

Global Markets Research

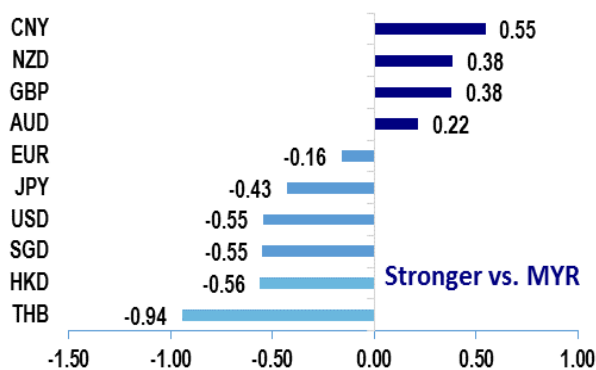
Weekly Market Highlights

Weekly Performance

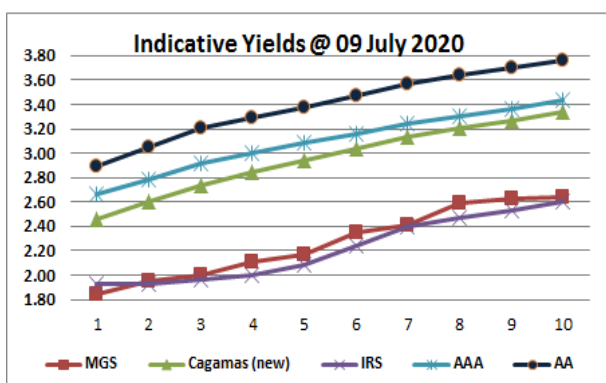
	Macro	Currency	Equity	10-y Govt Bond Yields
US	↑	↓	↓	↓
EU	↑	↑	↓	↓
UK	↑	↑	↓	↓
Japan	↔	↑	↑	↓
Malaysia	↑	↑	↑	↓
China	↑	↑	↑	↑
Hong Kong	↑	↔	↓	↓
Singapore	↔	↑	↔	↑

Weekly MYR Performance

MYR vs. Major Currencies (% WOW)



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- US stocks swung between gains and losses this week amid volatile sentiment as markets weighed recovery in economic data and continuous surge in Covid-19 cases in the US. Nonetheless, stocks remained broadly in positive territory with NASDAQ outperforming both the Dow and S&P500. Week-to-date, NASDAQ was 3.3% higher, settling at yet another record closing. Meanwhile, the Dow was 0.5% lower and the S&P500 managed to eke out a 0.7% gain. Looking at other asset classes, gold price hit 8-year high; Thursday's retreat still leave it at a week-to-date gain of 1.8%. Oil prices retraced last week gain, losing more than 1% as of Thursday. On the local front, Bank Negara made a surprise OPR cut of 25bps, its fourth consecutive reduction. The RBA meanwhile held cash rate steady.
- Economic data continued to recover in most of the countries. For instance, US ISM Non-manufacturing index managed to break past 50 in June and initial jobless claims were also lower. In the week ahead, attentions turned to the ECB and BOJ; both central banks are expected to maintain their policy stances. China 2Q GDP, industrial production and retail sales are expected to set market tones. US CPI, retail sales and industrial production are also in the data pipeline, offering insights of the post-lockdown economy.

Forex

- MYR:** The ringgit strengthened modestly against the USD this week despite BNM delivered a surprise OPR cut and called for more uncertain growth outlook. As of writing, USDMYR is trading at 4.2685, a tad stronger compared to Thursday's closing as a change in sentiment works in favour of broad dollar ahead of the weekend. In the week ahead, **we see USDMYR moving on a neutral note**, potentially swinging between minor gains and losses in response to volatile sentiment, barring from any major fundamental factor such as the escalation of US-China tensions. The pair should sit comfortably within 4.25- 4.29 in our view.
- USD:** The dollar weakened against major currencies this week. GBP led the gains with a surge of more than 1% on a weekly basis, thanks to the government's new fiscal plan to support the job market. DXY fell 0.64% compared to last Thursday, extending its weekly losing streak to third consecutive week. While sentiment is fragile, the general view is that the US would not re-enter any second lockdown even as cases surge in the country. This is further supported by positive economic data. In the week ahead, the dollar is expected to be driven by US first tiered data namely retail sales and CPI as well as the ECB's monetary policy decision. **We see DXY staying neutral to bearish but holding above 96.5** barring from any major surprise to US data.

