

## Global Markets Research

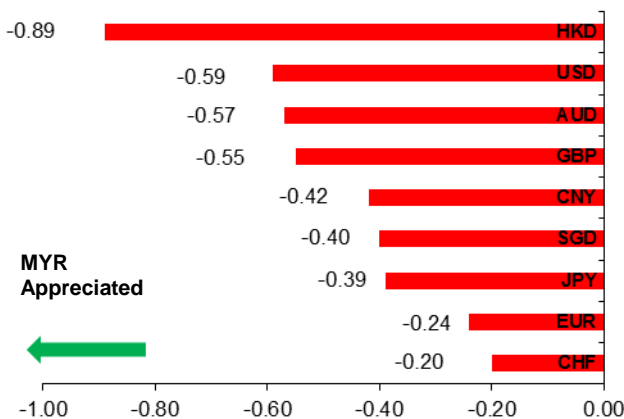
### Weekly Market Highlights

#### Weekly Performance

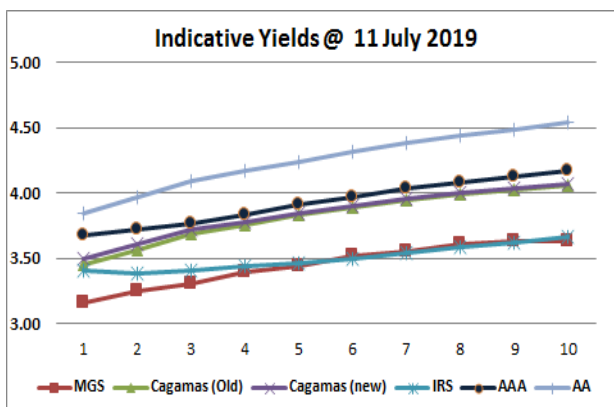
	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↓	↑	↑
EU	↓	↑	↓	↑
UK	↑	↑	↓	↑
Japan	↓	↑	↓	↑
Malaysia	↑	↑	↓	↑
China	↔	↑	↓	↑
Hong Kong	↔	↓	↓	↑
Singapore	↓	↑	↓	↑

#### Weekly MYR Performance

MYR vs Major Counterparts (% WOW)



#### Indicative Yields



Please see important disclosure at the end of the report

#### Macroeconomics

- US major stock benchmarks hit record highs this week, supported by firming rate cut expectations as Fed Chair Jerome Powell's Congressional testimony alongside June FOMC meeting minutes pretty much cemented the case for a rate cut on 31 July. While a 25bps cut in the fed funds rate has been fully priced in, Powell's comment had led traders to again raise bets on a 50bps cut in July. A 50bps reduction is unlikely in our view as the Fed would not risk rocking the largely unprepared markets while the still-solid US fundamentals, evident in a robust job growth and unexpectedly higher core inflation do not warrant such a large one-shot adjustment. Over the week, the Bank of Canada held its overnight rate steady at 1.75% as widely expected. BNM left OPR unchanged at 3.0% and maintained its neutral stance, suggesting that it has no plan for another adjustment in OPR this year. On the data front, US core CPI unexpectedly accelerated. Sentix investor confidence for Germany's economic outlook tanked to the lowest level in nearly a decade, as investors considered threats of a recession. Chinese and Japanese factories are flashing dis-inflation risks. Singapore economy contracted QOQ in the second quarter by 3.4%. YOY, the economy grew a mere 0.1% YOY.
- Key releases next week include US retail sales and industrial production, Eurozone HICP inflation and German ZEW Index, UK CPI, retail sales and job report, China 2Q GDP and key economic indicators, Hong Kong trade data, Japan inflation and trade data, Australia job report and RBA meeting minutes and last but not least, New Zealand quarterly CPI.

#### Forex

- MYR strengthened 0.59% WOW to 4.1152 against the greenback as Fed Chair Powell delivered guidance that a Fed July rate cut is imminent and warranted. USDMYR traded lower towards 4.13 area before late USD selling pressure forced the pair to close below 4.12 strong support, a multi month low. MYR is now poised to challenge the 4.10 psychological support if momentum sustains with resistance only coming in circa 4.1250 the Ichimoku cloud bottom.
- USD lost ground against all G10 currencies as Fed Chair Powell more or less confirms the chances of a July rate cut. The USD index managed to settle at 97.05 as better than expected US inflation data and a poor UST 30y auction causes the DXY to pare back some losses. The technical picture still remains bearish with short term resistance coming in circa 97.10 area the Ichimoku cloud bottom.

