

Global Markets Research

Daily Market Highlights

Key Takeaways

- Political tensions continued to keep risk appetite at bay. **US economic releases did little to sway expectations for a June Fed rate hike but the case is very fluid for any further move beyond June** amid mixed US data flow. In line with weaknesses seen in recent housing prints, pending home sales disappointed by falling 5.4% YOY in April. On the contrary, Chicago PMI unexpectedly quickened to a 2.5-year high in May. Meanwhile, **the Fed Beige Book maintained that the US economy expanded at a modest to moderate pace, but inflation showed little signs of picking up in April-May.**
- On a similar note, **Eurozone core and headline CPI pulled back more than expected to 0.9% and 1.4% YOY in May, confirming ECB President Draghi concerns over still soft underlying inflationary pressure** despite improving growth outlook in the region. Jobless rate fell more than expected to 9.3% in April, an eight-year low.
- **In China**, despite lingering concerns over a slowing Chinese economy, **official PMI manufacturing held steady at 51.2 in May while PMI services ticked up 0.5pt to 54.5 in the same month, signaling growth will remain decent in 2Q.**
- **USD remained weak against 6 G10s amid lingering risk aversion in the markets.** The DXY erased all gains in Asian session to close 0.37% lower at 96.92. **USD could be in for some rebound today, consolidating from recent losses.** Technically, bearish bias continues to prevail, suggesting likelihood of further losses, to 96.75 in the next leg down.
- **MYR** shrugged off two days of losses to **advance 0.03% against the USD to 4.2813** but was weaker against most majors amid risk-off in the markets. **Expect MYR to exhibit a slight bearish bias today in anticipation of a rebound in USD.** Bearishness persists in USDMYR even though momentum has turned slight positive this morning. We expect USDMYR to push higher towards 4.2941 before any move lower again to test 4.2151.

Overnight Economic Data

US	➔
UK	➔
Euro zone	➔
Japan	➔
China	➔
New Zealand	➔

What's Coming Up Next

Major Data

- US ADP employment change, initial jobless claims, Markit manufacturing PMI, ISM manufacturing
- UK Markit manufacturing PMI
- Eurozone, Japan, China and Vietnam manufacturing PMI
- Hong Kong retail sales
- Malaysia Nikkei PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1155	1.1205	1.1235	1.1254	1.1267	➔
USDJPY	110.19	110.62	110.97	111.33	111.80	➔
GBPUSD	1.2665	1.2767	1.2874	1.2894	1.2982	➔
AUDUSD	0.7387	0.7414	0.7426	0.7489	0.7505	➔
EURGBP	0.8625	0.8659	0.8726	0.8736	0.8751	➔
USDMYR	4.2385	4.2749	4.2902	4.2929	4.3056	➔
EURMYR	4.8007	4.8083	4.8196	4.8254	4.8358	➔
JPYMYR	3.8325	3.8540	3.8663	3.8706	3.8790	➔
GBPMYR	5.4906	5.5092	5.5246	5.5441	5.5604	➔
SGDMYR	3.0797	3.0870	3.0990	3.1024	3.1071	➔
AUDMYR	3.1566	3.1710	3.1857	3.1960	3.2027	➔
NZDMYR	3.0183	3.0249	3.0395	3.0460	3.0615	➔

*at time of writing

➔ = above 0.1% gain; ➔ = above 0.1% loss; ➔ = less than 0.1% gain / loss

	Last Price	DoD %	YTD %	Name	Last Price	DoD %	YTD %
KLCI	1765.9	0.0	7.6	CRB Index	179.8	-0.86	-6.6
Dow Jones Ind.	21008.7	-0.1	6.3	WTI oil (\$/bbl)	48.3	-2.70	-10.1
S&P 500	2411.8	0.0	7.7	Brent oil (\$/bbl)	50.7	-2.80	-10.7
FTSE 100	7520.0	-0.1	5.3	Gold (\$/oz)	1268.9	0.50	10.6
Shanghai	3117.2	0.2	0.4	CPO (RM/tonne)	2777.0	-1.23	-13.2
Hang Seng	25660.7	-0.2	16.6	Copper (\$/tonne)	5682.0	0.46	2.6
STI	3210.8	0.2	11.5	Rubber (sen/kg)	634.0	-0.63	-1.7

