Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rose overnight** after government data showed that the US GDP expanded by an annualised rate of 6.5% q/q in the second quarter and initial jobless claims fell last week. **Investors looked past the weaker than expected GDP growth and focused on the strong consumer spending pattern** in the last quarter. The latest reading also brought the US economy back to its pre-pandemic level, implying that the Federal Reserve's plan to normalise policy would stay intact. The Dow Jones and S&P 500 both rose 0.4% while NASDAQ underperformed (+0.1%) compared to its peers. Amazon's shares fell as the company's 2Q revenue missed forecast. Equity benchmarks picked up in Europe and Asia. Hang Seng and CSI 300 rose for the second consecutive session after the selloff in early week.

- **US treasury yields climbed overnight on still decent US economic data as well as the Fed's Wednesday's signals that it would start discussing bond tapering in coming meetings.** The yield on 10Y UST rose 3.7bps to 1.27%. Gold prices advanced as the dollar weakened. Futures rose 1.8% to $1831.2/oz on Thursday. **Crude oil benchmarks rallied over 1.7% as investors predicted a tighter oil market** in the coming months given the strong consumption outlook. Brent crude settled at $76.05/barrel and WTI at $73.62/barrel. **Futures pointed down in Hong Kong and Asia as of writing; key data today are the Eurozone's 2Q GDP growth and CPI as well as the US core PCE inflation.**

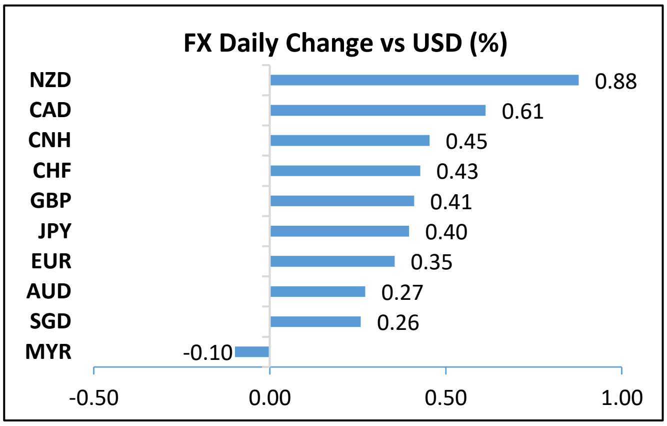
- Apart from the US GDP, initial jobless claims came in lower at 400k last week. Pending home sales fell 1.9% m/m in June. **Eurozone's economic sentiment rose to a record high in July. Japan's economic data showed improvement** in June after the State of Emergency rules were lifted in key prefectures. **Vietnam's economic activity weakened in July** amid the country's worst Covid outbreak. **New Zealand confidence fell.**

- DXY pulled back by 0.5% to close at 91.86 on Thursday's session, down the fourth consecutive session. This came as 2Q GDP was slightly below expectations. We think that the dollar has peaked for now and anticipate **modest momentum downwards**, with support at 91.40. Attention shifts towards the PCE data and University of Michigan sentiments.

- USD/MYR closed slightly higher (+0.1%) at 4.2385 on Thursday. USD/MYR may experience some reversal after the weaker USD overnight but is likely to remain constrained at circa 4.22- 4.23 levels, although some **pre-weekend risk aversion posts some upside risks** to this view. 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.	35,084.53	0.44	14.63
S&P 500	4,419.15	0.42	17.65
FTSE 100	7,078.42	0.88	9.56
Hang Seng	26,315.32	3.30	-3.36
KLCI	1,512.93	-0.16	-7.02
STI	3,180.61	1.24	11.84
Dollar Index	91.86	-0.50	2.14
WTI oil ($/bbl)	73.62	1.70	51.73
Brent oil ($/bbl)	76.05	1.75	46.81
Gold (S/oz)	1,831.20	1.75	-3.44
CPO (RM/tonne)	4,591.50	-1.52	21.21



Source: Bloomberg

Overnight Economic Data			
US	→	EZ	↑
JP	↑	NZ	↓
VN	↓		

Up Next

Date	Events	Prior
30/07	HK GDP YoY (2Q A)	7.9%
	EZ Unemployment Rate (Jun)	7.9%
	EZ GDP SA QoQ (2Q A)	-0.3%
	EZ CPI Estimate YoY (Jul)	1.9%
	US PCE Core Deflator YoY (Jun)	3.4%
	US MNI Chicago PMI (Jul)	66.1
	US U. of Mich. Sentiment (Jul F)	80.8
02 Aug	VN Markit Vietnam PMI Mfg (Jul)	44.1
	MA Markit Malaysia PMI Mfg (Jul)	39.9
	JP Jibun Bank Japan PMI Mfg (Jul F)	52.2
	CN Caixin China PMI Mfg (Jul)	51.3
	EZ Markit Eurozone Manufacturing PMI (Jul	62.6
	HK Retail Sales Value YoY (Jun)	10.5%
	UK Markit UK PMI Manufacturing SA (Jul F)	60.4
	US Markit US Manufacturing PMI (Jul F)	63.1
	US Construction Spending MoM (Jun)	-0.3%
	US ISM Manufacturing (Jul)	60.6

Source: Bloomberg

Macroeconomics

US GDP grew at annualised 6.5% q/q in the second quarter:

- The US economy expanded by an annualised pace of 6.5% q/q in the second quarter according to a preliminary estimate, returning to its pre-pandemic level size; this was slightly higher from the 6.3% q/q rate in the previous quarter but missed analysts' expectations of 8.4% q/q. This lifted the y/y GDP growth to 12.2% (1Q: +0.5%)
- On a quarterly basis, growth was primarily driven by personal consumption which contributed over 7.8 percentage points to the headline rate, reflecting the strong consumer spending after pandemic-related restrictions were gradually lifted in the second quarter.
- Most of the key components contributed negatively to headline GDP growth. Negative net exports reflected stronger imports, also driven by consumer demand. The drawdown in inventories was due to supply shortages. Government spending was down following the enormous stimulus injection in the previous quarter. The weaker residential spending pulled down gross investment.