Fixed Income

- The week under review saw US Treasuries saw a relatively stable week with save-haven bids making its mark felt following ongoing worries over the resurgence of COVID-19 infections. **Overall yields closed 0-10bps lower; as the far-end of the curve flattened.** The 2Y benchmark; reflective of interest rate predictions ended unchanged at 0.15% whilst the much-watched 10Y (which traded within a wider 0.59%-0.68% range); rallied 6bps to 0.61%. There were smiles all around as the auctions of \$46b of 3Y notes, \$29b of 10Y bonds and also \$19b of 30Y bonds saw strong bidding metrics of between 2.44-2.62x as yields were awarded lower than previous auctions. The Fed's holdings of bonds and other assets shrank for the 4th straight week to just below \$7 trillion; mainly due to the fall in the balance of outstanding repos as banks were not seen tapping the Fed for this source of short-term funding. Expect some attention to shift to the upcoming PPI and CPI numbers for June.
- Local govvnies saw a stupendous week of trading activity as yields fell sharply following BNM's OPR cut of 25bps on Tuesday. **Overall benchmark MGS/GII yields closed between 14-25bps lower; as the curve shifted sharply lower.** Interest was seen across the curve with emphasis in the off-the-run 21's and also benchmark 3Y, 10Y MGS/GII. The 5Y MGS 6/24 rallied 22bps to 2.17 levels whilst the 10Y benchmark MGS 8/29 declined sharply by 23bps to close at 2.63%. Weekly volume jumped ~16% to RM32.2b versus prior week's RM27.7b. GII bond trades maintained to form 40% of overall trades. Traders are seen expecting further support for MYR bonds with a view for potential further easing later this year. Investors shrugged off earlier supply concerns from recent additional economic stimulus package and rating outlook downgrade by S&P Global Ratings and Fitch Ratings. Expect some profit-taking activities to emerge next week following the strong rally seen.

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Macroeconomics

6-month Macro Outlook

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

The Week in Review

- US stocks swung between gains and losses this week amid volatile sentiment as markets weighed recovery in economic data and continuous surge in Covid-19 cases in the US. Nonetheless, stocks remained broadly in positive territory with NASDAQ outperforming both the Dow and S&P500. Week-to-date, NASDAQ was 3.3% higher, settling at yet another record closing. Meanwhile, the Dow was 0.5% lower and the S&P500 managed to eke out a 0.7% gain. Looking at other asset classes, gold price hit 8-year high; Thursday's retreat still leave it at a week-to-date gain of 1.8%. Oil prices retraced last week gain, losing more than 1% as of Thursday.
- On the local front, Bank Negara made a surprise OPR cut of 25bps, its fourth consecutive reduction. The RBA meanwhile held cash rate steady. Data are scanty in the US but continued to recover, the ISM Non-manufacturing Index rose sharply to 57.1 in June while the Markit Services PMI was revised higher to 47.9. Initial jobless claims were lower at 1.3mil. Continuous claims fell to 18.06mil, indicating that the labour market stabilised further. In Europe, the Sentix Investor Confidence Index picked up to -18.2, retail sales jumped nearly 18%. In the UK, the RICS House Price Index improved to -15% from -32%.
- Japanese data were mixed. Household spending fell 16.2% and cash earnings 2.1% was lower. Leading index points to more positive outlook although current condition is worsening. On the other hand, the Economic Watcher Survey showed increases in both outlook and current condition indexes. Core machine orders, and machines tools orders recovered.
- China consumer inflation eased to 2.5% and PPI deflation fell to 3% in June. Hong Kong private sector economy PMI moves to 49.6, nearing stabilisation. Down under, Australia home loan approvals saw a record drop of 11.6% and the AiG services PMI was little changed, New Zealand retail card spending extended gains with a 16.3% increase. Malaysia industrial production and wholesale & retail trade data for May showed some recovery MOM but continued double-digit YOY decline reaffirm our expectations for a steep contraction in 2Q GDP.

