Global Markets Research

Daily Market Highlights

Key Takeaways

- **Friday jobs report offered some mixed details but nonetheless did not change the overall outlook of a firming US job market and the continued Fed policy normalization.** Nonfarm payroll in the US rose to 165k in April while March number was revised higher from 103k to 135k. This brings the three-month average to 208k. Unemployment rate dropped 0.2ppt to 3.9% (Mar: 4.1%), a level last seen since late 2000 after staying at 4.1% for 6 consecutive months. Meanwhile wage growth is struggling to keep up, missing estimate to increase 2.6% YOY (Mar: +2.6% revised), which somewhat soothed concerns runaway wage growth and hence inflation, could prompt the Fed to raise rates for more than three times this year. We are maintaining our view for a total of three rate hikes this year.

- **The softer Eurozone PMI services and retail sales readings added to signs of slowing growth in the euro region while in China, Caixin PMI services confirmed sustained resiliency in the China economy.**

- **At the local front, exports rebounded to increase 2.2% YOY (Feb: -2.0%) and trade surplus widened to MYR14.96b (Feb: 9.02b).** Exports of manufacturing products lifted the headline figure out of negative territory, even though commodities remained somewhat soft. Imports however, underperformed, dropping 9.6% YOY (Feb: -2.8%) led by declines in all categories. Moving forward, overall exports outlook is expected to remain positive albeit expanding more modestly, tracking continued moderate global demand and range bound commodity prices. **We are maintaining our full year 2018 GDP growth forecast at 5.0%, in anticipation of more moderate growth in domestic demand and exports but do not discount the possibility of an upward revision should 1Q GDP numbers surprise on the upside again in anticipation of bigger contribution from net exports** given the decline in March imports.

- **USD ended higher against 6 G10s** while the DXY closed 0.16% higher at 92.56 after jumping on better than expected US labour market data. **Stay bearish on USD** as we expect little positive catalysts to drive further gains. DXY is losing upside momentum and there may be some room for retracement after recent rally. Caution that losing 92.51 exposes a drop to 91.70.

- **MYR slipped 0.17% to 3.9395 against USD** last Friday, but advanced against 7 G10s that were weaker on a firm greenback. **Continue to expect a subdued MYR against USD** on risk aversion ahead of Malaysian General Election this Wed. Upside bias sustains and USDMYR is expected to test 3.9409 again. We suspect this level could trigger a rejection and lead USDMYR lower going forward, possibly testing 3.9075.

- **SGD** ended lower against 7 G10s and **weakened 0.25% to 1.3341 against a firmer USD**. **We turn bullish on SGD against USD**, anticipating firmer risk appetite in the markets to support. Minor bullish trend in USDSGD has ended. The pair is now tilted to the downside, with scope to test 1.3300 in the next leg lower, below which a drop to 1.3269 is expected.

Overnight Economic Data

Malaysia	↑
US	→
EU	↓
China	↑
Australia	↓

What's Coming Up Next

Major Data

- Malaysia foreign reserves
- China foreign reserves
- Australia NAB business confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1936	1.1948	1.1964	1.1980	1.2000	↗
USDJPY	108.33	108.75	108.98	109.35	109.78	↘
GBPUSD	1.3500	1.3520	1.3540	1.3565	1.3588	↗
AUDUSD	0.7500	0.7515	0.7523	0.7531	0.7553	↗
EURGBP	0.8818	0.8827	0.8835	0.8843	0.8850	↗
USDMYR	3.9335	3.9370	3.9390	3.9410	3.9450	↗
EURMYR	4.7010	4.7086	4.7123	4.7141	4.7200	↗
JPYMYR	3.6100	3.6123	3.6142	3.6162	3.6200	↗
GBPMYR	5.3280	5.3300	5.3338	5.3385	5.3500	↗
SGDMYR	2.9500	2.9532	2.9541	2.9555	2.9563	↗
AUDMYR	2.9600	2.9623	2.9631	2.9678	2.9700	↗
NZDMYR	2.7600	2.7620	2.7642	2.7685	2.7729	↗
USDSGD	1.3308	1.3316	1.3332	1.3343	1.3360	↘
EURSGD	1.5912	1.5934	1.5947	1.5960	1.5980	↗
GBPSGD	1.8000	1.8015	1.8052	1.8074	1.8100	↘
AUDSGD	1.0000	1.0022	1.0029	1.0046	1.0056	↗

* 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	1841.83	-0.5	2.5	CRB Index	203.25	0.57	4.8
Dow Jones Ind.	24262.51	1.4	-1.8	WTI oil ($/bbl)	69.72	1.89	15.4
S&P 500	2663.42	1.3	-0.4	Brent oil ($/bbl)	74.87	1.70	12.2
FTSE 100	7567.14	0.9	-1.6	Gold (S/oz)	1314.50	0.19	0.9
Shanghai	3091.03	-0.3	-6.5	CPO (RM/tonne)	2359.00	-0.49	-1.3
Hang Seng	29926.50	-1.3	0.0	Copper ($/tonne)	6826.00	-0.01	-5.8
STI	3545.38	-0.8	4.2	Rubber (sen/kg)	479.00	2.90	3.6

