

Global Markets Research

Daily Market Highlights

Key Takeaways

- Opposition parties struck an astounding victory in Malaysia GE14, raising questions on policy continuity. **Any negative reactions on the local financial markets are expected to be transitory.** The quicker the newly formed government is able to put things into proper perspectives, the quicker policy uncertainties and market volatilities will dissipate. The return of both consumer and investors' confidence would no doubt be positive for macro and financial stability over the medium to longer term. At the data front, Malaysia **industrial productions ticked marginally higher.** **BNM left OPR unchanged** on last Thursday.
- Elsewhere, **BOE left interest rate unchanged** as widely expected and revised downward its growth and inflation outlook. **US headline inflation rebounded** but missed estimates while both initial jobless claims and University of Michigan sentiment index remained flat. **Hong Kong GDP growth beat expectations** while retail sales in Singapore plunged. Australia home loans continue to dip. New Zealand services sector eased but its manufacturing sector expanded at a faster pace.
- **USD fell against 9 G10s** while the DXY slipped 0.12% to 92.53, extending its decline from the miss in US CPI data a day before. **Expect a bearish USD** in the absence of positive catalyst to drive buying support. Downside momentum is building in DXY and a loss of 92.42 is imminent. Breaking below this exposes a move to 91.81, which if fails to hold will trigger further decline to 90.82.
- **MYR slipped 0.13% to 3.9497 against USD** last Tues on the back of risk aversion in the local unit heading into Malaysia's general election. **Expect a soft MYR against USD,** pressured by knee-jerk reaction that is common in the wake of a new government as markets face uncertainties regarding macroeconomic policies. Technically, upside momentum in USDMYR has strengthened, suggesting room to climb going forward. Gains are likely to test 3.9983 in the next leg higher, and if this fails to hold, expect upsides to challenge 4.0000 – 4.0055.
- **SGD advanced 0.1% to 1.3365 against a soft USD** but ended lower against 6 G10s that were also climbing against a soft greenback. **Stay bullish on SGD against USD,** anticipating firmer risk appetite in the markets to support gains. We continue to view that USDSGD is tilted to the downside. There is scope to test 1.3300 in the next leg lower, below which a drop to 1.3269 is expected.

Overnight Economic Data

US	↑
UK	↓
Hong Kong	↑
Singapore	↓
Australia	↓
New Zealand	↑

What's Coming Up Next

Major Data

- Japan PPI YOY, Machine Tools Orders YOY
- NZ Performance of Services Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1927	1.1950	1.1956	1.1962	1.1973	↗
USDJPY	108.90	109.00	109.27	109.35	109.50	↘
GBPUSD	1.3500	1.3529	1.3557	1.3563	1.3586	↗
AUDUSD	0.7522	0.7537	0.7556	0.7565	0.7576	↗
EURGBP	0.8809	0.8818	0.8821	0.8826	0.8836	↗
USDMYR	3.9800	3.9840	3.9860	3.9887	3.9900	↗
EURMYR	4.7505	4.7597	4.7678	4.7753	4.7833	↗
JPYMYR	6.6419	6.6466	6.6497	6.6556	6.6614	↗
GBPMYR	5.3947	5.4000	5.4060	5.4112	5.4212	↗
SGDMYR	2.9800	2.9824	2.9897	2.9910	2.9950	↗
AUDMYR	3.0051	3.0065	3.0128	3.0180	3.0200	↗
NZDMYR	2.7747	2.7773	2.7792	2.7849	2.7896	↗
USDSGD	1.3316	1.3330	1.3336	1.3340	1.3360	↘
EURSGD	1.5920	1.5937	1.5949	1.5963	1.5972	↗
GBPSGD	1.8025	1.8059	1.8081	1.8090	1.8123	↗
AUDSGD	1.0046	1.0063	1.0077	1.0103	1.0119	↗

