HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- US equity continued **to advance for the second consecutive day as markets shrugged off risk over trade wars** even after the weekend negotiation with China seemed to bear no fruitful result and the tariffs imposed on the EU, Canada and Mexico is a go-ahead anyway (with all three countries vowed to retaliate). Instead, **markets focused on growth optimism spilling over from the upbeat US job data**. The Dow, S&P and NASDAQ closed up between 0.4-0.7% while yields on 10-year UST closed 4bps higher to 2.94% on higher inflation expectations as the solid jobs reports reinforced the case for a fourth rate hike in 2018. The fear of a political turmoil in Italy has since faded as well with yields on 10-y government bonds dropped by 15bps to 2.54%.

➢ **US factory orders came in below expectations** and contracted 0.8% MOM due to a fall in commercial aircrafts orders but underlying manufacturing conditions remained strong given an upbeat ISM PMI reading. European investor sentiments weakened over Italian politics according to the Sentix Investor Confidence Index but as mentioned earlier the concerns have subsided. Producer prices moderated in EU, and was flat in April. Elsewhere, UK construction sector grew modestly as residential activities eased. **Australia retail sales rose more than expected** while its services sector expanded at a faster pace as well. Singapore manufacturing sector rose at a slower pace while Malaysia manufacturing conditions deteriorated according to the Nikkei Manufacturing PMI.

➢ **USD fell against 8 G10s** on relatively softer US data on top of receding buying interest amid unabated concerns regarding US trade issues with major economies. DXY ended 0.13% lower at 94.03 after narrowing early losses. **Stay bearish on USD** that is weighed down by softer US data overnight and by risk aversion going into important service sector data. DXY remains on a downward trajectory and likely to test 93.65 again, below which a drop to 92.81 is likely. Closing above 94.06 today nullifies current minor bearish trend.

➢ **MYR strengthened 0.18% to 3.9718 against USD** after rallying in European morning on greenback weakness. MYR lost to 8 G10s that were firmer on a weak USD. **Stay bullish on MYR against USD**, supported by improving risk appetite in the markets. USDMYR remains tilted lower in line with prevailing minor bearish trend. We continue to set sights on USDMYR testing 3.9617 next.

➢ **SGD** ended lower against 6 G10s amid a relatively softer Singapore PMI overnight but **strengthened 0.22% to 1.3366 against a soft USD**. **Continue to expect a slightly bullish SGD against USD**. USDSGD remains tilted to the downside after a strong rejection at 1.3393 overnight. Expect further losses while below 1.3393, which could set a course for 1.3332.

Overnight Economic Data

Malaysia	↓
US	↓
EU	↓
UK	→
Australia	↑
Singapore	→

What's Coming Up Next

Major Data

➢ Malaysia Trade Balance, Exports
➢ US ISM Non-Manufacturing PMI, Markit Services PMI
➢ Eurozone Retail Sales, Markit Services PMI
➢ UK Markit/CIPS Services PMI
➢ Japan Household Spending, Nikkei Services PMI
➢ Hong Kong Nikkei PMI

Major Events

➢ RBA Cash Rate Target

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1665	1.1692	1.1703	1.1723	1.1753	↗
USDJPY	109.50	109.79	109.88	110.04	110.50	↗
GBPUSD	1.3278	1.3308	1.3318	1.3345	1.3362	↗
AUDUSD	0.7617	0.7641	0.7645	0.7652	0.7666	↗
EURGBP	0.8765	0.8770	0.8785	0.8794	0.8809	↗
USDMYR	3.9675	3.9705	3.9730	3.9738	3.9760	↘
EURMYR	4.6427	4.6451	4.6484	4.6426	4.6472	→
JPYMYR	3.6109	3.6142	3.6181	3.6191	3.6213	↘
GBPMYR	5.2838	5.2850	5.2901	5.2945	5.3000	→
SGDMYR	2.9679	2.9703	2.9724	2.9731	2.9746	↘
AUDMYR	3.0320	3.0350	3.0368	3.0380	3.0416	↗
NZDMYR	2.7900	2.7921	2.7940	2.7952	2.7979	↗
USDSGD	1.3332	1.3342	1.3365	1.3373	1.3393	↘
EURSGD	1.5619	1.5624	1.5635	1.5655	1.5671	↗
GBPSGD	1.7765	1.7782	1.7797	1.7816	1.7831	↗
AUDSGD	1.0189	1.0205	1.0215	1.0227	1.0240	↗

* 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	1755.17	-0.1	-2.3	CRB Index	198.86	-1.41	2.6
Dow Jones Ind.	24813.69	0.7	0.4	WTI oil ($/bbl)	64.75	-1.61	7.2
S&P 500	2746.87	0.4	2.7	Brent oil ($/bbl)	75.29	-1.95	12.6
FTSE 100	7741.29	0.5	0.7	Gold (S/oz)	1292.02	-0.11	-0.8
Shanghai	3091.19	0.5	-6.5	CPO (RM/tonne)	2399.50	1.39	0.4
Hang Seng	30997.98	1.7	3.6	Copper ($/tonne)	6975.00	1.15	-3.8
STI	3467.48	1.2	1.9	Rubber (sen/kg)	463.00	-0.75	0.1

