

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks rallied on the back of upbeat trade data** as well as its increasingly more positive growth story relative to other major economies. The NASDAQ rose 0.67% to hit a new all-time high to close at 7,689.24. **The ECB is confirmed to be discussing the ending of its bond buying program in the upcoming policy meeting next week** following remarks by its chief economist Peter Praet. The news prompted a rally in the euro and sent the yields on bonds currently benefiting from the stimulus program to surge – France and Netherland government bonds (+10bps) and Italian government bonds (+15bps). Elsewhere, the **Reserve Bank of India hiked its key repo rate by 25bps** to 6.25% in a surprised move to curb inflation.
- Data coming from the US continued to be positive as mentioned earlier. **Trade deficit narrowed to a 7-month low in April led by surged in exports** while imports ticked lower. Mortgage applications snapped a 6-week decline as interest rates went down. Elsewhere, **Australia scored an impressive 1Q GDP growth** driven by higher exports and private investment but household consumptions slowed, potentially weighed down by a still-high household balance sheet and tighter credit standards. **Japan wage growth normalized in April** following a surge in March raising concerns over future household spending which has been contracting for three consecutive months. New Zealand house prices eased as winter reigned in but loosening lending restrictions and government support packages continue to support demand.
- **USD fell against 8 G10s** as buying interest were subdued amid a lack of major catalysts while the DXY closed 0.28% lower at 93.61, but avoided deeper losses after bouncing off intraday lower in US morning. **Stay bearish on USD** as buying interest continues to ease amid lack of major US data. DXY closing below 93.65 overnight is likely to trigger losses to 92.81 in the coming weeks. Do allow for mild rebounds after recent losses, but failure to recapture above 94.03 continues to present a bearish case for DXY.
- **MYR slipped 0.03% to 3.9743 against USD** after overturning gains in European morning and fell against 7 G10s that rose on the back of a soft USD. **Stay bullish on MYR against a soft USD**, further 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 advanced 0.16% to 1.3325 against a soft USD** but slipped against 6 G10s that were boosted by firmer risk appetite. **We maintain a bullish SGD view, in line with our expectation for a softer USD**, further supported by firmer risk appetite in the markets. USDSGD expectedly broke below 1.3332 and is now likely on a gradual decline to 1.3284. Caution that there may be some bounces approaching 1.3284 but holding below 1.3332 still confers a bearish bias.

Overnight Economic Data

US	↑
Japan	↓
Australia	↑
New Zealand	↓

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US Initial Jobless Claims
- Eurozone GDP SA QOQ
- UK Halifax House Prices MOM
- JP Leading Index CI, Coincident Index
- SG Retail Sales
- AU Trade Balance

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1744	1.1760	1.1791	1.1800	1.1840	↗
USDJPY	109.79	110.00	110.16	110.27	110.55	↘
GBPUSD	1.3400	1.3418	1.3429	1.3443	1.3482	↗
AUDUSD	0.7616	0.7652	0.7665	0.7677	0.7695	↗
EURGBP	0.8763	0.8770	0.8780	0.8790	0.8794	↗
USDMYR	3.9700	3.9712	3.9732	3.9750	3.9779	↘
EURMYR	4.6800	4.6823	4.6841	4.6891	4.6968	↗
JPYMYR	3.6045	3.6068	3.6083	3.6109	3.6140	↘
GBPMYR	5.3300	5.3314	5.3351	5.3438	5.3477	↗
SGDMYR	2.9805	2.9824	2.9839	2.9856	2.9867	↗
AUDMYR	3.0400	3.0428	3.0469	3.0498	3.0522	↗
NZDMYR	2.7921	2.7950	2.7977	2.7995	2.8000	↗
USDSGD	1.3284	1.3300	1.3315	1.3317	1.3332	↘
EURSGD	1.5653	1.5680	1.5699	1.5708	1.5726	↗
GBPSGD	1.7850	1.7867	1.7882	1.7894	1.7916	↗
AUDSGD	1.0180	1.0193	1.0207	1.0230	1.0250	↗

* 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	1777.13	1.25	-1.10	CRB Index	199.01	-0.09	2.66
Dow Jones Ind.	25146.39	1.40	1.73	WTI oil (\$/bbl)	64.73	-1.21	7.13
S&P 500	2772.35	0.86	3.69	Brent oil (\$/bbl)	75.38	-0.03	12.70
FTSE 100	7712.37	0.33	0.32	Gold (\$/oz)	1296.40	0.00	-0.37
Shanghai	3115.18	0.03	-5.81	CPO (RM/tonne)	2368.00	-1.62	-0.92
Hang Seng	31259.10	0.53	4.48	Copper (\$/tonne)	7220.00	1.70	-0.37
STI	3467.81	-0.44	1.91	Rubber (sen/kg)	445.00	-2.52	-3.78

