

Global Markets Research

Daily Market Highlights

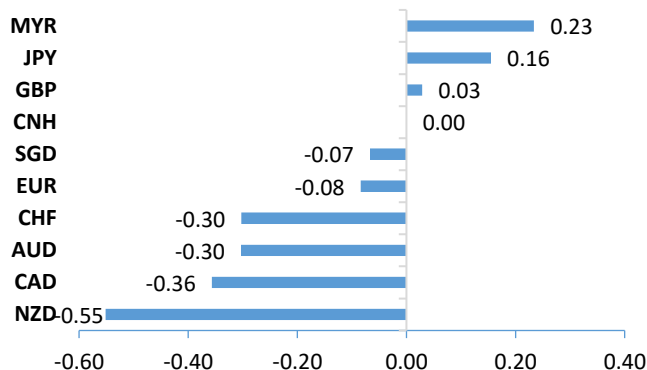
Key Takeaways

- US stocks broadly rallied** as the week kicked off, leading the **S&P 500 (+0.2%) to notch its third straight record close on Monday**. NASDAQ outperformed with nearly 1.0% gain. This came as the tech sector was pushed higher after a federal court dismissed the Federal Trade Commission's antitrust complaint against Facebook, leading the social media giant's shares to jump 4.2% and its market value to hit \$1trillion. The Dow fell 0.4%, weighed down by shares of Boeing, American Express and UnitedHealth.
- Treasury yields retreated by 1.2 to 5.4bps across the curve**. Yields had risen modestly last Friday as the Fed's key inflation gauge, the core PCE inflation rate rose to 3.4% y/y. The 10Y UST yield closed nearly 5bps lower at 1.48% on Monday. Spot gold fell 0.2% amid a stronger dollar while futures rose 0.2% to \$1779.6/oz. **Crude oil benchmarks slumped on Monday as markets awaited the outcome of OPEC+ meeting**. The oil cartel and its allies are expected to raise output when they meet on 1 July. Brent crude was down by nearly 2.0% to \$74.68/barrel while WTI lost 1.5% to \$72.91/barrel.
- The Malaysian government announced a RM150b aid package (~10% of GDP) which includes RM10b direct cash transfer to households and individuals** after having extended the current lockdown indefinitely until the daily cases hit below the 4,000-threshold. Malaysia reported a seven-day rolling average of 5463k cases as at 28 June. Automatic approval will be granted to those who apply for a six-month moratorium on loan repayment while EPF members below the age of 55 years can withdraw up to RM5k from their savings (Account 1 and 2 combined), providing some much needed relief to those affected and cushioning the economic fallout. **This latest fiscal aid is expected to reduce the pressure on BNM for further policy easing at next week's MPC meeting**.
- US data release is limited to the Dallas Fed's manufacturing survey which showed higher new orders and output in June. Japan reported higher jobless rate (3.0%) and decline in retail sales (-0.4%) as the State of Emergency measures were expanded to additional three prefectures in May. Hong Kong's exports rose 26.5% y/y in May. Malaysia's exports pulled back to 47.3% y/y.
- The USD registered modest gains, although performances was mixed against various currencies. DXY was up by 0.04% to close at 91.89, after an intraday high of 92.02. The Dallas Fed's headline business condition index slipped to 31.1 in June, from 34.9 in the previous month. 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 weakened 0.2% to 4.1470 on Monday. After the reversal from recently overbought levels, the pair may revert back to circa 4.15 in reaction to the stronger USD overnight. We note that the crossing of the 4.16-mark last week has built up positive momentum for the pair but cautious sentiment may leave the pair **neutral** within a tight range of 4.1450-4.1600 for now. We eye a weekly range of 4.13-4.18.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,283.27	-0.44	12.01
S&P 500	4,290.61	0.23	14.23
FTSE 100	7,072.97	-0.88	9.48
Hang Seng	29,268.30	-0.07	7.48
KLCI	1,544.71	-0.96	-5.07
STI	3,126.88	0.17	9.95
Dollar Index	91.89	0.04	2.17
WTI oil (\$/bbl)	72.91	-1.54	50.27
Brent oil (\$/bbl)	74.68	-1.97	44.17
Gold (\$/oz)	1,779.60	0.17	-6.16
CPO (RM/tonne)	3,691.00	1.40	-2.56

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑	JP	↓
HK	↑	MA	→

Up Next

Date	Events	Prior
29/06	UK Nationwide House Px NSA YoY (Jun)	10.9%
	EC Economic Confidence (Jun)	114.5
	US S&P CoreLogic CS 20-City YoY NSA (Apr)	13.27%
	US Conf. Board Consumer Confidence (Jun)	117.2
30/06	JN Industrial Production MoM (May P)	2.9%
	NZ ANZ Business Confidence (Jun F)	-0.4
	CH Non-manufacturing PMI (Jun)	55.2
	CH Manufacturing PMI (Jun)	51.0
	UK GDP QoQ (1Q F)	-1.5%
	HK Retail Sales Value YoY (May)	12.1%
	EC CPI Estimate YoY (Jun)	2.0%
	US MBA Mortgage Applications (25 May)	2.1%
	US ADP Employment Change (Jun)	978k
	US MNI Chicago PMI (Jun)	75.2
	US Pending Home Sales MoM (May)	-4.4%

Source: Bloomberg

Macroeconomics

Texas reported strong manufacturing condition:

- The Dallas Fed's headline business condition index slipped to 31.1 in June, from 34.9 in the previous month. Nonetheless, factory activity in Texas continued to expand at a faster pace with the production index rising 14pts, indicating strong output growth. The new order index also picked up nearly 6pts alongside the 7pts increase in the capacity utilisation.