#### Fixed Income

- US Treasuries were broadly weaker for the week under review despite Fed Chair Powell's dovish-tone during the 2-day congressional testimony which was shrugged-off temporarily due to strong jobs for June and slightly higher-than-expected inflation data. The curve bear-steepened and as overall benchmark yields reversed prior week's move and ended between **10-20bps higher** extending out from 5Y tenures. The 2Y benchmark; reflective of interest rate predictions spiked 10bps higher at 1.86% whereas the much-watched 10Y traded within a wider range of 1.95-2.14% whilst skidded past the 2.00% on the upside and settled 18bps higher at 2.14%. A series of soft 3Y, 10Y and 30Y auctions this week dampened appetite as well. However flight-to-safety mode is expected to resume concerns about global economic growth and rumblings from high likelihood of the Fed cutting rates. The current Fed Funds implied probability shows a 82% odds for a 25bps rate cut in July. Meanwhile both equities and bonds asset classes are seen to be at their strongest correlation for now.
- Local govies saw mild interest return for the week under review with overall benchmark yields closing mixed pivoted at the 10Y. The longer-ends saw stronger demand compared to the short-end as the change in yields diverged on both ends. Overall benchmark yields closed between -3 to +2bps as the curve flattened with the 5Y MGS 6/24 up 2bps at 3.43% whilst and the 10Y benchmark MGS 8/29 moving within a narrow 3.60-3.63% band; closing within 1bps at 3.62%. Investor interest was seen in off-the-run 19'-21's, benchmark 10Y, 15Y bonds and also the longer-ends by Thursday. Weekly volume dropped to RM17.9b from prior week's RM25.0b whilst GII bond trades rose to form ~40% of overall trades. BNM is seen to remain accommodative and supportive of economic activity; whilst taking cognizance of rising risks.

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## Macroeconomics

### 6-month Macro Outlook

	Economy	Inflation	Interest Rate	Currency
US	↓	↔	↓	↓
EU	↓	↔	↔	↑
UK	↓	↔	↔	↑
Japan	↓	↔	↔	↑
Australia	↓	↔	↔	↓
China	↓	↔	↔	↔
Malaysia	↓	↔	↔	↔
Thailand	↓	↔	↔	↔
Indonesia	↓	↔	↔	↔
Singapore	↓	↔	↔	↔

