

Global Markets Research

Daily Market Highlights

Key Takeaways

- Markets were roiled overnight on **renewed fear of global trade war** after the **Trump administration slapped tariffs on the European Union, Mexico and Canada** (its biggest trade partner) casting a shadow over positive development in Italy where **the 5-Star and League parties were close to forming a new government**. The three main US stock indices ended lower alongside its European counterparts as risk-on mode turned to risk-off following the announcement. The dollar index ticked lower while the euro closed higher against the USD after coming off its intraday high on positive inflation data.
- Data coming out from the US were mostly positive with the **PCE core rose 1.8% as expected while personal spending surprised on the upside**, lifted on higher spending on gasoline. Both initial jobless claims and continuing claims fell **signaling a tightening of the labour market** ahead of tonight's jobs report. The **manufacturing sector expanded** as indicated by the Chicago PMI while pending home sales dropped as higher home prices and mortgage cost ate into affordability. As mentioned earlier, **Eurozone inflation surged more than expected** by 1.9% on higher fuel prices while its unemployment rate ticked lower. UK housing markets continued to soften while consumer confidence showed improvement. In Asia, **Japan industrial production disappointed** but housing starts and construction orders rebounded. Growth in China manufacturing and services sectors beat expectation as economy remained resilient.
- **USD fell against 7 G10s** while the DXY ended 0.1% lower at 93.97 after fading a rebound in US session on better than expected US data. **Stay bearish on DXY** as risk aversion emerges on escalation of trade tensions between the US and major trading partners, as well as ahead of US labour market data. DXY remains on a downward trajectory and likely to test 93.65 next, below which a drop to 92.81 is likely.
- **MYR climbed 0.23% to 3.9798 against a soft USD** but fell against 9 G10s that were also firmer as the greenback retreated. **We are neutral on MYR against USD** today, with marginal gains in anticipation of a softer greenback. USDMYR is still within a minor bullish trend that requires a close below 3 3.9813 today to be nullified. If the current bullish trend prevails, a close above 3.9890 within 4 days is still in the works. Otherwise, we set sights on USDMYR testing 3.9617 in the next leg lower.
- **SGD climbed 0.12% to 1.3376 against a soft USD** and was supported by risk aversion in the markets to beat 6 G10s. **Continue to expect a slightly bullish SGD against a soft USD**. USDSGD is now more tilted to the downside after losing 1.3393 overnight. Expect further losses while below 1.3393, which could set a course for 1.3332.

Overnight Economic Data

US	↑
EU	↑
UK	→
Japan	→
China	↑
Hong Kong	↑
Australia	↑
New Zealand	↓

What's Coming Up Next

Major Data

- Change in Nonfarm Payrolls, Unemployment rate, Average Hourly Earnings YOY, Markit US Manufacturing PMI, Construction Spending MOM, ISM Manufacturing
- Eurozone, UK, Japan, China and Vietnam Manufacturing PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1640	1.1670	1.1687	1.1709	1.1723	↗
USDJPY	108.44	108.65	108.80	108.85	109.00	↘
GBPUSD	1.3242	1.3278	1.3287	1.3307	1.3322	↗
AUDUSD	0.7553	0.7565	0.7566	0.7570	0.7580	↗
EURGBP	0.8789	0.8794	0.8797	0.8802	0.8810	↗
USDMYR	3.9760	3.9797	3.9805	3.9827	3.9852	→
EURMYR	4.6472	4.6500	4.6547	4.6580	4.6642	↘
JPYMYR	3.6500	3.6519	3.6565	3.6607	3.6669	↗
GBPMYR	5.2838	5.2850	5.2890	5.2905	5.2955	↘
SGDMYR	2.9707	2.9731	2.9749	2.9761	2.9780	↗
AUDMYR	3.0003	3.0059	3.0118	3.0132	3.0177	↘
NZDMYR	2.7900	2.7921	2.7931	2.7936	2.7951	↗
USDSGD	1.3359	1.3374	1.3381	1.3393	1.3404	↘
EURSGD	1.5620	1.5630	1.5644	1.5649	1.5664	↗
GBPSGD	1.7750	1.7765	1.7783	1.7800	1.7820	↗
AUDSGD	1.0100	1.0116	1.0125	1.0142	1.0161	↘