Source: Bloomberg

Economic Data
➤ Macroeconomics

	For	Actual	Last	Survey
US MBA Mortgage Applications	01 June	4.1%	-2.9%	--
US Trade Balance	Apr	-\$46.2b	-\$47.2b (revised)	-\$49.0b
JP Labour Cash Earnings YOY	Apr	0.8%	2.0% (revised)	1.3%
AU GDP SA QOQ	1Q	1.0%	0.5% (revised)	0.9%
AU AiG Construction Index	May	54.0	55.4	--
NZ QV House Price QOQ	May	6.9%	7.6%	--

Source: Bloomberg

- US trade deficit lowest in 7 months:** Trade deficit narrowed to \$46.2b in April (Mar: -\$47.2b) as exports surged to a record high by 0.3% to \$211.2b (Mar: \$210.7) led by gains in shipments of fuel oils, soybeans and corns. Imports ticked lower by 0.2% to \$257.4b (Mar: 257.9b) as demand for consumer goods such as cell phones and cars decreased. The gains in export came amidst ongoing trade tension with US key trading partners – the Trump administration announced in March that it would impose tariffs on steels and aluminium imports from China and last week, a same announcement was made with regards to the EU, Canada and Mexico. Reports on rising raw materials cost have become common after March tariff announcement with businesses worried over uncertainties surrounding trade policies yet the solid growth in exports signals that a solid footing for 2Q18 as the economy continues to expand amidst tighter labour market.
- US mortgage applications rebounded as mortgage rates fell:** The MBA mortgage application snapped a 6-week consecutive decline to increase 4.1% for the week ended 1 June (Previous: -2.9%) due to lower interest rate. The average rate on 30-year loans fell to 4.75% (previous: 4.84%) after hovering above 4.80% for the two previous weeks due to surge in 10-year treasury yields. Applications for refinancing increased 3.8% while applications to purchase a home rose 4.2%.
- Upbeat Australia GDP growth sent Aussie dollar soaring:** The seasonally adjusted GDP rose 1.0% QOQ in 1Q18 (4Q: +0.5% revised) while growth in the previous quarter was revised up from 0.4% to 0.5%. This bring the annual growth to 3.1% YOY (Q4: 2.4%). The upturn was led by rebound in private investment by 1.2% QOQ (Q4: -1.5%) and in particular exports by 2.4% (Q4: -1.5%) reflecting strength in exports of mining commodities. Meanwhile, private consumption which made up about 58% of GDP slowed to increase 0.6% QOQ (Q4: +1.3%) as the existing high household debt as well as tighter lending standard weighed down spending. The solid data in 1Q18 came after the RBA's decision to keep interest rate unchanged yesterday and sent the Aussie dollar rallying. In a separate release, the AiG Performance of Construction Index fell to 54.0 in May (Apr: 55.4) due to lower commercial activities.
- Japan wage growth normalized, fell short of expectations:** The labour cash earnings rose 0.8% YOY in April (Mar: +2.1%) following a surge in the preceding month as bonus payout by firms inflated March wage growth to a level (2.0% YOY) last seen in November 2004. The good news is regular or base pay which made up bulk of wages maintained a commendable growth rate of 1.2% YOY (Mar: +1.2%), a sign that companies are addressing PM Abe's call for wages increase while overtime pay, a barometer of corporate activities eased to increase 1.9% YOY (Mar: +2.2%). We don't foresee Japanese consumers to splurge in the near term though after yesterday's disappointing April household spending which has been contracting for a straight three months (despite better wage growth in March). In fact, the lower wage growth in April hinted a further dampening of household spending in May. Inflation remained subdued in April, rising a mere 0.6% YOY following a strong start in 2018 raising questions on whether the BOJ could achieve its 2% inflation target in the medium term.
- New Zealand house prices eased:** Government valuer Quotable Value announced that house prices rose at a slower pace by 6.9% YOY in May (Apr: +7.6%) to an average value of NZ\$677,996 amidst colder weather but loosening lending restrictions and government support packages continue to support demand.

