

Global Markets Research

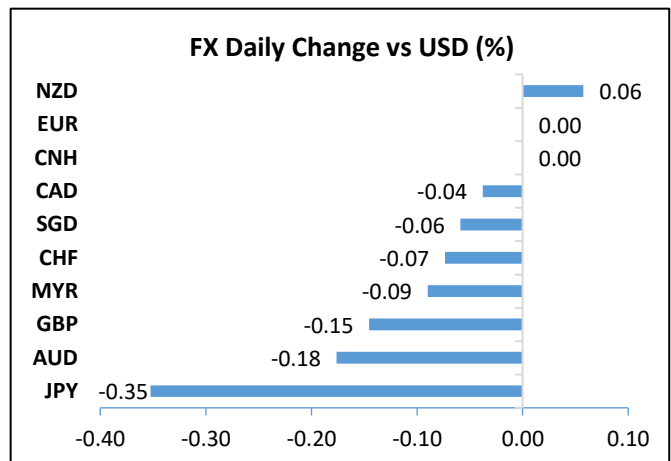
Daily Market Highlights

Key Takeaways

- US stocks rallied further on Friday, pushing all three major benchmarks to record highs.** The Dow Jones rose 0.7%, past the 35,000 mark for the first time in history while the S&P 500 and NASDAQ gained over 1%. Stocks had rebounded from the sharp selloff last Monday and picked up consistently in the subsequent sessions, highlighting the resilience of equities in a low yield environment. Friday's closing left the Dow 1.1% higher compared to the previous week; the S&P 500 rose nearly 2% w/w while NASDAQ outperformed at +2.8% w/w. **Treasury yields were little changed on Friday; the 10Y UST last traded at a yield of 1.28% on Friday,** slightly lower (-1bp) compared to the previous week. European stabilised after dipping in the prior session in response to the ECB's dovish forward guidance.
- The greenback regained some ground, strengthening modestly against most G10 currencies. JPY fell the most even as the Tokyo Olympics began. In the commodity market, gold futures slipped 0.2% to \$1801.8/oz; the bullion closed lower (-0.7% w/w) compared to the week before, snapping a month-long winning streak. Crude oil prices rose for the fourth successive session, albeit at more moderate rates (+0.2 to +0.4% d/d), bringing the week-on-week gains to 0.4 to 0.7% w/w. Brent crude settled at \$74.1/barrel and WTI at \$72.07/barrel. Futures point to mixed openings in Asia today. **Investors are watching out for the FOMC meeting as well as a slew of corporate earnings reports from large US companies.**
- Preliminary Market PMIs showed slower growths in the US and UK but faster expansion of activity in the Eurozone.** Retail sales in the UK surprised on the upside, registering a 0.5% m/m gain in June. Singapore's headline inflation stayed stable at 2.4% y/y in June. Malaysia's CPI registered a more moderate growth of 3.4% y/y. New Zealand's exports hit record high in June.
- DXY inched up by 0.1%, closing at 92.91 for the week.** This comes after the US Market PMIs remained positive as mentioned earlier, although momentum slightly cooled from previous months. We are anticipating only modest increases this week. Technical indicators show some resistance close to the 93 big figure. Focus shifts to the FOMC decision and 2Q advance GDP data.
- USD/MYR stabilised at 4.2265 on Friday, bringing its sixth consecutive weekly gain to 0.5% w/w.** We are neutral to bullish on USD/MYR this week as the reversal in the pair's overbought condition gave rise to further upsides given that USD is expected to strengthen modestly/ Another break of 4.23 will clear the ways towards the 4.25 key level. We watch out for a range of 4.21-4.25.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	35,061.55	0.68	14.56
S&P 500	4,411.79	1.01	17.46
FTSE 100	7,027.58	0.85	8.78
Hang Seng	27,321.98	-1.45	0.33
KLCI	1,523.44	-0.27	-6.38
STI	3,157.05	-0.07	11.01
Dollar Index	92.91	0.10	3.28
WTI oil (\$/bbl)	72.07	0.22	48.95
Brent oil (\$/bbl)	74.10	0.42	43.51
Gold (\$/oz)	1,801.80	-0.20	-4.93
CPO (RM/tonne)	4,365.00	0.72	15.23



Source: Bloomberg

Overnight Economic Data

US	↓	EZ	↑
UK	↓	SG	→
MA	↓	NZ	↑

Up Next

Date	Events	Prior
26/07	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%
27/07	US Dallas Fed Manf. Activity (Jul)	31.1
	CN Industrial Profits YoY (Jun)	36.4%
	US Durable Goods Orders (Jun P)	2.3%
	US FHFA House Price Index MoM (May)	1.8%
28/07	US S&P CoreLogic CS 20-City MoM SA	1.6%
	US Conf. Board Consumer Confidence (Jul)	127.3
	US Richmond Fed Manufact. Index (Jul)	22
	AU CPI YoY (2Q)	1.1%
	MA Exports YoY (Jun)	47.3%
	US MBA Mortgage Applications (23 Jul)	-4.0%
	US Advance Goods Trade Balance (Jun)	-\$88.1b

Source: Bloomberg

Macroeconomics

Preliminary PMIs showed slower growth in the US and UK; Eurozone benefitting from services sector reopening:

- The preliminary Markit Composite PMI for the US slipped to 59.7 in July (Jun: 63.7), as the slightly faster expansion in manufacturing activity (63.1 vs 62.1 prior) was weighed down by the further retreat in the services PMI (59.8 vs 64.6). The reading is in line with other indicators that suggested that the robust growth has slowed down in the US.
- The Eurozone Markit Composite PMI rose to 60.6 (Jun: 59.5), driven by the services sector reopening. Services PMI (60.4 vs 58.3 prior) picked up for the sixth consecutive month while manufacturing remained strong (62.6 vs 63.4).
- The UK Markit Composite PMI fell to 57.7 (Jun: 62.2), as both manufacturing and services activity slowed this month, from the previously strong reopening rebound. The manufacturing PMI fell to 60.4 (Jun: 63.9) while the services gauge edged lower to 60.4 (Jun: 63.9); both are still at historically elevated levels.

