

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US markets were rather calm overnight with US equity shrugged off G7 political drama ahead of the Fed and ECB meetings as well as key US data.** The Dow, S&P 500 and Nasdaq were little changed while the same went to the yield on 10Y US treasuries which rose 1bp to close at 2.95%. European equity rallied earlier in the day - the DAX rose 0.6%, the CAC 40 by 0.43% and FTSE 100 by 0.73%. The sterling depreciated sharply following softer than expected UK data but managed to narrow losses to close just 0.19% lower against the dollar.
- **Industrial productions in the UK plunged 0.8% MOM in April** while trade deficit goods widened further in the same month indicating a slow start to 2Q18. **Japan machine tool orders placed with manufacturers continued to normalize while core machine orders (an indicator of capex) surprised on the upside** to increase 9.6% YOY, a positive sign of growth. Japan producer prices rose more than expected as well by 2.7% YOY led by gain in prices of petroleum and coal. **At home, Malaysia industrial production posted further gains in April to increase 4.6% YOY, its best in three months but below our forecast and reinforce our view of softer 2Q18.**
- **USD advanced against 5 G10s** with the DXY closing 0.08% higher at 93.61 after a day of rangetrading, as risk-off sentiments ahead of major risk events continued to keep demand for safety supported. **DXY is still slightly bearish** in our view, dampened by G7 frictions over trade issues that is clouding the global economy as warned by IMF Chief Christine Lagarde, as well as Trump-Kim historical meet today. 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 ended 0.03% firmer against a soft greenback at 3.9875** after another day of tight trading. The local unit was however mixed against the majors, slipping mainly vs European currencies. **Remain neutral on MYR against USD** as rising risk-off in the markets are likely to limit potential gains in the local unit against a soft greenback. 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 strengthened against 7 G10s including the USD, which it gained 0.08% to 1.3349. Stay bullish on SGD against a soft USD,** further supported by rising risk aversion in the markets. We reiterate that current 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 | ↑ |
| UK       | ↓ |
| Japan    | ↑ |

#### What's Coming Up Next

##### Major Data

- US NFIB Small Business Optimism, CPI
- Eurozone Zew Survey Expectations
- UK Jobless Claims Change, Average Weekly Earnings, ILO Unemployment Rate
- Australia NAB Business Conditions, Business Confidence, Home Loans

##### Major Events

- Nil

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

|        | S2     | S1      | Indicative | R1     | R2     | Outlook |
|--------|--------|---------|------------|--------|--------|---------|
| EURUSD | 1.1695 | 1.1723  | 1.1751     | 1.1782 | 1.1802 | ↗       |
| USDJPY | 109.79 | 110.04  | 110.48     | 110.75 | 111.08 | ↗       |
| GBPUSD | 1.3294 | 1.3338  | 1.3359     | 1.3389 | 1.3433 | ↘       |
| AUDUSD | 0.7577 | 0.7591  | 0.7596     | 0.7613 | 0.7652 | ↘       |
| EURGBP | 0.8780 | 0.8789  | 0.8797     | 0.8808 | 0.8818 | →       |
| USDMYR | 3.9826 | 3.9878  | 3.9890     | 3.9918 | 3.9952 | →       |
| EURMYR | 4.6787 | 4.6851  | 4.6874     | 4.6921 | 4.7010 | ↘       |
| JPYMYR | 3.5981 | 3.6092  | 3.6118     | 3.6161 | 3.6225 | ↘       |
| GBPMYR | 5.3127 | 5.3192  | 5.3279     | 5.3356 | 5.3446 | →       |
| SGDMYR | 2.9800 | 2.97824 | 2.9833     | 2.9857 | 2.9873 | →       |
| AUDMYR | 3.0148 | 3.0210  | 3.0286     | 3.0294 | 3.0360 | →       |
| NZDMYR | 2.7822 | 2.7921  | 2.7933     | 2.7982 | 2.8001 | ↘       |
| USDSGD | 1.3332 | 1.3367  | 1.3377     | 1.3393 | 1.3402 | ↘       |
| EURSGD | 1.5657 | 1.5689  | 1.5709     | 1.5745 | 1.5766 | ↘       |
| GBPSGD | 1.7794 | 1.7828  | 1.7853     | 1.7873 | 1.7907 | →       |
| AUDSGD | 1.0110 | 1.0136  | 1.0146     | 1.0151 | 1.0160 | →       |

