HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rose for the third session overnight to approach their record levels** as focus shifted to US corporate earnings. The Dow (+0.07%) eked out a tiny gain while the S&P 500 (+0.2%) and NASDAQ (+0.4%) rose modestly. Infotech, healthcare and consumer discretionary shares were the top gainers as growth stocks advanced while cyclical shares fell. **Treasury yields fell as markets digested mixed US economic data**, particularly the higher initial jobless claims last week. The yield on 10Y UST edged lower by 1bp to 1.28%.

- **European yields dipped after the ECB enhanced its dovish policy stance, indicating that accommodative policy would stay for a longer period of time**. The central bank revised its inflation goal to a "symmetric inflation target of 2% over the medium term". The previous target was "below, but close to 2%". Essentially, the ECB said that it will keep rates at present or lower levels until it sees inflation stabilising at 2% over the medium term. It also maintained that asset purchases under the PEPP program will be frontloaded this quarter. The greenback saw mixed performances against its G10 peers. Gold futures rose 0.1% to $1805.4/oz. **Crude oil prices rallied over 2% as investors predicted the oil market to tighten further amid strong demand**; the gains in the past three sessions had reversed the sharp declines on Monday. Brent crude settled at $73.79/barrel while WTI at $71.91/barrel.

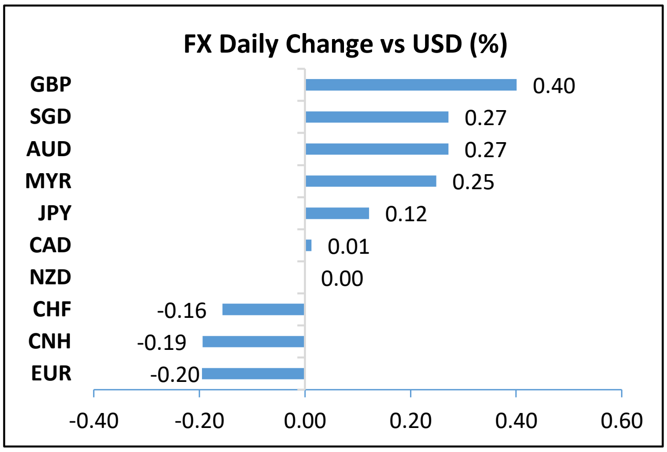
- **US initial jobless claims unexpectedly rose 51k to 419k last week**, despite record high job openings. **Existing home sales rose for the first time in five months,** picking up 1.4% m/m to an annualised 5.86mil units in June. Chicago Fed National Activity Index and the Conference Board Leading Index both pointed to a slowdown in US economic growth. Consumer confidence slipped in the Eurozone but picked up in the UK. Hong Kong's CPI inflation eased to 0.7% y/y in June.

- USD registered mixed performances against other currencies on Thursday. **DXY was up by 0.07% to close 92.82 as the euro weakened.** However other currencies made some rebounds against the USD. We stay with a bullish bias on the dollar, anticipating some stability for the session ahead.

- **USD/MYR snapped a six-day winning streak, inching 0.3% lower to 4.2225** amid a reversal in USD strength in the Asian session. Pair may be stabilising at 4.21-4.23 levels today against a backdrop of mixed sentiments. We see 4.25 as the key resistance and 4.20 as support. CPI data are up next in today's data docket.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,823.35	0.07	13.78
S&P 500	4,367.48	0.20	16.28
FTSE 100	6,968.30	-0.43	7.86
Hang Seng	27,723.84	1.83	1.81
KLCI	1,527.62	0.73	-6.12
STI	3,159.26	1.29	11.09
Dollar Index	92.82	0.07	3.21
WTI oil ($/bbl)	71.91	2.29	48.52
Brent oil ($/bbl)	73.79	2.16	42.45
Gold (S/oz)	1,805.40	0.11	-4.56
CPO (RM/tonne)	4,334.00	0.46	14.41



Source: Bloomberg

Overnight Economic Data			
US	→	EZ	↓
UK	↑	HK	↓

Up Next

Date	Events	Prior
23/07	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
26/07	NZ Trade Balance 12 Mth YTD NZD (Jun)	-62m
	JP Jibun Bank Japan PMI Composite (Jul P)	48.9
	SG Industrial Production YoY (Jun)	30.0%
	HK Exports YoY (Jun)	24.0%
	US New Home Sales MoM (Jun)	-5.9%
	US Dallas Fed Manf. Activity (Jul)	31.1

Source: Bloomberg

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Macroeconomics

ECB revised forward guidance on interest rates, enhanced dovish commitment:

- At its meeting yesterday, the ECB maintained its policy framework as expected and said that it has decided after the six-month long strategy review to revise its inflation goal to "a symmetric inflation target of 2% over the medium term". The previous target was "below, but close to 2%".
- The revision of its forward guidance on interest rates is meant to underline its commitment to maintain a "persistently accommodative monetary policy stance". Essentially, the ECB said that it will keep rates at present or lower levels until it sees inflation stabilising at 2% over the medium term. It also added that it would accept a "transitory period in which inflation is moderately above target".
- The ECB reiterated that the asset purchases under the PEPP program "over the current quarter to be conducted at a significantly higher pace than during the first months of the year" but maintained that the full €1850b envelope need not be used fully.
- ECB said that the pandemic continues to cast a shadow, citing the Delta variant as a growing source of uncertainties. It expects economic activity to return to its pre-crisis level in the first quarter of next year but said that the outlook for inflation remained subdued. The risks to the economic outlook are "broadly balanced".