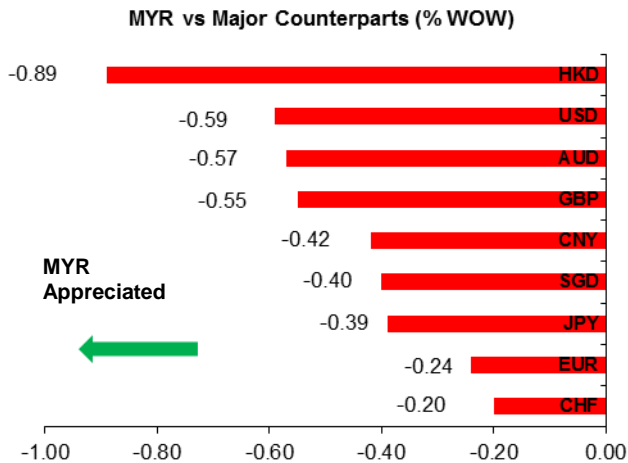
## The Week in Review

- US major stock benchmarks hit record highs this week, supported by firming rate cut expectations as Fed Chair Jerome Powell’s Congressional testimony alongside June FOMC meeting minutes pretty much cemented the case for a rate cut on 31 July. The central bank chief’s main message was that weaker global growth outlook outweighed decent domestic data, and at the same time, inflation remained weak as the connection between a tight labour market and inflation has weakened to a “faint heartbeat”. While a 25bps cut in the fed funds rate has been fully priced in, Powell’s comment had led traders to again raise bets on a 50bps cut in July. A 50bps reduction is unlikely in our view as the Fed would not risk rocking the largely unprepared markets while the still-solid US fundamentals, evident in a robust job growth and unexpectedly higher core inflation do not warrant such a large one-shot adjustment.
- For the week thus far, the Dow added 0.6% compared to last Friday and hit a record high on Thursday, boosted by the surge in UnitedHealth shares after the Trump Administration scrapped an earlier plan to curb drug prices. The broader S&P 500 finished at an all-time high on the same day while NASDAQ managed to set a new record earlier on Wednesday. Over the week, the Bank of Canada held its overnight rate steady at 1.75% as widely expected, highlighting that ongoing trade tensions are having a material effect on the global economic outlook. It noted that the Canadian economy is returning to potential growth, hence maintained that the current policy accommodation remained “appropriate”, suggesting that the BOC is in no rush to follow in the footsteps of other global central banks to cut rates. At home, BNM left OPR unchanged at 3.0% and maintained its neutral stance, suggesting that it has no plan for another adjustment in OPR this year unless growth risks escalate more than expected.
- On the data front, US core CPI unexpectedly accelerated, a welcoming news for the Fed. Sentix investor confidence for Germany’s economic outlook tanked to the lowest level in nearly a decade, as investors considered a recession in the currency bloc’s largest economy. The similar gauge for the Euroarea also slipped to the lowest since 2014. UK industrial productions took an upturn driven by rebound in manufacturing output. In Asia, Chinese and Japanese factories are flashing disinflation risks as producer prices weakened. Singapore economy contracted QOQ in the second quarter by 3.4%. YOY, the economy grew a mere 0.1% dragged by contraction in manufacturing.

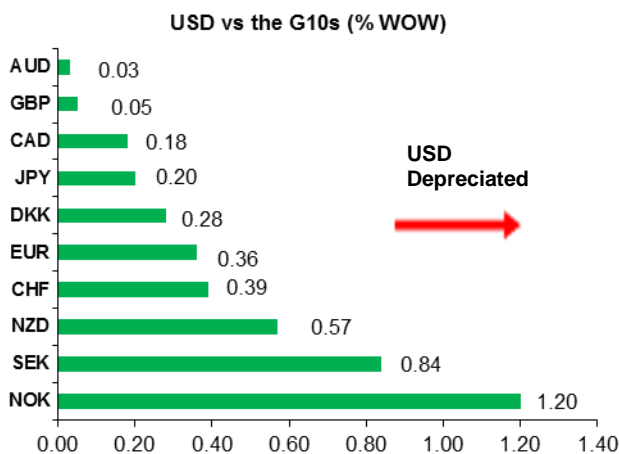
## The Week Ahead

- Plenty of data are coming out from major economies next week. In the US, we shift our focus back to the manufacturing front with the release of the first batch of regional Fed manufacturing surveys (New York Fed Empire State and Philly Fed manufacturing) and the all important industrial production for June. Manufacturing production is likely to trend up slightly last month judging from the 2.8pts improvement in the ISM production sub-index but the fall in new orders continued pointing to weakness in overall output in the months ahead. Aside from the hard IPI data, the Fed will also publish its fifth Beige Book of the year, a great source to assess US business sentiments on the ground. Retail sales data are also due next week and consensus are calling only for a modest increase, consistent with the recent weakness in overall consumer confidence which had started to take a downturn over tariffs concerns. Data for the housing front include housing starts and building permits as well as the NAHB housing market index. Other key releases are import prices index, the Conference Board leading index and University of Michigan Consumer Sentiment Index.
- Data in the European docket are no less abundant as the Eurostat releases among others, May trade report, construction output and the final reading for June HICP inflation. Also due next week is the German ZEW Investors Confidence Index. In the UK, top-tiered data such as job report, CPI, PPI and retail sales are all due in the same week. In Asia, China’s second quarter GDP will snatch much of the spotlight on Monday. Alongside the 2Q print are industrial productions, retail sales and fixed assets investments. We will be watching closely Hong Kong trade data, a proxy for Chinese demand. Key releases for Japan are trade report, inflation and the all industry activity index. Down under, we are looking to Australia job report as well as the RBA meeting minutes for further guidance in central bank’s next move. Last but not least, the quarterly CPI data and services PMI are slated to be released in New Zealand.