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA mortgage applications	May-26	-3.40%	4.40%	--
US Chicago PMI	May	59.4	58.3	57.0
US pending home sales NSA YoY	Apr	-5.40%	0.50%	--
UK GfK consumer confidence	May	-5	-7	-8
UK net consumer credit	Apr	£1.5b	£1.6b	£1.5b
UK mortgage approvals	Apr	64.6k	66.0k	66.0k
EU unemployment rate	Apr	9.30%	9.40%	9.40%
EU CPI estimate YoY	May	1.40%	1.90%	1.50%
JP industrial production MoM	Apr P	4.00%	-1.90%	4.20%
JP housing starts YoY	Apr	1.90%	0.20%	-1.50%
JP small business confidence	May	48.9	48.6	--
CH manufacturing PMI	May	51.2	51.2	51.0
CH non-manufacturing PMI	May	54.5	54.0	--
AU AiG manufacturing index	May	54.8	59.2	--
NZ ANZ activity outlook	May	38.3	37.7	--
NZ ANZ business confidence	May	14.9	11.0	--

Source: Bloomberg

➤ Macroeconomics

- Fed Beige Book showed that the US economy grew “modestly” or “moderately” in nearly all regions and firms were expressing positive near term outlook as labor market continued to tighten. Manufacturing indicators last month from Philadelphia, Kansas City and Chicago improved from April, offsetting softer factories activities in New York and Richmond. On the data front, Chicago PMI rose to a thirty-month high of 59.4 in May (April: 58.3), making up for weaker momentum seen at the start of the year. On the other hand, pending home sales dropped 5.40% YOY in April, registering its steepest decline since August 2014. In addition, mortgage application slumped 3.40% last week after an increase of 4.40% in the previous week.
- The number of UK mortgage approvals fell to 64.6k in April (March: revised to 66.0k), posting further signal that housing market is slowing amid Brexit's negotiation. Offering some reprieve, consumer borrowing was almost unchanged at £1.5 billion in April. Consumer confidence index reflected improving optimism and came in a smaller negative at -5 in May (April: -7), marking its best reading in four months.
- In the Eurozone, unemployment rate slumped to an eight-year low of 9.30% in April (March: 9.40%) which is supportive of quicker recovery in the bloc this quarter. On the other hand, CPI slowed to this year's low of 1.40% YOY in May after advancing 1.90% YOY in April amid softer increase in airfares and a drop in energy costs.
- Japan's industrial production rose 4.00% MOM in April, expanding at its quickest pace since June 2011. The increase reversed the 1.90% MOM decline in March. Small business confidence ticked up to 48.9 in May (April: 48.6) while housing starts increased 1.90% YOY in April followed a 0.20% YOY advance in March.
- China's manufacturing PMI stayed pat at 51.2 in May, staying above the expansionary threshold of 50 for ten straight months. A separate report showed that non-manufacturing index rose to a stronger reading of 54.5 in May (April: 54.0), signaling robust activities in the services sector amid broad based stabilization.
- New Zealand's ANZ activity outlook index climbed to 38.3 (April: 37.7) while business confidence index rose to 14.9 last month (April: 11.0), marking improvement in outlook aided by reduced downside risks. Recovery in dairy prices over the past year alleviated drag on the dairy sector and was reflected by more upbeat outlook in the manufacturing, retail and agriculture landscape. Separately, Australia's performance of manufacturing index dropped to its four month low of 54.8 in May (April: 59.2).

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	06/01	Nikkei Malaysia PMI	May	--	50.7	--
US	06/01	ADP Employment Change	May	180k	177k	--
		Initial Jobless Claims	May-27	238k	234k	--
		Markit US Manufacturing PMI	May F	52.5	52.5	--
		ISM Manufacturing	May	54.7	54.8	--
	06/02	Change in Nonfarm Payrolls	May	180k	211k	--
		Trade Balance	Apr	-\$46.1b	-\$43.7b	--
		Unemployment Rate	May	4.40%	4.40%	--
UK	06/01	Nationwide house prices YOY	May	2.40%	2.60%	--
		Markit UK PMI Manufacturing SA	May	56.5	57.3	--
	06/02	Markit/CIPS UK Construction PMI	May	52.6	53.1	--
Euro zone	06/01	Markit Eurozone Manufacturing PMI	May F	57.0	57.0	--
	06/02	PPI YoY	Apr	4.50%	3.90%	--
Japan	06/01	Nikkei Japan PMI Mfg	May F	--	52	--
	06/02	Consumer Confidence Index	May	43.5	43.2	--
China	06/01	Caixin China PMI Mfg	May	50.1	50.3	--
Hong Kong	06/01	Retail Sales Value YoY	Apr	2.80%	3.10%	--
Singapore	06/02	Purchasing Managers Index	May	50.9	51.1	--
Australia	06/01	Retail Sales MoM	Apr	0.30%	-0.10%	--
	06/02	HIA New Home Sales MoM	Apr	--	-1.10%	--
Vietnam	06/01	Nikkei Vietnam PMI Mfg	May	--	54.1	--

