

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Macro fundamentals returned to the fore** for the first time after a long while. **Stronger ADP job addition and ISM manufacturing index further reinforced the case for a June rate hike.** ADP added 253k jobs in May, more than expected, while ISM manufacturing ticked higher to 54.9 in May as new orders and employment increased. **Fed Powell signaled the Fed is on track to raise rates, citing a “healthy” US economy** although he does not expect the Fed to trim its balance sheet by more than US\$2 trillion over the next five years, signaling very modest policy actions.
- **Surveys also indicated healthy growth in factories production in the Eurozone and UK.** EU manufacturing gauge climbed to 57.0 while the UK's dropped to 56.7 in May (April: 57.3). Even with a softer reading, the latter remained well above 50, the threshold separating expansion from contraction. **China's Caixin manufacturing PMI slipped to 49.6**, below 50 for the first time in May since June 2016, contradicting a rather optimistic official manufacturing PMI number (May: 51.2). **Surveys by Nikkei showed manufacturing activities slowed in Malaysia and Vietnam but picked up in Japan.**
- **USD rebounded and traded stronger against all G10s** on the back of consolidation from recent losses, further supported by positive US data that spurred growth optimism and reinforced the case for a June Fed rate hike. The DXY held on to its steady climb and closed 0.28% higher at 97.20. **Expect USD to stay firm today** but caution against some pullback ahead of crucial nonfarm payroll print tonight. An upbeat print will likely reinforce USD strength. Technically, bearish bias continues to prevail, suggesting likelihood of further losses, to 96.75 in the next leg down after the current rebound runs its course.
- **MYR fell against a firmer USD, by 0.12% to 4.2863 at close** and was weaker against 5 G10s amid risk-off in the markets. **Expect MYR to remain slightly bearish today** on softer positioning going into the weekend and ahead of US nonfarm payroll. Bearishness persists in USDMYR even though momentum has turned into slight positive. We hold on to our view that USDMYR will push higher towards 4.2941 before any move lower again to test 4.2151.

#### Overnight Economic Data

Malaysia	↓
US	↑
UK	↓
Euro zone	↑
Australia	↑
Vietnam	↓

#### What's Coming Up Next

##### Major Data

- US non-farm payroll, unemployment rate, trade balance
- UK Markit/ CIPS construction PMI
- Eurozone PPI
- Japan consumer confidence index
- Singapore PMI
- Australia HIA new home sales

##### Major Events

- Nil

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1155	1.1205	1.1216	1.1254	1.1267	↘
USDJPY	110.54	110.92	111.63	111.83	112.10	↗
GBPUSD	1.2773	1.2803	1.2890	1.2927	1.2945	↘
AUDUSD	0.7339	0.7368	0.7383	0.7426	0.7440	↘
EURGBP	0.8625	0.8659	0.8703	0.8736	0.8751	↘
USDMYR	4.2385	4.2749	4.2860	4.2929	4.3056	↗
EURMYR	4.7916	4.7962	4.8074	4.8254	4.8358	↘
JPYMYR	3.8159	3.8297	3.8401	3.8706	3.8790	↘
GBPMYR	5.4906	5.5092	5.5259	5.5441	5.5604	↗
SGDMYR	3.0797	3.0870	3.0920	3.1024	3.1071	↘
AUDMYR	3.1412	3.1524	3.1648	3.1717	3.1898	↘
NZDMYR	3.0094	3.0131	3.0288	3.0364	3.0439	↘

\*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	1763.1	-0.2	7.4	CRB Index	179.1	-0.38	-7.0
Dow Jones Ind.	21144.2	0.6	7.0	WTI oil (\$/bbl)	48.4	0.08	-10.0
S&P 500	2430.1	0.8	8.5	Brent oil (\$/bbl)	50.6	-0.30	-10.9
FTSE 100	7543.8	0.3	5.6	Gold (\$/oz)	1266.0	-0.20	10.3
Shanghai	3102.6	-0.5	0.0	CPO (RM/tonne)	2777.0	-1.23	-13.2
Hang Seng	25809.2	0.6	17.3	Copper (\$/tonne)	5699.0	0.30	3.0
STI	3236.0	0.8	12.3	Rubber (sen/kg)	633.0	-0.16	-1.9

