28 July, 2021

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks retreated from record highs overnight, snapping a five-session winning streak.** Tech stocks led the losses ahead of big tech earnings and the FOMC meeting; NASDAQ pulled back sharply by 1.2%, the S&P 500 shed 0.5% while the Dow fell 0.2%. **In the after hours, Apple, Alphabet and Microsoft all reported upbeat quarterly results.** Investors also monitored the continuous equity selloffs in Hong Kong and China. The Chinese government toughens its regulatory crackdown on the education and tech sectors. **The Hang Seng index plunged 4.3%, bringing the two-day losses to over 8%** as shares of Meituan, Alibaba and Tencent tanked on Tuesday.

- **Treasury yields edged lower as the two-day FOMC meeting was underway**. Investors are looking forwards to the Fed's inflation assessment and any potentially related change in policy stance. The yield on 10Y UST fell 4.9bps to 1.24%. The dollar recorded mixed performances against the G10 currencies. Gold futures traded steadily at $1799.8/oz. Crude oil benchmarks were mixed on Tuesday as WTI closed 0.4% lower at $71.65/barrel but rebounded this morning after API said that US crude supplies were lower by 4.7mil barrels last week. Brent crude was little changed at $74.48/barrel at Tuesday's closing.

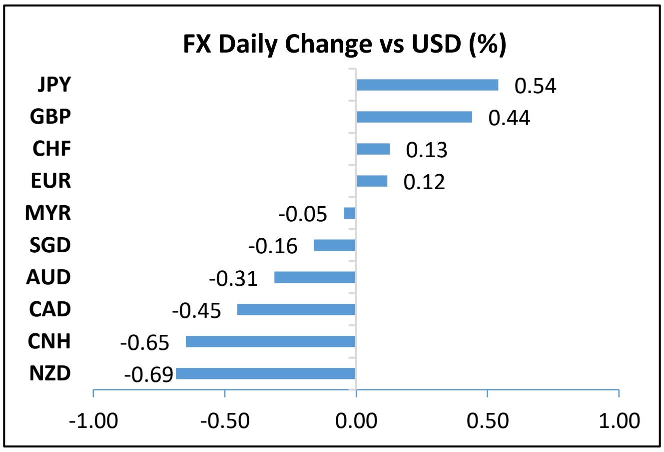
- **The IMF maintained its global GDP growth forecast for 2021 at 6.0%, as it raised forecasts for advanced nations but downgraded that of emerging markets and developing economies**, citing deepening divergence that is driven by vaccine availability and policy support. It expects growth to normalize to 4.9% in 2022 (upgraded from 4.4% prior). **US data were all positive.** US consumer confidence remained strong in July, while durable goods orders rose less than expected. Home prices climbed further in May. China's industrial profits growth slowed in June.

- DXY weakened for a 2nd straight day, pulling back 0.2% to 92.47 on Tuesday's close after going through some fluctuations between 92.32-92.84. Intermittent growth and inflation concerns as well as ongoing noises surrounding US-China relations may have intensified the anxiety heading into the 29 July's FOMC meeting. Upside seems limited for the greenback at this juncture and we expect a **neutral** stance within 92.22-92.69 regions.

- USD/MYR closed little changed at 4.2330 on Tuesday after being constrained within a range of 4.2260-4.2340 throughout the session. We maintain a **neutral outlook for USD/MYR**, expecting the pair to stabilise at circa 4.23 levels ahead of the FOMC meeting 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.	35,058.52	-0.24	14.55
S&P 500	4,401.46	-0.47	17.18
FTSE 100	6,996.08	-0.42	8.29
Hang Seng	25,086.43	-4.22	-7.88
KLCI	1,514.60	0.14	-6.92
STI	3,138.81	-0.01	10.37
Dollar Index	92.43	-0.23	2.77
WTI oil ($/bbl)	71.65	-0.36	47.67
Brent oil ($/bbl)	74.48	-0.03	43.78
Gold (S/oz)	1,799.80	0.03	-5.06
CPO (RM/tonne)	4,558.50	1.72	20.34



Source: Bloomberg

Overnight Economic Data

US ↑ CN ↓

Up Next

Date	Events	Prior
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
29/07	US FOMC Rate Decision (28 Jul)	0-0.25%
	NZ ANZ Business Confidence (Jul)	-0.6
	EZ Economic Confidence (Jul)	117.9
	US Initial Jobless Claims (24 Jul)	419K
	US GDP Annualized QoQ (2Q A)	6.4%
	US Pending Home Sales MoM (Jun)	8.0%

Source: Bloomberg

Macroeconomics

US consumer confidence remained strong:

- The headline Conference Board Consumer Confidence Index ticked up to 129.1 in July, up slightly from 128.9 in July, implying that consumer confidence was little changed this month. Both the gauges for present situation and future expectations were steady, suggesting that the US economy may remain supported by consumer spending.

