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.**

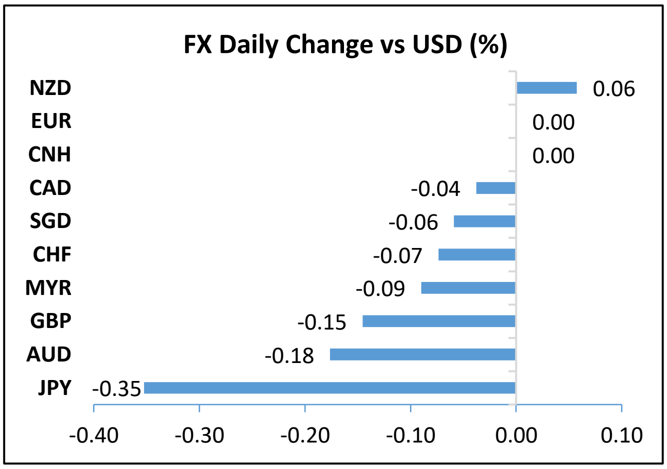
- **Preliminary Markit PMIs showed slower growths in the US and UK but faster expansion of activity in the Eurozone**. Retail sales in the UK surprised on the upside, registering a 0.5% m/m gain in June. Singapore's headline inflation stayed stable at 2.4% y/y in June. Malaysia's CPI registered a more 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 Markit 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 (S/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%
	US Dallas Fed Manf. Activity (Jul)	31.1
27/07	CN Industrial Profits YoY (Jun)	36.4%
	US Durable Goods Orders (Jun P)	2.3%
	US FHFA House Price Index MoM (May)	1.8%
	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
28/07	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)

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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 indictors 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.

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