

Global Markets Research

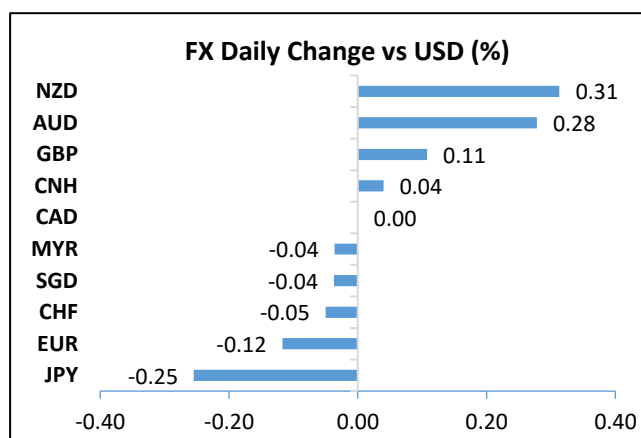
Daily Market Highlights

Key Takeaways

- **Stock benchmarks ended on a mixed note overnight** as stocks seen as benefitting from the stronger economic growth namely consumer discretionary, financials and energy, traded higher while tech shares were down. The broader S&P 500 index edged lower (-0.1%) but **NASDAQ rose 0.1% to hit its second record high in a row, thanks to a rally in Tesla's shares despite the broad weakening of the tech sector.** The Dow Jones fell 0.2%. **Investors weighed remarks by several Fed officials (Kaplan and Bostic) which suggested that the Fed may taper its asset purchases sooner than expected.** Meanwhile, Treasury Secretary Janet Yellen warned Congress that the US risks defaulting on its debt obligations should Congress fail to pass a new debt limit legislation.
- **Treasuries rose as stocks broadly fell**, leading yields to recover 1.9 to 2.7bps from prior session's declines. The yield on 10Y UST gained 2.2bps to 1.49%. **The USD recorded mixed performances in the FX market. NZD and AUD strengthened alongside a firmer GBP, while JPY slumped further.** EUR weakened modestly. Spot gold held unchanged while futures rebounded by 0.3% to \$1782.3/oz. **Crude oil benchmarks stayed supported by stronger economic outlook.** Brent crude climbed 0.5% to \$75.19/barrel and WTI was steady at \$73.08/barrel. **Stock futures edged lower in Hong Kong and Japan this morning.** The US' initial jobless claims and third estimate of 1Q GDP are the key economic data today. **The BOE's MPC meeting also commands huge attention as investors are on the lookout for any shift to tightening bias.**
- **Latest bout of PMI readings indicates growth would likely have peaked.** Flash PMIs showed manufacturing growth eased in Japan and the UK, while the US and Eurozone may follow suit as growth looks likely to have peaked. Services PMI retreated in the US and UK and was lifted in the Eurozone thanks to the recent reopening. Japan continued to see contraction in its services activity. New home sales in the US unexpectedly fell for the second month (-5.9% m/m). Singapore's inflation picked up to 2.4% y/y.
- The USD weakened against the AUD and NZD, but strengthened against the JPY and EUR on Wednesday. DXY was 0.05% up, closing at 91.80. The move comes after a significant move downwards for the US services PMI, after an elevated print a month ago (64.8 in June from 70.4 in May). We anticipate some **range movements** around 91.40 to 92.40 in today's session, as markets consolidate post-dollar rally. Focus is on initial jobless claims, and then PCE data.
- USD/MYR closed little changed at 4.1620 as the post-FOMC USD strength continued to exert pressure on MYR. The pair is currently overbought at just above 4.16 level, indicating that upside may be limited, hence our **neutral to bearish** call on the MYR.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,874.24	-0.21	10.68
S&P 500	4,241.84	-0.11	12.93
FTSE 100	7,074.06	-0.22	9.50
Hang Seng	28,817.07	1.79	5.82
KLCI	1,564.76	-0.59	-3.84
STI	3,118.62	0.30	9.66
Dollar Index	91.80	0.05	2.07
WTI oil (\$/bbl)	73.08	0.03	51.03
Brent oil (\$/bbl)	75.19	0.51	45.15
Gold (\$/oz)	1,782.30	0.34	-5.95
CPO (RM/tonne)	3,615.50	1.32	-4.55



Source: Bloomberg

Overnight Economic Data

US	→	EZ	↕
UK	↓	JP	↓
SG	↑		

Up Next

Date	Events	Prior
24/06	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
25/06	NZ Trade Balance 12 Mth YTD NZD (May)	733m
	UK GfK Consumer Confidence (Jun)	-9.0
	MA CPI YoY (May)	4.7%
	SI Industrial Production YoY (May)	2.1%
	US Personal Income (May)	-13.1%
	US Personal Spending (May)	0.5%
	US PCE Core Deflator YoY (May)	3.1%
	US U. of Mich. Sentiment (Jun F)	86.4

Source: Bloomberg

Macroeconomics

Manufacturing PMIs peaking in US, Eurozone; services sector activity buoyed by reopening in Eurozone:

- The flash reading of US Markit Manufacturing PMI beat expectations with a slightly higher reading of 62.6 in June (May: 62.1), while the services PMI retreated sharply to 64.8 (May: 70.4) from the recent high. Manufacturing activity continued to grow but may peak soon, while services activity eased amid easing pent-up demand.
- Meanwhile, the same gauge of Eurozone's manufacturing sector PMI stayed at 63.1 in June, unchanged from May, while the services PMI soared to 58.0 (May: 55.2) following the lifting of services sector restrictions across the euro area.
- The UK's PMIs retreated slightly from recent highs as the robust post-lockdown economic expansion experienced some minor pullback in June. The Markit manufacturing PMI slipped a little to 64.2 (May: 65.6) but still at an elevated level. The services PMI also edged lower to 61.7 (May: 62.9).
- Japan's Jibun Bank Manufacturing PMI fell to 51.3 in June (May: 53.0), as growth in manufacturing activity was constrained by the global supply chain delays, despite robust foreign demand. The services PMI rose to 47.2 (May: 46.5), extending its sub-50 streak to 17 months as the services sector condition continued to deteriorate albeit at an easier pace last month. The removal of State of Emergency in affected prefectures starting from 20 Jun, alongside the upcoming Olympics game offer some optimism.

US' new home sales fell for second month:

- The latest data on new home sales disappointed; Sales unexpectedly fell for the second month by 5.9% m/m in May, versus the consensus forecast of a tiny 0.2% gain. Sales in April were also revised lower to reflect a sharper 7.8% m/m decline, compared to -5.9% in the initial estimate. This trend was in line with that of existing home market as the lean inventory and surging home prices weighed on affordability, putting off potential buyers.
- In a separate note, mortgage applications rose 2.1% w/w last week (prior: +4.2%), driven by the rise in refinancing applications (+2.8%) while mortgages for home purchase eked out a small gain (+0.6%). This ties with the slower trend in home sales as mentioned.

Singapore's CPI inflation came in higher in May:

- Singapore's CPI inflation rose more than expected to 2.4% y/y in May, compared to the consensus forecast of 2.2%. This was a sharp leap from the 2.1% rate recorded in the previous month, lifted by prices of transports (+11.0%), household durables & services (+1.6%), communication (+0.4%) as well as recreation & culture (+1.0%). The core CPI also picked up to 0.8% y/y (Apr: +0.6%).
- On a monthly basis, prices soared 0.8% m/m after the negative reading (-0.2% m/m) in April. The reading also beat the forecast of 0.4%.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR closed little changed at 4.1620 as the post-FOMC USD strength continued to exert pressure on MYR. The pair is currently overbought at just above 4.16 level, indicating that upside may be limited.

USD (Neutral)

- The USD weakened against the AUD and NZD, but strengthened against the JPY and EUR on Wednesday. DXY was 0.05% up, closing at 91.80. The move comes after a significant move downwards for the US services PMI, after an elevated print a month ago (64.8 in June from 70.4 in May). We anticipate some range movements around 91.40 to 92.40 in today's session, as markets consolidate post-dollar rally. Focus is on initial jobless claims, and then PCE data.

EUR (Neutral-to-Bullish)

- EUR/USD weakened after two sessions of recovery, down by 0.12% to close at 1.1926. This came on the back of improvements in services PMI in June to 58, from 55.2 in May. We look for slight recoveries ahead of the ECB's economic bulletin. Watch resistance at 1.2000, with support firming at 1.1850.

GBP (Neutral)

- GBP/USD was up by 0.11% to close at 1.3964, as markets focused on Bank of England's policy decision this evening. Any strong market reactions may threaten the 21 June low of 1.3787, and resistance at 1.4090. UK manufacturing and services PMIs pulled back from May, and the outlook may be cloudier after further reopening initially planned on 21 June has been delayed.

JPY (Neutral-to-Bearish)

- USD/JPY experienced a strong bid tone over the past day, reinforcing Tuesday's movements. Pair touched a high of 111.10, closing at 110.96. The hit of the 111 big figure triggers further bearishness for the yen. We place resistance at 111.60, while support now shifts to 110.20. Focus shifts towards the 112.23 high seen on 20 February 2020. This comes after continued contractions in Jibun Bank PMIs for Japan, compared to the positive prints in other major economies.

AUD (Neutral-to-Bullish)

- AUD/USD was up by 0.28% on Wednesday's session, as Markit PMIs pulled back from May but stayed in positive territory. Pair closed at 0.7575. Given slight recovery after hitting at 0.75 big figure, we see slight upsides continuing. Watch resistance at 0.7640, while support is around 0.7470.

SGD (Neutral)

- USD/SGD stayed rangy over the past session, up 0.04% to close 1.3449. This continued a trend seen since 21 June. Despite higher than expected inflation, the pick-up has been much priced into markets. We watch for a range of 1.3410 to 1.3490. Industrial production data up next on Friday.

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