May 3, 2018

HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **The Fed hold fed funds rate steady as widely expected**, with no major surprises to its policy statement. The central bank acknowledged a moderation of growth in 1Q18 and inflations are getting closer to its 2% target. To balance its seemingly hawkish tone, the Fed made references twice to its "symmetric" inflation target implying that any deviation of inflation to the upside will not necessarily warrant a policy move i.e. the Fed might allow inflation to overshoot above its 2% inflation target. The dollar index slipped initially following the release of the statement but managed to rebound, extending to a high of 92.834. The stock markets surged as well but went down afterwards.

- **Data flow were mostly sideways, with some upticks noted from Japan, China and Vietnam**, suggesting firmer growth in manufacturing / services sectors. US jobs increased more than expected and suggests another firm print this Friday, and the UK bucked its recent trend of data downticks with a higher construction PMI reading. Growth in the Eurozone eased as expected, and likely to catch the attention of the ECB alongside recent downticks in Eurozone.

- **USD strengthened against 8 G10s** while the DXY inched 0.06% higher to 92.51, supported by gains made in US morning ahead of FOMC policy decision. **Stay slightly bearish on USD** given a lack of a more hawkish tone from the Fed; disappointment on the US data front will renew pressure on USD. We maintain that DXY uptrend has ended. Despite opening higher, we reckon that gains will face risk of rejection approaching 92.83 – 93.00, which could trigger a drop through 92.51 and target 91.70 in the coming days.

- **MYR weakened 0.28% to 3.9345 against a firmer USD** that is supported heading into FOMC policy decision but managed to beat all other G10s that were on a retreat against the greenback's strength. **Continue to expect a subdued MYR against a firm overnight USD**. Upside bias sustains and now USDMYR is expected to test 3.9409 going forward. A break here exposes a move to 3.9525, otherwise, a drop to 3.9220 is likely.

- **SGD** advanced against 7 G10s but **weakened 0.21% to 1.3364 against a firmer USD**. **We turn bullish on SGD against USD**, supported by receding risk aversion in the markets. Expect a mild retracement in USDSGD after recent rally. Losses are likely contained to above 1.3300 before extending current minor bullish trend, with scope to test 1.34008 in the next leg higher.

Overnight Economic Data

Malaysia	↓
US	→
EU	↓
UK	→
Japan	↑
China	↑
Australia	→
Singapore	→
Vietnam	↑

What's Coming Up Next

Major Data
- US initial jobless claims, trade balance, Markit services PMI, ISM services, durable goods orders, factory orders
- Eurozone PPI, CPI estimate
- UK services PMI

Major Events
- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1936	1.1950	1.1960	1.1982	1.2000	↗
USDJPY	109.28	109.60	109.77	109.92	110.00	↘
GBPUSD	1.3520	1.3540	1.3583	1.3600	1.3666	↗
AUDUSD	0.7450	0.7463	0.7495	0.7500	0.7530	↘
EURGBP	0.8797	0.8803	0.8808	0.8818	0.8837	↗
USDMYR	3.9309	3.9345	3.9373	3.9390	3.9430	↗
EURMYR	4.7020	4.7050	4.7105	4.7150	4.7200	↘
JPYMYR	3.5789	3.5831	3.5879	3.5929	3.5977	↗
GBPMYR	5.3350	5.3390	5.3474	5.3500	5.3550	↘
SGDMYR	2.9420	2.9448	2.9477	2.9490	2.9525	↗
AUDMYR	2.9455	2.9500	2.9511	2.9555	2.9598	↗
NZDMYR	2.7500	2.7520	2.7569	2.7600	2.7622	↗
USDSGD	1.3340	1.3350	1.3357	1.3371	1.3380	↘
EURSGD	1.5950	1.5969	1.5982	1.5988	1.6000	↗
GBPSGD	1.8100	1.8120	1.8142	1.8168	1.8180	↘
AUDSGD	0.9980	1.0000	1.0012	1.0026	1.0045	↗