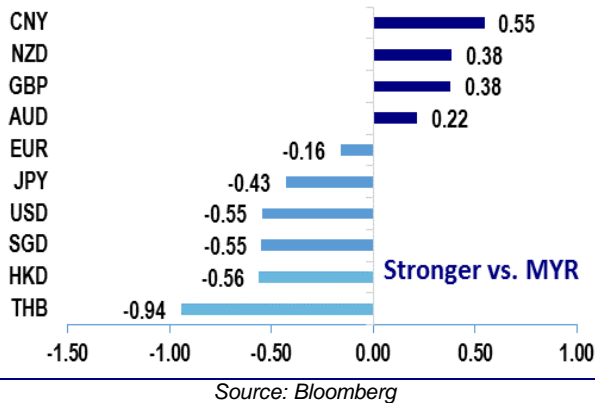
The Week Ahead

- Major data releases are slated on Tuesday onwards, with key highlights being US CPI and the NFIB Small Business Optimism Index., Eurozone industrial production as well as the German ZEW Expectations survey. On the same day, UK monthly GDP will also be released alongside industrial production, unemployment rate and goods trade balance. In Asia, Japan industrial production, China trade data, and Singapore GDP are under the spotlight.
- Moving on to Wednesday, the BOJ is expected to announce its monetary policy decision and the odds are that it would maintain the current policy. US industrial production, NY Fed Manufacturing Index and import prices and UK CPI are due on the same day.
- Thursday is expected to be busy. The main event is the ECB's Governing Council Meeting and President Lagarde's press conference. We do not expect any changes to the central bank's policy stance. Prior to that, markets would fixate on China's 2Q GDP growth and a slew of key economic indicators. Other than that, Australia job report and New Zealand CPI are also in the calendar. In the US, the Federal Reserve is expected to publish the Beige Book. The retail sales data for June would be of huge interest to markets and economists alike to assess a more thorough and normalized impact of the pandemic on the American retail sector. Initial jobless claims, NAHB Housing Market Index and the Philly Fed manufacturing survey are US market drivers.
- Lastly on Friday, attention turns to US homebuilding data, Eurozone HICP inflation and in Asia, Singapore NODX.

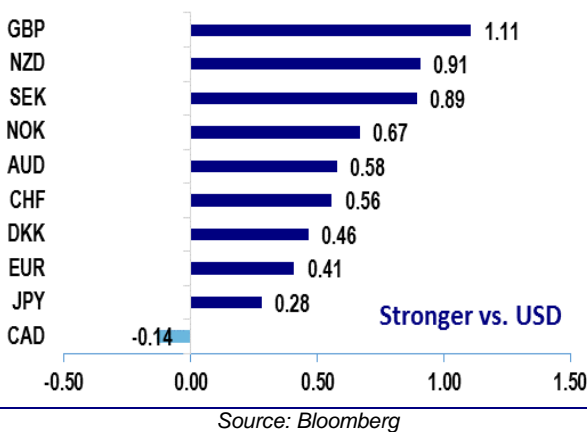
Forex

Review and Outlook

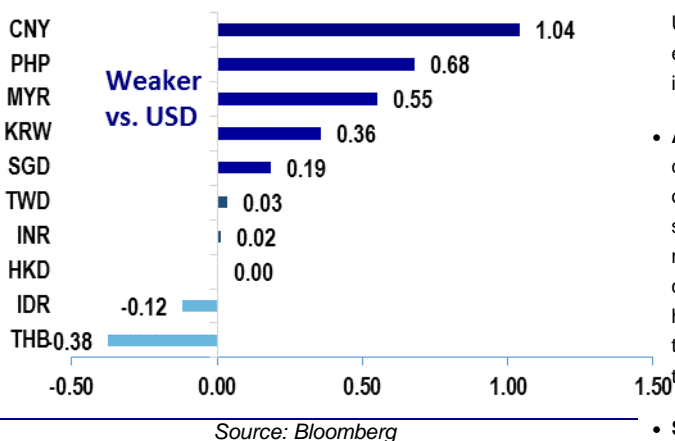
MYR vs. Major Currencies (% WOW)