US initial jobless claims at 400k last week; pending home sales fell in June:

- US initial jobless claims amounted to 400k last week, lower compared to 424k claims recorded in the previous week. First-time claimers resumed a declining trend after having unexpectedly risen in the week before, underscoring some distortion specific to the auto industry sector. Hiring activity remained strong in the US judging from the record high openings, although firms continued to point out difficulties in filling up vacancies in multiple economic surveys.
- Pending home sales fell 1.9% m/m in June after surging 8.3% m/m in May. Analysts had expected pending home sales to show a flat reading. The decline in the contract signings showed that the record high US home prices and limited inventory had turned potential buyers away, despite underlyingly strong housing demand.

Eurozone's economic sentiment hit record high:

- The European Commission Economic Sentiment Index rose to a record high of 119.0 in July (Jun: 117.9), marking its sixth consecutive monthly gain since February this year. The stronger reading reflected improvement in the services sentiments after the services sector restrictions were lifted. The manufacturing sector meanwhile continued to benefit from strong external demand.

Japan's economic data improved after lifting of State of Emergency:

- Japan's jobless rate fell to 2.9% in June, from 3.0% in May, despite an expanded labour force. Labour force participation rose to 62.4% (May: 62.2%). The separate job-to-applicant ratio rose to 1.13 in June (May: 1.09), better than the estimate of 1.1. The lifting of the State of Emergency measures in mid-June in key prefectures had spurred the rise in job seeking and vacancies.
- Industrial production rose 6.2% m/m in June, nearly recovering the 6.5% decline recorded in May while retail sales also picked up 3.1% m/m (May: -0.3%), reflecting the immediate impact of the removal of the said Covid measures.

Forex

MYR (Neutral)

- USD/MYR closed slightly higher (+0.1%) at 4.2385 on Thursday. USD/MYR may experience some reversal after the weaker USD overnight but is likely to remain constrained at circa 4.22- 4.23 levels, although some pre-weekend risk aversion posts some upside risks to this view. 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-to-Bearish)

- DXY pulled back by 0.5% to close at 91.86 on Thursday's session, down the fourth consecutive session. This came as 2Q GDP was slightly below expectations. We think that the dollar has peaked for now and anticipate modest momentum downwards, with support at 91.40. Attention shifts towards the PCE data and University of Michigan sentiments.

EUR (Neutral-to-Bullish)

- EUR/USD headed upwards to close Thursday at 1.1887, 0.35% higher for the session. Pair is likely to recover further as the long dollar trade unwinds. We eye resistance at 1.1900 before 1.2000, while pegging support to 1.1710. Focus is on GDP and CPI data released on Friday.

GBP (Neutral-to-Bullish)

- GBP/USD climbed within touching distance of 1.40 on Thursday, closing at 1.3959 after an intraday 1.3982 high. Resistance now shifts to 1.40, as we peg support at 1.3810. Attention shifts towards Bank of England policy decision on 5 August.

JPY (Neutral-to-Bullish)

- USD/JPY came off by 0.40% on Thursday, to close at 109.48, after Wednesday's bid tone. We continue to see limited moves in the coming session, eyeing a range of 108.80 to 110.80. Retail sales/industrial production were slightly better than expected. Dollar movements are likely to shape pair's movements, with Japan's Covid-19 situation still in focus.

AUD (Neutral-to-Bullish)

- AUD/USD rose a second consecutive session to close at 0.7396. Eyes are on PPI for more clues on price pressures. We now see slight possible upsides, with resistance at 0.7500 and support at 0.7290. Focus will likely turn towards RBA policy decision, which may limit strong moves on either side for now.

SGD (Neutral-to-Bullish)

- USD/SGD came off by 0.26%, closing at 1.3531 on Thursday's session. Pair remains vulnerable to further bids if the fluid Covid-19 situation worsens again, but may turn more offered in the coming session from dollar weakness. We eye an immediate range of 1.3420 to 1.3640 for the time being.

Vietnam indicators weakened as Covid hit economy:

- The worst Covid outbreak in Vietnam alongside the related restrictions appeared to have taken a toll on economic activity as monthly indicators mostly came in weaker than previous month, despite favourable bases from last year.
- Industrial production rose a mere 2.2% y/y in July, although the upward revision to June's output growth (+9.3%) offered some comfort. Retail sales fell 25.1% y/y in July (Jun: -9.8%) based on the cumulative data provided by the government. Export growth also eased to 8.4% y/y (Jun: +17.3%). Only CPI inflation picked up to 2.6% y/y (Jun: +2.4%). Vietnam's 7-day average of daily new Covid cases stood at 6481 as of yesterday.

New Zealand's business and consumer confidence weakened in July

- New Zealand's business confidence weakened in July, according to the ANZ Business Confidence Index which had slipped to -3.8, from -0.6 in the previous month. The poorer sentiment reflects firms' less optimistic outlook over business activity, exports, investment as well as profits. Inflation expectations had continued to turn higher alongside higher pricing intentions.
- On a separate note, the ANZ Consumer Confidence Index ticked lower to 113.1 in July (Jun: 114.1) as consumer perceptions of the economy one year ahead weakened, although they did upgrade the view over the climate to make major household items.

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