* 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	1740.62	1.2	-3.1	CRB Index	202.84	-0.22	4.6
Dow Jones Ind.	24415.84	-1.0	-1.2	WTI oil (\$/bbl)	67.04	-1.72	11.0
S&P 500	2705.27	-0.7	1.2	Brent oil (\$/bbl)	77.59	0.12	16.0
FTSE 100	7678.20	-0.1	-0.1	Gold (\$/oz)	1298.51	-0.22	-0.2
Shanghai	3095.47	1.8	-6.4	CPO (RM/tonne)	2366.50	-0.23	-1.0
Hang Seng	30468.56	1.4	1.8	Copper (\$/tonne)	6852.00	0.18	-5.5
STI	3428.18	-0.5	0.7	Rubber (sen/kg)	483.00	-0.82	4.4

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US PCE Core YOY	Apr	1.8%	1.8% (revised)	1.8%
US Personal Income	Apr	0.3%	0.2% (revised)	0.3%
US Personal Spending	Apr	0.6%	0.5% (revised)	0.4%
US Initial Jobless Claims	26 May	221k	234k	228k
US Chicago Purchasing Manager	May	62.7	57.6	58.0
US Pending Home Sales MOM	Apr	-1.3%	0.6% (revised)	0.4%
EU Unemployment Rate	Apr	8.5%	8.6% (revised)	8.4%
EU CPI Estimate YOY	May	1.9%	1.2%	1.6%
UK GfK Consumer Confidence	May	-7	-9	-8
UK Nationwide House PX MOM	May	-0.2%	0.1% (revised)	0.2%
UK Mortgage Approvals	Apr	62.5k	62.9k	63.5k
JP Industrial Production YOY	Apr P	2.5%	2.4%	3.6%
JP Housing Starts YOY	Apr	0.3%	-8.3%	-8.9%
JP Construction Orders YOY	Apr	4.0%	-4.0%	--
CN Non-manufacturing PMI	May	54.9	54.8	54.8
CN Manufacturing PMI	May	51.9	51.4	51.4
HK Retail Sales Value YOY	Apr	12.3%	11.4%	12.2%
AU AiG Perf. Of Manufacturing Ind.	May	57.5	58.3	--
NZ ANZ Business Confidence	May	-27.2	-23.4	--

Source: Bloomberg

➤ Macroeconomics

- US PCE core rose as expected, personal spending surprised on the upside:** The Fed's preferred inflation gauge, PCE core, increased 1.8% YOY in April (Mar: +1.8%) suggesting that inflation steadied as wage growth remained tepid in April. Personal spending rose more than expected by 0.6% MOM (Mar: +0.5%) spurred by higher spending in gasoline and energy goods (average gasoline prices rose 6.4% MOM in April vs 0.15% MOM in March). Personal income meanwhile increased 0.3% MOM (Mar: +0.2%) attributed to tax cuts. The expected modest rise in inflation reaffirmed views that the Fed will adhere to its gradual normalization of interest rates – as of writing, markets are pricing in an 88% chance of a 25bps of hike in its upcoming 13 June meeting.
- US jobless claims dropped, beat expectations:** Initial jobless claims fell to 221k for the week ended 26 May (previous: 228k), which brings the 4-week average to 222k (previous: 220k). Continuing claims which measures the number of Americans receiving benefits after an initial week of aid fell to 1,726k for the week ended 19 May (previous: 1,742k) signalling further tightening of the labour market ahead of tonight's jobs report.
- US manufacturing sector expanded, pending home sales dropped:** The Chicago Business Barometer, also known as the Chicago PMI, surged to 62.7 in May (Apr: 57.6) led by acceleration in output and orders with reports of shortage of workers and higher price paid components which are largely in line with other manufacturing indicators as well as the Fed Beige Book. Pending home sales edged lower by 1.3% MOM in April (Mar: +0.6% revised) as surging mortgage cost weighed down affordability while limited inventories (in existing homes) pushed up home prices effectively driving potential buyers out of the market.
- Eurozone flash inflation surged more than expected:** Headline CPI inched up sharply by 1.9% YOY in May (Apr: +1.2%) driven by higher energy prices which soared by a whopping 6.1% YOY (Apr: +2.6%) as oil prices rallied in May while prices of food, alcohol and tobacco accelerated by 2.6% (Apr: +2.4%). Core CPI quickened as well recording a rise of 1.1% YOY (Apr: +0.7%), the highest in 7 months, also partly due to a correction following a distortion caused by Easter calendar effect in April. The higher than expected inflation hit the ECB's target (of close to but below 2%) for the first time in a year but slower 1Q growth and uncertainty in Italy continued to cloud outlook. Inflation driven by energy prices tend not to drive the central bank's move as it could be proven temporary particularly for an energy importer like the Eurozone. With little hard data set to release in the period leading to its next meeting on 14 June, the ECB might take a wait-and-see approach as further assessment is needed before announcing decision on changes to its bond buying program. In a separate release, unemployment rate went down to 8.5% in April (Mar: 8.6% revised) as March figure was revised higher to 8.6% from the initial 8.5%.
- UK housing market continued to soften, consumer confidence improved:** Nationwide House Price Index dropped 0.2% MOM in May (Apr: +0.1% revised) while on a yearly basis, prices eased to increase 2.4% YOY (Apr: +2.6%). In a separate release, mortgage applications went down to 62.5k in April (Mar: 62.9k), reaffirming a continuously softening housing market. GfK consumer confidence improved by 2 points to -7 in May (Apr: -9) but remained a negative reading for the 26 consecutive months as overall sentiments remained poor given a dismal first quarter and ongoing Brexit uncertainties.