USD vs. G10 Currencies (% WOW)



USD vs Asian Currencies (% WOW)



- MYR:** The ringgit strengthened modestly against the USD this week despite BNM delivered a surprise OPR cut and called for more uncertain growth outlook. As of writing, USDMYR is trading at 4.2685, a tad stronger compared to Thursday's closing as a change in sentiment works in favour of broad dollar ahead of the weekend. In the week ahead, we see USDMYR moving on a neutral note, potentially swinging between minor gains and losses in response to volatile sentiment, barring from any major fundamental factor such as the escalation of US-China tensions. The pair should sit comfortably within 4.25- 4.29 in our view.

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- EUR:** The euro gained a mere 0.41% against the USD, a smaller gain compared to other majors. The single currency had initially managed to break above 1.13 this week only to be sent down on Thursday at 1.1285 and is seen sliding further to 1.1274 as of writing. Momentum has turned neutral in our view just ahead of the weekend. We are neutral EUR/USD for the following week as the pair is very much data driven and markets are also anticipating the ECB's Governing Council meeting and President Lagarde's press conference.

- GBP:** Pound was the top gainer this week, boosted by the UK government's £30b fiscal plan to support the labour market. WOW, GBP gained 1.1% after closing at 1.2606 on Thursday. Momentum remain strong for GBP but the renewed risk-off mood is working against it. The pair has slipped below 1.26 at the moment as US made a minor comeback today. In the week ahead, we see GBPUSD trading rangebound within 1.2550-1.2650 unless there is any major disappointment to UK industrial production and CPI numbers.

- JPY:** The yen recorded a small 0.28% gain against the USD this week amid indecisive market sentiment. On Thursday, USDJPY had closed little changed at the edge of 107. The retreat in sentiment provided a minor boost to JPY pushing USDJPY down to 106.95 at the moment. We are still neutral on JPY next week, expecting the pair to stay comfortably within 106-108. Any diversion from the range is unlikely in the short term.

- AUD:** The Aussie dollar gained 0.58% against the USD this week after the RBA held cash rate steady. The pair closed at 0.6964 on Thursday. The RBA has turned more optimistic over growth outlook but highlighted uncertainty. The pair's outlook is subject to the new lockdown imposed in Melbourne and parts of Victoria not to mention, China's GDP data and Australia job report next week. The recent fall in crude oil prices could also threaten Aussie's gain. We continue to see 0.70 as a huge resistance. There are still chances of a consolidation may continue given that the pair remains above its moving averages, some return to 0.67 levels is possible if there is a huge retreat in risk sentiment.

- SGD:** SGD posted a tiny 0.19% gain against the USD this week, staying at circa 1.39 ahead of today's election. Singapore's GDP data is due on coming Monday. Other than that SGD is also subject to China's GDP reading. Momentum upwards looks limited for now, with psychological 1.4000 big figure resistance holding up.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1272	54.5660	1.1181	1.1335	1.1263	1.1041	1.1050	Negative
GBPUSD	1.2583	57.2220	1.2299	1.2664	1.2528	1.2437	1.2699	Negative
USDJPY	106.9400	42.9670	106.6100	107.8500	107.5400	107.6700	108.4000	Neutral
USDCNY	7.0061	32.5670	6.9968	7.1196	7.0731	7.0596	7.0399	Positive
USDSGD	1.3944	47.1710	1.3904	1.3964	1.3937	1.4106	1.3869	Neutral
AUDUSD	0.6932	56.6810	0.6829	0.6989	0.6914	0.6527	0.6677	Negative
NZDUSD	0.6550	63.3390	0.6373	0.6591	0.6473	0.6189	0.6337	Negative
USDMYR	4.2688	42.3740	4.2640	4.2926	4.2784	4.2986	4.2215	Neutral
EURMYR	4.8115	50.6850	4.7884	4.8452	4.8158	4.7411	4.6630	Negative
GBPMYR	5.3714	53.8730	5.2715	5.4082	5.3530	5.3627	5.3525	Negative
JPYMYR	3.9915	50.3050	3.9659	4.0129	3.9818	3.9879	3.8982	Neutral
CHFMYR	4.5332	54.8790	4.4885	4.5531	4.5081	4.4695	4.3402	Neutral
SGDMYR	3.0615	44.5730	3.0588	3.0836	3.0686	3.0502	3.0450	Neutral
AUDMYR	2.9593	55.0770	2.9242	2.9862	2.9506	2.8069	2.8181	Negative
NZDMYR	2.7959	61.9330	2.7319	2.8116	2.7613	2.6646	2.6725	Negative

