

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Markets turned to a cautious mode overnight ahead of the G7 summit and major central bank meetings**, not to forget the Trump-Kim meeting in Singapore. Wall Street stocks were mixed with the Dow up by 0.38% but the S&P500 and Nasdaq posted small losses. There was a general flight to safety as yields on 10Y US treasuries dropped 5bps to close at 2.92%. Italian bond yields spiked by 12bps to end at 3.06% as concerns over the new Italian government seems to linger. EURUSD meanwhile rose to 1.1840 and stabilized around 1.1800 as focus was mainly on the ECB meeting next week as the central bank is expected to announce decision regarding the timeline to end its bond-buying program.
- **On the data front, US initial jobless claims reaffirmed a tightening labour market** as claims declined to 222k last week. **Final readings of 1Q GDP growth for both Eurozone and Japan were unrevised at +0.4% and -0.2% QOQ respectively (4Q: +0.7%; +0.3%)**. UK housing market continued to soften on an annual basis. Elsewhere, data release were limited to changes in foreign reserves – China, Hong Kong, Malaysia recorded a decline in foreign reserves while that of Singapore increased. Australia trade surplus narrowed in April while its foreign reserves increased in May.
- **USD fell against 7 G10s** while DXY rebounded in European and US sessions to narrow early losses, closing 0.19% lower at 93.43. **DXY is still slightly bearish** in our view, weighed down by potential flare-up in geopolitical concerns after recent comment by President Trump may have dimmed sentiment ahead of a summit with North Korea. DXY remains on track towards 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 failed to capitalize on a softer USD, dipping 0.07% to 3.9770** at closing and fell against all G10s. **MYR is now neutral in our view against USD**; losses from a weaker opening are likely to be narrowed amid a softer USD. USDMYR must now break below 3.9718 today to re-establish the recent bearish trend, a task we opine to be rather difficult. Based on current technical signs, there is room for USDMYR to test 3.9878 – 3.9900 in the next leg higher, but caution that this range is where previous 4 rejections took place.
- **SGD also slipped alongside Asian majors' retreat, sliding against 8 G10s and dipping 0.1% to 1.3338 against USD. Stay bullish on SGD against USD**, supported by rising risk aversion in the markets. Despite recapturing above 1.3332, we opine that gains will only be temporary for USDSGD as bearish trend still suggests a close below 1.3325 by Tuesday. This would put USDSGD back on track to break below 1.3300.

#### Overnight Economic Data

Malaysia	↓
US	↑
Eurozone	→
UK	→
Japan	↓
China	↓
Hong Kong	↓
Singapore	↑
Australia	↑

#### What's Coming Up Next

##### Major Data

- US Wholesales Inventories
- Japan Eco Watchers Survey Current & Outlook
- China Trade Balance, Exports

##### Major Events

- G7 Summit

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1753	1.1790	1.1796	1.1822	1.1840	↗
USDJPY	109.19	109.50	109.75	109.79	109.87	↘
GBPUSD	1.3394	1.3412	1.3417	1.3443	1.3477	↗
AUDUSD	0.7595	0.7613	0.7618	0.7652	0.7660	↗
EURGBP	0.8783	0.8787	0.8795	0.8799	0.8809	↗
USDMYR	3.9732	3.9750	3.9798	3.9816	3.9835	→
EURMYR	4.6916	4.6975	4.6986	4.7030	4.7068	↗
JPYMYR	3.6210	3.6255	3.6260	3.6276	3.6306	↗
GBPMYR	5.3313	5.3380	5.3400	5.3440	5.3477	→
SGDMYR	2.9805	2.9824	2.9840	2.9868	2.9890	→
AUDMYR	3.0210	3.0286	3.0329	3.0394	3.0410	↘
NZDMYR	2.7900	2.7921	2.7954	2.7966	2.7995	↘
USDSGD	1.3318	1.3332	1.3338	1.3356	1.3366	↘
EURSGD	1.5720	1.5726	1.5740	1.5756	1.5766	↗
GBPSGD	1.7843	1.7861	1.7895	1.7916	1.7938	↗
AUDSGD	1.0146	1.0153	1.0163	1.0168	1.0179	↘