* 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*	1846.5	1.0	0.6	CRB Index	203.6	-0.47	5.0
Dow Jones Ind.	24831.2	0.4	0.5	WTI oil (\$/bbl)	70.7	-0.92	17.0
S&P 500	2727.7	0.2	2.0	Brent oil (\$/bbl)	77.1	-0.50	15.1
FTSE 100	7724.6	0.3	0.5	Gold (\$/oz)	1319.3	-0.20	1.4
Shanghai	3163.3	-0.4	-4.4	CPO (RM/tonne)**	2366.0	1.07	-1.0
Hang Seng	31122.1	1.0	4.0	Copper (\$/tonne)	6942.0	0.36	-4.2
STI	3573.2	0.1	5.0	Rubber (sen/kg)*	494.0	2.17	6.8

Source: Bloomberg

* last closed on 8 May 2018 ** last closed on 7 May 2018

Economic Data

	For	Actual	Last	Survey
MY Industrial Production YOY	Mar	3.1%	3.0%	3.5%
MY BNM Overnight Policy Rate	10 May	3.25%	3.25%	3.25%
US CPI MOM	Apr	0.2%	-0.1%	0.3%
US Initial Jobless Claims	5 May	211k	211k	219k
US Uni. of Michigan Sentiment Index	May	98.8	98.8	98.3
UK BOE Rate	10 May	0.5%	0.5%	0.5%
HK GDP YOY	1Q18	4.7%	3.4%	3.4%
SG Retail Sales YOY	Mar	-1.5%	8.6%	1.5%
AU Home Loans MOM	Mar	-2.2%	-0.2%	-1.8%
NZ Business NZ Manufacturing PMI	Apr	58.9	53.1 (revised)	--
NZ Performance of Services Index	Apr	55.9	58.6 (revised)	--

Source: Bloomberg

➤ Macroeconomics

- BOE kept interest rate unchanged at 0.50% as widely expected last Thurs but revised downward its growth and inflation outlook for 2018 and 2019. The decision followed after a stream of disappointing economic data which indicated that the UK economy is slowing more than expected. Preliminary reading shows that the economy grew a mere 0.1% QOQ (4Q17: +0.4%) in 1Q2018; while many attributed the miss to adverse weather condition in late February and early March, other areas such as the housing markets continue to weaken in recent months as demand dwindled. Headline inflation has been falling since December 2017 and core inflation since January. Despite that, the BOE said that the labour market spells positivity as unemployment rate fell further and wage growth firmed up and Mark Carney reassured that gradual tightening is still on the deck this year. The timing to raise interest rates gradually was especially crucial for the BOE as it will have to observe the Brexit timeline and allow itself more room to act should any adverse shock arises. Investors are currently expecting a 65.9% probability of a hike in November. The sterling tumbled sharply right after the announcement and towards the afternoon in the European trading session on Thurs but managed to recover on Fri.
- US headline inflation rebounded to increase 0.2% MOM in April (Mar: -0.1%) but missed consensus estimates, prompting a strong selloff of the dollar. On a yearly basis, inflation rose faster to increase 2.5% YOY (Mar: +2.4%) due to higher fuel and gasoline prices while electricity eased. Core inflation rose 0.1% MOM (Mar: +0.2%) and was flat at 2.1% YOY (Mar: +2.1%). Initial jobless claims remained flat at 211k for the week ended 5 May (Previous: 211k) as the labour market continues to remain robust. In a separate release, the University of Michigan sentiment index came in unchanged at 98.8 in May (April: 98.8) as consumer sentiments remained relatively high in the US.
- Hong Kong economy beat expectations to expand 4.7% YOY in 1Q2018 (4Q17: +3.4%), the highest rate since 2Q2011, attributed to a broad base advancement across sectors. Household spending increased 8.6% YOY (4Q17: +6.3%) while exports of goods and services rose 5.2% (4Q17: +3.4%) and 7.5% YOY (4Q17: +3.9%) respectively. The economy is expected to be supported by strong domestic and international demand as outlook on the global economy improved, not to mention neighbouring China which continues to stay resilient. Hong Kong relies heavily on capital, trade and investment flows as well as tourist arrivals from China.
- Retail sales in Singapore plunged 1.5% YOY in March (Feb: +8.6%) following an enormous surge in February when Chinese New Year was being celebrated. The drop was due to lower auto sales which dropped 16.1% YOY (Feb: -17.5%). Stripping out auto sales, retail sales increased 2.6% YOY. Other sectors registered growth - Department store sales rose 9.1% YOY (Feb: +25.4%), food 7.5% YOY (Feb: +7.5%), apparel and footwear 5.0% (Feb: +42.3%) and watches and jewellery 5.0% YOY (Feb: +7.8%) signalling still strong domestic demand.
- Home loans in Australia dipped more than expected by 2.2% MOM in March (Feb: -0.2%), investment lending for home contracted 9.0% MOM (Feb: 1.2% revised) as the housing markets continue to soften in Australia given tighter credit standard as part of authorities' macroprudential policy to curb speculations.