Trader's Comment:

US non-manufacturing PMI data released on Monday night printed a large upside surprise, reflecting improvements in May-June activities as states reopened. However virus growth increased later in the month and reopening plans were stalled, so expect future data to moderate. USD has been weak all week; DXY started off at 97.20 and has been consistently sold on rallies, to a low of 96.25 before retracing to 96.85 as of writing. US stocks were down 2-3% for the week while treasuries rallied. 10y UST yields peaked above 0.7000 briefly before rallying to 0.6000 and currently trades around 0.6100. Gold too rallied massively and surpassed the 1800 mark, a level last seen in Nov 2011. Crude traded in a mild 40-41 range for most of the week before dropping to 39.30.

Elsewhere, China appears to have seen some huge equity inflows as SHCOMP rose 8% this week. CNH rallied from 7.0700 at beginning of week to slightly below 6.9800 before retreating to 7.0000 as of now. Most of Asia tagged along. Singapore is having their polls today which could be why SGD strength was capped. RBA kept rates on hold as per consensus, but domestic resurgence in virus cases kept a lid on AUD strength. UK introduced a fresh £30 billion stimulus package and a temporary 9-month VAT cut from 20% to 5% for certain sectors, leading GBP to rally 1%.

Locally, USDMYR traded in a still tight but lower 4.2600-4.2840 range for the week. BNM cut rates by a further 25bps as most expected. Govies rallied by up to 20bps across the curve, with better interest in the longer end. Expect USDMYR to hold within 4.2400-4.2900 in the week ahead.

