

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets continued to stay calm shrugging off vague pledges between North Korea and the US and instead focused on the key FOMC and ECB meetings.** US stocks were lackluster, the Dow and S&P 500 were little changed while yields on 10Y US treasuries rose 1bps to close at 2.96%. The Wall Street Journal broke a story that Fed Chair Jerome Powell was considering holding a press conference after each FOMC sending the dollar index to rally. Meanwhile UK PM Theresa May managed to swerve a major blow to her Brexit strategy as member of parliaments voted to defeat an amendment on the EU Withdrawal Bill which would have given parliament a veto on the final deal negotiated with Brussels. The sterling reacted positively but pared gains soon after.
- **Inflation in the US increased at a faster pace by 2.8% YOY in May, the largest gain since February 2012** driven by higher energy prices while core inflation rose 2.2% YOY. **The UK added more jobs than expected** for the three months ended April while unemployment rate remained at record low of 4.2%. Despite that, wage growth failed to keep up, rising 2.5% YOY slower than the gain in the previous month. **The ZEW survey shows that sentiments among Eurozone institutional investors weakened** amidst soft data, escalation of trade tension and policies uncertainties of the new Italian government. **Australia housing market continued to soften as home loan approvals dropped.**
- USD advanced against all G10s save for the SEK with the **DXY closing 0.22% higher at 93.82**. USD was briefly lower post Trump-Kim meeting and was unperturbed by US CPI that showed an expected 2.8% YOY gain, but spiked again following news on Fed Chair Powell's consideration for a press conference after every FOMC meeting. **Expect DXY to stay firmer today** ahead of FOMC rate decision and policy guidance, as trade issues and geopolitical risks take a momentary backseat for now, and a hawkish Fed could reaffirm bullishness in the USD. While bearishness has somewhat reduced, we maintain that DXY need to recapture 94.03 to overturn current bearish trend.
- **MYR ended 0.07% weaker at 3.9903 against a firmer USD**, pulling back from 3.9940 in intraday trade, the highest for USDMYR since end-May. The local unit however managed to advance against 8 G10s, which also softened on the back of a firmer greenback. **We are turning slightly bearish on MYR against a firmer USD** today as cautiousness ahead of key FOMC and ECB meetings is expected to keep a lid on demand for EM currencies. Yesterday's break of 3.9900, a strong resistance, has titled USDMYR to the upside and we now expect the pair to head towards 3.9952 next.
- **SGD strengthened against 6 G10s but fell 0.14% to 1.3368 against the USD.** **Expect a bearish SGD against a firmer USD**, ahead of FOMC rate decision and policy guidance. However, bearish bias in USDSGD has been softened by yesterday's close above 1.3361 which has reduced the odds of it closing below 1.3325 by next Tuesday.

Overnight Economic Data

US	↑
UK	→
Eurozone	↓
Australia	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications, PPI Final Demand
- Eurozone Industrial Production
- UK CPI, PPI Output
- Australia Westpac Consumer Confidence Index

Major Events

- FOMC Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1695	1.1723	1.1747	1.1782	1.1802	↘
USDJPY	109.79	110.04	110.48	110.75	111.08	↗
GBPUSD	1.3294	1.3338	1.3370	1.3389	1.3433	↘
AUDUSD	0.7547	0.7565	0.7572	0.7613	0.7652	↘
EURGBP	0.8768	0.8778	0.8786	0.8808	0.8818	→
USDMYR	3.9826	3.9878	3.9935	3.9952	3.9990	↗
EURMYR	4.6787	4.6827	4.6918	4.6948	4.7010	↘
JPYMYR	3.6000	3.6060	3.6151	3.6199	3.6239	→
GBPMYR	5.3269	5.3359	5.3396	5.3404	5.3449	↘
SGDMYR	2.9801	2.9830	2.9877	2.9884	2.9914	↘
AUDMYR	3.0131	3.0186	3.0241	3.0288	3.0332	↘
NZDMYR	2.7921	2.7955	2.7987	2.8032	2.8084	↘
USDSGD	1.3349	1.3361	1.3366	1.3393	1.3402	↗
EURSGD	1.5657	1.5689	1.5713	1.5745	1.5766	↗
GBPSGD	1.7828	1.7855	1.7876	1.7888	1.7905	→
AUDSGD	1.0098	1.0109	1.0121	1.0135	1.0156	↘

* 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	1764.16	-0.66	-1.82	CRB Index	200.14	0.38	3.24
Dow Jones Ind.	25320.73	-0.01	2.43	WTI oil (\$/bbl)	66.36	0.39	9.83
S&P 500	2786.85	0.17	4.24	Brent oil (\$/bbl)	75.88	-0.76	13.47
FTSE 100	7703.81	-0.43	0.21	Gold (\$/oz)	1295.97	-0.35	-0.54
Shanghai	3079.80	-0.89	-6.88	CPO (RM/tonne)	2340.00	-0.57	-2.09
Hang Seng	31103.06	0.13	3.96	Copper (\$/tonne)	7222.00	-0.45	-0.34
STI	3430.69	-0.32	0.82	Rubber (sen/kg)	440.00	0.23	-4.86