\* 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           | 1775.80    | -0.14 | -1.17 | CRB Index          | 199.39     | -0.32 | 2.85  |
| Dow Jones Ind. | 25322.31   | 0.02  | 2.44  | WTI oil (\$/bbl)   | 66.10      | 0.55  | 9.40  |
| S&P 500        | 2782.00    | 0.11  | 4.05  | Brent oil (\$/bbl) | 76.46      | 0.00  | 14.34 |
| FTSE 100       | 7737.43    | 0.73  | 0.65  | Gold (\$/oz)       | 1300.49    | 0.08  | -0.36 |
| Shanghai       | 3052.78    | -0.47 | -7.69 | CPO (RM/tonne)     | 2353.50    | -0.82 | -1.53 |
| Hang Seng      | 31063.70   | 0.34  | 3.83  | Copper (\$/tonne)  | 7255.00    | -0.78 | 0.11  |
| STI            | 3441.69    | 0.15  | 1.14  | Rubber (sen/kg)    | 439.00     | -0.90 | -5.08 |

Source: Bloomberg

**Economic Data**

|                                 | For   | Actual   | Last               | Survey   |
|---------------------------------|-------|----------|--------------------|----------|
| MY Industrial Production        | Apr   | 4.6%     | 3.1%               | 4.3%     |
| UK Visible Trade Balance GBP/Mn | Apr   | -£14,035 | -£12,003 (revised) | -£11,400 |
| UK Industrial Production MOM    | Apr   | -0.8%    | 0.1%               | 0.1%     |
| UK Manufacturing Production MOM | Apr   | -1.4%    | -0.1%              | 0.3%     |
| UK NIESR GDP Estimate           | May   | 0.2%     | 0.1%               | 0.3%     |
| JP Core Machine Orders YOY      | Apr   | 9.6%     | -2.4%              | 9.6%     |
| JP Machine Tool Orders YOY      | May P | 14.9%    | 28.1%              | --       |
| JP PPI YOY                      | May   | 2.7%     | 2.0%               | 2.1%     |

Source: Bloomberg

**➤ Macroeconomics**

- UK industrial production plunged, visible trade deficit widened:** Industrial production dipped 0.8% MOM in April (Mar: +0.1%) as gains in mining & quarrying and oil & gas output were offset by fall in manufacturing, electricity and water supply output. Manufacturing production has been declining for the third consecutive month and April figure marks its sharpest drop at 1.4% MOM (Mar: -0.1%). Output in mining & quarrying and oil & gas rebounded substantially to increase 6.9% MOM (Mar: -2.4%) and 8.4% MOM (Mar: -2.5%). On a yearly basis, industrial productions rose at a slower pace to increase 1.8% in April (Mar: +2.9%). April print added injury to the already dismal outlook on the UK economy signaling a slow start to 2Q18 as uncertainties regarding Brexit remains. In a separate release, visible trade balance which measures trade balance in goods increased to -£14.035b in April (Mar: -£12.035b) as exports dropped 5.9% MOM (Mar: +2.6%) while import rose 0.8% (Mar: +6.7%). Meanwhile the National Institute of Economic and Social Research (NIESR) estimated that GDP grew 0.2% in the 3 months ending May (Apr: +0.1%) citing that growth remained sluggish attributed to the disruption caused by severe weather in March but expected retail sector and dominant services sector to recover.
- Japan machine tool orders continued normalizing; core machines orders rebounded; producer prices quickened:** Growth in machine tool orders placed with Japan large manufacturers slowed considerably to increase 14.9% YOY in May (Apr: +28.1%) compared to the initial estimate of 22.0%. The slowdown in demand was a form of normalization after higher than usual growth observed since October 2017 when the Japanese economy was in a period of recovery following the 2016 technical recession. Meanwhile, core machine orders, an indicator of Japanese capex surprised to the upside, rebounded to increase 9.6% YOY in April (Mar: -2.4%), a positive sign of growth. In a separate release this morning, producer prices rose at a faster pace by 2.7% YOY in May (Apr: +2.0%) driven by surge in prices of petroleum and coal which soared 19.4% YOY (Mar: +11.4%). Other categories which saw faster rise in prices include manufacturing which increased 2.4% YOY (Apr: +1.7%), beverages and food +0.5% YOY (Apr: +0.2%), chemicals +2.0% YOY (Apr: +1.2%) and plastic products +0.8% YOY (Apr: +0.6%).
- Malaysia industrial productions posted further gains:** Industrial production growth picked up for the second straight month, to expand 4.6% YOY in April (Mar: +3.1% YOY), its best in three months as production growth strengthened against all the three main categories. Manufacturing IPI expanded at a faster pace of 5.3% YOY during the month (Mar: +4.1%) while the electricity sector grew at its fastest pace in nine months, by 5.8% YOY in April (Mar: +4.1%). Mining output managed to increase for the first time in three months, by 1.8% YOY (Mar: 0.0%), thanks to an increase in crude oil which offset the decline in natural gas index. On a MOM seasonally adjusted basis, IPI managed to turn around and increased 1.5% in April (Mar: -0.2%). Yesterday's IPI reading, while remained decent, was below our expectations and reinforced our view for softer growth in 2Q. Global manufacturing activities remained mixed at best and signaled uneven growth across different regions. Meanwhile, domestic-oriented sectors could come under pressure as businesses hold back their spending and investment plans. We are maintaining our full year GDP growth forecast at 5.0% for now, pending greater policy clarity under the new government. We believe any setback in investment could be cushioned by potential uplift in consumer spending amid increased sentiments and real purchasing power.