Technical Charts

USDMYR



Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



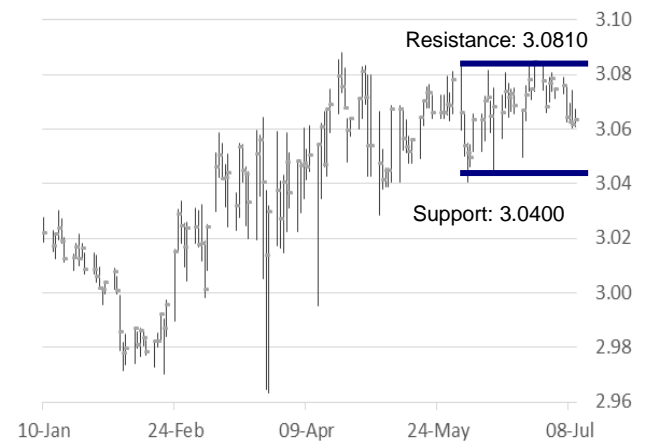
Source: Bloomberg

AUDMYR



Source: Bloomberg

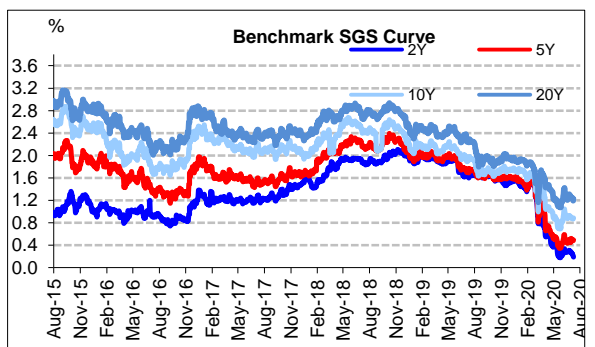
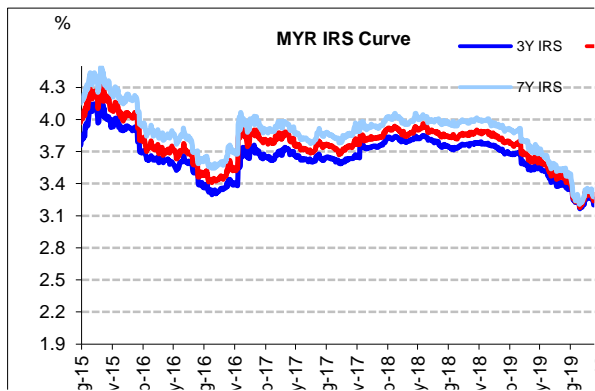
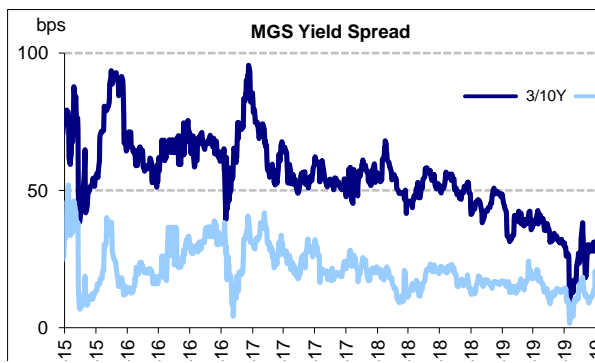
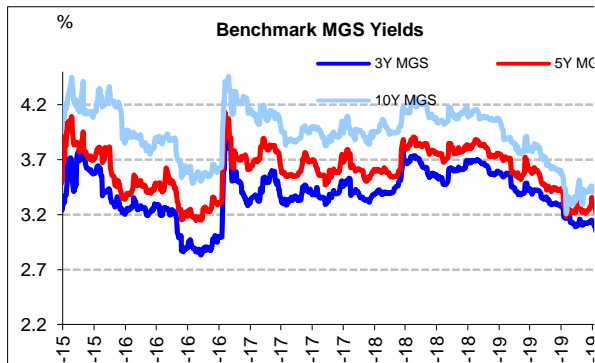
SGDMYR



Source: Bloomberg

Fixed Income

Review & Outlook



- The week under review saw US Treasuries saw a relatively stable week with save-haven bids making its mark felt following ongoing worries over the resurgence of COVID-19 infections. **Overall yields closed 0-10bps lower; as the far-end of the curve flattened.** The 2Y benchmark; reflective of interest rate predictions ended unchanged at 0.15% whilst the much-watched 10Y (which traded within a wider 0.59%-0.68% range); rallied 6bps at 0.61%. There were smiles all around as the auctions of \$46b of 3Y notes, \$29b of 10Y bonds and also \$19b of 30Y bonds saw strong bidding metrics of between 2.44-2.62x as yields were awarded lower than previous auctions. The Fed's holdings of bonds and other assets shrank for the 4th straight week to just below \$7 trillion; mainly due to the fall in the balance of outstanding repos as banks were not seen tapping the Fed for this source of short-term funding. Expect some attention to shift to the upcoming PPI and CPI numbers for June.

- Local govvnies saw a stupendous week of trading activity as yields fell sharply following BNM's OPR cut of 25bps on Tuesday. **Overall benchmark MGS/GII yields closed between 14-25bps lower; as the curve shifted sharply lower.** Interest was seen across the curve with emphasis in the off-the-run 21's and also benchmark 3Y, 10Y MGS/GII. The 5Y MGS 6/24 rallied 22bps at 2.17 levels whilst the 10Y benchmark MGS 8/29 declined sharply by 23bps to close at 2.63%. Weekly volume jumped ~16% to RM32.2b versus prior week's RM27.7b. GII bond trades maintained to form 40% of overall trades. Traders are seen expecting further support for MYR bonds with a view for potential further easing later this year. Investors shrugged off earlier supply concerns from recent additional economic stimulus package and rating outlook downgrade by S&P Global Ratings and Fitch Ratings. Expect some profit-taking activities to emerge next week following the strong rally seen.