* at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1852.03	-1.0	3.1
Dow Jones Ind.	23924.98	-0.7	-3.2
S&P 500	2635.67	-0.7	-1.4
FTSE 100	7543.20	0.3	-1.9
Shanghai	3081.18	0.0	-6.8
Hang Seng	30723.88	-0.3	2.7
STI	3615.28	0.0	6.2

Name	Last Price	DoD %	YTD %
CRB Index	201.60	0.17	4.0
WTI oil ($/bbl)	67.93	1.01	12.4
Brent oil ($/bbl)	73.36	0.31	9.7
Gold (S/oz)	1304.96	0.09	0.2
CPO (RM/tonne)	2349.50	-1.28	-1.7
Copper ($/tonne)	6820.00	1.11	-5.9
Rubber (sen/kg)	460.00	0.44	-0.5

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Nikkei PMI	Apr	48.6	49.5	--
US MBA Mortgage Applications	27 Apr	-2.5%	-0.2%	--
US ADP Employment Change	Apr	204k	228k (revised)	198k
Fed Fund Rate upper bound	2 May	1.75%	1.75%	1.75%
EU Markit Manufacturing PMI	Apr F	56.2	56.6	56.0
EU Unemployment Rate	Mar	8.5%	8.5%	8.5%
EU GDP SA QOQ	1Q A	0.4%	0.7% (revised)	0.4%
UK Markit/CIPS Construction PMI	Apr	52.5	47.0	50.5
JP Nikkei PMI Services	Apr	52.5	50.9	--
CN Caixin PMI Mfg	Apr	51.1	51.0	50.9
SG Purchasing Managers Index	Apr	52.9	53.0	52.8
AU AiG Perf of Services Index	Apr	55.2	56.9	--
AU Trade Balance	Mar	7	A$825m	A$865m
VN Nikkei PMI Mfg	Apr	52.7	51.6	--

Source: Bloomberg

➢ Macroeconomics

- The Fed hold fed funds rate steady as widely expected, with no major surprises to its policy statement. The central bank acknowledged a moderation of growth in 1Q18 and inflations are getting closer to its 2% target. To balance its seemingly hawkish tone, the Fed made references twice to its “symmetric” inflation target implying that any deviation of inflation to the upside will not necessarily warrant a policy move i.e. the Fed might allow inflation to overshoot above its 2% inflation target. The dollar index slipped initially following the release of the statement but managed to rebound, extending to a high of 92.834. The stock markets surged as well but went down afterwards.

- The US added 204k jobs in the private sector in April, March number was revised downwardly from 241k to 228k. April print shows that hiring remained solid in the US, indicating a strong Friday’s jobs report. Meanwhile, mortgage applications dipped 2.5% for the week ended 27 April (previous: -0.2%) as mortgage cost rose significantly to 4.80% (previous: 4.73%). Mortgage interest rates have been rising for the past two weeks due to the recent surge in treasuries yield prompting a pullback from both homeowners who intend to refinance their mortgages and aspired homebuyers. The more rate sensitive refinancing segment dropped 3.5% while mortgage applied for purchases dropped 1.6%.

- Economic activity in the Eurozone is estimated to have slowed in 1Q with GDP growing 0.4% QOQ from 0.7% in 4Q. Annually, growth was estimated to have eased to 2.5% YOY from 2.8%. The set of softer and lower than expected dataflow in recent weeks is likely to catch the attention of ECB, which has continued to keep markets waiting for signal to an end of the QE program. Separately, the unemployment rate stood unchanged at 8.5% in March. Meanwhile, the manufacturing PMI was upwardly revised to 56.2 in April final report from 56.0. This was still a tad softer than 56.6 level in March, indicating that pace of growth continues to soften though this is likely a correction from the recent high of 60.6 in December 2017. The slowdown was led by softer gain in new orders and employment, even though output grew quicker.