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Nikkei PMI	May	47.6	48.6	--
US Factory Orders MOM SA	Apr	-0.8%	1.7% (revised)	-0.5%
US Durable Goods Orders MOM SA	Apr F	-1.6%	+2.7%	--
EU Sentix Investor Confidence	Jun	9.3	19.2	18.5
EU PPI MOM	Apr	0.0%	0.1%	0.2%
UK Markit/CIPS Construction PMI	May	52.5	52.5	52.0
AU Retail Sales MOM	Apr	0.4%	0.0%	0.3%
AU AiG Perf. Of Services Index	May	59.0	55.2	--
SG Purchasing Manager Index	May	52.7	52.9	53.0
SG Nikkei Singapore PMI	May	56.8	55.6	--

Source: Bloomberg

➢ Macroeconomics

- ***US factory orders took a beating, likely to be temporary:*** Factory orders which measures new orders for US manufactured goods decreased 0.8% MOM in May (Mar: +1.7% revised). Its key sub segment – the durable goods order dropped 1.6% MOM (Mar: +2.7% revised) due to fall in commercial aircraft by 28.9% MOM (Mar: +60.8%), computers by 7.4% (Mar: +5.6%), household appliances by 4.5% (Mar: +4.7%), mining machinery by 11.6% (Mar: +6.3%) and turbines & generators by 7.9% (Mar: +1.3%) respectively. The downbeat numbers signal a softer manufacturing sector in the month ahead as lower factory order tends to mean lower productions but we believe that the decline is only temporary given the volatility of non-defense aircrafts orders and more importantly, a solid ISM print. In fact, new orders and productions were reportedly growing at a faster pace according to firms surveyed suggesting a robust manufacturing condition in May and higher output in June.

- ***Eurozone investors sentiments dampened over Italian politics; producer prices flat:*** The Sentix Investor Confidence dipped to 9.3 in June (May: 19.2) driven by concerns over the new populist Italian government carrying a euro-skeptic agenda which could potentially hurt an already slowing growth. Worry over US tariffs on steels and aluminium was also part of the reason why sentiments deteriorated. Another key highlight is the lower expectation for the German economy which seems to be vulnerable to the trade dispute as exports are under pressures. In a separate release, producer price index was unchanged in April (Mar: +0.1%) which brings the annual PPI to 2.0% YOY (Mar: +2.1%).

- ***UK construction sector grew modestly:*** The Markit/CIPS UK Construction PMI remained unchanged at 52.5 in May (Apr: 52.5) as new business growth slipped midst general uncertainties toward outlook. Commercial activity growth accelerated while expansion in residential and civil engineering eased reaffirming a softer housing market in the UK.

- ***Australia retail sales rose, beat expectations; services sector expanded:*** Retail sales picked up 0.4% MOM in April (Mar: 0.0%) following a flat reading in the previous month due to higher spending (absolute amount) in food and household goods. Growth in food spending increased 0.3% MOM (Mar: +0.8%) while that of household goods rebounded to increase 0.7% MOM (Mar: -0.3%), a sign of improved consumptions. Meanwhile, the AiG Performance of Services Index surged to 59.0 in May (Apr: 55.2) on the back of higher sales, new orders and employment. Both input costs and selling prices rose while wages in particular were seen picking up notably suggesting buildup of inflationary pressure in the months ahead.

- ***Singapore manufacturing sector eased:*** The Singapore Purchasing Manager Index fell to 52.7 in May (Apr: 52.9) due to slower growth in manufacturing output, imports and inventory. The electronic sector seems to be performing better with the electronic sector PMI rose slightly to 52.3 (Apr: 52.2). In a separate release, the private Nikkei Singapore PMI contradicted with the official reading and rose to 56.8 in May (Apr: 55.6) indicating an acceleration in the sector.

- ***Malaysia manufacturing conditions deteriorated:*** The headline Nikkei Malaysia Manufacturing PMI extended its fourth consecutive month of decline to an 11-month low of 47.6 in May (Apr: 48.6) attributed to a fall in output and new business amidst weak underlying demand. Input cost inflation eased despite reports of general increase in raw material cost. Purchasing activity declined as well while pre-production inventories ticked marginally lower.

Economic Calendar Release Date						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
05/06	**Malaysia**	**Trade Balance MYR**	**Apr**	**12.70b**	**14.69b**	**--**
		Exports YOY	**Apr**	**6.3%**	**2.2%**	**--**
05/06	**US**	**Markit US Services PMI**	**May F**	**55.7**	**55.7**	**--**
		ISM Non-Manf. Composite	**May**	**57.6**	**56.8**	**--**
06/06		MBA Mortgage Applications	01 June	--	-2.9%	--
		Trade Balance	Apr	-$49.0b	-$49.0b	--
05/06	**Eurozone**	**Markit Eurozone Services PMI**	**May F**	**53.9**	**54.7**	**--**
		Retail Sales MoM	**Apr**	**0.5%**	**0.1%**	**--**
05/06	**UK**	**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**	**--**
06/06		Labor Cash Earnings YOY	Apr	1.3%	2.1%	2.0%
05/06	**Hong Kong**	**Nikkei Hong Kong PMI**	**May**	**--**	**49.1**	**--**
05/06	**Australia**	**RBA Cash Rate Target**	**05 June**	**1.50%**	**1.5%**	**--**
06/06		GDP SA QOQ	1Q	0.8%	0.4%	--
06/06-13/06	Vietnam	Domestic Vehicle Sales YOY	May	--	-3.7%	--

