

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks were lifted while US treasuries ended lower on Friday on upbeat US jobs reports and subsiding fear over political uncertainties in Italy** as the 5-Star Movement and League parties finally reached a deal to form a new government. Stocks also benefited from the scheduled 12 June meeting between the US and North Korea in Singapore which is now likely to happen following multiple times of cancellations by President Trump. All these overshadowed renewed trade tensions between the US and its allies.
- US data took centre stage on Friday with the release of **an upbeat May jobs report**. Nonfarm payroll ticked up to 223k while wage growth quickened to 2.7% YOY and the unemployment rate edged further lower to an 18-year low of 3.8%, pointing to a continuous tightening of the labour market and **reaffirming the Fed's move to hike interest rate on 13 June**. Other US data came in positive as well – the closely watched headline ISM Manufacturing PMI rose to 58.7 indicating a faster expansion of the manufacturing sector but we noted that outlook for trade seems to be softening. Construction spending in the US rebounded in April too signaling more homebuilding to address a shortage of supply in the housing market. Elsewhere, data releases are limited to manufacturing PMI readings – **manufacturing sector in the Eurozone and Japan softened whereas that of the UK rose at a slightly faster pace. China manufacturing PMI was unchanged from the previous month while Vietnam PMI surged higher** suggesting a solid expansion.
- **USD strengthened against 7 G10s** while the DXY climbed in US morning before edging higher on better than expected US labour market data to close 0.18% higher at 94.15. **We maintain a bearish view on USD** as trade tensions between the US and China, EU, Canada and Mexico remain unabated. The greenback will be looking for firmer US data tonight to boost the bulls. Technically, DXY remains on a downward trajectory and likely to test 93.65 next, below which a drop to 92.81 is likely.
- **MYR inched 0.02% firmer to 3.9790 against USD** that tumbled in European morning, and managed to beat 8 G10s. **We turn bullish on MYR against USD**, supported by improving risk appetite in the markets. The minor bullish trend that we previously noted has ended and a mild bearish bias has emerged, tilting USD/ MYR lower. We continue to set sights on USD/ MYR testing 3.9617 in the next leg lower.
- **SGD ended mixed against the G10s, beating European majors but slipped against risk-sensitive majors. SGD slipped 0.15% against USD to 1.3396. Continue to expect a slightly bullish SGD against USD.** USDSGD remains tilted to the downside after losing 1.3393 in early trade. Expect further losses while below 1.3393, which could set a course for 1.3332.

Overnight Economic Data

US	↑
EU	↓
UK	↑
Japan	↓
China	→
Vietnam	↑

What's Coming Up Next

Major Data

- Malaysia Nikkei PMI
- US Factory Orders, Durable Goods Orders
- Eurozone PPI, Sentix Investor Confidence
- UK Markit/CIPS Construction PMI
- Australia Retail Sales
- Singapore Purchasing Managers Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1640	1.1650	1.1675	1.1697	1.1723	↗
USDJPY	109.24	109.51	109.62	109.79	110.00	↗
GBPUSD	1.3300	1.3324	1.3366	1.3389	1.3400	↗
AUDUSD	0.7565	0.7575	0.7583	0.7593	0.7613	↗
EURGBP	0.8705	0.8720	0.8736	0.8753	0.8762	↘
USD MYR	3.9700	3.9713	3.9735	3.9760	3.9797	↘
EUR MYR	4.6343	4.6380	4.6406	4.6426	4.6472	↘
JPY MYR	3.6230	3.6255	3.6261	3.6265	3.6285	↘
GBP MYR	5.3085	5.3109	5.3120	5.3138	5.3193	↗
SGD MYR	2.9679	2.9700	2.9714	2.9731	2.9750	→
AUD MYR	3.0085	3.0100	3.0127	3.0177	3.0213	↗
NZD MYR	2.7738	2.7750	2.7788	2.7813	2.7856	↗
USD SGD	1.3348	1.3359	1.3371	1.3377	1.3393	↘
EUR SGD	1.5583	1.5600	1.5614	1.5629	1.5654	↗
GBP SGD	1.7832	1.7859	1.7877	1.7882	1.7900	↗
AUD SGD	1.0115	1.0129	1.0137	1.0146	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	1756.38	0.9	-2.3	CRB Index	201.71	-0.56	4.0
Dow Jones Ind.	24635.21	0.9	-0.3	WTI oil (\$/bbl)	65.81	-1.83	8.9
S&P 500	2734.62	1.1	2.3	Brent oil (\$/bbl)	76.79	-1.03	14.4
FTSE 100	7701.77	0.3	0.2	Gold (\$/oz)	1293.40	-0.39	-0.7
Shanghai	3075.14	-0.7	-7.0	CPO (RM/tonne)	2366.50	-0.23	-1.0
Hang Seng	30492.91	0.1	1.9	Copper (\$/tonne)	6896.00	0.64	-4.8
STI	3427.51	0.0	0.7	Rubber (sen/kg)	466.50	-3.42	0.9

