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Global Markets Research
Daily Market Highlights

2 July: All eyes on June's non-farm payroll today

**Warsh's comment that inflation risks have eased saw UST yields and DXY off highs
Still expansionary US ISM manufacturing and PMIs for regional economies**

Low hiring low firing in the US labour market; gains in June NFP likely ease to 113k

- US stock indices closed lower on Wednesday, with the Dow rising to a record high before cooling and closing just below its flatline. The S&P ended 0.2% d/d lower, while Nasdaq underperformed and slipped 0.7% d/d amid a pull-back in tech stocks. Outside of tech, stocks closed mixed but cyclical stocks like financials and consumer discretionary stocks notably outperformed, boosted by signs of a resilient manufacturing sector and the broader economy, and as Fed Chair Kevin Warsh softened its stance on inflation. While he dodged questions of future rate hike(s), he commented that inflation risks have indeed eased.
- On the bond side, treasury yields narrowed gains post Warsh's comments, and closed the day flattish for the 2Y at 4.17%, and just 1bp higher to 4.48% for the 10Y.
- Elsewhere, Stoxx Eur 600 closed down 0.4% d/d but off session lows after ECB's Christine Lagarde and Martin Kocher flagged less pronounced price pressures. The benchmark 2Y sovereign bond yields fell 0-3bps, while the 10Y closed modestly higher between 1-4bps. Asian bourses closed mostly in red (Nikkei 225: 0.6% d/d, CSI 300: -0.4% d/d, Hang Seng: -0.6% d/d) and are expected to extend its downward trend tracking equity futures today.
- In the FX space, the DXY rose 0.2% d/d to 101.39 but off their session highs, while EUR underperformed its G10 peers, weakening 0.4% d/d at 1.1377. AUD depreciated 0.4% d/d to 0.6893, while JPY closed just slightly weaker at 162.58. GBP was the outlier, strengthening 0.1% d/d to 1.3275 against the greenback. Similarly, most Asian FX weakened against the Dollar and CNH, MYR and SGD depreciated 0-0.2% d/d to 6.7947, 4.0938 and 1.2956.
- In the commodity space, oil fell on signs of progress in the US-Iran peace talks and amid revived concerns of oversupply. Brent and the WTI tumbled more than 1.0% d/d each to \$71.57/barrel and \$68.58/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	52,305.24	-0.03
S&P 500	7,483.23	-0.22
NASDAQ	26,040.03	-0.66
Stoxx Eur 600	639.31	-0.38
FTSE 100	10,478.34	-0.18
Nikkei 225	70,474.96	0.59
CSI 300	4,958.98	-0.41
Hang Seng	22,881.02	-0.63
Straits Times	5,161.50	-0.18
KLCI 30	1,656.83	-0.43
FX		
Dollar Index	101.39	0.20
EUR/USD	1.1377	-0.39
GBP/USD	1.3275	0.10
USD/JPY	162.58	0.02
AUD/USD	0.6893	-0.38
USD/CNH	6.7947	0.04
USD/MYR	4.0938	0.24
USD/SGD	1.2956	0.14
USD/KHR	4,025.75	-0.04
USD/THB	33.39	0.50
Commodities		
WTI (\$/bbl)	68.58	-1.32
Brent (\$/bbl)	71.57	-1.85
Gold (\$/oz)	4,082.40	1.09
Copper (\$/MT)	13,298.50	-0.57
Aluminum(\$/MT)	3,076.00	-0.31
CPO (RM/MT)	4,485.00	0.25

Source: Bloomberg, HLBB Global Markets Research

Expansionary manufacturing sector for regional economies

- The final revisions to June manufacturing PMIs for the majors were mixed, revised down for the US (- 1.8ppts to 53.9 vs May: 55.1), UK (-0.6ppts to 52.5 vs 53.9) and Japan (-0.1ppts to 54.8 vs 54.5), but revised up for the Eurozone (+0.1ppts to 51.4 vs 51.6) and Australia (+0.3ppts up to 51.5 vs 50.7).
- On the regional front, fresh June data saw the RatingDog manufacturing PMI for China unexpectedly easing to 51.7 from 51.8 previously. This suggests steady growth for the sector, although signs of weakening external demand and business sentiment could likely weigh on near-term outlook.
- Details from the Malaysia PMI (50.7 vs 49.9) points to a wait-and-see stance amongst manufacturers. While new orders and production showed encouraging signs, buying and hiring activity were unchanged. With year-ahead confidence relatively muted, companies are likely to stay cautious for now.
- The Vietnam manufacturing PMI ended 1H on a still positive note at 51.8 (prior: 52.8) as anecdotal evidence suggesting that growth was driven by improving customer demand rather than stockpiling efforts. With this, firms should be well placed for continued growth in 2H, especially in the midst of a more stable international environment.

