June 7, 2018

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 (S/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

	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

➢ Macroeconomics

- ***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.

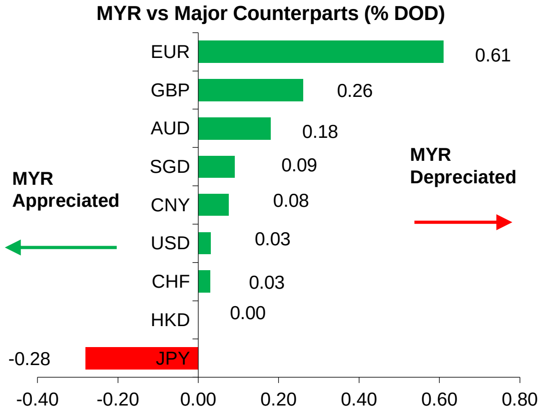
Economic Calendar Release Date						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
07/06	**Malaysia**	**Foreign Reserves**	**31-May**	**--**	**$109.4b**	**--**
07/06	**US**	**Initial Jobless Claims**	**01 June**	**220k**	**221k**	**--**
08/06		Wholesale Inventories 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	-1.8
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



➢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.

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