- Japan prelim. industrial output disappointed, housing start, construction orders rebounded:** Preliminary reading of industrial production missed estimates to tick up marginally higher by 2.5% in April (Mar: +2.4%) as a stronger growth in shipments was partly offset by slowdown in inventories signaling a continuous moderate expansion of the Japanese economy. Housing starts rebounded for the first time in 9 months to increase 0.3% YOY in April (Mar: -8.3%) while construction orders increased 4.0% YOY (Mar: -4.0%).
- China manufacturing and services sector growth beat expectation:** The official manufacturing PMI edged up to 51.9 in May (Apr: 51.4), an 8-month high attributed to higher output and new orders. Export orders expanded at a faster pace compared to the preceding month suggesting that demand for Chinese goods is holding up despite ongoing trade tension between the US and China. Meanwhile services sector PMI rose to 54.9 (Apr: 54.8) as well suggesting that the Chinese economy remained resilient amidst corporate deleveraging which has seen slower investment for the first few months of 2018.
- HK retail sales jumped:** Retail sales rose 12.3% YOY in April (Mar: +11.5%) as sales in jewellery, watches and clocks extended its double digit gain of 24.6% YOY (Mar: +23.8%), fuels increased 10.0% YOY (Mar: +5.7%), clothing & footwear increased 6.7% YOY (Mar: +11.5%) and consumer durable goods increased 15.3% YOY (Mar: +4.5%).
- Australia manufacturing sector expanded:** The AiG Performance of Manufacturing PMI came in at 57.5 in May (Apr: 58.3) marking a 20 consecutive months of expansion on the back of stable sales level with and new orders underpinned by healthy demand.
- New Zealand business sentiments weakened:** The ANZ Business Confidence Index dropped to -27.2 in May (Apr: -23.4) due to a weakening of activity outlook. Construction sentiment was little changed while retail sentiment fell.

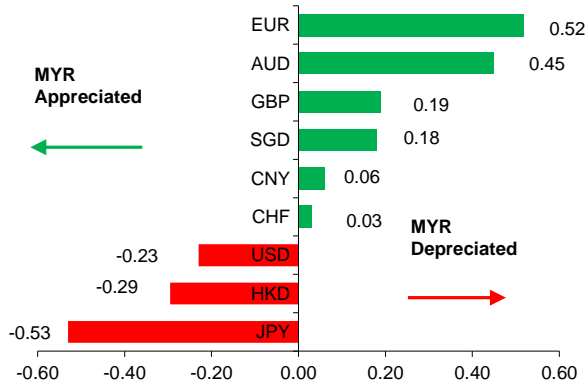
Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
04/06	Malaysia	Nikkei Malaysia PMI	May	--	48.6	--
1/06	US	Change in Nonfarm Payrolls	May	190k	164k	--
		Unemployment rate	May	3.9%	3.9%	--
		Average Hourly Earnings YOY	May	2.6%	2.6%	--
		Markit US Manufacturing PMI	May F	56.6	56.5	--
		Construction Spending MOM	Apr	0.8%	-1.7%	--
		ISM Manufacturing	May	58.2	57.3	--
04/06		Factory Orders	Apr	-0.5%	1.6%	--
		Durable Goods Orders	Apr F	--	-1.7%	--
01/06	Eurozone	Markit Eurozone Manufacturing PMI	May F	55.5	56.2	--
04/06		Sentix Investor Confidence	Jun	19.0	19.2	--
		PPI MOM	Apr	--	0.1%	--
01/06	UK	Markit UK PMI Manufacturing PMI	May	53.5	53.9	--
04/06		Markit/CIPS UK Construction PMI	May	51.5	52.5	--
01/06	Japan	Nikkei Japan PMI Manufacturing	May F	--	52.5	--
01/06	China	Caixin China PMI Manufacturing	May	51.2	51.1	--
04/06	Australia	Retail Sales MOM	Apr	0.3%	0.0%	--
04/06	Singapore	Purchasing Managers Index	May	--	52.9	--
01/06	Vietnam	Nikkei Vietnam PMI Manufacturing	May	--	52.7	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1693	0.24	1.1724	1.1641	-2.6
USDJPY	108.82	-0.08	109	108.39	-3.5
GBPUSD	1.3298	0.09	1.3348	1.3278	-1.7
AUDUSD	0.7568	-0.09	0.7593	0.7553	-3.2
EURGBP	0.8794	0.18	0.8800	0.8756	-0.9
USDMYR	3.9798	-0.23	3.9865	3.9738	-1.7
EURMYR	4.6575	0.52	4.6642	4.6325	-4.1
JPYMYR	3.6526	-0.53	3.6726	3.6519	1.7
GBPMYR	5.3056	0.19	5.3089	5.2838	-3.3
SGDMYR	2.9768	0.18	2.9792	2.9660	-1.9
AUDMYR	3.0190	0.45	3.0210	3.0040	-4.9
NZDMYR	2.7844	0.68	2.7869	2.7712	-3.2

