

Global Markets Research

Daily Market Highlights

Key Takeaways

- While markets were troubled by news some Gulf countries (Saudi, Bahrain, Egypt and UAE) are breaking diplomatic ties with Qatar citing terrorism link, which prompted some weakness in oil prices, **overnight services prints suggest the sector is losing some momentum but remained in healthy expansions going into May.**
- **The US ISM services index pulled back more than expected to 56.9** even though this contrasted with the slight uptick in the PMI reading by 0.5ppt to 53.6 in May. **In tandem, PMI out of the EU and the UK softened** to 56.3 and 53.8 respectively in May, the former retreated from a 6-year high while the latter decelerated by a full 2.0ppt. Weaknesses in the West were however **cushioned by some bright spots in Japan and China.** Momentum was however not even in Asia, with Hong Kong and Singapore services registering dips in May.
- **At the local front, exports continued to grow at healthy double-digit pace albeit softer at 20.6% YOY in April** supported by continued expansions from both commodities and manufacturing exports. Imports also saw some pullbacks amid normalization in capital goods imports. **We expect exports momentum to slowly fizzle out** for the rest of the year in anticipation of a softer global outlook in 2H and as favourable base effect dissipates.
- **USD rebounded to beat 7 G10s**, pulling back from last Friday's sharp tumble as well as supported by heightened geopolitical issues in the Middle East. The Dollar Index climbed going into US session but failed to hold on to early gains, closing just 0.08% higher at 96.79. **We now turn slightly bullish on USD**, supported by renewed risk aversion in the markets amid on-going political issue in Middle East as well as refuge demand ahead of UK elections. Rebounds are likely limited by 96.92 – 97.19 range, and there is still risk of a drop below 96.71 in the coming days. Technical outlook is gradually improving for the Dollar Index and hints at a rebound to circa 97.61 – 97.67.
- **MYR advanced 0.39% to 4.2633 against a weak USD** but ended mixed against the G10s. **Expect a slightly bearish MYR against a rebound USD**, and further pressured by rising risk-off in the markets. Despite an early gap-down, we expect grossly oversold conditions and the fact that USDMYR is near strong support to trigger a rebound that could test 4.2824 in the longer-term.

Overnight Economic Data

Malaysia	↓
US	↓
UK	↓
Japan	↑
China	↑
Malaysia	↓

What's Coming Up Next

Major Data

- Eurozone Sentix investor confidence and retail sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1218	1.1234	1.1259	1.1268	1.1285	↘
USDJPY	110.00	110.26	110.36	110.51	110.68	↘
GBPUSD	1.2862	1.2892	1.2909	1.2916	1.2941	↗
AUDUSD	0.7457	0.7477	0.7481	0.7490	0.7515	↗
EURGBP	0.8686	0.8706	0.8723	0.8726	0.8742	↗
USDMYR	4.2516	4.2550	4.2585	4.2600	4.2635	↗
EURMYR	4.7877	4.7946	4.7966	4.8028	4.8084	↘
JPYMYR	3.8519	3.8587	3.8650	3.8733	3.8825	↗
GBPMYR	5.4850	5.4897	5.4992	5.5048	5.5188	↘
SGDMYR	3.0784	3.0813	3.0827	3.0856	3.0870	↘
AUDMYR	3.1800	3.1810	3.1865	3.1878	3.1920	↘
NZDMYR	3.0280	3.0303	3.0361	3.0425	3.0475	↗

*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	1788.0	0.6	8.9	CRB Index	177.3	-0.38	-7.9
Dow Jones Ind.	21184.0	-0.1	7.2	WTI oil (\$/bbl)	47.4	-0.55	-11.8
S&P 500	2436.1	-0.1	8.8	Brent oil (\$/bbl)	49.5	-1.00	-12.9
FTSE 100	7525.8	-0.3	5.4	Gold (\$/oz)	1279.8	0.00	11.6
Shanghai	3091.7	-0.4	-0.4	CPO (RM/tonne)	2782.0	0.49	-13.0
Hang Seng	25863.0	-0.2	17.6	Copper (\$/tonne)	5628.0	-0.65	1.7
STI	3238.3	-0.1	12.4	Rubber (sen/kg)	621.5	-1.51	-3.6