- The UK bucked its recent trend of data downticks with a higher print of construction PMI, which increased to 52.7 in April from 47.0. The highest reading in 5 months was due to strong growth in residential works and new orders, resuming from weather-related slowdown in March.

- Japan recorded its highest services PMI in 6 months, rising to 52.5 in April from 50.9; firmer growth in employment, new orders as well as business optimism. This follows higher manufacturing PMI a day before, both signifying upticks in the economy.

- China’s private manufacturing sector grew at a slightly firmer pace in April as indicated by a 0.1 upward tick to the Caixin PMI in April. The marginal improvement was led by quicker growth in output that managed to offset softer expansion in new orders and employment. In any case, overall economic data has been resilient of late despite some downticks observed, likely as part of the continued economic reforms in China.

- Early releases from Australia this morning shows that the services sector expanded at a slower pace in April. The AiG Performance of Services Index fell to 55.2 from 56.9 in March.

- Singapore's manufacturing sector eased slightly. PMI slid lower to 52.9 in April from 53.0 in March as new orders and output slowed.

- Malaysia's manufacturing sector recorded a third consecutive month of contraction, with the Nikkei PMI falling to 6-month low of 48.6 in April from 49.5. Breakdown suggests some disconnect as business sentiment improved to 4.5y high with manufacturers increasing hiring, yet output and new orders contracted at quicker pace.

- Vietnam's manufacturing PMI climbed to 52.7 in April from 51.6, suggesting that the sector grew at a firmer pace. Areas that led to the pick-up were new orders, output and employment, could impact inflationary pressure going forward amid quicker increase in input costs.

Economic Calendar Release Date

Country	Date	Event	Reporting Period	Survey	Prior	Revised
Malaysia	4/5	Exports YOY	Mar	--	-2.0%	--
US	3/5	Initial Jobless Claims	28 Apr	225k	209k	--
		Trade Balance	Mar	-$50.0b	-$57.6b	--
		Markit US Services PMI	Apr F	54.4	54.4	--
		ISM Non-Manufacturing Composite	Apr	58.0	58.8	
		Durable Goods Orders	Mar F	--	2.6%	--
		Factory Orders	Mar	1.4%	1.2%	--
	4/5	Change in Nonfarm Payrolls	Apr	185k	103k	--
		Unemployment Rate	Apr	4.0%	4.1%	--
		Average Hourly Earnings YOY	Apr	2.7%	2.7%	--
EU	3/5	PPI YOY	Mar	2.1%	1.6%	--
		CPI estimate YOY	Apr	1.3%	1.4%	--
	4/5	Markit Eurozone Service PMI	Apr F	55.0	55.0	--
		Retail Sales MOM	Mar	0.6%	0.1%	--
UK	3/5	Markit/CIPS UK Services PMI	Apr	53.5	51.7	--
China	4/5	Caixin China PMI Services	Apr	52.3	52.3	--
		BoP Current Account Balance	1Q P	--	$62.3b	--
Hong Kong	3/5	Retail Sales Value YOY	Mar	10.9%	29.8%	--
	4/5	Nikkei Hong Kong PMI	Apr	--	50.6	--
Singapore	4/5	Nikkei Singapore PMI	Apr	--	53.7	--
Australia	3/5	Building approvals YOY	Mar	10.6%	-3.1%	--
	4/5	RBA statement on monetary policy				