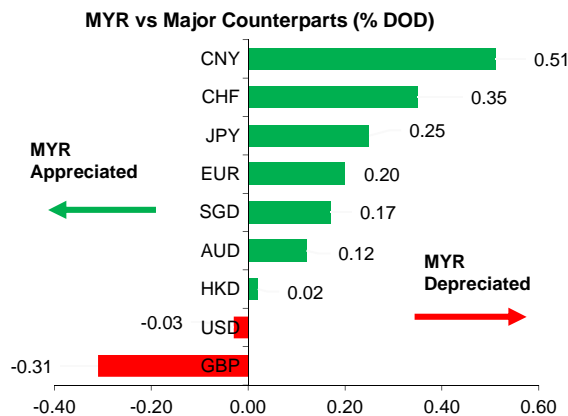
Source: Bloomberg

Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1244	0.52	1.1252	1.1165	6.9
USDJPY	110.78	-0.06	111.23	110.49	-5.2
GBPUSD	1.2890	0.24	1.2921	1.2769	4.3
AUDUSD	0.7430	-0.47	0.7476	0.7425	3.0
EURGBP	0.8723	0.27	0.87486	0.8697	2.3
USDMYR	4.2813	-0.03	4.2835	4.2758	-4.4
EURMYR	4.7909	0.20	4.7938	4.8038	2.0
JPYMYR	3.8651	0.25	3.8656	3.8664	0.9
GBPMYR	5.4887	-0.31	5.4908	5.5954	0.1
SGDMYR	3.0949	0.17	3.0961	2.9759	-0.1
AUDMYR	3.1923	0.12	3.1974	3.2088	-1.8
NZDMYR	3.0431	0.65	3.0442	2.9759	-2.7

Source: Bloomberg



MYR

- **MYR** shrugged off two days of losses to **advance 0.03% against the USD to 4.2813** but was weaker against most majors amid risk-off in the markets.
- **Expect MYR to exhibit a slight bearish bias today in anticipation of a rebound in USD.** Bearishness persists in USDMYR even though momentum has turned into slight positive this morning. We expect USDMYR to push higher towards 4.2941 before any move lower again to test 4.2151.

USD

- **USD remained weak against 6 G10s amid lingering risk aversion in the markets.** The DXY erased all gains in Asian session to close 0.37% lower at 96.92.
- **USD could be in for some rebound today, consolidating from recent losses.** Technically, bearish bias continues to prevail, suggesting likelihood of further losses, to 96.75 in the next leg down.

EUR

- **EUR advanced 0.52% to 1.1244 against continued weakness in USD** and gained against 8 G10s. Softer than expected Eurozone CPI has little influence over EUR as the pair remains very much USD-driven.
- **Expect EUR to turn bearish against a rebounding USD** but EURUSD remains technically bullish though momentum indicator is turning near neutral. The pair is still on track to test 1.1254 but it remains a challenge for the pair to push higher to 1.1300.

GBP

- **GBP erased all losses in Asia and early European trading, rising for the 3rd consecutive day, by 0.24% to 1.2890 against a weak USD** The sterling advanced against 6 G10s.
- **Stay bearish on GBP against USD** pressured by upcoming UK snap election jitters. Negative momentum prevails and downside break of our earlier target for a drop to 1.2910 opens up the way for the next move down to 1.2827. A close below this level will increase the bearishness in the pair, paving the path to the next level lower at 1.2665.

JPY

- **JPY weakened** for the first time in four days, by **0.06% to 110.78 against the USD and all commodity currencies.**
- **Maintain our view for a JPY bull supported by risk aversion.** Technical outlook remains bearish for USDJPY. Our target of a drop to 111.25 was met and we maintain our view for the next move down to 110.51.

AUD

- **AUD fell 0.47% to 0.7430 against the USD,** and weakened against all G10s.
- **AUD is expected to remain slightly bearish today** amid subdued risk appetite and further declines in commodities. The pair broke below 0.7437 and is on track to test 0.7396 next.

SGD

- **SGD closed only 12pips stronger against USD at 1.3832** and advanced against 6 G10s.
- **Expect SGD to turn slightly bearish in anticipation of a firmer USD.** Technically the pair remains bearish but downside momentum continues to retreat. We expect USDSGD to test 1.3806 going forward, and if this level is broken, the pair is expected to slide lower to 1.3631.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

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. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. 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.