Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks closed out last week with strong gains after a broad rally on Friday.** The Dow Jones (+0.7%) outperformed the S&P 500 (+0.3%) and NASDAQ (-0.06%). Friday's gains were broad-based across all S&P 500 sectors, except for infotech which retreated modestly from recent rallies. Overall stocks had their best week since early February, after the FOMC-related selloff in the previous week. **Risk appetites were supported by economic optimism while President Biden's securing a $1 trillion infrastructure deal gave markets a mid-week push.** The Dow gained 3.4% w/w, the S&P 500 rose 2.7% and NASDAQ edged up 2.4%.

- **Treasury yields rose on Friday with slightly larger gain at the long-end of the curve**. Yield on 10Y UST picked up 3.2bps d/d and 8.5bps w/w to 1.52%, marking its first weekly rise in six weeks. Gold futures were flat on Friday, ending the week 0.5% higher at $1776.6/oz, as the dollar traded flat. **The greenback saw mixed performances** with most G10 currencies trading little changed against the USD. GBP weakened further as markets repositioned amid the absence of a BOE's hawkish shift.

- **Crude oil benchmarks rallied for the fifth successive week,** notching an over-3% weekly gain thanks to continuous optimism for the outlook of oil consumption. Brent last settled at $76.18/barrel and WTI at $74/05/barrel on Friday. **Futures showed that Asian stocks are set for a muted start today. Sydney is now put into a two-week lockdown to contain the highly infectious delta variant of Covid-19.**

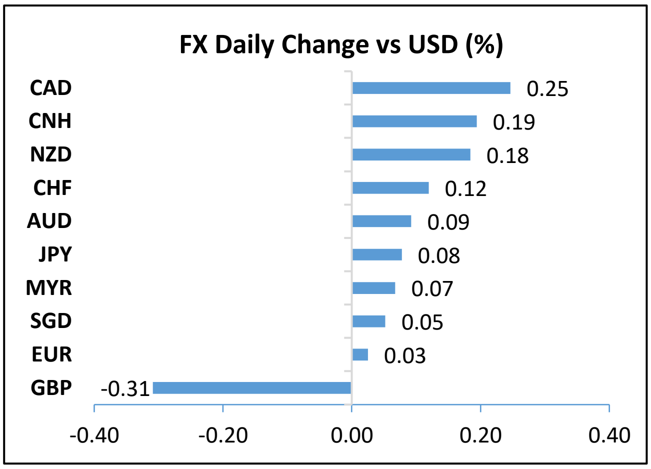
- **The US' personal spending were flat in May as consumption stalled following the stimulus driven surge in March-April.** Personal income fell 2.0% m/m while the core **PCE inflation rose 0.5% m/m and 3.4% y/y.** Singapore's industrial production soared 30% y/y on base effect. Malaysia's CPI inflation moderated to 4.4% y/y.

- The USD stayed range-bound on Friday, continuing a three-day trend. DXY was up by 0.04%, as the USD mainly strengthened against the GBP. However, it registered slight losses with other G10 currencies. We see the **neutral** trend continuing ahead of month end. Markets will likely turn to ISM and non-farm payrolls data releases as cues for inflationary trends ahead.

- USD/MYR closed on a flat note at 4.1565 on Friday and made its second weekly climb (+0.4%) in a row. After having briefly surpassed the 4.16 handle last week, we note that the **bullishness in USD/MYR** has built up, potentially eyeing 4.17-4.1780 next. The near-overbought position in the pair however suggests there could be some consolidation before any move higher again. Expect a range of 4.13-4.18 in the week ahead.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,433.84	0.69	12.51
S&P 500	4,280.70	0.33	13.97
FTSE 100	7,136.07	0.37	10.46
Hang Seng	29,288.22	1.40	7.55
KLCI	1,559.68	0.26	-4.15
STI	3,121.60	0.06	9.77
Dollar Index	91.85	0.04	2.06
WTI oil ($/bbl)	74.05	1.02	53.03
Brent oil ($/bbl)	76.18	0.82	47.20
Gold (S/oz)	1,776.60	0.06	-6.25
CPO (RM/tonne)	3,640.00	-1.63	-3.91