- The manufacturing sector in New Zealand expanded at a faster pace as the BusinessNZ Manufacturing PMI climb substantially to 58.9 in April (Mar: 53.1 revised) due to robust growth in productions, new orders and deliveries with strength seen in the building sector. Meanwhile, services sector eased as the Performance of Services Index fell to 55.9 in April (Mar: 58.6 revised).
- Industrial production growth in Malaysia ticked marginally higher to 3.1% YOY in March (Feb: +3.0%) as a rebound in mining and quicker growth in electricity output offset slower growth in manufacturing. Year-to-date, IPI grew 3.8% YOY in 1Q18 (4Q17: +3.5%). This, coupled with external trade reports released earlier, added to signs of quicker growth in momentum in 1Q18 which we estimate to be in the region of 6.0%. However, we are of the view that growth momentum will likely take a softer growth traction going forward as the seasonal abnormalities dissipate.
- BNM left OPR unchanged at 3.25% in its May MPC meeting. Taking cue from Thursday's neutral policy statement, and in anticipation of relatively muted dampening effect from upcoming policy reviews by the new government, as it balances between growth and reforms, we reaffirm our view for OPR to stay unchanged at the current level of 3.25% for the remaining of the year. Economic fundamentals are expected to stay intact despite some positive knee-jerk reactions in the financial markets and teething adjustment as the new government reviews and revisits the viability and appropriateness of some fiscal and economic policies for the long-term benefits of the country. No change to our 2018 growth forecasts of 5.0% for now pending greater clarity on policy directions from the new government.

Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
15/05	US	Empire Manufacturing	May	15.0	15.8	--
		Retail Sales Advance MOM	Apr	0.3%	0.6%	--
		NAHB Housing Market Index	May	70	69	--
15/05	Eurozone	Industrial Production SA MOM	Mar	0.7%	-0.8%	--
		GDP SA QOQ	1QP	0.4%	0.4%	--
		ZEW Survey Expectations	May	--	1.9	--
15/05	UK	Jobless Claims Change	Apr	--	11.6k	--
		Average Weekly Earnings 3 Months Avg	Mar	2.6%	2.8%	--
		ILO Unemployment Rate 3 Months SA	Mar	4.2%	4.2%	--
14/05	Japan	PPI YOY	Apr	2.0%	2.1%	--
		Machine Tool Orders YOY	Apr P	--	28.1%	--
15/05	China	Retail Sales YOY	Apr	10.0%	10.1%	--
		Industrial Production YOY	Apr	6.4%	6.0%	--
15/05	Australia	RBA May Meeting Minutes				--