Source: Bloomberg

## Economic Data

	For	Actual	Last	Survey
MY Nikkei PMI	May	48.7	50.7	--
US ADP employment change	May	253k	174k	180k
US initial jobless claims	May-27	248k	235k	238k
US Markit manufacturing PMI	May F	52.7	52.8	52.5
US ISM manufacturing	May	54.9	54.8	54.7
UK Nationwide house prices YOY	May	2.10%	2.60%	2.40%
UK Markit PMI manufacturing SA	May	56.7	57.3	56.5
EU Markit manufacturing PMI	May F	57.0	56.7	57.0
JP Nikkei manufacturing PMI	May F	53.1	52.7	--
CH Caixin manufacturing PMI	May	49.6	50.3	50.1
AU retail sales MOM	Apr	1.00%	-0.20%	0.30%
VN Nikkei manufacturing PMI	May	51.6	54.1	--

Source: Bloomberg

## ➤ Macroeconomics

- Fed Governor Jerome Powell said yesterday that while shrinking the balance sheet of \$ 4.5 trillion remained on the table, the size of reduction will likely not exceed \$ 2 trillion over the next five years. Markets now priced in 88% probability of an interest rate hike in June's FOMC meeting as strong labor market and confidence in achieving price stability laid the grounds for higher interest rates.
- Private companies in the US added more employees than expected last month, survey from ADP showed. ADP showed that firms added 253k workers to payrolls in May after a 174k increase in April. The number of jobless claims rose more than expected to 248k last week (previous week: 235k) but continued to point to resilience in the labor market. ISM and Markit manufacturing PMI indicated that the factories were expanding at healthy pace last month. ISM manufacturing PMI ticked up to 54.9 in May (April: 54.8) while the Markit PMI reading was revised higher to 52.7 (previous estimate: 52.5).
- Surveys also indicated healthy growth in factories production in the euro zone and UK. The euro zone's manufacturing gauge climbed to 57.0 (April: 56.7) while the UK's dropped to 56.7 in May (April: 57.3). Even with a softer reading, the latter remained well above 50, the threshold separating expansion from contraction.
- China's Caixin manufacturing PMI, a gauge of small and medium size manufacturers, slipped below 50 for the first time in May since June 2016. The index slipped to 49.6 last month (April: 50.3), contradicting a rather optimistic official manufacturing PMI number (May: 51.2).
- In other Asian countries, Japan Nikkei manufacturing PMI climbed to three month high of 53.1 in May (April: 52.7) while Vietnam Nikkei manufacturing PMI slipped to fourteen month low of 51.6 in May (April: 54.1). After climbing above 50 for the first time in two years, Malaysia's Nikkei manufacturing PMI tumbled 2.0 point to 48.7 in May.
- Australia's retail sales grew 1.00% MOM in April (March: -0.20% MOM) and advanced at its quickest pace in 31 months. Last month's figure was driven by a surge in food sales coupled with higher cafes and restaurants revenue.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	06/05	Exports YoY	Apr	22.30%	24.10%	--
US	06/02	Change in Nonfarm Payrolls	May	182k	211k	--
		Trade Balance	Apr	-\$46.1b	-\$43.7b	--
		Unemployment Rate	May	4.40%	4.40%	--
	06/05	Markit US Services PMI	May F	--	54	--
		ISM Non-Manf. Composite	May	57.0	57.5	--
		Factory Orders	Apr	-0.20%	0.20%	0.50%
		Durable Goods Orders	Apr F	--	-0.70%	--
UK	06/02	Markit/CIPS UK Construction PMI	May	52.6	53.1	--
	06/05	Markit/CIPS UK Services PMI	May	55.1	55.8	--
Euro zone	06/02	PPI YoY	Apr	4.50%	3.90%	--
Japan	06/02	Consumer Confidence Index	May	43.5	43.2	--
	06/05	Nikkei Japan PMI Services	May	--	52.2	--
China	06/05	Caixin China PMI Services	May	--	51.5	--
Hong Kong	06/05	Nikkei Hong Kong PMI	May	--	51.1	--
Singapore	06/02	Purchasing Managers Index	May	50.9	51.1	--
	06/05	Nikkei Singapore PMI	May	--	52.6	--
Australia	06/02	HIA New Home Sales MoM	Apr	--	-1.10%	--
	06/05	AiG Perf of Services Index	May	--	53	--

