

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Preliminary GDP readings from the Eurozone and Japan confirmed slowing growth momentum in 1Q18.** In the Eurozone, growth moderated to 0.4% QOQ (4Q: +0.7%) amid slower growth in Germany and France while growth in Italy and Spain remained flattish. Meanwhile, the Japanese economy unexpectedly contracted by 0.2% QOQ in 1Q (4Q: +0.1% revised), as a result of softer growth in consumption and exports.
- **Back to the US, economic releases turned in largely positive.** Advance estimate shows that retail sales in the US increased at a slower pace of 0.3% MOM in April (Mar: +0.8% revised) as expected as a result of slower growth in automobiles sales but higher gasoline prices could keep a lid on retail sales going forward. **Data from the UK showed its labour market remained firm while China first tier data were mixed and suggests some softening bias going into 2Q.** On the monetary policy front, **RBA minutes showed that the central bank MPC board agreed that there was not a strong case for a near term move** in policy in its recent May meeting.
- **USD rebounded further to beat all G10s** while the DXY jumped after US retail sales were upwardly revised, closing 0.68% higher at 93.21 amid rising expectations of quicker policy tightening amid firmer data and on the back of rising bond yields. **We are now bullish on USD** as expectation on the Fed to raise interest rate at a quicker pace is likely to increase after firm overnight US data and continued rise in bond yields. DXY has bounced off 92.45 and this has changed our bearish view to bullish. There is room for some gains as DXY tests 93.50 – 93.80 range, but caution that continued failure to break higher will introduce some weakness, paving the way for another reversal lower.
- **MYR slipped 0.14% to 3.9562 against a rallying USD** in European trade but managed to beat most G10s that were also on the defensive. **Expect a bearish MYR against a firmer overnight USD.** While there is still room for USDMYR gains, we maintain the view that continued failure to break the upper Bollinger (now at 3.9701) is, to us, a sign that bulls could not sustain further gains, thus, a reversal is likely going forward.
- **SGD ended mixed against the G10s but weakened 0.65% to 1.3446 against a strong USD.** We turn bearish on SGD against a firm USD, further weighed down by continued risk aversion in the markets. A sharp break above 1.3393 has tilted USDSGD upwards. Expect a potential test at 1.3490 soon.

Overnight Economic Data

US	↑
Eurozone	→
UK	→
Japan	↓
China	→

What's Coming Up Next

Major Data

- US MBA Mortgage applications, Housing starts, Building permits, Industrial production
- Eurozone CPI
- Japan Industrial production,
- Australia Westpac Consumer Confidence, Wage price index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1800	1.1817	1.1833	1.1843	1.1874	↘
USDJPY	109.94	110.20	110.25	110.45	110.65	↘
GBPUSD	1.3451	1.3487	1.3505	1.3535	1.3564	↗
AUDUSD	0.7507	0.7518	0.7473	0.7476	0.7490	↘
EURGBP	0.8732	0.8745	0.8761	0.8771	0.8779	↘
USDMYR	3.9600	3.9625	3.9632	3.9665	3.9700	↗
EURMYR	4.6850	4.6880	4.6890	4.6904	4.6980	↘
JPYMYR	3.5900	3.5920	3.5935	3.5957	3.5998	↘
GBPMYR	5.3471	5.3496	5.3526	5.3574	5.3611	↗
SGDMYR	2.9437	2.9459	2.9487	2.9506	2.9523	↘
AUDMYR	2.9572	2.9609	2.9623	2.9664	2.9709	↘
NZDMYR	2.7120	2.7150	2.7194	2.7224	2.7243	↘
USDSGD	1.3400	1.3416	1.3441	1.3457	1.3480	↗
EURSGD	1.5890	1.5900	1.5904	1.5914	1.5933	↘
GBPSGD	1.8133	1.8145	1.8153	1.8178	1.8200	↗
AUDSGD	1.0027	1.0035	1.0046	1.0065	1.0072	↘

* 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	1848.20	-0.1	2.9	CRB Index	203.45	-0.18	4.9
Dow Jones Ind.	24706.41	-0.8	-0.1	WTI oil (\$/bbl)	71.31	0.49	18.0
S&P 500	2711.45	-0.7	1.4	Brent oil (\$/bbl)	78.43	0.26	17.3
FTSE 100	7722.98	0.2	0.5	Gold (\$/oz)	1290.53	-1.75	-0.8
Shanghai	3192.12	0.6	-3.5	CPO (RM/tonne)	2407.50	1.24	0.7
Hang Seng	31152.03	-1.2	4.1	Copper (\$/tonne)	6808.00	-1.12	-6.1
STI	3540.23	-0.6	4.0	Rubber (sen/kg)	488.50	-1.51	5.6

