

Global Markets Research

Daily Market Highlights

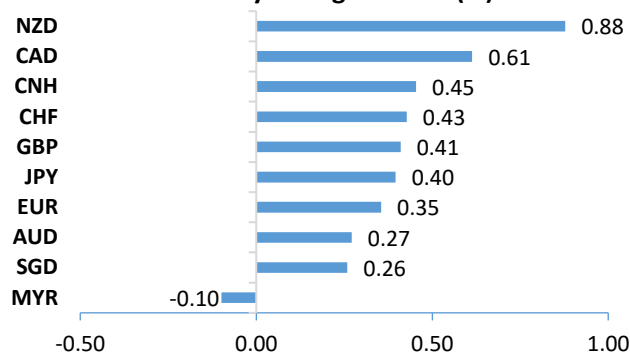
Key Takeaways

- **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 (\$/oz)	1,831.20	1.75	-3.44
CPO (RM/tonne)	4,591.50	-1.52	21.21

FX Daily Change vs USD (%)



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
	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
02 Aug	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.

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.