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Change in Nonfarm Payrolls	May	223k	164k	190k
US Unemployment rate	May	3.8%	3.9%	3.9%
US Average Hourly Earnings YOY	May	2.7%	2.6%	2.6%
US ISM Manufacturing	May	58.7	57.3	58.2
US Markit Manufacturing PMI	May F	56.4	56.6	56.6
US Construction Spending MOM	Apr	1.8%	-1.7%	0.8%
EU Markit Manufacturing PMI	May F	55.5	56.2	55.5
UK Markit Manufacturing PMI	May	54.4	53.9	53.5
JP Nikkei Manufacturing PMI	May F	52.8	53.8	--
CN Caixin Manufacturing PMI	May	51.1	51.1	51.2
VN Nikkei Manufacturing PMI	May	53.9	52.7	--

Source: Bloomberg

➤ Macroeconomics

- Stellar US jobs report keeps the Fed on track of rate hikes:** Nonfarm payroll employment surpassed expectations ticking up to 223k in May (April: 159k) while the number for March and April were revised to 155k (previous: 135k) and 159k (previous: 164k) respectively bringing a net addition of 15k new jobs for both months. 6-month moving average was at a solid 209k. Wage growth picked up to 2.7% YOY (Apr: +2.6%) as we have expected earlier drawing from reports of firms having troubles filling positions which led them to offer higher wages. Unemployment rate meanwhile went down to 3.8% (Apr: 3.9%), a level last seen in 2000. Participation rate slipped for the second consecutive month to 62.7% (Apr: 62.8%). The upbeat data from both establishment and household surveys reaffirmed views that the US labour market is showing no sign of cooling just yet as firms continued their hiring spree in 2Q where the economy is expected to outperform a slower 1Q. Growth in PCE core which has remained at 1.8% YOY for two months could be lifted in May due to a quicker wage growth. The upbeat jobs report affirmed expectations of a Fed's move on 13 June and heightened the case for a fourth rate hike this year, that said, the re-ignition of trade tension of between the US and its key trading partners which might hurt business confidence will be closely watched by the Fed.
- US manufacturing sector expanded at a faster pace; higher prices paid signals higher inflation, export orders slowed:** The headline ISM manufacturing PMI rose to 58.7 in May (Apr: 57.3) due to the faster growth in new orders, productions, employment, prices as well as backlog of orders. The ISM prices paid, an excellent predictor of inflation increased for the 6th consecutive month to 79.5 (Apr: 79.3), a sign of further inflationary pressure build-up in the economy. Outlook for trade seems to be softening in May as both new export orders and import slid to 55.6 (Apr: 57.7) and 54.1 (Apr: 57.8) respectively, not yet a reflection of the newly imposed tariffs by the US (on Mexico, Canada and the EU) which could further dampen outlook. Meanwhile in a separate release, the private Markit PMI reading came in lower at 56.4 in May (Apr: 56.6), in contrast with the above official reading due to a downwardly revised new orders.
- US construction spending rebounded, signals more homebuilding:** Construction spending rebounded to increase 1.8% MOM in April (Mar: -1.7%) as the gains in residential construction spending (+4.4% MOM) reversed the drop (-4.1% MOM) in the previous month, a healthy sign that more houses are being built to keep up with higher demand in an already tight inventories environment.
- Eurozone manufacturing sector softened:** Final Markit PMI was unchanged from the flash reading at 55.5 in May (Apr: 56.2), the lowest reading in 15 month, confirming a slowdown in the currency bloc's manufacturing sector as growth of output, new orders, new export business and employment eased. Slowing export sales dragged on both productions and order books partly due to the appreciation of the euro and a weakened demand from its key export markets, notably the US.
- UK manufacturing sector expanded:** The Markit/CIPS Manufacturing PMI ticked up to 54.4 in May (Apr: 53.9) indicating an expansion of the sector as output growth edged up despite slower expansion of new work received. However, signs of supply-chain constraints emerged and cost pressure intensified with manufacturers reporting that increases in general raw material cost were made worst by input shortages. That said, manufacturers remained largely positive over rising order intakes, growth in export markets, new product launches and planned company expansions.