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Exports YOY	Mar	2.2%	-2.0%	2.0%
MA Trade Balance MYR	Mar	14.69b	9.02b	9.50b
US Change in Nonfarm Payrolls	Apr	164k	135k (revised)	192k
US Unemployment Rate	Apr	3.9%	4.1%	4.0%
US Average Hourly Earnings	Apr	2.6%	2.6% (revised)	2.7%
EU Markit Eurozone Services PMI	Apr F	54.7	54.9	55.0
EU Retail Sales	Apr	0.1%	0.3% (revised)	0.5%
CN Caixin China PMI Services	Apr	52.9	52.3	52.3
CN BOP Current Account Balance	1QP	-$28.2b	$62.3b	--
AU AiG Construction Index	Apr	55.4	57.2	--

Source: Bloomberg

➢ Macroeconomics

- Friday jobs report offered some mixed details of the US labour market. Nonfarm payroll in the US rose to 165k in April while March number was revised higher from 103k to 135k. This brings the three-month average to 208k. Unemployment rate dropped 0.2ppt to 3.9% (Mar: 4.1%), a level last seen since late 2000 after staying at 4.1% for 6 consecutive months. Both NFP and unemployment rate continue to point to a solid jobs market in the US but declining participation rates raises concerns of a disappearing slack as fewer workers are available. The participation rate fell to 62.8% (Mar: 62.9%). Meanwhile wage growth is struggling to keep up, missing estimate to increase 2.6% YOY (Mar: +2.6% revised). April jobs report reaffirmed view that the Fed is on track to raise interest rates for 2 more times in 2018 with inflation getting closer to its 2% target. Further assessment is needed to justify a fourth hike given a rather stagnant wage growth despite higher inflation not to mention that the Fed is hinting that it might allow inflation to overshoot its 2% target.

- The final Markit Eurozone Services PMI was revised lower to 54.7 from its flash reading of 55.0 (Mar: 54.9) indicating that the service sector is easing in the currency bloc. Activity rose across all member states with new orders rising at a slower rate. Employment increased as companies hire more employees to catch up with continued growth in new business and backlogs. Retail sales in the Eurozone missed estimates to inch up a mere 0.1% MOM in March (Feb: +0.3% revised) reaffirming a slow first quarter as demand softened. Sales in majority of the categories registered a decline while sales in food, drink and tobacco slowed down. Sales in electrical goods and furniture rebounded while that of mail orders and internet rebounded.

- China services sector expanded at a faster pace in April as indicated by the Caixin China Services PMI which increased to 52.9 in April (Mar: 52.3). The expansion was attributed to higher output and new businesses. Hiring improved but the pace of job creation was negligible while prices charged for services went up modestly. In a separate release, preliminary reading shows that China posted a current account deficit of US$28.2b in 1Q18 (4Q17: US$62.3b).

- Australia construction sector eased in April as the AiG Performance of Construction Index fell to 55.4 (Mar: 57.2) attributed to the fall in activity and new orders.

- Malaysia external trade saw some improvement in March as exports rebounded to increase 2.2% YOY (Feb: -2.0%) and trade surplus widened to MYR14.96b (Feb: 9.02b). Exports of manufacturing products lifted the headline figure out of negative territory, even though commodities remained somewhat soft. Imports however, underperformed, dropping 9.6% YOY (Feb: -2.8%) led by declines in all categories. Moving forward, overall exports outlook is expected to remain positive albeit expanding more modestly, tracking continued moderate global demand and range bound commodity prices. We are maintaining our full year 2018 GDP growth forecast at 5.0%, in anticipation of more moderate growth in domestic demand and exports but do not discount the possibility of an upward revision should 1Q GDP numbers surprise on the upside again in anticipation of bigger contribution from net exports given the decline in March imports. Moderate growth and benign inflation outlook will support the case of an OPR pause by BNM remainder of 2018.