Economic Calendar Release Date

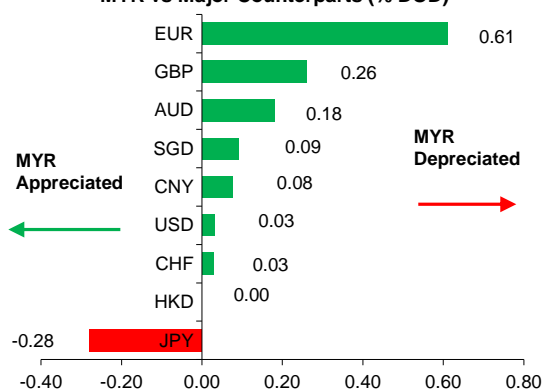
Date	Country	Events	Reporting Period	Survey	Prior	Revised
07/06	Malaysia	Foreign Reserves	31-May	--	\$109.4b	--
07/06	US	Initial Jobless Claims	01 June	220k	221k	--
08/06		Wholesale Inventories MOM	Apr F	0.0%	0.0%	--
07/06	Eurozone	GDP SA QOQ	1Q F	0.4%	0.7%	--
07/06	UK	Halifax House Prices MOM	May	1.0%	-3.1%	--
07/06	Japan	Leading Index CI	Apr P	105.6	104.4	--
		Coincident Index	Apr P	117.8	116.3	--
08/06		GDP SA QOQ	1Q F	-0.1%	0.2%	--
		Eco Watchers Survey Current SA	May	49.2	49.0	--
		Eco Watchers Survey Outlook SA	May	50.3	50.1	--
07/06	China	Foreign Reserves	May	\$3,106.50b	\$3,124.85b	--
08/06		Trade Balance	Mar	\$33.80b	\$28.78b	\$28.38b
		Exports YOY	Mar	11.3%	12.9%	12.7%
07/06	Hong Kong	Foreign Reserves	May	--	\$434.4b	--
07/06	Singapore	Foreign Reserves	May	--	\$287.73b	--
07/06		Retail Sales YOY	Apr	--	-1.5%	--
07/06	Australia	Trade Balance	Apr	A\$1,000m	A\$1,527m	--
		Foreign Reserves	May	--	A\$72.8b	--
07/06-13/06	Vietnam	Domestic Vehicle Sales YOY	May	--	-3.7%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1774	0.48	1.1796	1.1713	-1.3
USDJPY	110.18	0.36	110.27	109.78	-2.3
GBPUSD	1.3413	0.15	1.3443	1.3381	-0.7
AUDUSD	0.7667	0.67	0.7677	0.7613	-1.8
EURGBP	0.8778	0.31	0.8788	0.8739	-1.1
USDMYR	3.9743	0.03	3.9775	3.9707	-1.9
EURMYR	4.6779	0.61	4.6782	4.6534	-3.5
JPYMYR	3.6096	-0.28	3.6188	3.6068	0.3
GBPMYR	5.3273	0.26	5.3380	5.3230	-2.4
SGDMYR	2.9799	0.09	2.9857	2.9764	-1.6
AUDMYR	3.0378	0.18	3.0498	3.0288	-3.7
NZDMYR	2.7943	-0.07	2.8067	2.7916	-3.0

Source: Bloomberg

MYR vs Major Counterparts (% DOD)

Forex
MYR

- **MYR slipped 0.03% to 3.9743 against USD** after overturning gains in European morning and fell against 7 G10s that rose on the back of a soft USD.
- **Stay bullish on MYR against a soft USD**, further 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** as buying interest were subdued amid a lack of major catalysts while the DXY closed 0.28% lower at 93.61, but avoided deeper losses after bouncing off intraday lower in US morning.
- **Stay bearish on USD** as buying interest continues to ease amid lack of major US data. DXY closing below 93.65 overnight is likely to trigger losses to 92.81 in the coming weeks. Do allow for mild rebounds after recent losses, but failure to recapture above 94.03 continues to present a bearish case for DXY.

EUR

- **EUR jumped 0.48% to 1.1774 against USD** and advanced against 8 G10s, boosted by news flow that the ECB is discussing tapering of its QE programme.
- **Continue to expect a bullish EUR against USD**, supported by rising expectations that the ECB remains on track to taper bond purchases this year. Caution that downside surprises in Eurozone 1Q GDP will trigger sharp declines in EURUSD. Technically, EURUSD is likely to head to 1.1820 – 1.1855 next after breaking 1.1744 overnight. Caution that the sooner EURUSD reaches this range, the quicker a risk of rejection increases.

GBP

- **GBP climbed 0.15% to 1.3413 against a soft USD** but ended lower against 6 G10s amid renewed interest in European majors.
- **GBP is slightly bullish against USD** but caution that negative Brexit news flow regarding political opposition to the UK government's Brexit strategy would quickly trigger losses. Technically, GBPUSD appears to be on a firmer passage towards 1.3482 after closing above 1.3400 yesterday.

JPY

- **JPY tumbled against all G10s and weakened 0.36% to 110.18 against USD** as refuge demand continued to retreat.
- **We maintain a bullish view on JPY in line with our view of a soft USD.** Despite a minor bullish trend prevailing, we suspect a lack of gain in upside momentum would soon tilt USDJPY lower and break below 109.79.

AUD

- **AUD rallied to beat all G10s and jumped 0.67% to 0.7667 against USD**, supported by firmer Australia 1Q GDP and rising risk appetite in the markets.
- **Keep a bullish outlook on AUD against USD**, supported by firmer risk appetite in the markets and the recent upsides in Australia data. AUDUSD expectedly broke above 0.7660, and we now set sights on a test at 0.7718 in the next leg higher.

SGD

- **SGD advanced 0.16% to 1.3325 against a soft USD** but slipped against 6 G10s that were boosted by firmer risk appetite.
- **We maintain a bullish SGD view, in line with our expectation for a softer USD**, further supported by firmer risk appetite in the markets. USDSGD expectedly broke below 1.3332 and is now likely on a gradual decline to 1.3284. Caution that there may be some bounces approaching 1.3284 but holding below 1.3332 still confers a bearish bias.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.