- **Japan manufacturing sector eased:** The Nikkei Manufacturing PMI fell to 52.8 in May (Apr: 53.8) as total new orders growth slowed with notable sign of supply chain pressure. Input price inflation accelerated which led firms to hike selling prices, nonetheless Japanese businesses remained optimistic due to planned capital investment and launch of new products.
- **China manufacturing sector expanded modestly:** The Caixin Manufacturing PMI remained unchanged at in May from its previous month reading of 51.1 attributed to softer growth in productions and new orders. The figure came in contrast with the official PMI reading which rose to 51.9 in May (Apr: 51.4) indicating that the sector remained robust even as uncertainties over trade dispute persisted.
- **Vietnam manufacturing sector rose at solid pace:** The Nikkei Vietnam manufacturing PMI increased to 53.9 in May (Apr: 52.7) as the fastest rise in new business since March 2017 was recorded alongside sharper increase in output and employment attributed to rise in new exports orders.

Economic Calendar Release Date

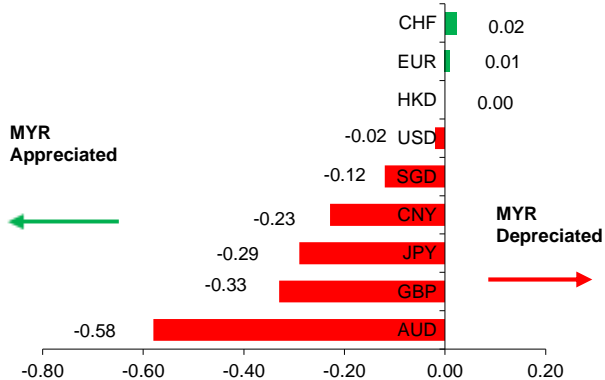
Date	Country	Events	Reporting Period	Survey	Prior	Revised
04/06	Malaysia	Nikkei Malaysia PMI	May	--	48.6	--
05/06		Trade Balance MYR	Apr	13.50b	14.69b	--
		Exports YOY	Apr	5.6%	2.2%	--
04/06	US	Factory Orders	Apr	-0.5%	1.6%	--
		Durable Goods Orders	Apr F	--	-1.7%	--
05/06		Markit US Services PMI	May F	55.7	55.7	--
		ISM Non-Manf. Composite	May	57.6	56.8	--
04/06	Eurozone	Sentix Investor Confidence	Jun	18.5	19.2	--
		PPI MOM	Apr	0.2%	0.1%	--
05/06		Markit Eurozone Services PMI	May F	53.9	54.7	--
		Retail Sales MoM	Apr	0.5%	0.1%	--
04/06	UK	Markit/CIPS UK Construction PMI	May	52.0	52.5	--
05/06		Markit/CIPS UK Services PMI	May	53.0	52.8	--
05/06	Japan	Household Spending YoY	Apr	0.8%	-0.7%	--
		Nikkei Japan PMI Services	May	--	52.5	--
05/06	Hong Kong	Nikkei Hong Kong PMI	May	--	49.1	--
04/06	Australia	Retail Sales MOM	Apr	0.3%	0.0%	--
05/06		AiG Perf of Services Index	May	--	55.2	--
		RBA Cash Rate Target	Jun-05	1.50%	1.5%	--
04/06	Singapore	Purchasing Managers Index	May	53.0	52.9	--
05/06		Nikkei Singapore PMI	May	--	55.6	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1659	-0.29	1.1718	1.1617	-2.8
USDJPY	109.54	0.66	109.73	108.72	-2.7
GBPUSD	1.3346	0.36	1.3362	1.3254	-3.1
AUDUSD	0.7569	0.01	0.7573	0.7515	-3.0
EURGBP	0.8737	-0.64	0.8810	0.8727	-1.6
USDMYR	3.9790	-0.02	3.9843	3.9770	-1.7
EURMYR	4.6578	0.01	4.6603	4.6451	-2.2
JPYMYR	3.6421	-0.29	3.6607	3.6419	1.3
GBPMYR	5.2879	-0.33	5.2945	5.2798	-2.7
SGDMYR	2.9731	-0.12	2.9795	2.9716	-1.8
AUDMYR	3.0015	-0.58	3.0131	3.0008	-2.7
NZDMYR	2.7794	-0.18	2.7943	2.7787	-3.5