UK's retail sales rose 0.5% in June:

- Retail sales in the UK surprised on the upside, registering a 0.5% m/m gain in June, following a slightly upward revised 1.3% decline in May. Analysts had been expecting consumer spending behaviour to normalise further, predicting a marginal 0.1% decrease instead. Retail sales excluding auto fuels went up by 0.3% m/m (May: -2%), reflecting the surge in sales at food stores (+4.2%) which offset the decline in other categories. This showed that consumers shifted their spending towards eating out as the UK reopened its economy.

Singapore inflation remained stable in June:

- Singapore's headline inflation stayed stable at 2.4% y/y in June while core inflation eased to 0.6% y/y (May: +0.8%). This came on the back of some steeper decreases in the cost of retail and other goods, down 1.8% y/y from 0.8% prior. Private transport and accommodation picked up (this is not computed in core inflation). MAS noted that the Phase 2 Heightened Alert measures will dampen momentum from underlying inflation.

Malaysia's CPI inflation retreated in June:

- Malaysia's CPI registered a more moderate growth (+3.4% y/y vs +4.4% prior) for the second consecutive month in June, thanks to a considerably smaller gain in transport prices. The core CPI rate slipped back to 0.7% y/y, from 0.8%, further proving that underlying inflation remained very muted in the economy. The less sizable y/y gain in transport costs were in part due to the imposition of the FMCO which had reduced the usage of public transports. The y/y increases in retail pump prices were also smaller in June (+25% to +44% y/y) when compared to May (+47% to +63% y/y).
- In a separate note, Malaysia's foreign reserves was unchanged at \$111.1b as at 15 June, compared to the previous reported date about two weeks ago.

New Zealand's exports at record high in June:

- New Zealand exports rose for the second month (+1.1% m/m vs +9% m/m prior) to reach a new high in June 2021 at NZD 5.95b (May: NZD5.89b), driven largely by the exports of logs and beef, although exports of milk powder, cheese and kiwifruit increased as well. China bought most of the New Zealand goods, making up 32% of total's exports.
- Imports rose to NZD5.69b (May: NZD5.4b), thanks to the record high imports of vehicles, parts, and accessories. June's reading also marked imports' second consecutive gains (+5.4% m/m vs +8.3% m/m prior).

Forex

MYR (Neutral-to-Bearish)

- USD/MYR stabilised at 4.2265 on Friday, bringing its sixth consecutive weekly gain to 0.5% w/w. We are neutral to bullish on USD/MYR this week as the reversal in the pair's overbought condition gave rise to further upsides given that USD is expected to strengthen modestly/ Another break of 4.23 will clear the ways towards the 4.25 key level. We watch out for a range of 4.21-4.25.

USD (Neutral-to-Bullish)

- DXY inched up by 0.1%, closing at 92.91 for the week. This comes after positive US PMIs, although momentum slightly cooled from previous months. We are anticipating only modest increases this week. Technical indicators show some resistance close to the 93 big figure. Focus shifts to the FOMC decision and 2Q advance GDP data.

EUR (Neutral-to-Bearish)

- EUR/USD stayed steady at a 1.1771 on Friday, after a relatively narrow intraday range of 1.1755 to 1.1786. Eurozone PMIs picked up, a positive sign for the economy. Still, technical indicators retain a downside bias. Focus on supports of 1.1710 and 1.1640, while resistance is pegged around 1.1910. For the coming week, the Eurozone releases GDP and CPI data.

GBP (Neutral to Bearish)

- GBP/USD was down by 0.15% in Friday's session, closing at 1.3748. This came as UK PMIs moderated from elevated levels. We see slight downsides, partly as technical point towards some downside bias. We watch support of 1.3710 and 1.3620, while placing resistance at 1.3910.

JPY (Neutral-to-Bullish)

- USD/JPY rose by 0.37% on Friday, closing at 110.55 in the process. Technical indicators are showing some subdued movements, and we see some horizontal moves ahead. We eye a range of 108.80 to 110.80. Japan releases retail sales, industrial production and labour market data for the coming week.

AUD (Neutral-to-Bearish)

- AUD/USD was down by 0.18%, closing at 0.7366 last week. We are of the view of slight downsides, as technical indicators hint at an offered tone ahead. We place support at 0.7270 and resistance at 0.7500. Eyes are on 2Q CPI on 28 July and PPI on 30 July on clues on inflationary pressures.

SGD (Neutral)

- USD/SGD stayed relatively stable, up by 0.06% on Friday to close at 1.3607. We see range-bound movements for the pair at this stage, eyeing an immediate range of 1.3520 to 1.3670. Technical indicators point at some upward moves despite being at stretched levels. Singapore releases industrial production and unemployment rate over the coming week.

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.