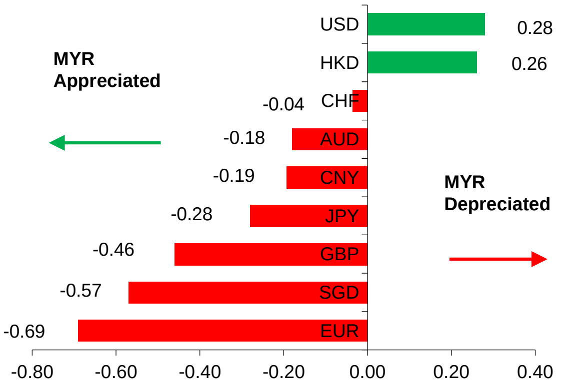
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1951	-0.35	1.2032	1.1938	-0.4
USDJPY	109.84	-0.02	110.04	109.60	-2.5
GBPUSD	1.3576	-0.28	1.3666	1.3555	0.4
AUDUSD	0.7493	0.04	0.7537	0.7476	-4.1
EURGBP	0.8804	-0.04	0.8831	0.8783	-0.8
USDMYR	3.9345	0.28	3.9235	3.9142	-2.7
EURMYR	4.7220	-0.69	4.7597	4.7444	-2.9
JPYMYR	3.5784	-0.28	3.5951	3.5877	-0.3
GBPMYR	5.3597	-0.46	5.4060	5.3843	-2.2
SGDMYR	2.9428	-0.57	2.9629	2.9574	-2.7
AUDMYR	2.9528	-0.18	2.9707	2.9580	-6.8
NZDMYR	2.7601	-0.19	2.7769	2.7653	-4.4

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR weakened 0.28% to 3.9345 against a firmer USD** that is supported heading into FOMC policy decision but managed to beat all other G10s that were on a retreat against the greenback's strength.
- **Continue to expect a subdued MYR against a firm overnight USD**. Upside bias sustains and now USDMYR is expected to test 3.9409 going forward. A break here exposes a move to 3.9525, otherwise, a drop to 3.9220 is likely.

USD

- **USD strengthened against 8 G10s** while the DXY inched 0.06% higher to 92.51, supported by gains made in US morning ahead of FOMC policy decision.
- **Stay slightly bearish on USD** given a lack of a more hawkish tone from the Fed; disappointment on the US data front will renew pressure on USD. We maintain that DXY uptrend has ended. Despite opening higher, we reckon that gains will face risk of rejection approaching 92.83 – 93.00, which could trigger a drop through 92.51 and target 91.70 in the coming days.

EUR

- **EUR fell 0.35% to 1.1951 against a firm USD** and slipped against 7 G10s on the back of softer Eurozone data.
- **Expect a slightly bullish EUR against USD**, anticipating a modest technical rebound after recent sharp losses. Upside surprises in Eurozone data will accelerate EUR's rebound. We continue to eye a potential technical rebound after recent sharp declines. Gains will likely be limited by 1.2055, otherwise a more sustained rebound will form.

GBP

- **GBP fell 0.28% to 1.3576 against a firm USD** and slipped against 5 G10s as demand eased on the back of improved risk appetite in European markets.
- **We expect a slightly firmer GBP against USD** today, anticipating a technical rebound. Downside momentum has receded and we suspect a modest rebound may be in the works. Gains are likely limited by 1.3749 before resuming current downtrend, otherwise, a recovery to 1.3869 is possible.

JPY

- **JPY** was supported by risk aversion in the FX space ahead of FOMC decision, rising against 8 G10s and **inching 0.02% firmer to 109.84 against USD**.
- **Continue to expect a slightly bullish on JPY against USD** that is likely dampened by a less hawkish than expected tone of the Fed. Weakness in upside momentum is apparent after USDJPY failed to hold above 110 and closed lower. We set sights on a decline, with scope to test 109.28 next.

AUD

- **AUD** rallied on receding risk aversion post Fed decision to beat all G10s and **inched 0.04% higher to 0.7493 against USD**.
- **AUD is now slightly bullish against USD**, supported by continued recede in risk aversion sentiment post Fed decision. AUDUSD appears to have bounced off 0.7473, which raises suspicion that a modest rebound may be forming. Gains are likely limited by 0.7548, otherwise further gains to 0.7652 is likely.

SGD

- **SGD** advanced against 7 G10s but **weakened 0.21% to 1.3364 against a firmer USD**.
- **We turn bullish on SGD against USD**, supported by receding risk aversion in the markets. Expect a mild retracement in USDSGD after recent rally. Losses are likely contained to above 1.3300 before extending current minor bullish trend, with scope to test 1.34008 in the next leg higher.

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