hawkish Fed post FOMC, but may attempt to rebound somewhat following losses the past two days, hence a **neutral** outlook today.
- USD/MYR gained 0.3% to 4.1605 on Tuesday, despite the broad dollar selling in the previous session. This ties with our weekly outlook that the post-FOMC renewed USD strength will exert some pressure on MYR. The pair has broken away from our weekly range of 4.12-4.16, as is currently overbought at just above 4.16 level, indicating that **upside may be limited today.**

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,945.58	0.20	10.91
S&P 500	4,246.44	0.51	13.06
FTSE 100	7,090.01	0.39	9.74
Hang Seng	28,309.76	-0.63	3.96
KLCI	1,574.02	0.11	-3.27
STI	3,109.20	-0.28	9.33
Dollar Index	91.76	-0.16	2.02
WTI oil (\$/bbl)	73.06	-0.81	50.58
Brent oil (\$/bbl)	74.81	-0.12	44.42
Gold (S/oz)	1,776.30	-0.31	-6.27
CPO (RM/tonne)	3,568.50	1.70	-5.79



Source: Bloomberg

Overnight Economic Data

US	↓	EZ	↑
JP	→	HK	↑

Up Next

Date	Events	Prior
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
24/06	US New Home Sales MoM (May)	-5.9%
	UK Bank of England Bank Rate (24 Jun)	0.1%
	US Advance Goods Trade Balance (May)	-\$85.2b
	US Durable Goods Orders (May P)	-1.3%
	US GDP Annualized QoQ (1Q T)	6.4%
	US Initial Jobless Claims (19 Jun)	412k
	US Kansas City Fed Manf. Activity (Jun)	26.0

Source: Bloomberg

Macroeconomics

US' existing homes fell for the fourth month:

- Existing home sales in the US fell 0.9% m/m to an annualised 5.8mil units in May (Apr: 5.85mil). The US has now reported its fourth consecutive months of lower existing home sales since February, highlighting the impact of tight supply and higher prices on the market. The median selling price climbed for the fourth successive month as well, hitting a record high of \$350,300 in May, which was 23.6% higher compared to the same last year.
- A separate Richmond Fed Manufacturing Index rose to 22 in June (May: 18), indicating the stronger factory conditions in the mid-Atlantic region that is supported by higher new order volume.

Eurozone's consumer sentiment improved in June:

- The European Commission's flash consumer confidence index turned less negative in June, indicating an improvement in the euro area's consumer sentiment. The index rose to -3.3, from -5.1 in May; the better reading was associated with the loosening of restrictions for the services sector as well as the rising vaccination rates across the region.

Japan's machine tool orders unchanged in May:

- Total machine tool orders in Japan were sustained at the same level in May, when compared to the previous month. This was mainly supported by the modest growth in foreign orders (+3.2% m/m) which offset the nearly 8% decline in domestic orders.
- Compared to the same month last year, machine orders were almost 142% y/y higher (Apr: +120.8%) as the readings remained distorted by the low bases.

Hong Kong's CPI inflation rose to 1%:

- Hong Kong's CPI inflation accelerated to 1.0% y/y in May, from 0.7% y/y in April. This was lower than the consensus forecast of 1.1% y/y. The underlying CPI rate, which removes the government's one-off subsidy measures, was just a little higher at 0.2% y/y, when compared to April (+0.1%). The underlying CPI rate has been rather steady ranging from -0.1% to +0.2% from Feb to May this year, indicating the lack of core inflationary pressure.
- In May, the headline inflation was lifted by higher prices of transports, durable goods, utilities as well as clothing & footwear. Food prices showed rather steady gain.

Malaysia's foreign reserves rose to \$111b:

- Malaysia's foreign reserves rose slightly to \$111.0b as at 15 June (previous: \$110.9b), which is sufficient to finance 8.2 months of retained imports and is 1.1 times short-term external debt.

Forex

MYR (Neutral)

- USD/MYR gained 0.3% to 4.1605 on Tuesday, despite the broad dollar selling in the previous session. This ties with our weekly outlook that the post-FOMC renewed USD strength will exert some pressure on MYR. The pair has broken away from our weekly range of 4.12-4.16, as is currently overbought at just above 4.16 level, indicating that upside may be limited today. The retreat in US yields and broad USD may also put a dampener on the pair.

USD (Neutral)

- DXY retreated for a 2nd straight day, as the rebound seen in Asian and European trading took a turn after Fed Chair Powell reiterated his transitory inflation view. The Dollar Index pulled back from an intraday high of 92.14 to close 0.16% lower d/d at 91.77, just a tad above its day low of 91.65. Fed Williams also said the Fed is not close to QE tapering and a rate hike is still way off in the future. DXY will likely remain under some pressure amid readjustment and repositioning over earlier concerns on a hawkish Fed post FOMC, but may attempt to rebound somewhat following losses the past two days, hence a neutral outlook today.

EUR (Neutral)

- EUR/USD advanced a 2nd straight day albeit more moderately by 0.18% to 1.1940, amid further correction in the greenback. We continue to expect 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)

- GBP/USD advanced 0.11% to 1.3949 on Tuesday underpinned by further pullback in the USD. We are neutral on the pair today in the run up to Bank of England policy meet, with support at 1.3850 and resistance at 1.4000. 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 saw extended move higher to close at 110.65, after whipsawing between 110.21 and 110.79 on Tuesday's session. Momentum is biased on the upside, and we place resistance at the 111.00 big figure, while immediate support is at 110 before 108.90.

AUD (Neutral)

- AUD/USD also strengthened modestly for a 2nd consecutive day, inching up further by 0.25% to a close of 0.7554 on Tuesday. Improving risk sentiments and consolidation in the greenback will likely keep the pair supported today, cushioning the impact from weaker PMIs readings this morning. Resistance remains at 0.7640 while support is at 0.7470.

SGD (Neutral)

- USD/SGD rebounded to close slightly higher again. The pair pulled back from an intraday high of 1.3476 to a 1.3444 close on Tuesday session, eking out a 0.10% gain on the day. Immediate support is at 1.3410 before 1.3350. Resistance at 1.3490. For the week ahead, watch CPI and industrial production data.

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