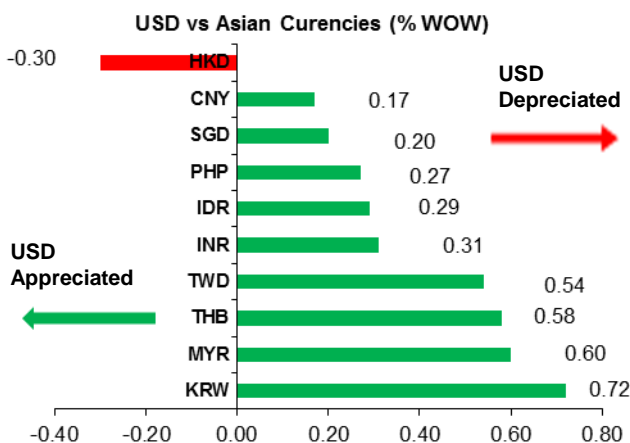
## Forex



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

## Review and Outlook

- **MYR** strengthened 0.59% WOW to 4.1152 against the greenback as Fed Chair Powell delivered guidance that a Fed July rate cut is imminent and warranted. USDMYR traded lower towards 4.13 area before late USD selling pressure forced the pair to close below 4.12 strong support, a multi month low. MYR is now poised to challenge the 4.10 psychological support if momentum sustains with resistance only coming in circa 4.1250 the Ichimoku cloud bottom.
- **USD** lost ground against all G10 currencies as Fed Chair Powell more or less confirms the chances of a July rate cut. The USD index managed to settle at 97.05 as better than expected US inflation data and a poor UST 30y auction causes the DXY to pare back some losses. The technical picture still remains bearish with short term resistance coming in circa 97.10 area the Ichimoku cloud bottom.
- **EUR**: EUR gained 0.36% WOW to 1.1254 in line with broad USD weakness as Fed Chair Powell guided markets on a almost certain July rate cut. EUR did however pare back some gains as there was some volatility due to better than expected US inflation data but still looks poised to challenge short term resistance at 1.1300 and targets back 1.1400 where the better resistance level sits.
- **GBP**: GBP gained marginally by 0.05% WOW to 1.2521 against the USD. GBP managed to bounce back from 1.2430 multi year lows on a dovish Fed Chair Powell and looks set to continue to gain against the USD in line with the broader market. In the more medium term, the GBP is likely to continue to be under pressure as UK leadership drama continues amid Brexit woes.
- **JPY**: JPY gained 0.20% WOW to 108.50 as there was some volatility in UST yields due to a dovish Fed Powell vs unexpectedly stronger US inflationary data coupled with a poor UST 30y auction. In the more medium term, the lower trend for USDJPY still persists with the Ichimoku cloud bottom serving as a moving short term resistance circa 108.80.
- **AUD**: AUD ended 0.03% stronger WOW at 0.6974 as relatively lighter positioning pre-Powell speech led to investors adding on risk after the fact that Powell more or less confirmed a July rate cut. AUD bulls propelled AUD past Ichimoku cloud bottom resistance and looks set to target back 0.7050 area. In the more medium term, we look towards US-China trade talk outcomes to provide directional cues as AUD continues to trade within the broad 0.6850-0.7050 range.
- **SGD**: SGD ended stronger by 0.20% WOW against the USD at 1.3572 in line with bearish USD across the board. Pair seems to be subjected to some headline volatility as US inflation data surprised slightly to the upside. As mentioned previously, the pair looks set to target YTD lows circa 1.3450 if USD weakness theme sustains with short term resistances capping around 1.3600 and 1.3635.

### Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1262	49.1830	1.1158	1.1414	1.1282	1.1255	1.1325	Negative
GBPUSD	1.2536	40.1520	1.2437	1.2774	1.2632	1.2905	1.2891	Neutral
USDJPY	108.4000	50.0550	107.0500	109.0500	108.1600	110.0900	110.7800	Negative
USDCNY	6.8713	47.2280	6.8457	6.9132	6.8911	6.7979	6.8365	Neutral
USDSGD	1.3583	45.8840	1.3490	1.3671	1.3607	1.3603	1.3640	Positive
AUDUSD	0.6985	53.1160	0.6865	0.7056	0.6959	0.7023	0.7092	Neutral
NZDUSD	0.6670	56.2470	0.6514	0.6753	0.6620	0.6682	0.6715	Neutral
USDMYR	4.1100	30.2500	4.1084	4.1777	4.1525	4.1243	4.1367	Negative
EURMYR	4.6287	30.4440	4.6224	4.7306	4.6817	4.6462	4.6949	Negative
GBPMYR	5.1521	22.5740	5.1411	5.3085	5.2459	5.3291	5.3408	Negative
JPYMYR	3.7917	38.3870	3.7907	3.8813	3.8387	3.7464	3.7299	Neutral
CHFMYR	4.1520	38.2190	4.1420	4.2596	4.1997	4.1265	4.1463	Neutral
SGDMYR	3.0259	26.4700	3.0324	3.0687	3.0494	3.0341	3.0326	Negative
AUDMYR	2.8706	40.1920	2.8559	2.9110	2.8879	2.9003	2.9377	Negative
NZDMYR	2.7411	46.4410	2.7129	2.7831	2.7458	2.7614	2.7751	Negative