Initial jobless claims at 419k last week; existing home sales rose for the first time in five months:

- Initial jobless claims in the US unexpectedly rose 51k to 419k last week, from the upwardly revised 368k in the week before, despite the record high job openings in the US. While the weekly reading is volatile by nature, the higher new claims highlights US firms' struggles to fill up vacancies. The recent rise in Covid-19 cases in the country may also be a contributing factor.
- Existing home sales rose for the first time in five months, picking up 1.4% m/m to an annualised 5.86mil units in June (May: -1.2%). The rebound in sales showed that housing demand remained strong although buyers were being put off by surging prices and limited inventory for the past few months. The median selling prices for existing homes climbed to a record high of $363.3k, 23.4% higher compared to a year ago.
- The Kansas City Fed Manufacturing Index beat expectations at 30 in July (Jun: 27), thanks to growth in production, shipments and new orders. Notably, backlogs jumped 27 pts and delivery time lengthened as well as the number of employees rose only slightly, reflecting the strain on factories.
- The Chicago Fed National Activity Index fell to +0.09 in June, from +0.26 in May, suggesting that growth has moderated last month. The weaker reading reflects smaller positive contributions from production and employment-related indicators.
- The Conference Board Leading Index rose 0.7% m/m in June (May: +1.2%), easing from the over 1% growth in the Mar-May period, adding to signs of slower growth in the US.

Eurozone consumer confidence fell in July:

- The European Commission's consumer confidence index slipped to -4.4 in July, from -3.3 in June, according to the preliminary estimate. The decline in sentiment suggests that consumers may have turned more cautious over the growth outlook as the spread of the Covid delta variant may delay the ongoing recovery.

Forex

MYR (Neutral)

- USD/MYR snapped a six-day winning streak, inching 0.3% lower to 4.2225 amid a reversal in USD strength in the Asian session. Pair may be stabilising at 4.21-4.23 levels today against a backdrop of mixed sentiments. We see 4.25 as the key resistance and 4.20 as support. CPI data are up next in today's data docket.

USD (Neutral-to-Bullish)

- USD registered mixed performances against other currencies on Thursday. DXY was up by 0.07% to close 92.82 as the euro weakened. However other currencies made some rebounds against the USD. We stay with a bullish bias on the dollar, anticipating some stability for the session ahead.

EUR (Neutral-to-Bearish)

- EUR/USD was down by 0.2% to close 1.1771 as ECB increased their inflation target, meaning that it will now be harder to reach the goal towards tightening policy. This comes as Eurozone's consumer confidence dipped in July. We see slight downsides for the session ahead. Watch support of 1.1710 and resistance of 1.1930.

GBP (Neutral to Bearish)

- GBP/USD was up for a second successive session, helped by some return of market optimism to close at 1.3768. After a weekly low of 1.3572, we maintain our view of some downside risks. A breach of the 200-day MA of 1.3715 may test support of 1.3567. Resistance at 1.3925.

JPY (Neutral)

- USD/JPY came off to close 110.14 after climbing in the prior session. We are relatively neutral with a range of 109.10 to 111 in the meantime, as the Japan Olympics start. Momentum has flattened out.

AUD (Neutral-to-Bearish)

- AUD/USD rose for a second consecutive session, closing at 0.7379. The Covid-19 outbreak may continue to dampen on AUD strength. Watch PMI data for clues of movements ahead. We see immediate support at 0.73 (next: 0.7190) and resistance at 0.7410.

SGD (Neutral to Bearish)

- USD/SGD moved in an offered tone for a second session, closing at 1.3599. Despite this pair is vulnerable to rebound again, to the 1-week high of 1.3693. We see immediate resistances of 1.3790, while support is at 1.3600. Markets will remain watchful of the Covid-19 outbreak in Singapore, as Singapore releases CPI figures.

UK consumer confidence improved in July:

- The GfK Consumer Confidence Index picked up to -7 in July, from -9 prior, indicating a less negative consumer sentiment compared to last month. The improvement was driven by the index to gauge consumers' intentions to make major purchases, which turned positive for the first time since February last year. The UK has lifted the last remaining restrictions this week despite facing a new Covid outbreak.

Hong Kong's headline CPI eased in June:

- Hong Kong's CPI inflation eased to 0.7% y/y in June, from +1% in May. The reading undershot the consensus estimate of 1.2% y/y as the larger gain in prices of food, clothing, alcohol & tobacco, durable goods, were offset by the smaller increase in utilities prices. The underlying CPI rate, which removes the government's one-off subsidy measures however accelerated to a nine-month high of 0.4% y/y (May: +0.2%), as higher consumer spending in recent months boosted prices.

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