US durable goods order growth fell short of expectations:

- A preliminary report showed that US durable goods orders in the US rose 0.8% m/m in June, undershooting the expectation for a 2.2% gain but the upward revision of May's data (+3.2% m/m) offered some comfort. The modest increase in June were supported by a sizeable jump in orders of commercial aircrafts.
- The gain in core capital orders steadied at 0.5% m/m (May: +0.5%) as business investments lost momentum from the sharp gains seen in last year all the way to April this year.
- In a separate note, the Richmond Fed Manufacturing Index rose slightly to 27 in July, from the upwardly revised 26 in June, reflecting more robust factory activity this month.

US house prices rose in May:

- Home prices climbed further in May amid the current US housing boom. The FHFA House Price Index picked up 1.7% m/m in May (Apr: +1.8%), bringing the index's gaining streak to a full year.
- The separate release of the S&P CoreLogic Case Schiller Index showed that house prices rose 1.8% m/m (Apr: +1.7%) in 20 US cities. Compared to the same month last year, prices were up by 17% y/y (Apr: +15% y/y).

China's industrial profit growth slowed in June:

- Industrial profits in China rose 20% y/y in June, slowing substantially from the 36.4% y/y growth in May as the low base effects from last year began to wear out.
- Apart from the less favourable base effect, the softer profit growth was also a result of slower industrial production (+8.3% y/y vs +8.8% prior) in the same month as well as the easing in PPI inflation (+8.8% y/y vs +9.0% prior). On a monthly basis, profits fell 4.5% m/m (May: +8.0%).

Forex

MYR (Neutral)

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USD (Neutral)

- DXY weakened for a 2nd straight day, pulling back 0.2% to 92.47 on Tuesday's close after going through some fluctuations between 92.32-92.84. Intermittent growth and inflation concerns as well as ongoing noises surrounding US-China relations may have intensified the anxiety heading into the 29 July's FOMC meeting. Upside seems limited for the greenback at this juncture and we expect a neutral stance within 92.22-92.69 regions.

EUR (Neutral-to-Bullish)

- EUR/USD continued to gain grounds albeit more modestly by 0.1% d/d, holding above the 1.18 handle at a 1.1817 close on Tuesday. This came on the back of lingering weakness in the USD. The pair remains technically bullish but we expect some range movements as markets await more clues from FOMC meeting. Immediate resistance sits at 1.1850 whilst support at 1.1710. The Eurozone releases GDP and CPI data this week.

GBP (Neutral-to-Bullish)

- GBP/USD strengthened by another 0.4% to 1.3879 on Tuesday close after the gap-up in US trading session. We see rooms for further gains but key event risk from FOMC meeting will likely keep markets on the side line momentarily. The pair will likely test 1.3910 resistance, with support at 1.3710.

JPY (Neutral)

- USD/JPY saw a bigger move down by 0.5% d/d, losing the 110 big figure to a 109.78 close on Tuesday, near its intraday low of 109.59. Technicals point to some neutral movement, and we eye 109.40-109.80 for the day ahead largely driven by the USD. Japan releases retail sales, industrial production and labour market data this week.

AUD (Neutral)

- AUD/USD erased prior day's gain and fell 0.3% to 0.7362, after trading between 0.7337 and 0.7389 on Tuesday. Cautious market sentiments pending FOMC announcement is expected to keep investors at bay, potentially resulting in a rangy trading today. 2Q CPI release today may instil some swings in Aussie should the reading surprise markets. We see resistance at 0.7500 and support at 0.7270.

SGD (Neutral)

- USD/SGD climbed higher by 0.2% to close at 1.3604 on Tuesday despite a weaker USD. 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 1.3580 to 1.3620.

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