### Trader's Comment:

DXY retreated from high of 97.59 to trade at 97.00 level post Jerome Powell's speech which hinted an imminent rate cuts. However, higher-than-expected US inflation rates casted doubts on how aggressive the Fed could be with rate cuts, easing negative sentiment toward the Dollar; 10-yr UST also traded higher at 2.13% level.

EUR/USD declined from the peak of 1.1286 to trade at 1.1260, erasing gains on Thursday. Technical indicators continued to point towards weakening trends. Closer to home, significantly lower-than-expected Singapore GDP gave added boost to the USD/SGD pair to trade at a high of 1.3588 level from the low of 1.3544 on Thursday. Consequently, SGD/MYR pair also traded at multi month's low of 3.0250.

Locally, BNM stood pat and left the OPR unchanged at 3.00% and maintained a neutral tone as BNM remained optimistic that domestic demand will continue to support Malaysian economy growth. We believe inflow of foreign funds will continue to boost demand for Ringgit in short term. USDMYR traded at lower range of 4.1080 – 4.1450 for the week; we expect the pair to trade at the range of 4.0900 – 4.1300 in the coming week.

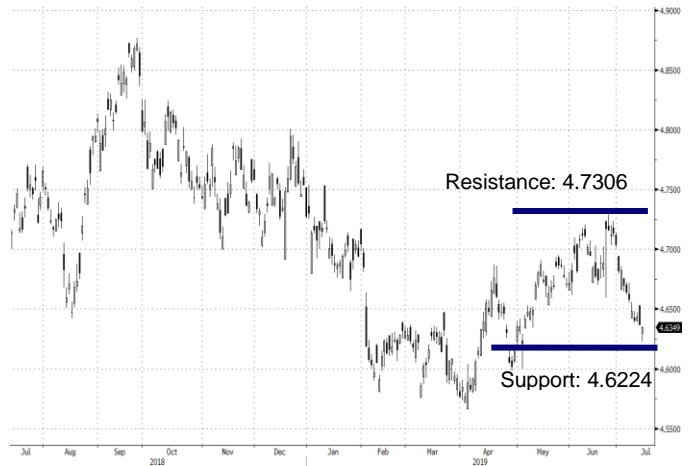
Technical Charts

**USDMYR**



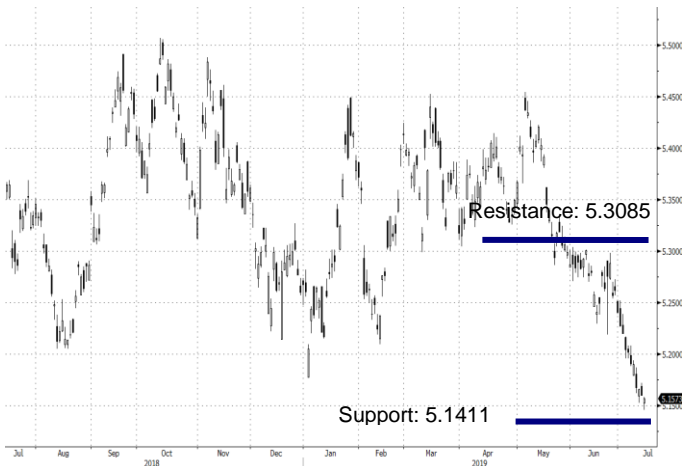
Source: Bloomberg

**EURMYR**



Source: Bloomberg

**GBPMYR**



Source: Bloomberg

**JPYMYR**



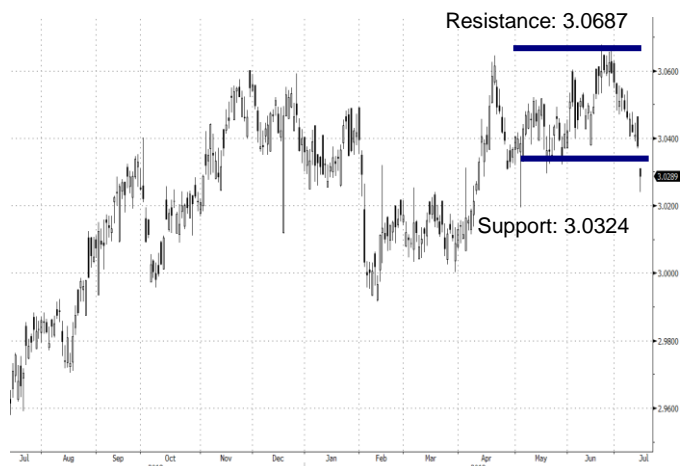
Source: Bloomberg

**AUDMYR**



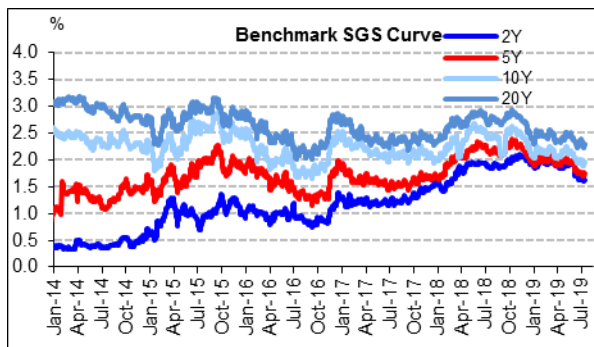
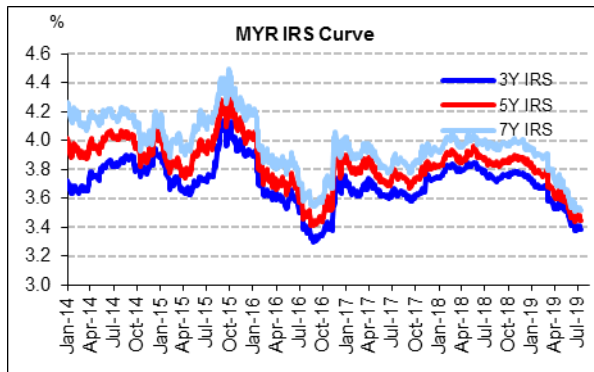
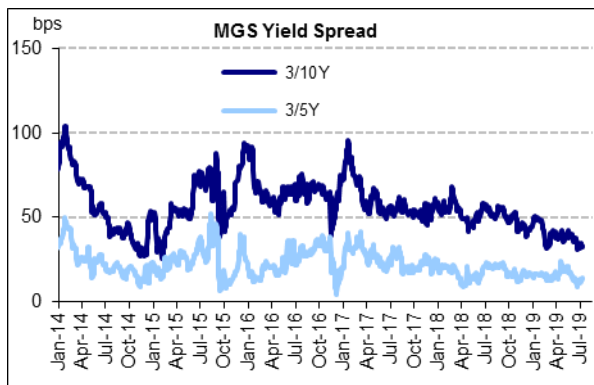
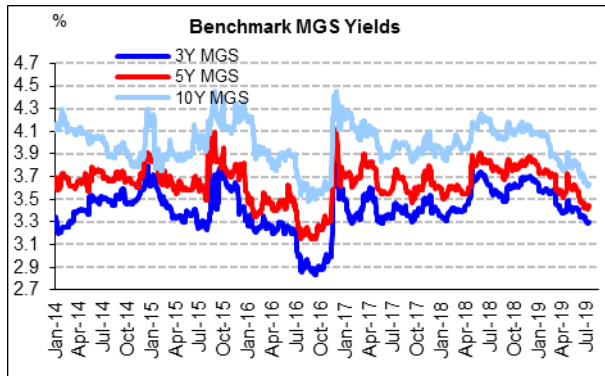
Source: Bloomberg