Source: Bloomberg

Overnight Economic Data			
US	→	SG	↑
MA	↓		

Up Next

Date	Events	Prior
28/06	MA Exports YoY (May)	63.0%
	HK Exports YoY (May)	24.4%
	US Dallas Fed Manf. Activity (Jun)	34.9
29/06	JP Jobless Rate (May)	2.8%
	JP Job-To-Applicant Ratio (May)	1.09
	JP Retail Sales MoM (May)	-4.6%
	VN GDP YoY (2Q)	4.5%
	VN Retail Sales YTD YoY (Jun)	7.6%
	VN Exports YoY (Jun)	35.6%
	VN CPI YoY (Jun)	2.9%
	VN Industrial Production YoY (Jun)	11.6%
	UK Nationwide House Px NSA YoY (Jun)	10.9%
	EC Economic Confidence (Jun)	114.5
	US S&P CoreLogic CS 20-City YoY NSA	13.27%
	US Conf. Board Consumer Confidence	117.2

Source: Bloomberg

Macroeconomics

US personal spending stalled in May:

- Personal spending in the US held unchanged in May following the upwardly revised 0.9% gain in April, indicating that Americans scaled back or paused on spending after splurging in the previous two months.
- Personal income fell 2.0% in May (Apr: -13.1%) as income growth continues to normalise from stimulus/cash transfer-related gains in March.
- The core PCE inflation rose 0.5% m/m (Apr: +0.7%) which translates to 3.4% y/y rate (Apr: +3.1%). Prices continued to surge in the economy, due to shortage of inputs and stronger demand.
- On a separate note, the University of Michigan Consumer Sentiment Index rose to 85.5 in June, from 82.9 in May, reflecting the improvement in sentiment after a recent slump.

Singapore's industrial production surged in May, from base effects:

- Singapore's industrial production rose by 30.0% y/y, from 2.3% a month ago. This translates to a 7.2% m/m (seasonally adjusted increase). The result is partly inflated by low base effects, but nonetheless reflects strong manufacturing performance in Singapore.
- Performance is strong across all clusters, showing the positive impact from base effects and healthy demand in Singapore's major industries. We currently forecast a 14.6% y/y increase in GDP growth for 2Q-2021, supported by base effects (circuit breaker last year).

Malaysia's CPI stayed elevated in May:

- Headline CPI posted a more moderate increase of 4.4% y/y in May, a slight pullback from the 4-year high of +4.7% y/y in April, led by easier gain in food and transport prices. Statistical distortion from the transport sector remained the key reason behind the elevated CPI print.
- Core CPI picked up for the first time in seven months, after holding steady at 0.7% y/y in the last six months, but remained very benign at 0.8% y/y. Prices were also stagnant on a month-on-month basis, reinforcing our view of very muted underlying inflation.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR closed on a flat note at 4.1565 on Friday and made its second weekly climb (+0.4%) in a row. After having briefly surpassed the 4.16 handle last week, we note that the bullishness in USD/MYR has built up, potentially eyeing 4.17-4.1780 next. The near-overbought position in the pair however suggests there could be some consolidation before any move higher again. Expect a range of 4.13-4.18 in the week ahead.

USD (Neutral)

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EUR (Neutral-to-Bullish)

- EUR/USD was up by 0.03% overall on Friday, closing at 1.1935 after briefly hitting an intraday high of 1.1975. Downside momentum is slightly coming off. We place support at 1.1800 and resistance (psychological) at 1.2000. Data focus is on CPI and PPI for the Eurozone, for signs of price pressures.

GBP (Neutral-to-Bullish)

- GBP/USD was down by another 0.31% on Friday as the disappointment from Bank of England continued. This brought the pair down to a close of 1.3879. Bias from technicals ia still on the downside. We eye a range of 1.3810 to 1.4090.

JPY (Neutral-to-Bearish)

- USD/JPY was slightly lower on Friday, despite almost reaching the 111 mark again. Pair closed at 110.75, 0.11% lower than the previous day. Technicals still point towards an upside trend. Retail sales, industrial production and Tankan are the highlights for data release this week.

AUD (Neutral-to-Bullish)

- AUD/USD rose by the fourth consecutive session, albeit at a subdued pace. This came after touching an intraday high of 0.7617, but pair failed to hold on to gains to close below 0.76 at 0.7590. Technicals have a downside bias for the pair. We eye support at 0.7500 and resistance at 0.7721 (100-day MA).

SGD (Neutral-to-Bullish)

- USD/SGD mostly registered horizontal moves on Friday, closing the week at 1.3423. The pair has looked relatively entrenched within the five-day range of 1.3397 to 1.3476. We eye the 100-day MA of 1.3336 as the support, while resistance is around 1.3490. Momentum is fading on the upside. For the week ahead, Singapore will release PMI figures for June.

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