- Corporate bonds/Sukuk (including Govt-guaranteed bonds) space was boosted post OPR cut with trades seen across the credit curve. Overall yields closed mostly lower with total weekly market volume spiking to ~RM3.53b versus prior week's volume of RM2.98b. Topping the weekly volume was DANA 11/24 (GG) which rallied a whopping 21bps at 2.45% followed by the 4/25 (GG) tranche which also saw yields fall sharply by 28bps at 2.50%. YTL Corp 4/23 (AA1) was third; declining by 14bps to 3.15%. Interest was mainly seen in DANAINFRA, PRASARANA, LPPSA, KHAZANAH, DANUM, PASB, TELEKOM, EDRA Energy, YTL Power & Coporation, IJM Land, TROPICANA and unrated property-related bonds ie. ECO World. The prominent new issuance for the week was the govt-guaranteed Malaysia Rail Link Sdn Bhd's 10-25 bonds totalling RM2.0b at coupons ranging between of 3.13-4.11%.

- For the week under review, SGS (govvnies) saw the front end of the curve shift lower pivoted at the 10Y as overall benchmark yields declined between 0-8bps; ahead of the upcoming general election. The 2Y rallied 8bps at 0.19% levels whilst the 10Y moved within a tighter 5bps range; with yields closing up within 1bps at 0.88%. Retail sales for May plunged ~52% indicating potential damage from the COVID-19 virus pandemic but the SGD however remains steady ahead of the polls. Nevertheless it is believed that the republic is poised to fund its huge stimulus of ~\$93b via budget surpluses rather than by issuing more debt; thereby helping to provide support for SGS. Expect a relatively quiet week for bonds going forward as private investors digest the recent default of S\$102m 7% Century Sunshine bonds.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
HSBC Bank Malaysia Berhad	Financial Institution rating	AAA/Stable/P1	Reaffirmed
HSBC Amanah Malaysia Berhad	Financial Institution rating	AAA/Stable/P1	Financial Institution rating
Lucida Capital Berhad	Senior Class A MTNs Senior Class B MTNs (collectively, the Senior MTNs) Stand-Alone Class C MTNs	AAA/Stable AA3/Stable AAA/Stable	Reaffirmed