**SGDMYR**



Source: Bloomberg

## Fixed Income



## Review & Outlook

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- Corporate bonds/sukuk saw solid secondary market interest w-o-w with investor interest spilling across from the GG-segment to the AAA-AA part of the curve as yields continued to decline. There were no significant corporate news save for the potential restructuring of Maju Holding's unit ie Bright Focus Bhd which holds the concession for the 26km MEX highway. Total market volume improved to RM3.98b versus prior week's RM3.24b. The top three (3) trades for the week under review involved Govt-guaranteed (GG) issues again. DANAINFRA 4/26 topped the weekly volume closing 2bps lower at 3.58% followed by airline leasing arm, Turus Pesawat Sdn Bhd 2/25 which edged 1bps lower to bps to 3.72% levels. The third highest volume was generated by DANAINFRA 11/24 bonds which rallied 16bps to 3.51%. The prominent new issuances during the week involved CIMB Thai's AA3-rated 29NC24 papers amounting to RM550m with a coupon of 4.15%.
- The SGS (govies) curve steepened up to 10Y with overall benchmark yields mostly lower between 1-6bps save for the 10Y. The 2Y bucked the UST 2Y as it moved 6bps lower at 1.66% levels whilst the 5Y and 10Y however moved within a 7bps range whilst diverging to close -1bps to 1.69% and +2bps to 1.91% levels respectively. The ongoing global trade war and signs of weaker economic growth has caused a contraction in exports and factory outputs; possibly pointing to a downside risk to GDP, which was seen materializing with the advance 2Q GDP reading coming to a near halt at 0.1% YOY (1Q: +1.1% YOY revised). Growth indeed contracted by a whopping 3.4% QOQ, almost wiping off the 3.8% QOQ growth in 1Q. Nevertheless borrowing costs in Singapore has come off line with US rates which is seen to easing policy rates. Separately, UOB (rated AA/Stable) has successfully sold S\$750m of Perps NC7 AT1 3.58% rated BBB by Fitch. Meanwhile Heeton Holdings Ltd has mandated OCBC for a to carry out a series of investor road-shows for a potential SGD bond issuance.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Sasaran Etika Sdn Bhd	RM220 million Fixed-Rate Serial Bonds (2012/2027)	AA1/Stable	Reaffirmed
MEX II Sdn Bhd	RM1.3 billion Sukuk Murabahah Programme (Sukuk Murabahah)	AA-IS	Affirmed
	RM150 million Junior Bonds issuance (JuniorBonds)	A-	Affirmed
Danajamin Nasional Berhad	Insurer Financial Strength	AAA/Stable/P1	Reaffirmed
Encorp Systembilt Sdn Bhd	RM1.575 bil Sukuk Murabahah	AA1/Stable	Reaffirmed
Westports Malaysia Sdn Bhd	RM2.0 billion Sukuk Musharakah Programme	AA+IS	Affirmed
Bank Muamalat Malaysia Berhad	Financial Institution ratings	A2/Stable/P1	Reaffirmed
	RM1 billion Subordinated Sukuk Murabahah Programme (2016/2036)	A3/Stable	Reaffirmed