Economic Calendar Release Date						
Country	**Date**	**Event**	**Reporting Period**	**Survey**	**Prior**	**Revised**
Malaysia	07/05	Foreign Reserves	30 Apr	--	$110.0b	--
US	08/05	NFIB Small Business Optimism	Apr	104.7	104.7	--
UK	08/05	Halifax House Price MOM	Apr	-0.2%	1.5%	--
Japan	08/05	Household Spending YOY	Mar	1.0%	0.1%	
China	07/05	Foreign Reserves	Apr	$3,131.00	$3,142.82	--
	08/05	Exports YOY	Apr	7.0%	-2.7%	--
		Trade Balance CNY	Apr	$27.50b	-$4.98b	--
	08/05-18/05	Foreign Direct Investment YOY	Apr	--	0.4%	--
Hong Kong	07/05	Foreign Reserves	Apr		$440.3b	
Singapore	07/05	Foreign Reserves	Apr	--	$286.96b	
Australia	07/05	NAB Business Conditions	Apr	--	14	--
		NAB Business Confidence	Apr	--	7	--
		Foreign Reserves	Apr	--	A$76.6b	--
	08/05	Retail Sales MOM	Mar	0.2%	0.6%	--

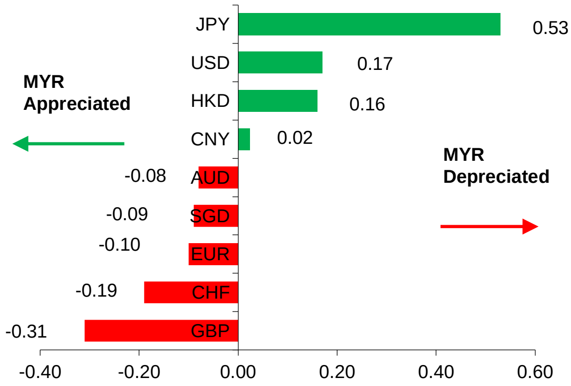
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1960	-0.23	1.1996	1.1911	-0.4
USDJPY	109.12	-0.06	109.27	108.65	-3.2
GBPUSD	1.3531	-0.32	1.3586	1.3487	0.2
AUDUSD	0.7539	0.09	0.7561	0.7492	-3.6
EURGBP	0.8841	0.10	0.8843	0.8816	-0.5
USDMYR	3.9395	0.17	3.9400	3.9335	-2.6
EURMYR	4.7116	-0.10	4.7213	4.7086	-2.8
JPYMYR	3.6124	0.53	3.6135	3.6042	0.5
GBPMYR	5.3372	-0.31	5.3500	5.3361	-2.4
SGDMYR	2.9549	-0.09	2.9607	2.9539	-2.5
AUDMYR	2.9619	-0.08	2.9746	2.9604	-6.3
NZDMYR	2.7622	-0.13	2.7747	2.7610	-4.0

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR slipped 0.17% to 3.9395 against USD** last Friday, but advanced against 7 G10s that were weaker on a firm greenback.
- **Continue to expect a subdued MYR against USD** on risk aversion ahead of Malaysian General Election this Wed. Upside bias sustains and USDMYR is expected to test 3.9409 again. We suspect this level could trigger a rejection and lead USDMYR lower going forward, possibly testing 3.9075.

USD

- **USD ended higher against 6 G10s** while the DXY closed 0.16% higher at 92.56 after jumping on better than expected US labour market data.
- **Stay bearish on USD** as we expect little positive catalysts to drive further gains. DXY is losing upside momentum and there may be some room for retracement after recent rally. Caution that losing 92.51 exposes a drop to 91.70.

EUR

- **EUR fell 0.23% to 1.1960 against a rallying USD** and ended lower against 6 G10s.
- **Maintain a bullish view on EUR in expectation of a softer USD**; gains will be boosted if Eurozone data improves. We continue to eye a technical rebound in EURUSD. Gains will likely be limited by 1.2055, otherwise a more sustained rebound will form.

GBP

- **GBP** remained pressured by receding bets on the BOE to hike interest rate, tumbling against all G10s and **falling 0.32% to 1.3531 against USD**.
- **We continue to expect a slightly firmer GBP against a softening USD**; we reckon that downside pressure due to expectations of a BOE no-hike scenario is abating, providing some room for correction. Downside momentum has receded and we suspect a modest rebound may be in the works. Gains are likely limited by 1.3666, otherwise, a recovery to 1.3782 is possible.

JPY

- **JPY** advanced against 8 G10s and **firmed up 0.06% to 109.12 against USD**, supported by gains ahead of US labour market data due to risk aversion, and then, by declines in European majors.
- **Continue to expect a slightly bullish on JPY against a softening USD** in the absence of positive catalysts to drive extended gains. A minor bearish trend has emerged and we reckon that this would take USDJPY lower to 108.33 in the next leg lower.

AUD

- **AUD inched 0.09% higher to 0.7539 against USD** and bested all G10s amid firmer equities and commodities.
- **Keep a bullish view on AUD as we anticipate a softer USD**, further supported by potential recovery in market risk sentiment. AUDUSD is likely to extend its recent rebound, with scope to test 0.7553. A break here exposes a move to 0.7603.

SGD

- **SGD** ended lower against 7 G10s and **weakened 0.25% to 1.3341 against a firmer USD**.
- **We turn bullish on SGD against USD**, anticipating firmer risk appetite in the markets to support. Minor bullish trend in USDSGD has ended. The pair is now tilted to the downside, with scope to test 1.3300 in the next leg lower, below which a drop to 1.3269 is expected.

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