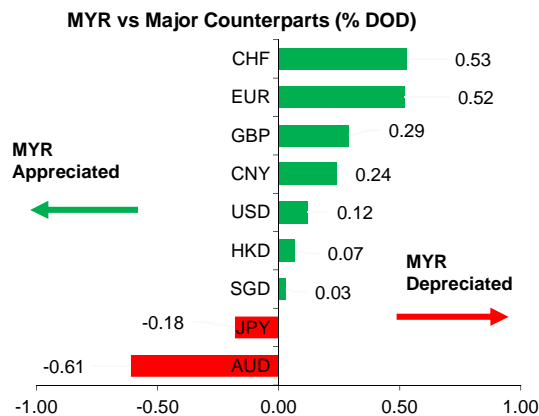
Source: Bloomberg

## Forex

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1213	-0.28	1.1257	1.1202	6.6
USDJPY	111.37	0.53	111.48	110.6800	-4.7
GBPUSD	1.2882	-0.06	1.2916	1.2830	4.5
AUDUSD	0.7374	-0.75	0.7455	0.7373	2.4
EURGBP	0.8704	-0.21	0.8755	0.8684	1.9
USDMYR	4.2863	0.12	4.2920	4.2768	-4.4
EURMYR	4.8159	0.52	4.8290	4.8105	1.8
JPYMYR	3.8582	-0.18	3.8702	3.8577	0.4
GBPMYR	5.5046	-0.29	5.5294	5.4995	0.3
SGDMYR	3.0957	0.03	3.1016	3.0929	-0.2
AUDMYR	3.1729	-0.61	3.1948	3.1683	-2.3
NZDMYR	3.0329	-0.34	3.0396	3.0294	-2.8

Source: Bloomberg



### MYR

- **MYR fell against a firmer USD, by 0.12% to 4.2863 at close** and was weaker against 5 G10s amid risk-off in the markets.
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### USD

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- **Expect USD to stay firm today** but caution against some pullback ahead of crucial nonfarm payroll print tonight. An upbeat print will likely reinforce USD strength. Technically, bearish bias continues to prevail, suggesting likelihood of further losses, to 96.75 in the next leg down after the current rebound runs its course.

### EUR

- **EUR fell 0.28% to 1.1213 against a firmer USD** but traded mixed against G10s. As expected, upbeat PMI manufacturing in the Eurozone failed to lift the EUR and we expect the same from PPI print today.
- **EUR will likely attempt to rebound** but we are not optimistic of any EUR gains unless US nonfarm payroll significantly surprised on the downside, which is unlikely in our view. EURUSD remains technically bullish but momentum indicator has dipped into slight negative again. The pair is still on track to test 1.1254 provided it doesn't close below 1.1164.

### GBP

- **GBP pared losses in Asian and European sessions to close only 0.06% weaker against the USD at 1.2882.** The sterling however advanced against other G10s.
- **Stay bearish on GBP against USD,** more so if the greenback strengthens on upbeat job report tonight. Negative momentum prevails and the pair is still on track to test 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 0.53% to 111.37 against the USD** amid paring of demand for safety.
- **JPY will likely stay bearish today amid improving risk sentiments in the market.** Technical outlook remains bearish for USDJPY and we maintain our target for the next move down to 110.51.

### AUD

- **AUD fell 0.75% to 0.7375 against a rebounding USD,** and underperformed all G10s.
- **Attempted rebound in AUD is likely today** amid improving risk appetite. However, technicals remain bearish and the pair is poised to head towards 0.7338 next.

### SGD

- **SGD closed 0.24% weaker against USD at 1.3865** and fell against 5 G10s.
- **Expect SGD to stay slightly bearish in anticipation of sustained USD strength.** 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.

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