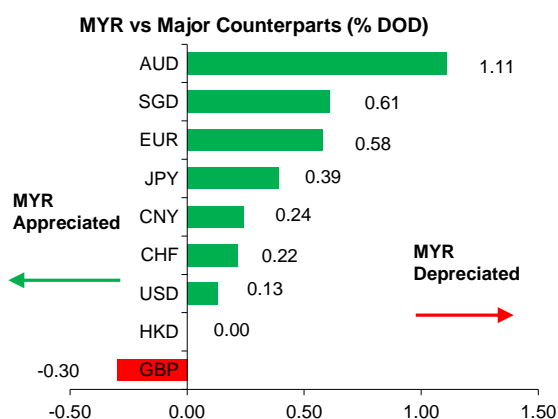
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1943	0.23	1.1968	1.1891	-0.4
USDJPY	109.39	-0.01	109.57	109.15	-3.0
GBPUSD	1.3542	0.17	1.3596	1.3502	0.3
AUDUSD	0.7543	0.15	0.7567	0.7523	-3.3
EURGBP	0.8818	0.04	0.8827	0.8789	-0.7
USDMYR*	3.9497	0.13	3.9507	3.9408	-1.5
EURMYR	4.7144	0.58	4.7150	4.6968	-1.8
JPYMYR	3.6138	0.39	3.6147	3.6055	1.4
GBPMYR	5.3437	-0.30	5.3485	5.3331	-1.2
SGDMYR	2.9578	0.61	2.9585	2.9506	-1.4
AUDMYR	2.9828	1.11	2.9828	2.9715	-1.8
NZDMYR	2.7547	0.84	2.7555	2.7470	-3.6

Source: Bloomberg

* USDMYR last closed on 8 May 2018



Forex

MYR

- **MYR slipped 0.13% to 3.9497 against USD** last Tues on the back of risk aversion in the local unit heading into Malaysia's general election.
- **Expect a soft MYR against USD**, pressured by knee-jerk reaction that is common in the wake of a new government as markets face uncertainties regarding macroeconomic policies. Technically, upside momentum in USDMYR has strengthened, suggesting room to climb going forward. Gains are likely to test 3.9983 in the next leg higher, and if this fails to hold, expect upsides to challenge 4.0000 – 4.0055.

USD

- **USD fell against 9 G10s** while the DXY slipped 0.12% to 92.53, extending its decline from the miss in US CPI data a day before.
- **Expect a bearish USD** in the absence of positive catalysts to drive buying support. Downside momentum is building in DXY and a loss of 92.42 is imminent. Breaking below this exposes a move to 91.81, which if fails to hold will trigger further decline to 90.82.

EUR

- **EUR advanced 0.23% to 1.1943 against a soft USD** and climbed against 7 G10s, supported relatively firmer sentiment in the region.
- **Maintain a bullish view on EUR in expectation of a softer USD.** We continue to eye a technical rebound in EURUSD. Gains will likely be limited by 1.2049, otherwise a more sustained rebound will form and potentially test 1.2188.

GBP

- **GBP ended higher against 5 G10s and climbed 0.17% to 1.3542 against a soft USD**, mildly recovering after risk event of BOE policy decision.
- **Stay slightly bullish on GBP against a softening USD** as we continue to view that downside pressure due to expectations of a BOE no-hike scenario is abating. Downside momentum has receded and we suspect a modest rebound may be in the works. Gains are likely limited by 1.3666, otherwise a recovery to 1.3782 is possible.

JPY

- **JPY was barely changed against USD at 109.39** but slipped against 7 G10s as demand for refuge in the markets retreated.
- **Continue to expect a slightly bullish on JPY against a softening USD.** A minor bearish trend prevails and a close below 108.98 is viewed as a completion of a double top pattern that is expected to trigger a drop to 107.95.

AUD

- **AUD climbed 0.15% to 0.7543 against a soft USD** but ended mixed against the G10s.
- **Keep a bullish view on AUD as we anticipate a softer USD**, further supported by continued recovery in market sentiment. Expect AUDUSD is likely to extend its recent rebound, with scope to test 0.7565. A break here exposes a move to 0.7613.

SGD

- **SGD advanced 0.1% to 1.3365 against a soft USD** but ended lower against 6 G10s that were also climbing against a soft greenback.
- **Stay bullish on SGD against USD**, anticipating firmer risk appetite in the markets to support gains. We continue to view that USDSGD is tilted to the downside. There is scope to test 1.3300 in the next leg lower, below which a drop to 1.3269 is expected.

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