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY exports YoY	Apr	20.60%	24.10%	20.60%
US Markit services PMI	May F	53.6	53.1	--
US ISM non-manf. composite	May	56.9	57.5	57.1
US factory orders	Apr	-0.20%	1.00%	-0.20%
US durable goods orders	Apr F	-0.80%	2.40%	-0.50%
EU Markit services PMI	May F	56.3	56.4	--
UK Markit/CIPS services PMI	May	53.8	55.8	55.0
JP Nikkei PMI services	May	53.0	52.2	--
CH Caixin PMI services	May	52.8	51.5	--
HK Nikkei PMI	May	50.5	52.6	--
SG Nikkei PMI	May	51.4	52.6	--

Source: Bloomberg

➤ Macroeconomics

- US services sector will remain a catalyst for growth this quarter, underlying details from ISM services suggest. The index softened to 56.9 in May (April: 57.5) but remained well above 50, the threshold separating expansion from contraction. New orders pulled back from more than a ten-year high reached in April but services providers were increasing the size of their workforces amid brighter economic outlook. A final reading of the Markit services PMI surged to 53.6 in May (April: 53.1), affirming the trend of economic recovery.
- Factory orders dropped 0.20% MOM in April, snapping four straight months of expansion. In March, orders increased 1.00% from a month ago. Disappointing durable goods orders, which declined 0.80% MOM in April, casted the heaviest drag to overall factory orders.
- Markit services PMI readings from UK and Eurozone remained in expansion territory, signaling that downside risks from Brexit negotiation remains broadly contained at this juncture. UK services PMI came in at 53.8 (April: 55.8) while Eurozone services PMI stood at 56.3 in May (April: 56.4). The services sector expanded at its quickest pace in six years in April.
- China's Caixin services PMI surged to a four-month high of 52.8 in May (April: 51.5) mirroring the higher official services PMI number. Japan Nikkei services PMI climbed to a 21-month high of 53.0 in May (April: 52.2) as new work rose at a quicker pace, leading to an increase in work backlogs and encouraging companies to increase the size of their workforce.
- Upbeat data from China and Japan contrast those from Hong Kong and Singapore which pointed to softer expansion in the private sector. Hong Kong's Nikkei PMI ticked down to 50.5 (April: 52.6) due to renewed fall in new orders and slower growth in employment and inventories. On the other hand, Singapore PMI slipped to 51.4 last month (April: 52.6) amid slowdown in output growth and new business.
- Malaysia's exports rose 20.60% YOY to MYR 74.00 billion in April after advancing 24.10% YOY in March. Softer exports gains was a result of more moderate increases in manufacturing and commodities exports as well as slower growth to major export destination save for China. On the other hand, imports advanced 24.70% YOY to RM 65.2 billion in April followed an increase of 39.40% YOY in March. On a monthly basis, steeper decline in imports (-15.60% MOM) compared to exports (-10.50% MOM) increased trade surplus by RM 3.35 billion to RM 8.75 billion in April.