\* 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	1785.81	0.49	-0.61	CRB Index	199.49	0.24	2.90
Dow Jones Ind.	25241.41	0.38	2.11	WTI oil (\$/bbl)	65.95	1.88	9.15
S&P 500	2770.37	-0.07	3.62	Brent oil (\$/bbl)	77.32	2.60	15.63
FTSE 100	7704.40	-0.10	0.22	Gold (\$/oz)	1297.18	0.06	-0.38
Shanghai	3109.50	-0.18	-5.98	CPO (RM/tonne)	2384.50	0.70	-0.23
Hang Seng	31512.63	0.81	5.33	Copper (\$/tonne)	7332.00	1.55	1.17
STI	3473.08	0.15	2.06	Rubber (sen/kg)	438.00	-1.57	-5.30

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
MA Foreign Reserves	31 May	\$108.5b	\$109.4b	--
US Initial Jobless Claims	01 June	222k	223k (revised)	220k
EU GDP SA QOQ	1Q F	0.4%	0.7%	0.4%
UK Halifax House Prices MOM	May	1.5%	-3.1%	1.0%
JP GDP	1Q18 F	-0.2%	0.3%	-0.1%
JP Leading Index CI	Apr P	105.6	104.5 (revised)	105.6
JP Coincident Index	Apr P	117.7	116.0 (revised)	117.8
CN Foreign Reserves	May	\$3,110.62b	\$3,124.85b	\$3,106.50b
HK Foreign Reserves	May	\$432.1b	\$434.5b (revised)	--
SG Foreign Reserves	May	\$287.92b	\$287.73b	--
AU Trade Balance	Apr	A\$977m	A\$1,731m (revised)	A\$1,000m
AU Foreign Reserves	May	A\$82.5m	A\$72.8b	--

Source: Bloomberg

**Macroeconomics**

- US jobless claims remained consistent:** Initial jobless claims declined by 1k to 222k for the week ended 1 June (previous: 223k revised). Meanwhile continuing claims which measures the number of Americans receiving benefits after receiving an initial week of aid rose to 1.741m for the week ended 25 May (previous: 1.720m). Both data continue to paint a picture of a robust labour market following an upbeat jobs report last Friday which saw the US added 223k new jobs in May while wage growth picked up at a faster 2.7% YOY and unemployment rate ticked even lower to 3.8%. The Fed is expected to raise the fed funds rate by 25bps in next week's FOMC meeting as part of its gradual normalization of monetary policy.
- Eurozone growth slowed, matched initial estimates:** The seasonally adjusted 1Q18 GDP growth matched initial estimates of 0.4% QOQ (4Q: +0.7%) attributed to a slowdown in its three largest economies – Germany, France and Italy grew 0.3% QOQ (4Q: +0.6%), 0.2% QOQ (4Q: +0.7%) and 0.3% (4Q: +0.4%) respectively. Growth in Spain meanwhile was flat at 0.7%. This brings the annual growth to 2.5% YOY in 1Q18 (4Q: +2.8%). The growth tapered off (and normalize) following a few strong quarters potentially attributed to what ECB president Mario Draghi described as “temporary factors” namely weather conditions and Easter holiday timing. Recent data coming out from the Eurozone were mixed - retail sales slowed in April while inflation surged in May to 1.9% hitting ECB’s target of below 2%, but mainly due to rising oil prices. That said, the ECB is expected to discuss ending its bond buying program in coming 14 June meeting and as of writing markets are pricing in a 51.6% chance of rate hike by the ECB in mid-2019.
- UK house prices rebounded:** The Halifax House Prices rose 1.5% MOM in May (Apr: -3.1%) to a standard average price of £224,439 (Apr: £221,108). On a yearly basis, house prices eased to increase 1.9% YOY (Apr: 2.2%) a continuing sign of softening UK housing market.
- Japan first quarter GDP growth unrevised; outlook improved:** Final reading (announced just this morning) confirmed that the Japanese economy contracted by 0.2% QOQ in 1Q18 (Q4: +0.3%). Preliminary reading shows that Japan leading economic indicator rose to 105.6 in April (Mar: 104.5) signaling improvement in April's economic conditions. Meanwhile, the coincidence index ticked up to 117.7 (Mar: 116.0).
- China foreign reserves declined:** Foreign currency holdings decreased for the second consecutive month to \$3.11tn in May (Apr: \$3.12tn) on the back of a weaker yuan.
- Hong Kong foreign reserves declined:** Foreign reserves ticked lower to \$432.1b in May (Apr: \$434.5b).
- Australia trade surplus narrowed in April; foreign reserves rose in May:** Trade surplus narrowed to A\$977m in April (Mar: A\$1.73b). Exports dropped 2.1% MOM to A\$34.1b (Mar: A\$34.9b) due to a drop in goods export (both agricultural and non-agricultural). Foreign reserves meanwhile rose to A\$82.5 in May (Apr: A\$72.8b).
- Singapore foreign reserves rose:** Foreign reserves increased to \$287.92b in Mat (Apr: \$287.73b).
- Malaysia foreign reserves declined:** Foreign reserves fell to 108.5b as at 31 May (previous: \$109.4b), sufficient to finance 7.6 months of retained imports and is 1.1 times short term external debt.