Source: RAM; MARC

Date	Time	Country	Event	Period	Prior
22/07	12:00	Malaysia	CPI YoY	Jun	-2.90%
22/07	15:00		Foreign Reserves	15 Jun	\$103.4b
14/07	18:00	US	NFIB Small Business Optimism	Jun	94.4
	20:30		CPI YoY	Jun	0.1%
15/07	19:00		MBA Mortgage Applications	10 Jul	--
	20:30		Import Price Index YoY	Jun	-6.0%
	20:30		Empire Manufacturing	Jul	-0.2
	21:15		Industrial Production MoM	Jun	1.4%
16/07	02:00		U.S. Federal Reserve Releases Beige Book		
	20:30		Retail Sales Advance MoM	Jun	17.7%
	20:30		Philadelphia Fed Business Outlook	Jul	27.5
	20:30		Initial Jobless Claims	11 Jul	--
	20:30		Continuing Claims	04 Jul	--
	22:00		NAHB Housing Market Index	Jul	58.0
17/07	20:30		Building Permits MoM	Jun	14.4%
	20:30		Housing Starts MoM	Jun	4.3%
	22:00		U. of Mich. Sentiment	Jul P	78.1
21/07	20:30		Chicago Fed Nat Activity Index	Jun	2.61
22/07	19:00		MBA Mortgage Applications	17 Jun	--
	21:00		FHFA House Price Index MoM	May	0.20%
	22:00		Existing Home Sales	Jun	3.91m
	22:00		Existing Home Sales MoM	Jun	-9.70%
23/07	20:30		Initial Jobless Claims	18 Jun	--
	22:00		Leading Index	Jun	2.80%
	23:00		Kansas City Fed Manf. Activity	Jul	1
24/07	21:45		Markit US Manufacturing PMI	Jul P	49.8
	21:45		Markit US Services PMI	Jul P	47.9
	22:00		New Home Sales MoM	Jun	16.60%
14/07	17:00	Eurozone	Industrial Production SA MoM	May	-17.1%
	17:00		ZEW Survey Expectations	Jul	58.6
16/07	17:00		Trade Balance SA	May	1.2b
	19:45		ECB Deposit Facility Rate	16 Jul	-0.5%
17/07	17:00		CPI YoY	Jun F	0.1%
23/07	22:00		Consumer Confidence	Jul A	-14.7
24/07	16:00		Markit Eurozone Manufacturing PMI	Jul P	47.4
	16:00		Markit Eurozone Services PMI	Jul P	48.3
14/07	14:00	UK	Monthly GDP (MoM)	May	-20.4%
	14:00		Industrial Production MoM	May	-20.3%
	14:00		Visible Trade Balance GBP/Mn	May	-£7490m
	14:00		ILO Unemployment Rate 3Mths	May	3.9%
	14:00		Employment Change 3M/3M	May	6k
15/07	14:00		CPI YoY	Jun	0.5%
16-20/07	NA		GfK Consumer Confidence	Jul P	--
24/07	07:01		GfK Consumer Confidence	Jul P	-27
	14:00		Retail Sales Inc Auto Fuel MoM	Jun	12.00%
	16:30		Markit UK PMI Manufacturing SA	Jul P	50.1
	16:30		Markit/CIPS UK Services PMI	Jul P	47.1
20/07	07:01		Rightmove House Prices YoY	Jul	--
14/07	12:30	Japan	Industrial Production YoY	May F	-25.9%
15/07	00:00		BOJ Policy Balance Rate	15 Jul	-0.1%
20/07	07:50		Trade Balance	Jun	-¥833.4b
	07:50		Exports YoY	Jun	-28.30%
21/07	07:30		Natl CPI Ex Fresh Food YoY	Jun	-0.20%
	14:00		Machine Tool Orders YoY	Jun F	--
22/07	08:30		Jibun Bank Japan PMI Mfg	Jul P	40.1
	08:30		Jibun Bank Japan PMI Services	Jul P	45
21/07	16:30	Hong Kong	CPI Composite YoY	Jun	1.50%
14/07	00:00	China	Exports YoY	Jun	-3.3%
	00:00		Imports YoY	Jun	-16.7%
	00:00		Trade Balance	Jun	\$62.93b
16/07	10:00		Industrial Production YoY	Jun	4.4%
	10:00		GDP YoY	2Q	-6.8%
	10:00		Retail Sales YoY	Jun	-2.8%
	10:00		Fixed Assets Ex Rural YTD YoY	Jun	-6.3%
20/07	09:30		1-Year Loan Prime Rate	20 Jun	3.85%
14/07	NA	Singapore	GDP YoY	2Q A	-0.7%
17/07	08:30		Non-oil Domestic Exports YoY	Jun	-4.5%

23/07	13:00		CPI YoY	Jun	-0.80%
24/07	13:00		Industrial Production YoY	Jun	-7.40%
14/07	09:30	Australia	NAB Business Confidence	Jun	-20.0
15/07	08:30		Westpac Consumer Conf Index	Jul	93.7
16/07	09:30		Unemployment Rate	Jun	7.1%
	09:30		Employment Change	Jun	-227.7k
21/07	09:30		RBA Minutes of Jul. Policy Meeting		
22/07	08:30		Westpac Leading Index MoM	Jun	0.19%
			ABS Australia Preliminary June Retail Sales		
23/07	09:30		NAB Business Confidence	2Q	-11
16/07	06:45	New Zealand	CPI YoY	2Q	2.5%
17/07	06:30		BusinessNZ Manufacturing PMI	Jun	39.7
20/07	06:30		Performance Services Index	Jun	37.2
21/07	11:00		Credit Card Spending MoM	Jun	54.30%
24/07	06:45		Exports NZD	Jun	5.39b
	06:45		Trade Balance 12 Mth YTD NZD	Jun	-1327m

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hbb.hongleong.com.my**DISCLAIMER**

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