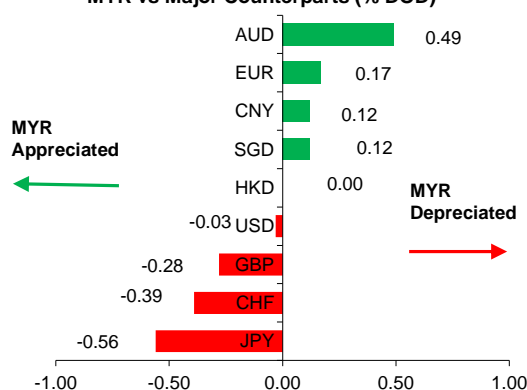
| Economic Calendar Release Date |           |                                       |                  |              |              |         |
|--------------------------------|-----------|---------------------------------------|------------------|--------------|--------------|---------|
| Date                           | Country   | Events                                | Reporting Period | Survey       | Prior        | Revised |
| 12/06                          | US        | <b>NFIB Small Business Optimism</b>   | <b>May</b>       | <b>105.0</b> | <b>104.8</b> | --      |
|                                |           | <b>CPI MOM</b>                        | <b>May</b>       | <b>0.2%</b>  | <b>0.2%</b>  | --      |
|                                |           | <b>CPI YOY</b>                        | <b>May</b>       | <b>2.8%</b>  | <b>2.5%</b>  | --      |
| 13/06                          |           | MBA Mortgage Applications             | 08 Jun           | --           | 4.1%         | --      |
|                                |           | PPI Final Demand YoY                  | May              | 2.8%         | 2.6%         | --      |
| 12/06                          | Eurozone  | <b>ZEW Survey Expectations</b>        | <b>Jun</b>       | <b>--</b>    | <b>2.4</b>   | --      |
| 13/06                          |           | Industrial Production SA MoM          | Apr              | -0.7%        | 0.5%         | --      |
| 12/06                          | UK        | <b>Jobless Claims Change</b>          | <b>May</b>       | <b>--</b>    | <b>31.2k</b> | --      |
|                                |           | <b>Average Weekly Earnings 3M/YOY</b> | <b>Apr</b>       | <b>2.5%</b>  | <b>2.6%</b>  | --      |
|                                |           | <b>ILO Unemployment Rate 3Mths</b>    | <b>Apr</b>       | <b>4.2%</b>  | <b>4.2%</b>  | --      |
| 13/06                          |           | CPI YoY                               | May              | 2.4%         | 2.4%         | --      |
|                                |           | PPI Output NSA YoY                    | May              | 2.9%         | 2.7%         | --      |
| 12/06                          | Singapore | Retail Sales YOY                      | Apr              | 2.1%         | -1.5%        | --      |
| 12/06                          | Australia | <b>NAB Business Conditions</b>        | <b>May</b>       | <b>--</b>    | <b>21</b>    | --      |
|                                |           | <b>NAB Business Confidence</b>        | <b>May</b>       | <b>--</b>    | <b>10</b>    | --      |
|                                |           | <b>Home Loans MOM</b>                 | <b>Apr</b>       | <b>-1.8%</b> | <b>-2.2%</b> | --      |
|                                |           | <b>Investment Lending</b>             | <b>Apr</b>       | <b>--</b>    | <b>-9.0%</b> | --      |
|                                |           | <b>Owner-Occupier Loan Value MOM</b>  | <b>Apr</b>       | <b>--</b>    | <b>-1.9%</b> | --      |
| 13/06                          |           | Westpac Consumer Conf SA MoM          | Jun              | --           | -0.6%        | --      |