**Economic Calendar Release Date**

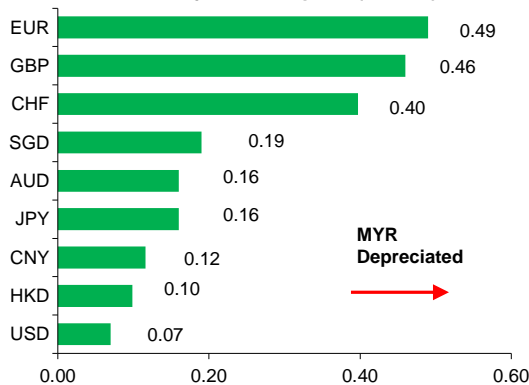
<b>Date</b>	<b>Country</b>	<b>Events</b>	<b>Reporting Period</b>	<b>Survey</b>	<b>Prior</b>	<b>Revised</b>
<b>08/06</b>	<b>US</b>	<b>Wholesale Inventories MOM</b>	<b>Apr F</b>	<b>0.0%</b>	<b>0.0%</b>	<b>--</b>
<b>08/06</b>	<b>Japan</b>	<b>Eco Watchers Survey Current SA</b>	<b>May</b>	<b>49.2</b>	<b>49.0</b>	<b>--</b>
		<b>Eco Watchers Survey Outlook SA</b>	<b>May</b>	<b>50.3</b>	<b>50.1</b>	<b>--</b>
11/06		Core Machine Orders YOY	Apr	1.3%	-2.4%	--
		Machine Tool Orders YOY	May P	--	28.1%	--
<b>08/06</b>	<b>China</b>	<b>Trade Balance</b>	<b>Mar</b>	<b>\$33.25b</b>	<b>\$28.78b</b>	<b>\$28.38b</b>
		<b>Exports YOY</b>	<b>Mar</b>	<b>11.1%</b>	<b>12.9%</b>	<b>12.7%</b>
10/06	New Zealand	REINZ House Sales YOY	May	--	6.6%	--