Source: Bloomberg

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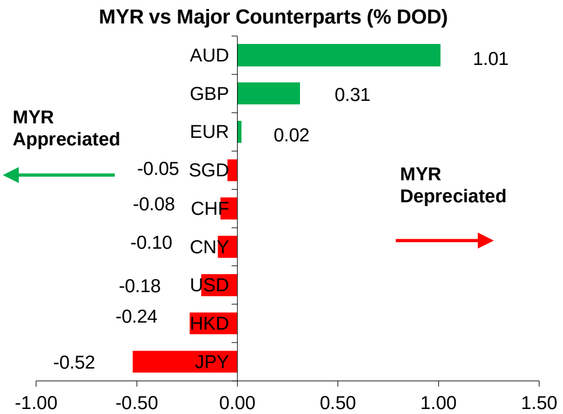
FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1699	0.34	1.1745	1.1653	-2.5
USDJPY	109.82	0.26	109.85	109.37	-2.4
GBPUSD	1.3313	-0.25	1.3399	1.3295	-1.5
AUDUSD	0.7648	1.04	0.7666	0.7556	-2.0
EURGBP	0.8787	0.56	0.8788	0.8732	-1.1
USDMYR	3.9718	-0.18	3.9810	3.9680	-1.8
EURMYR	4.6586	0.02	4.6603	4.6396	-4.1
JPYMYR	3.6230	-0.52	3.6340	3.6213	0.5
GBPMYR	5.3045	0.31	5.3236	5.3022	-3.2
SGDMYR	2.9715	-0.05	2.9783	2.9699	-1.9
AUDMYR	3.0317	1.01	3.0380	3.0111	-3.9
NZDMYR	2.7892	0.35	2.7932	2.7764	-3.0

Source: Bloomberg



➢Forex

MYR

- **MYR strengthened 0.18% to 3.9718 against USD** after rallying in European morning on greenback weakness. MYR lost to 8 G10s that were firmer on a weak USD.
- **Stay bullish on MYR against USD**, supported by improving risk appetite in the markets. USDMYR remains tilted lower in line with prevailing minor bearish trend. We continue to set sights on USDMYR testing 3.9617 next.

USD

- **USD fell against 8 G10s** on relatively softer US data on top of receding buying interest amid unabated concerns regarding US trade issues with major economies. DXY ended 0.13% lower at 94.03 after narrowing early losses.
- **Stay bearish on USD** that is weighed down by softer US data overnight and by risk aversion going into important service sector data. DXY remains on a downward trajectory and likely to test 93.65 again, below which a drop to 92.81 is likely. Closing above 94.06 today nullifies current minor bearish trend.

EUR

- **EUR** lost upside traction after a set of soft Eurozone data and retreated from intraday high to **close 0.34% higher at 1.1699 against USD** while easing against 5 G10s.
- **Remain bullish on EUR against a soft USD**, but direction will depend largely on both US and Eurozone data performance tonight. Technically, do not rule out a minor dip today as upside bias is still not convincing given failure to close above 1.17 overnight. Holding above 1.1665 sustains a minor bullish bias that would lead EURUSD higher going forward. In any case, we set sights on EURUSD beating 1.1753 going forward.

GBP

- **GBP fell 0.25% to 1.3313 against USD** and retreated against 8 G10s as refuge demand in European markets continued to ease.
- **Expect bullish GBP against a soft USD**; another upside surprise in UK data would push GBPUSD higher. GBPUSD upside strength appears fragile after sliding back below 1.3335 overnight. Recapturing above this levels allows passage to 1.3482.

JPY

- **JPY** ended lower against all G10s for a second day and **weakened 0.26% to 109.82 against USD** as refuge demand retreated further.
- **We are slightly bearish on JPY against USD** but caution that losses may be limited given a still soft greenback. USDJPY has broken 109.79 and is exposed to further gains, but advances are likely to falter near 110.04 – 110.12 range.

AUD

- **AUD** remains buoyed by improved risk appetite in the markets to beat all G10s and **surged 1.04% to 0.7648 against USD**.
- **Maintain a bullish view on AUD against USD**, supported by improving risk appetite and firmer Australian data. AUDUSD expectedly tested 0.7660 overnight; closing above this level is likely to inject more upside strength for the pair to test 0.7718 in the next leg higher.

SGD

- **SGD** ended lower against 6 G10s amid a relatively softer Singapore PMI overnight but **strengthened 0.22% to 1.3366 against a soft USD**.
- **Continue to expect a slightly bullish SGD against USD**. USDSGD remains tilted to the downside after a strong rejection at 1.3393 overnight. Expect further losses while below 1.3393, which could set a course for 1.3332.

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