Economic Calendar Release Date

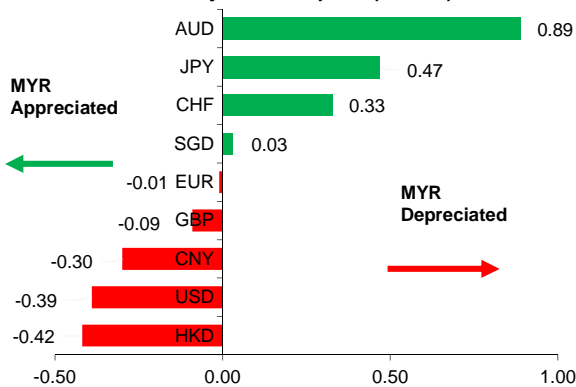
Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	06/07	Foreign Reserves	May-31	--	\$97.3b	--
US	06/07	MBA Mortgage Applications	Jun-02	--	-3.40%	--
UK	06/07	Halifax House Price 3Mths/Year	May	3.00%	3.80%	--
Euro zone	06/06	Sentix Investor Confidence	Jun	27.4	27.4	27.4
		Retail Sales YoY	Apr	2.10%	2.30%	--
Australia	06/07	GDP SA QoQ	1Q F	0.50%	0.50%	--
		GDP SA QoQ	1Q	0.30%	1.10%	--
New Zealand	06/07	Mfg Activity Volume QoQ	1Q	--	-1.80%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1254	-0.22	1.1284	1.1234	7.1
USDJPY	110.45	0.05	110.73	110.2600	-5.6
GBPUSD	1.2904	0.12	1.2941	1.2853	4.6
AUDUSD	0.7487	0.59	0.7498	0.7408	3.8
EURGBP	0.8721	-0.40	0.87735	0.8695	2.2
USDMYR	4.2633	-0.39	4.2760	4.2618	-5.1
EURMYR	4.8025	-0.01	4.8270	4.8004	1.5
JPYMYR	3.8580	0.47	3.8747	3.8545	0.7
GBPMYR	5.5028	-0.09	5.5076	5.4867	-0.3
SGDMYR	3.0893	0.03	3.0977	3.0864	-0.6
AUDMYR	3.1887	0.89	3.1932	3.1683	-1.6
NZDMYR	3.0425	0.34	3.0543	3.0356	-2.6

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR advanced 0.39% to 4.2633 against a weak USD** but ended mixed against the G10s.
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USD

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EUR

- **EUR retreated 0.22% to 1.1254 against USD** fell against 5 G10s as risk appetite dimmed in European markets.
- **Expect EUR to turn bearish against USD** as risk aversion in European markets gained traction; slip-up in Eurozone data will add to downside pressure. Bearish bias has emerged, indicating that EURUSD could be at the onset of a sustained downward move. Do not rule out a break above 1.13 in the short-term but unlikely to alter the technical landscape if it fails to break 1.1361.

GBP

- **GBP rallied to beat 8 G10s and rose 0.12% to 1.2904 against USD**, supported by refuge demand in European markets despite softer UK data.
- **GBP is now bullish in our view against USD**, supported by prevailing risk aversion in the European markets and improved sentiment heading into the UK elections. Overnight price action suggests that GBPUUSD resisted a drop lower and could be making another attempt to test 1.2970.

JPY

- **JPY** was supported by risk aversion in European majors but **slipped 0.05% to 110.45 against a rebounding USD**.
- **Keep a bullish view on JPY against USD** in anticipation of rising refuge demand. USDJPY is still weak while below 110.51, and on top of rising downside momentum, points to likelihood of further losses.

AUD

- **AUD jumped 0.59% to 0.7487 against USD** and advanced against all G10s, lifted by early gains in Asian trade as well as rebound in iron and gold prices.
- **We are slightly bullish on AUD against USD**, even though prevailing risk-off in the markets will weigh on gains. Technical outlook remains uncertain; despite breaking above 0.7443, AUDUSD failed at the crucial 0.7490 and now awaits further catalysts. Nonetheless, signs suggest a move higher is more likely, with potential to test 0.7539 if 0.7490 is broken.

SGD

- **SGD** advanced against 6 G10s but **slipped 0.06% to 1.3816 against USD**.
- **We turn slightly bearish on SGD against USD**, likely pressured by rising risk-off in the markets. Even though bearish bias prevails, USDSGD remains supported from further declines by 1.3800. Extended failure to break lower could trigger a rebound higher, potentially to circa 1.3900.

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