Source: RAM; MARC



## Economic Calendar

Date	Country	Event	Reporting Period	Survey	Prior	Revised
22/07	Malaysia	Foreign Reserves	Jul-15	--	\$102.7b	--
24/07		CPI YOY	Jun	--	0.2%	--
15/07	US	Empire Manufacturing	Jul	2.0	-8.6	--
16/07		Import Price Index MOM	Jun	-0.2%	-0.3%	--
		Retail Sales Advance MOM	Jun	0.2%	0.5%	--
		Industrial Production MOM	Jun	0.1%	0.4%	--
		NAHB Housing Market Index	Jul	64.0	64.0	--
17/07		MBA Mortgage Applications	Jul-12	--	-2.4%	--
		Housing Starts MOM	Jun	-0.7%	-0.9%	--
		Building Permits MOM	Jun	0.1%	0.3%	0.7%
18/07		U.S. Federal Reserve Releases Beige Book				
		Philadelphia Fed Business Outlook	Jul	5.0	0.3	--
		Initial Jobless Claims	Jul-13	--	209k	--
		Leading Index	Jun	0.1%	0.0%	--
19/07		U. of Mich. Sentiment	Jul P	98.4	98.2	--
22/07		Chicago Fed Nat Activity Index	Jun	--	-0.05	--
23/07		FHFA House Price Index MOM	May	--	0.4%	--
		Richmond Fed Manuf. Index	Jul	--	3	--
		Existing Home Sales MOM	Jun	0.2%	2.5%	--
24/07		MBA Mortgage Applications	Jul-19	--	--	--
		Markit US Manufacturing PMI	Jul P	--	50.6	--
		Markit US Services PMI	Jul P	--	51.5	--
		New Home Sales MOM	Jun	4.6%	-7.8%	--
25/07		Wholesale Inventories MOM	Jun P	--	0.4%	--
		Durable Goods Orders	Jun P	0.5%	-1.3%	--
		Initial Jobless Claims	Jul-20	--	--	--
		Cap Goods Orders Nondef Ex Air	Jun P	--	0.5%	--
		Kansas City Fed Manf. Activity	Jul	--	0.0	--
26/07		GDP Annualized QOQ	2Q A	2.3%	3.1%	--
16/07	Eurozone	Trade Balance SA	May	--	15.3b	--
		ZEW Survey Expectations	Jul	--	-20.2	--
17/07		Construction Output MOM	May	--	-0.8%	--
		CPI Core YOY	Jun F	1.1%	0.8%	--
		CPI YOY	Jun F	1.2%	1.2%	--
23/07		Consumer Confidence	Jul A	--	-7.2	--
24/07		Markit Eurozone Manufacturing PMI	Jul P	--	47.6	--
		Markit Eurozone Services PMI	Jul P	--	53.6	--
25/07		ECB Main Refinancing Rate	Jul-25	--	0.0%	--
15/07	UK	Rightmove House Prices YOY	Jul	--	0.0%	--
16/07		Average Weekly Earnings 3M/YOY	May	3.1%	3.1%	--
		ILO Unemployment Rate 3Mths	May	3.8%	3.8%	--
		Employment Change 3M/3M	May	--	32k	--
17/07		CPI YOY	Jun	2.0%	2.0%	--
		PPI Output NSA YOY	Jun	1.7%	1.8%	--
18/07		Retail Sales Inc Auto Fuel MOM	Jun	-0.3%	-0.5%	--

23/07		CBI Trends Total Orders	Jul	--	-15.0	--
28/07		Nationwide House Px NSA YOY	Jul	--	0.50%	--
18/07	Japan	Trade Balance	Jun	¥401.9b	¥967.1b	¥968.3b
		Exports YOY	Jun	-5.5%	-7.8%	--
19/07		Natl CPI YOY	Jun	0.7%	0.7%	--
		Natl CPI Ex Fresh Food YOY	Jun	0.6%	0.8%	--
		All Industry Activity Index MOM	May	0.3%	0.9%	--
23/07		Machine Tool Orders YOY	Jun F	--	-38.0%	--
24/07		Jibun Bank Japan PMI Mfg	Jul P	--	49.3	--
15/07	China	Fixed Assets Ex Rural YTD YOY	Jun	5.6%	5.6%	--
		Industrial Production YOY	Jun	5.2%	5.0%	--
		Retail Sales YOY	Jun	8.5%	8.6%	--
		GDP YOY	2Q	6.2%	6.4%	--
27/07		Industrial Profits YOY	Jun	--	1.1%	--
22/07	Hong Kong	CPI Composite YOY	Jun	--	2.8%	--
25/07		Exports YOY	Jun	--	-2.4%	--
		Trade Balance HKD	Jun	--	-34.7b	--
17/07	Singapore	Non-oil Domestic Exports YOY	Jun	-9.1%	-15.9%	--
23/07		CPI YOY	Jun	--	0.9%	--
26/07		Industrial Production YOY	Jun	--	-2.4%	--
16/07	Australia	RBA Minutes of July Policy Meeting				
17/07		Westpac Leading Index MOM	Jun	--	-0.08%	--
18/07		Employment Change	Jun	10.0k	42.3k	--
		Unemployment Rate	Jun	5.2%	5.2%	--
		NAB Business Confidence	2Q	--	-1.0	--
15/07	New Zealand	Performance Services Index	Jun	--	53.6	--
16/07		CPI YOY	2Q	1.7%	1.5%	--
24/07		Trade Balance NZD	Jun	--	264m	--
		Exports NZD	Jun	--	5.81b	--
25-31/07	Vietnam	CPI YOY	Jul	--	2.2%	--
		Industrial Production YOY	Jul	--	9.6%	--
		Retail Sales YTD YOY	Jul	--	11.5%	--
		Exports YOY	Jul	--	8.5%	--
		Trade Balance	Jul	--	\$400m	--

Source: Bloomberg

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