US ISM manufacturing surprised on the downside; labour data continued to signal a low hiring, low firing environment

- Then ISM manufacturing index surprised on the downside at 53.3 in June, falling from 54.0 the prior month. De-escalation impact from the Iran war were prevalent, reflected in less supply chain stress and thus softening price pressure (73.0 vs 82.1). While demand indicators (new orders: 56.0 vs 56.8) also cooled, the uptick in employment (49.7 vs 48.6) and 'too low' status for the customers' inventories index signal improving manufacturers' optimism and a positive for future production.
- On the labour front, private payrolls increased less than expected in June, but a sharp decline in planned lay-offs continue to paint a resilient labour market. According to the ADP, private employers added 98k jobs during the month (prior: 122k) but job creation was uneven. Financial activities and information were among the gainers, while leisure and hospitality delivered a sixth month of weak hiring. Separate report from Challenger showed that the pace of layoffs cooled considerably to 45.8k in June (prior: 97.0k) as is typical for summer months. Cuts remained concentrated in technology, and artificial intelligence continues to lead reasons for these layoffs.

- Rounding up are a slew of softer housing-related indicators. Construction spending growth eased as expected to 0.1% m/m in May from 0.3% m/m previously, while mortgage applications stalled for the week of June 26th (prior: 1.0 %w/w).

Softer price prints for the Eurozone

- Inflation risks are easing for the Eurozone, with the deceleration in both headline and core sharper than expected at 2.8% y/y and 2.4% y/y (prior: 3.2% y/y vs 2.6% y/y). June drop was partially due to the lower energy prices, while on the core front, due to food and services. With oil prices lower and businesses harder to pass through higher costs to consumers, prices may have peaked and thus, risks to inflation and growth are likely more broadly balanced for now.

Improved business and consumer confidence for Japan

- Japan's consumer confidence improved less than expected to 33.8 in June from 33.6 previously, while the Tankan Large Manufacturing Activity Index rose above forecast to 22 in 2Q from 17 in 1Q. The latter marks its highest reading since 2018, and suggests that more firms are upbeat than downbeat on business conditions. Stronger AI-related demand probably lifted the mood amongst manufacturers, but more importantly, signs that companies are willing to pass on higher oil and labour costs will likely support BOJ's stance to keep raising rates.

House View and Forecasts

FX	This Week	3Q-26	4Q-26	1Q-27	2Q-27
DXY	100-103	102.28	100.86	99.42	98.07
EUR/USD	1.12-1.15	1.13	1.14	1.16	1.18
GBP/USD	1.30-1.34	1.29	1.30	1.32	1.33
USD/CHF	0.78-0.82	0.81	0.81	0.80	0.79
USD/JPY	158-163	162	159	155	153
AUD/USD	0.67-0.71	0.68	0.70	0.71	0.72
NZD/USD	0.54-0.59	0.56	0.56	0.57	0.57
USD/CNY	6.77-6.82	6.85	6.78	6.72	6.65
USD/MYR	4.09-4.15	4.15	4.11	4.07	4.03
USD/SGD	1.28-1.31	1.31	1.30	1.28	1.27
USD/THB	32.22-33.65	32.50	32.30	32.0	32.0

FX	Last close	3Q-26	4Q-26	1Q-27	2Q-27
EUR/MYR	4.6625	4.68	4.71	4.73	4.75
GBP/MYR	5.4228	5.37	5.36	5.36	5.36
AUD/MYR	2.8203	2.83	2.86	2.87	2.89
CNY/MYR	0.6025	0.61	0.61	0.61	0.61
SGD/MYR	3.1572	3.18	3.17	3.17	3.17

Rates, %	Current	3Q26	4Q26	1Q27	2Q27
Fed	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75
ECB	2.25	2.50	2.50	2.50	2.50
BOE	3.75	3.75	3.75	3.75	3.75
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	1.00	1.00	1.25	1.25	1.25
RBA	4.35	4.35	4.35	4.35	4.35
RBNZ	2.25	2.50	2.50	2.50	2.50
BNM	2.75	2.75	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	
2-Jul	AU Trade Balance (May)	A\$1791m
	HK Retail Sales Value YoY (May)	8.60%
	EC Unemployment Rate (May)	6.30%
	US Change in Nonfarm Payrolls (Jun)	172k
	US Average Hourly Earnings YoY (Jun)	3.40%
	US Average Weekly Hours All Employees (Jun)	34.3
	US Unemployment Rate (Jun)	4.30%
	US Initial Jobless Claims (Jun 27)	215k
	SI Purchasing Managers Index (Jun)	51
	US Factory Orders Ex Trans (May)	1.30%
3-Jul	SI S&P Global Singapore PMI (Jun)	56.7
	JN S&P Global Japan PMI Services (Jun F)	51.8
	CH RatingDog China PMI Services (Jun)	54.4
	VN CPI YoY (Jun)	5.60%
	VN GDP YoY (2Q)	7.83%
	VN Exports YoY (Jun)	18.00%
	VN Industrial Production YoY (Jun)	8.80%
	VN Retail Sales YoY (Jun)	11.80%
	EC S&P Global Eurozone Services PMI (Jun F)	48.9
	UK S&P Global UK Services PMI (Jun F)	48.7

Source: Bloomberg

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

HLMarkets@hlbb.hongleong.com.my

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