

Global Markets Research

Daily Market Highlights

Jeff Ng

Senior Treasury Strategist

jeffng@hlbank.com.sg

11-Aug: Slow Recovery

- Singapore’s GDP print highlighted a slow recovery ahead, as final 2Q GDP print remained grim
- US stocks was mixed overnight, as markets continued to eye progress on stimulus deal
- The dollar is now in a consolidative mode, as EUR and AUD pulled back from highs

Market Pulse

US stocks kicked off the week on a mixed note. Main indices gained slightly while tech stocks fell. Gains were led by the energy and industrial sectors. Investors continued to eye a potential stimulus deal at Capitol Hill after Trump signed four executive orders over the weekend to extend aids to the unemployed, and were unfazed by China’s sanction of 11 American individuals. European equities closed higher while Asian markets saw mixed performances. Futures show that Asian stocks are expected to open on a muted note today.

Treasury yields increased slightly (0.2-2bps) along the curve overnight. The US 10Y UST yield rose by 1bps to 0.576%. Gold futures rebounded by 0.7% to \$2,024.4/ounce. Crude prices rallied. The dollar strengthened for the second day, as most G10 currencies weakened.

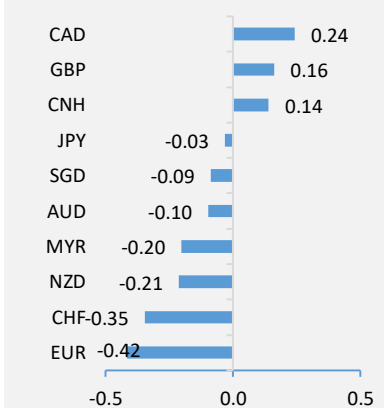
Singapore’s final GDP print was worse than advance estimates. Growth contracted by 13.2% YOY (advance: -12.6%). The result showed the challenging outlook for Singapore in the months ahead as the outlook stays grim. A recovery is likely under way in 2H but faces many headwinds (e.g. poor external demand).

Data-wise, the Eurozone’s Sentix investor confidence index improved in July, still staying grim in the process. China’s inflation accelerated with a 2.7% YOY increase, while producer prices fell at a slower pace of -204% YOY.

Key Market Metrics

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,386.98	0.68	-4.03
S&P 500	3,349.16	0.64	3.66
FTSE 100	6,026.94	-1.27	-20.09
Hang Seng	24,930.58	-0.69	-11.56
KLCI	1,588.57	1.30	-0.01
STI	2,559.10	1.04	-20.59
Dollar Index	92.79	-0.1	-3.7
WTI oil (\$/bbl)	41.95	-0.05	-31.30
Brent oil (\$/bbl)	45.09	-0.18	-31.68
Gold (\$/oz)	2,063.54	1.25	36.49

Daily FX Changes vs. USD (%)



Source: Bloomberg, HL Bank

Up Next

Event	Prior
US PPI Final Demand MoM (Jul)	-0.20%
US NFIB Small Business Optimism (Jul)	100.6
EZ ZEW Survey Expectations (Aug)	59.6
UK Jobless Claims Change (Jul)	-28.1k
UK Average Weekly Earnings 3M/YoY (Jun)	-0.30%
UK ILO Unemployment Rate 3Mths (Jun)	3.90%
UK Employment Change 3M/3M (Jun)	-125k
SG GDP YoY (2Q F)	-12.6%
AU NAB Business Confidence (Jul)	1

Source: Bloomberg

Currency Highlights

USD (Neutral Outlook over 1 Week Horizon)

- USD gained on Monday, as DXY was up 0.15%. This brought pair to a high of 93.695, staying close to that level on Tuesday open.
- **Factors supporting:** Risk aversion, US-China relations, stretched low DXY levels
- **Factors against:** Complacent markets, positive developments from global policymakers, poor US economy, US stimulus

EUR (Neutral)

- EUR/USD continued to come off on Tuesday after the high on 6 August. Pair is now below 1.1750 after Monday's move downwards.
- **Factors supporting:** Solid fiscal support on confidence, recovering economy
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, stretched levels

GBP (Neutral)

- GBP/USD gained a little on Monday, with a modest gain compared to the USD. This helped alongside some outperformance compared to other G10 currencies. This comes as Deputy Governor Dave Ramsden said overnight that BOE may step up QE if needed.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY was in a bid tone on Monday. Pair moved higher above the 106 handle, registering a high of 106.20 on Monday.
- **Factors supporting:** BOJ policy, risk aversion, USD weakness
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bearish)

- AUD/USD consolidated on Monday, around the 0.7160 level. This was off the 0.7243 high registered on 7 August.
- **Factors supporting:** Current account, resilient economy
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations, stretched levels, RBA

SGD (Neutral-to-Bearish)

- USD/SGD had a bid tone on Monday, registering a 1.3746 high in the process. Pair stayed on the upside momentum as Singapore's final GDP print stayed poor.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

MYR (Neutral)

- The pair remains oversold. Further consolidation in the USD will likely keep it in range-bound mode, limiting any upside.
- We expect a range of 4.18-4.22 this week in the run-up to scheduled release of 2Q GDP on Friday, where we are pencilling in a contraction of 12.3% YOY (1Q: +0.7% YOY). A shift in global sentiment could rejuvenate the dollar further and reverse recent FX movements.
- **Factors supporting:** Economic recovery
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown.

FX Forecasts

FX	3Q-20	4Q-20	1Q-21	2Q-21
DXY	96.25	96.00	95.75	95.50
USD/CAD	1.325	1.320	1.315	1.300
EUR/USD	1.145	1.150	1.155	1.160
GBP/USD	1.270	1.275	1.280	1.280
USD/CHF	0.955	0.960	0.955	0.950
AUD/USD	0.705	0.710	0.715	0.720
NZD/USD	0.660	0.665	0.670	0.675
USD/JPY	106.50	106.00	105.50	105.50
USD/MYR	4.25	4.20	4.20	4.15
USD/SGD	1.375	1.370	1.365	1.360
USD/CNH	7.00	6.95	7.00	7.00

Policy Rate (%)	3Q-20	4Q-20	1Q-21	2Q-21
Fed	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50
BOC	0.25	0.25	0.25	0.25
ECB	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10
SNB	-0.75	-0.75	-0.75	-0.75
RBA	0.25	0.25	0.25	0.25
RBNZ	0.25	0.25	0.25	0.25
BOJ	-0.10	-0.10	-0.10	-0.10
BNM	1.50	1.50	1.50	1.50
MAS	-	Hold	-	Hold
PBOC	Hold	Hold	Hold	Hold

Technical Support / Resistance Levels

	S2	S1	Prev. Close	R1	R2
USD/CAD	1.3180	1.3250	1.3354	1.3389	1.3500
EUR/USD	1.1495	1.1600	1.1737	1.1914	1.2000
GBP/USD	1.2800	1.3000	1.3076	1.3215	1.3332
USD/CHF	0.8900	0.9000	0.9156	0.9252	0.9383
AUD/USD	0.7063	0.7100	0.7155	0.7295	0.7400
NZD/USD	0.6300	0.6584	0.6593	0.6756	0.6800
USD/JPY	104.00	104.64	105.99	108.00	109.85
USD/MYR	4.1500	4.1800	4.1967	4.2200	4.2500
USD/SGD	1.3445	1.3614	1.3739	1.3769	1.3800
USD/CNH	6.9000	6.9200	6.9619	7.0300	7.0600

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