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR climbed 0.23% to 3.9798 against a soft USD** but fell against 9 G10s that were also firmer as the greenback retreated.
- **We are neutral on MYR against USD** today, with marginal gains in anticipation of a softer greenback. USDMYR is still within a minor bullish trend that requires a close below 3.9813 today to be nullified. If the current bullish trend prevails, a close above 3.9890 within 4 days is still in the works. Otherwise, we set sights on USDMYR testing 3.9617 in the next leg lower.

USD

- **USD fell against 7 G10s** while the DXY ended 0.1% lower at 93.97 after fading a rebound in US session on better than expected US data.
- **Stay bearish on DXY** as risk aversion emerges on escalation of trade tensions between the US and major trading partners, as well as ahead of US labour market data. DXY remains on a downward trajectory and likely to test 93.65 next, below which a drop to 92.81 is likely.

EUR

- **EUR** remained supported by easing political concerns in Italy and firmer Eurozone data, **climbing 0.24% to 1.1693 against USD** and bested 7 G10s.
- **EUR remains bullish against a soft USD**; firmer Eurozone data will boost further upsides. EURUSD appears to have hit a barrier at 1.1723 overnight. We caution that continued failure to beat this level will discourage the bulls and lead EURUSD lower to 1.1600. Otherwise, expect the next challenge at 1.1855.

GBP

- **GBP inched 0.09% firmer to 1.3298 against USD** and advanced against 5 G10s as European sentiment sagged on US' imposition of metal tariffs on EU.
- **Expect a slightly bullish GBP against a soft USD**; firmer UK data will drive further gains. GBPUSD remains on the path of rebound and we continue to set sights on a test at 1.3335. Beating this increases the chance of rising to 1.3482.

JPY

- **JPY** ended lower against 5 G10s but demand caught up in US morning as refuge demand increased on rising trade tensions, **lifting it 0.08% firmer to 108.82 against USD**.
- **Stay bullish JPY against USD**, supported by refuge demand amid signs of trade tension escalating on potential retaliatory policies by the EU, Mexico and Canada against the US. Expect a potential downside break at 108.44, which would trigger a decline to circa 107.58 in the next leg lower.

AUD

- **AUD** reversed most early gains on falling risk appetite in the markets amid renewed trade tensions, **slipping 0.09% to 0.7568 against USD** and sliding against 8 G10s.
- **We keep a slight bullish view on AUD against a soft USD**, though risk-off sentiment in the markets is likely to limit gains. We maintain that holding above 0.7507 sustains a mild bullish bias that sets AUDUSD towards 0.7660 in the next leg higher. Above this, there is room to test 0.7718.

SGD

- **SGD** climbed 0.12% to 1.3376 against a soft USD and was supported by risk aversion in the markets to beat 6 G10s.
- **Continue to expect a slightly bullish SGD against a soft USD**. USDSGD is now more tilted to the downside after losing 1.3393 overnight. Expect further losses while below 1.3393, which could set a course for 1.3332.

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