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US NFIB Small Business Optimism	May	107.8	104.8	105.0
US CPI MOM	May	0.2%	0.2%	0.2%
US CPI YOY	May	2.8%	2.5%	2.8%
EU ZEW Expectations	Jun	-12.6	2.4	--
UK Jobless Claims Change	May	-7.7k	28.2k (revised)	--
UK Average Weekly Earnings 3M/YOY	Apr	2.5%	2.6%	2.5%
UK ILO Unemployment Rate 3Mths	Apr	4.2%	4.2%	4.2%
AU NAB Business Conditions	May	15	21	--
AU NAB Business Confidence	May	6	11 (revised)	--
AU Home Loans MOM	Apr	-1.4%	-2.3% (revised)	-1.8%
AU Investment Lending	Apr	-0.9%	-8.8% (revised)	--

Source: Bloomberg

➤ Macroeconomics

- US inflation rose, FOMC meeting in spotlight:** The seasonally adjusted CPI met expectations to rise 0.2% MOM in May (April: +0.2%). Food prices remained unchanged while energy prices posted slower gain at 0.9% MOM (Apr: +1.4%). Core inflation which stripped out the volatile food and energy priced increased 0.2% MOM (Apr: +0.1%) driven by a rebound in new motor vehicle prices and higher health care cost. On an annual basis, inflation quickened to increase 2.8% YOY (Apr: +2.5%), the largest gain since February 2012 while core inflation rose 2.2% YOY (Apr: +2.1%). Annual inflation growth continued to extend its upward trend as expected due to higher oil prices compared to a year ago. Reports on rising input prices particularly in raw materials among firms as evident in the May ISM prices paid index also led to higher consumer prices. The data came ahead of tomorrow's FOMC meeting as the Fed is expected to hike interest rate for the second time in 2018. The Fed's preferred measure, the PCE core rose 1.8% YOY in May (Apr: +1.8%). We expect the Fed to revise its forward guidance with new interest rates, growth as well as labour market projections. In a separate release, the NFIB Business Optimism Index edged up to 107.8 in May (Apr: 104.8) as firms maintained positive outlook over the US economy.
- UK added more jobs than expected but wage growth stayed tepid:** The UK added 146k jobs for the 3 months ended April 2018 (Mar: 197k) with part-time jobs accounted for about 70% of the total job increases. Unemployment rate remained at 4.2% (Apr: 4.2%), the lowest level since 1975. Jobless claims change which measures the number of individual receiving unemployment benefits turned -7.7k in May (Apr: +28.2K). However, the average earnings including bonus, a measurement of wage growth remained sluggish, increasing 2.5% YOY for the 3 months ended April (Mar: +2.6%). April jobs report illustrates that higher employment failed to bring up wage growth which the BOE has to quicken as unemployment rate fell to its record low, hence warranting a gradual increase of interest rate from its current level of 0.5%. Slower wage growth reduce likelihood of a summer rate hike as investors have been anticipating a BOE move in August. As of writing, markets are pricing in a 49.1 % chance of a 25bps hike in August compared to the 50.7% observed on Monday.
- Eurozone sentiment weakened:** The headline German Zew survey of economic sentiments, a gauge of Germany institutional investor sentiments dipped to -16.1 in June (May: -8.2) on the back of softer than expected German economic data as well recent escalation of trade tension and the policies uncertainties of the new Italian government. The similar survey of Eurozone investors plunged deeply to -12.6 in June (May: 2.4).
- Australia housing market continued to soften; sentiment weakened:** Home loans approval declined 1.4% MOM in April (Mar: -2.3%) while the value of investor loans posted a milder loss of 0.9% MOM (Mar: -8.8% revised) amidst softening Australian housing market. Meanwhile, sentiments weakened as the NAB Business Conditions and Business Confidence index dropped to 15 in May (Apr: 21) and 6 (Apr: 11 revised) respectively.