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR inched 0.02% firmer to 3.9790 against USD** that tumbled in European morning, and managed to beat 8 G10s.
- **We turn bullish on MYR against USD**, supported by improving risk appetite in the markets. The minor bullish trend that we previously noted has ended and a mild bearish bias has emerged, tilting USDMYR lower. We continue to set sights on USDMYR testing 3.9617 in the next leg lower.

USD

- **USD strengthened against 7 G10s** while the DXY climbed in US morning before edging higher on better than expected US labour market data to close 0.18% higher at 94.15.
- **We maintain a bearish view on USD** as trade tensions between the US and China, EU, Canada and Mexico remain unabated. The greenback will be looking for firmer US data tonight to boost the bulls. Technically, DXY remains on a downward trajectory and likely to test 93.65 next, below which a drop to 92.81 is likely.

EUR

- **EUR slipped 0.29% to 1.1659 against a firmer USD** and retreated against 7 G10s along with European majors that were still pressured by political jitters.
- **Expect EUR to be bullish** with USD likely weighed down by trade tensions and as sentiment in Europe recovers after recent political risk events. Upside momentum continues to improve, tilting EURUSD upwards. We continue to set sights on a break at 1.1723 to establish a path towards 1.1855, but another rejection at 1.1723 would trigger a drop to 1.1546.

GBP

- **GBP** was lifted by stronger UK data and refuge demand from retreat in European majors, rising against all G10s and **0.36% to 1.3346 against USD**.
- **Expect bullish GBP against USD** on sustained buying interest amid upside surprise in UK data last Fri; another upside surprise today would push GBPUSD higher. GBPUSD has broken 1.3335 and is now likely on a path to 1.3482.

JPY

- **JPY** tumbled against all G10s and **weakened 0.66% to 109.54 against USD** as demand for refuge slump on the back of strong US labour market data.
- **We turn bearish on JPY against USD**, as refuge demand is likely to soften further supported by the recent firm US data. USDJPY has strongly bounced off 108.79, indicating that there may still be some strength left. Expect a break at 109.79 next, but gains are likely to falter near 110.04 – 110.12 range.

AUD

- **AUD** was buoyed by improved risk appetite in the markets to beat 7 G10s and **inched 0.01% higher to 0.7569 against USD**.
- **Maintain a bullish view on AUD against USD**, supported by improving risk appetite that is likely to spill over into Asian/European sessions from overnight US markets. We maintain that AUDUSD is heading towards 0.7660 in the next leg higher. Above this, there is room to test 0.7718.

SGD

- **SGD** ended mixed against the G10s, beating European majors but slipped against risk-sensitive majors. **SGD slipped 0.15% against USD to 1.3396**.
- **Continue to expect a slightly bullish SGD against USD**. USDSGD remains tilted to the downside after losing 1.3393 in early trade. Expect further losses while below 1.3393, which could set a course for 1.3332.

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