Source: Bloomberg

**FX Table**

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1800	0.22	1.184	1.1773	-1.7
USDJPY	109.70	0.44	110.22	109.48	-2.7
GBPUSD	1.3423	0.07	1.3472	1.3373	-0.7
AUDUSD	0.7624	0.56	0.7673	0.7613	-2.4
EURGBP	0.8791	0.14	0.8838	0.8777	-1.0
USDMYR	3.9770	0.07	3.9783	3.9692	-1.7
EURMYR	4.7006	0.49	4.7068	4.6775	-3.0
JPYMYR	3.6153	0.16	3.6190	3.6021	0.6
GBPMYR	5.3518	0.46	5.3561	5.3287	-2.0
SGDMYR	2.9856	0.19	2.9878	2.9805	-1.4
AUDMYR	3.0426	0.16	3.0485	3.0394	-3.8
NZDMYR	2.8022	0.28	2.8064	2.7938	-2.7

Source: Bloomberg

**MYR vs Major Counterparts (% DOD)**

**Forex**
**MYR**

- **MYR failed to capitalize on a softer USD, dipping 0.07% to 3.9770** at closing and fell against all G10s.
- **MYR is now neutral in our view against USD**; losses from a weaker opening are likely to be narrowed amid a softer USD. USDMYR must now break below 3.9718 today to re-establish the recent bearish trend, a task we opine to be rather difficult. Based on current technical signs, there is room for USDMYR to test 3.9878 – 3.9900 in the next leg higher, but caution that this range is where previous 4 rejections took place.

**USD**

- **USD fell against 7 G10s** while DXY rebounded in European and US sessions to narrow early losses, closing 0.19% lower at 93.43.
- **DXY is still slightly bearish** in our view, weighed down by potential flare-up in geopolitical concerns after recent comment by President Trump may have dimmed sentiment ahead of a summit with North Korea. DXY remains on track towards 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's rally** on ECB QE tapering optimism lost steam as it retreated from intraday high to **settle just 0.22% firmer at 1.1800 against USD** and advanced against 5 G10s.
- **Stay slightly bullish on EUR against USD**, but we caution that falling sentiment heading into G7 summit could continue to shave off gains as seen overnight. EURUSD is facing resistance at 1.1840 – 1.1855 range. While it is still bullish, continued failure to break above this range would trigger a decline to circa 1.1723. Otherwise, we expect EURUSD to challenge 1.1908 next.

**GBP**

- **GBP** remained subdued against 6 G10s on relatively firmer European majors but **inched 0.07% higher to 1.3423 against a soft USD**.
- **GBP remains slightly bullish against USD**, supported by refuge demand heading into G7 summit. Technically, GBPUSD still appears to be on track towards 1.3482 despite signs up upside fatigue approaching this strong resistance level.

**JPY**

- **JPY** rebounded to beat 8 G10s and **strengthened 0.44% to 109.70 against USD** as risk-off sentiment increased amid continued sell-off in emerging majors.
- **We maintain a bullish view on JPY against USD**, supported by improving risk-off sentiment heading into G7 and North Korea summits. Closing below 109.79 overnight has exposed USDJPY to further losses, possibly to circa 109. Recapturing 110 would reinstate the recent bullish trend.

**AUD**

- **AUD** was pressured by risk aversion in emerging and Asian majors, falling against all G10s and **weakening 0.56% to 0.7624 against USD**.
- **We are now bearish on AUD against USD** as risk aversion rises ahead of G7 summit. Technically, AUDUSD needs to recapture above 0.7648 today, or hold above 0.7616 on Monday, to sustain the recent bullish trend and stay on track to challenge 0.7718. Otherwise, expect a decline to circa 0.7565 in the coming week.

**SGD**

- **SGD** also slipped alongside Asian majors' retreat, sliding against 8 G10s and **dipping 0.1% to 1.3338 against USD**.
- **Stay bullish on SGD against USD**, supported by rising risk aversion in the markets. Despite recapturing above 1.3332, we opine that gains will only be temporary for USDSGD as bearish trend still suggests a close below 1.3325 by Tuesday. This would put USDSGD back on track to break below 1.3300.

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