Source: Bloomberg

**FX Table**

| Name   | Last Price   | DoD % | High   | Low    | YTD % |
|--------|--------------|-------|--------|--------|-------|
| EURUSD | 1.1784       | 0.13  | 1.1821 | 1.1755 | -1.9  |
| USDJPY | 110.03       | 0.44  | 110.12 | 109.23 | -2.2  |
| GBPUSD | 1.3379       | 0.19  | 1.3441 | 1.3345 | -1.0  |
| AUDUSD | got a 0.7609 | 0.11  | 0.7622 | 0.7573 | -2.5  |
| EURGBP | 0.8809       | 0.36  | 0.8832 | 0.8772 | -0.9  |
| USDMYR | 3.9875       | 0.03  | 3.9885 | 3.9830 | -1.5  |
| EURMYR | 4.7005       | 0.17  | 4.7113 | 4.6929 | -3.0  |
| JPYMYR | 3.6263       | 0.56  | 3.6439 | 3.6216 | 0.9   |
| GBPMYR | 5.3301       | 0.28  | 5.3582 | 5.3284 | -2.4  |
| SGDMYR | 2.9870       | 0.12  | 2.9904 | 2.9834 | -1.4  |
| AUDMYR | 3.0335       | 0.49  | 3.0363 | 3.0255 | -4.1  |
| NZDMYR | 2.8035       | 0.28  | 2.8085 | 2.8008 | -2.6  |

Source: Bloomberg

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

**Forex**
**MYR**

- **MYR ended 0.03% firmer against a soft greenback at 3.9875 after another day of tight trading.** The local unit was however mixed against the majors, slipping mainly vs European currencies.
- **Remain neutral on MYR against USD** as rising risk-off in the markets are likely to limit potential gains in the local unit against a soft greenback. 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 advanced against 5 G10s** with the DXY closing 0.08% higher at 93.61 after a day of rangetrading, as risk-off sentiments ahead of major risk events continued to keep demand for safety supported.
- **DXY is still slightly bearish** in our view, dampened by G7 frictions over trade issues that is clouding the global economy as warned by IMF Chief Christine Lagarde, as well as Trump-Kim historical meet today. 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 advanced 0.13% to 1.1784 against the USD** and was stronger against 8 G10s, supported by expectations the ECB is beginning its exit discussion and more clues could be in the pipeline from this week's meeting
- **EUR remains slightly bullish against a soft USD in our view**, but upside could be more muted as investors turn cautious approaching ECB policy meeting. Upside momentum in EURUSD is waning. While we maintain that EURUSD is still inclined to small gains today, the pair is at risk of a reversal to the downside if it still fails to bounce back above 1.1800.

**GBP**

- **GBP fell 0.19% against the greenback to 1.3379** and was weaker against 8 G10s, dampened by soft UK data that added to worries of growth prospects further diminishing prospects of a BOE rate hike.
- **GBP is turning bearish against USD.** Yesterday's close below 1.3393 has ended the minor bullish trend and set the stage for a decline to 1.3348, below which 1.3311 could be tested.

**JPY**

- **JPY fell** for the first time in three days, **by 0.44% to 110.03 against the greenback** and was weaker against all G10s on the paring of refuge demand.
- **Expect JPY to turn slightly bearish against USD**, as yesterday's close above 110 has somewhat increased bullish bias in USDJPY. Another close above 110 today will likely tilt the pair towards 110.75 in the next move higher.

**AUD**

- **AUD** regained some grounds to advance 0.11% to 0.7609 against the USD as markets got a temporary reprieve between conclusion of G7 summit and the kick-off of US-North Korea meeting today.
- **Stay bearish on AUD against USD**, weighed down by rising risk-off sentiment in the markets. Closing below 0.7613 has exposed AUDUSD to a decline towards 0.7565 next, below which 0.7507 will be tested. Do not rule out a potential bounce off 0.7565, a level that we believe to be strong enough to reboot the recent minor bullish trend.

**SGD**

- **SGD** strengthened against 7 G10s including the USD, which it gained **0.08% to 1.3349**.
- **Stay bullish on SGD against a soft USD**, further supported by rising risk aversion in the markets. We reiterate that current 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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