Japan's jobless rate inched higher in May; retail sales fell for second month:

- Japan's jobless rate unexpectedly rose to 3% in May, from 2.8% in April, compared to the expected increase to 2.9%. The number of unemployed rose by 100k compared to the previous month. The participation rate was unchanged at 62.2%. The Job-to-applicant ratio was unchanged at 1.09.
- Meanwhile, retail sales fell for the second month in May (-0.4% m/m), albeit less significantly compared to April (-4.6% m/m).
- The higher unemployment and continuous decline in retail sales came as the State of Emergency measures were expanded to additional three prefectures in May, weighing on consumer spending and the overall labour market condition.

Hong Kong export growth steadied in May:

- Hong Kong's international trade continued to show a healthy trend as export growth stabilised at 24.0% y/y in May (Apr: +24.4%). This was supported by higher exports to China as well as a smaller decline in shipment of goods to Japan.
- Import growth was slightly higher at 26.5% y/y (Apr: +25.2%) compared to the previous month, with noticeable increases from the US, Singapore and Thailand. Higher imports is a positive sign of a firmer demand as Hong Kong continues to report single-digit daily Covid cases.

Softer but sizeable exports gain for Malaysia:

- Exports pulled back from April's +62.9% y/y high, increasing at a slower but still hefty pace of 47.3% y/y in May, confirming our view that the best print since 1998 seen in April was the peak.
- The moderation in exports indeed came in bigger than ours (+51.6% y/y) as well as market (+57.5% y/y) expectations, spurring concerns supply disruption and the earlier pocket lockdowns in selected localities (Selangor since 6 May) would have started to take its toll on economic activities in May, in addition to some seasonal effect from Hari Raya festival.
- On the contrary, imports gained momentum for the 4th straight month, increasing by a whopping 50.3% y/y in May (Apr: +24.6% revised), its fastest since 1998. Consequently, the trade surplus narrowed to RM13.7bn, a nine-month low. Month-on-month, exports were down 12.6% while imports fell at a smaller pace of 7.8% in May.

Forex

MYR (Neutral)

- USD/MYR weakened 0.2% to 4.1470 on Monday. After the reversal from recently overbought levels, the pair may revert back to circa 4.15 in reaction to the stronger USD overnight. We note that the crossing of the 4.16-mark last week has built up positive momentum for the pair but cautious sentiment may leave the pair within a tight range of 4.1450-4.1600 for now. We eye a weekly range of 4.13-4.18.

USD (Neutral)

- The USD registered modest gains, although performances was mixed against various currencies. DXY was up by 0.04% to close at 91.89, after an intraday high of 92.02. The Dallas Fed's headline business condition index slipped to 31.1 in June, from 34.9 in the previous month. We see the trend continuing ahead of month end. Markets will likely turn to ISM and non-farm payrolls data releases as cues for inflationary trends ahead.

EUR (Neutral)

- EUR/USD was down by 0.08%, closing at 1.1925 after the pair almost reached a low of 1.19. Downside momentum remains, although coming off. We place support at 1.1800 and resistance (psychological) at 1.2000. Eurozone releases Economic Confidence for June today. Other data focus is on CPI and PPI for the Eurozone, for signs of price pressures.

GBP (Neutral)

- GBP/USD recovered by 0.03% and snapped two days of consecutive losses. This brought the pair to a close of 1.3883. The downsides from Bank of England reaction has started to fade. Bias from technicals are still on the downside. We eye a range of 1.3810 to 1.4090.

JPY (Neutral-to-Bearish)

- USD/JPY was down by 0.11%, as the pair drifted lower after touching 111. Pair closed at 110.63 in the process. Japan's jobless rate unexpectedly rose to 3% in May, from 2.8% in April, compared to the expected increase to 2.9%. The number of unemployed rose by 100k compared to the previous month. Meanwhile, retail sales fell for the second month in May (-0.4% m/m), albeit less significantly compared to April (-4.6% m/m). This was partly due to extended lockdowns in May. Technicals still point towards an upside trend. Eye resistance at 111, and support at 110.

AUD (Neutral-to-Bearish)

- AUD/USD was down by 0.3%, closing at 0.7567. We see slight downsides from the recently introduced new virus restrictions. Technicals have a downside bias for the pair. We eye support at 0.7500 and resistance at 0.7721 (100-day MA).

SGD (Neutral)

- USD/SGD was slightly higher, by 0.07% to a close of 1.3432. The pair has looked relatively entrenched within the five-day range of 1.3397 to 1.3476. We eye the 100-day MA of 1.3340 as the support, while resistance is around 1.3490. Momentum is fading on the upside. Singapore will release PMI figures for June.

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