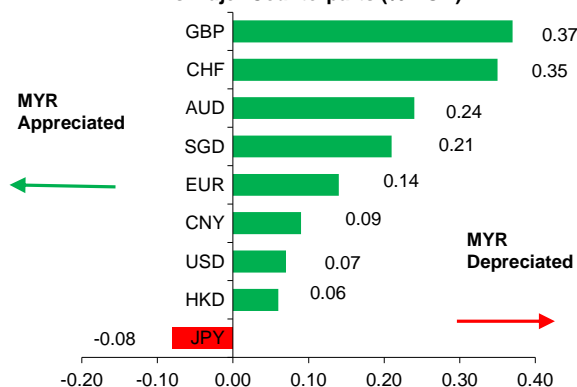
Economic Calendar Release Date						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
13/06	US	MBA Mortgage Applications	08 Jun	--	4.1%	--
		PPI Final Demand YOY	May	2.8%	2.6%	--
14/06		FOMC Rate Decision	13 Jun	1.75%- 2.00%	1-50%- 1.75%	--
		Retail Sales Advance MOM	May	0.4%	0.3%	0.2%
		Initial Jobless Claims	09 Jun	223k	222k	--
13/06	Eurozone	Industrial Production SA MOM	Apr	-0.7%	0.5%	--
14/06		ECB Main Refinancing Rate	14 Jun	0.00%	0.00%	--
13/06	UK	CPI YOY	May	2.4%	2.4%	--
		PPI Output NSA YOY	May	2.9%	2.7%	--
14/06		RICS House Price Balance	May	-5.0%	-8.0%	--
		Retail Sales Inc. Auto Fuel MOM	May	0.6%	1.6%	--
14/06	Japan	Industrial Production YOY	Apr F	--	2.5%	--
14/06	China	Retail Sales YOY	May	9.6%	9.4%	--
		Industrial Production YOY	May	7.0%	7.0%	--
13/06	Australia	Westpac Consumer Conf SA MOM	Jun	--	-0.6%	--
14/06		Employment Change	May	19.0k	22.6k	--
		Unemployment Rate	May	5.5%	5.6%	--
		Participation Rate	May	65.6%	65.6%	--
14/06	New Zealand	REINZ House Sales YOY	May	--	6.6%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1745	-0.33	1.1809	1.1734	-2.2
USDJPY	110.37	0.31	110.49	109.99	-2.0
GBPUSD	1.3372	-0.05	1.3425	1.3342	-1.1
AUDUSD	0.7573	-0.47	0.7624	0.7566	-3.0
EURGBP	0.8783	-0.30	0.8832	0.8770	-1.1
USDMYR	3.9903	0.07	3.9940	3.9855	-1.4
EURMYR	4.7069	0.14	4.7104	4.6827	-2.9
JPYMYR	3.6233	-0.08	3.6254	3.6105	0.8
GBPMYR	5.3499	0.37	5.3535	5.3234	-2.1
SGDMYR	2.9934	0.21	2.9946	2.9820	-1.2
AUDMYR	3.0409	0.24	3.0417	3.0254	-3.8
NZDMYR	2.8085	0.18	2.8116	2.7919	-2.5

Source: Bloomberg

MYR vs Major Counterparts (% DOD)


Forex

MYR

- **MYR ended 0.07% weaker at 3.9903 against a firmer USD**, pulling back from 3.9940 in intraday trade, the highest for USDMYR since end-May. The local unit however managed to advance against 8 G10s, which also softened on the back of a firmer greenback.
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USD

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- **Expect DXY to stay firmer today** ahead of FOMC rate decision and policy guidance, as trade issues and geopolitical risks take a momentary backseat for now, and a hawkish Fed could reaffirm bullishness in the USD. While bearishness has somewhat reduced, we maintain that DXY need to recapture 94.03 to overturn current bearish trend.

EUR

- **EUR fell 0.33% to 1.1745 against a firmer USD** and was also weaker against 8 G10s. EUR pared all gains in late European session as UK won a parliamentary vote on Brexit process.
- **EUR is turning slightly bearish in our view** in anticipation of a firmer USD, more so if the Fed delivers a hawkish guidance. Nonetheless, we expect EUR losses to be supported by optimism of an exit strategy approaching ECB policy meeting. Upside momentum in EURUSD continues to soften and is at risk of a reversal to the downside if it still fails to bounce back above 1.1800. Breaking 1.1723 could reignite a bearish trend for EURUSD.

GBP

- **GBP fell by a marginal 0.05% against the greenback to 1.3372** after a day of roller coaster ride but was stronger against 8 G10s, lifted by the passing of a parliamentary vote on Brexit bill.
- **GBP is 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 a 2nd straight day, by 0.31% to 110.37 even against a firmer greenback** on continuous retreat in refuge demand. JPY fell against 7 G10s.
- **Expect JPY to remain bearish against USD**. Consecutive close above 110 has increased bullish bias in USDJPY, pushing the pair towards 110.75 in the next move higher.

AUD

- **AUD declined 0.47% to 0.7573 against the USD** and underperformed all G10s as risk currencies got hit amid a volatile day in the FX space.
- **Stay bearish on AUD against USD**, weighed down by absence of risk appetite in the markets unless RBA Governor Lowe's speech offers new insights. AUDUSD is on track for 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 6 G10s but fell 0.14% to 1.3368 against the USD**.
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