Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks rose modestly on Monday to close at record highs**, extending from the gains on last Friday as **investors await a slew of corporate earnings results** from large American companies; among them tech giants such as Apple, Amazon and Alphabet (Google's parent company). Tesla reported a record quarterly profit of $1.1b in the after hour. The Dow Jones and S&P 500 both picked up 0.2% while NASDAQ was little changed (+0.03%). **Investors also watch out for the selloff in shares of Chinese tech companies listed in the US** as China toughens its regulatory crackdown on the education sector. Stocks tanked in Hong Kong and China. Hang Seng suffered over 4.0% losses in a single session, while the Shanghai Composite Index fell 2.3%.

- **Treasury yields picked up slightly amid cautiousness ahead of this week's FOMC meeting and the advance 2Q GDP report.** The yield on 10Y UST rose 1.3bps to 1.29%. **The greenback weakened modestly against all G10 currencies** as equities reversed losses to trade higher. Gold futures traded lower (-0.1%) at a near-three-week low of $1799.2/oz. Crude oil benchmarks recorded mixed performances with Brent crude gaining (+0.5%) for the fifth consecutive session to $74.50/barrel. WTI was down by 0.2% to $71.91/barrel amid some profit taking activity; renewed concerns over the rising covid cases in the US also weigh on the benchmark.

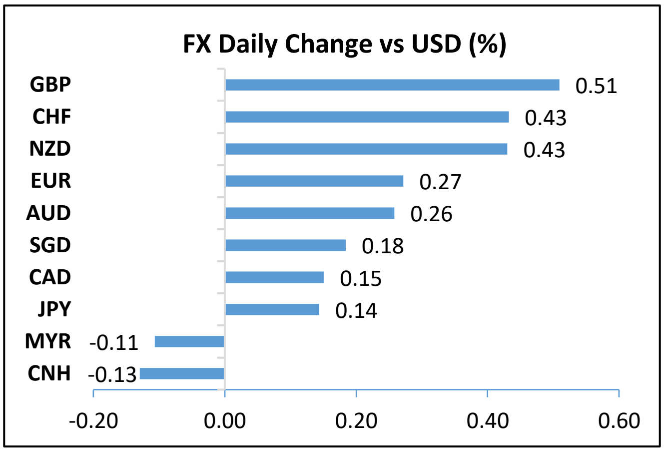
- US new home sales fell 6.6% m/m in June after the downwardly revised 7.8% decline in May as limited inventory and surging prices turned away potential buyers despite the underlyingly strong demand for housing. Japan's preliminary Markit Composite PMI slipped to 47.7 in July as the services PMI slipped further down in the contractionary area. Hong Kong's exports jumped 33.0% y/y in June while Singapore's industrial production rose 27.5% y/y, inflated by low bases.

- DXY pulled back by 0.28% on Monday, closing at 92.65 in the process. This snapped a streak where the USD looked to have peaked close to 93. Dollar was possibly dragged by low US real 10 year yields, from rising inflation. This comes after US-China talks, which ended on a mixed note on Monday. We are anticipating only **modest increases** at this stage. After PMIs results on Friday, focus shifts to 29 July's FOMC decision and 2Q advance GDP figures.

- USD/MYR closed 0.11% higher at 4.2310 on Monday. The retreat of the USD overnight may leave the pair **stabilising at 4.22-4.23** ahead of key US events while investors monitor the 5-day parliament sitting on the local front. The RSI indicator continued to show the pair being at overbought levels. We watch out for a weekly range of 4.21-4.25.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	35,144.31	0.24	14.83
S&P 500	4,422.30	0.24	17.74
FTSE 100	7,025.43	-0.03	8.74
Hang Seng	26,192.32	-4.13	-3.81
KLCI	1,512.53	-0.72	-7.05
STI	3,138.97	-0.57	10.38
Dollar Index	92.65	-0.28	3.02
WTI oil ($/bbl)	71.91	-0.22	48.21
Brent oil ($/bbl)	74.50	0.54	43.82
Gold (S/oz)	1,799.20	-0.14	-5.17
CPO (RM/tonne)	4,481.50	2.67	18.31



Source: Bloomberg

Overnight Economic Data			
US	↓	JP	↓
HK	↑	SG	↓

Up Next

Date	Events	Prior
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

US new home sales dipped in June:

- New home sales plunged 6.6% m/m in June to a 14-month low of 676k units (annualised) while May's data were also revised lower to show a much larger decline of 7.8% m/m (from -5.9% prior). The latest reading and the accompanying downward revision are a disappointment as consensus had expected new home sales to rebound by 3.5% m/m. Sales had now fallen for three consecutive months since April, as limited inventory and surging prices turned away potential buyers despite the underlyingly strong demand for housing.
- The median house price fell 5% m/m to $361.8k. from May's all-time high of $380.7k. House prices remained 6.1% y/y higher compared to the same month last year. In the previous two months, house prices had gained over 20% y/y.
- In a separate note, the Dallas Fed's manufacturing index fell to 27.3 in July, from 31.1 in June, reflecting the less positive gauge for company outlook in Texas. Output and new orders remained relatively stable.

Japan's services PMI deteriorated in July:

- Japan's preliminary Markit Composite PMI slipped to 47.7 in July, from 48.9 in June, signalling a further deterioration of activity level this month.
- The services PMI slumped back to 46.4 (June: 48.0) after some improvement in the previous month amid rising Covid-19 cases that had led the government to reimpose the State of Emergency Measure in Tokyo just ahead of the Summer Olympics games.
- The manufacturing gauge was little changed at 52.2 (June: 52.4); factory output remained supported by strong external demand.

Hong Kong's trade data surprised on the upside:

- Hong Kong's exports jumped 33.0% y/y in June, overshooting the expectation for a 26.0% gain. This followed a 24.0% y/y gain in May. Import growth also came in higher than expected at 31.9% y/y (May: +26.5%).
- The strong readings were partly inflated by the low bases from last year, but the m/m gain implied stronger external and domestic demand. Compared to the previous month, exports rose 3.2% m/m and imports gained 6.6% m/m.

Singapore's industrial production outlook remained bright despite slightly monthly pullback:

- Singapore's industrial production climbed by 27.5% y/y in June, from 27% a month ago. This was slightly better than consensus and higher than our forecast. However, output slightly pulled back by 3% m/m (seasonally adjusted).
- The outlook ahead is relatively bright for the manufacturing sector, even though growth numbers may taper off in the coming quarters. Growth was supported by electronics, chemicals, biomedical and precision engineering, the usual outperformers. The third consecutive month of double-digit growth in transport engineering signalled a rebound in the sector.

Forex

MYR (Neutral)

- USD/MYR closed 0.1% higher at 4.2310 on Monday. The retreat of the USD overnight may leave the pair stabilising at 4.22-4.23 ahead of key US events while investors monitor the 5-day parliament sitting on the local front. The RSI indicator continued to show the pair being at overbought levels. We watch out for a weekly range of 4.21-4.25.

USD (Neutral)

- DXY pulled back by 0.28% on Monday, closing at 92.65 in the process. This snapped a streak where the USD looked to have peaked close to 93. Dollar was possibly dragged by low US real 10 year yields, from rising inflation. This comes after US-China talks, which ended on a mixed note on Monday. We are anticipating only modest increases at this stage. After PMIs results on Friday, focus shifts to 29 July's FOMC decision and 2Q advance GDP figures.

EUR (Neutral)

- EUR/USD rebounded by 0.27% to close above the 1.18 big figure, the first since 19 July. This came as the dollar strength looked to have peaked. Range movements possible ahead of US FOMC. Focus on supports of 1.1710 and 1.1640, while resistance is pegged around 1.1910. The Eurozone releases GDP and CPI data this week.

GBP (Neutral-to-Bearish)

- GBP/USD climbed by 0.51%, helped by some possible peaking of the Covid-19 outbreak in the UK. The pair closed at 1.3818 in the process. We see slight downsides, partly as technical point towards some downside bias. We watch support of 1.3710, while placing resistance at 1.3910.

JPY (Neutral)

- USD/JPY was down by 0.14% on Monday, closing at 110.39. With risk appetites improving, the yen may go with limited moves in the coming session. 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 this week.

AUD (Neutral-to-Bearish)

- AUD/USD headed up by 0.26% to close at 0.7385, during Monday's session. We are of the view of slight downsides, as technicals 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 was lower by 0.18% to close 1.3582 on Monday. Singapore outlined a changing tack on living with Covid-19, aiming to gradually shift towards more normality from August. This means giving fully vaccinated individuals more leeway for daily activities. We see range-bound movements for the pair at this stage, eyeing an immediate range of 1.3520 to 1.3670.

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