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Empire Manufacturing	May	20.1	15.8	15.0
US Retail Sales Advance MOM	Apr	0.3%	0.8% (revised)	0.3%
US NAHB Housing Market Index	May	70	68 (revised)	69
EU Industrial Production SA MOM	Mar	0.5%	-0.9% (revised)	0.7%
EU GDP SA QOQ	1QP	0.4%	0.7%	0.4%
EU ZEW Survey Expectations	May	2.4	1.9	--
UK Claimant Count Rate	Apr	2.5%	2.4%	--
UK Jobless Claims Change	Apr	31.2k	15.7k (revised)	--
UK Average Weekly Earnings	Mar	2.6%	2.8%	2.6%
UK ILO Unemployment Rate SA	Mar	4.2%	4.2%	4.2%
UK Employment Change 3M/3M	Mar	197k	55k	125k
JP GDP SA QOQ	1QP	-0.2%	0.1% (revised)	0.0%
CH Retail Sales YOY	Apr	9.4%	10.1%	10.0%
CH Industrial Production YOY	Apr	7.0%	6.0%	6.4%
CH fixed asset investment YOY YTD	Apr	7.0%	7.5%	7.4%

Source: Bloomberg

➤ Macroeconomics

- Advance estimate shows that retail sales in the US increased 0.3% MOM in April (Mar: +0.8% revised) matching expectations. March figure was revised higher from 0.6% to 0.8%. Sales in motor vehicles and parts rose a meagre 0.1% MOM (Mar: +2.1%) after a surge in the preceding month. Retail sales are holding up in the US despite higher gasoline prices in the US which is inching towards US\$3.00 per gallon. Data from EIA shows that the weekly regular retail gasoline prices currently stood at US\$2.87 per gallon as of 14 May, it had been at US\$2.52 in the beginning of January. Higher consumption has been supported by a delayed federal refund and a stable wage growth in a favourable labour market but rising gasoline oil prices could post a dampening effect on spending moving forward. Meanwhile, manufacturing activities in New York improved as the New York Fed Empire Manufacturing survey edged up to 20.1 in May (Apr: 15.8). In a separate release, sentiments among home builders improved as indicated by the NAHB Housing Market Index which rose to 70 in May (Apr: 68 revised).
- Tuesday data show that the labour market in the UK remained firm. Employment change which measures the number of new jobs added rose substantially to 197k in March (Feb: 55k), the highest since December 2015. Both wage growth and unemployment rate came in decent as expected. The average weekly earnings grew 2.6% YOY (Feb: +2.8%) while unemployment rate remained at its lowest level of 4.2% for the second consecutive month. Markets shrugged off the higher jobless claims in April though which, increased to 31.2k (Mar: 15.7k revised). The annual claimant count rate edged higher to 2.5% YOY (Mar: +2.4%). The sterling went up after the release of the data.
- Eurozone 1Q18 GDP growth matched initial estimates of 0.4% QOQ (4Q17: +0.7%) as growth in the currency bloc slowed down in the beginning of the year. Growth in Germany and France, two of its largest economies eased to increase 0.3% QOQ (4Q17: +0.6%) and 0.3% QOQ (4Q17: +0.7%) respectively while that of Italy and Spain remained flat, rising at 0.3% and 0.7% respectively. Industrial production meanwhile rebounded to increase 0.5% MOM in March (Feb: -0.9%) which brings the annual growth to 3.0% YOY (Feb: +2.6%). Output in energy rose a notable 8.1% YOY (Feb: +4.8%) as oil prices have been rallying in recent months. Meanwhile the ZEW Survey Expectations index which measures consumer sentiments rose to 2.4 in May (Apr: 1.9) but remained rather low compared to historical readings suggesting that sentiments have improved but consumers remained cautious of the economy.
- Preliminary reading shows that the Japanese economy contracted 0.2% QOQ in 1Q18 (4Q17: +0.1% revised) while growth in the previous quarter was revised from 0.4% to 0.1%. Consensus estimates have been expecting growth to be flat at 0.0%. On a yearly basis, GDP growth slowed to increase 0.9% YOY (4Q17: +1.8%) as private consumption and household spending eased. Exports grew on a slower note, rising 4.8% YOY (4Q17: +6.5%) following a few quarters of higher growth.

- Data from China were mixed yesterday. Higher growth in industrial output was offset by slowdown in capex and retail sales. Industrial production beat expectations to increase 7.0% YOY in April (Mar: +6.0%). Manufacturing and power supply industry grew 7.4% YOY (Mar: +6.6%) and 8.8% YOY (Mar: +5.8%) respectively. Firms' capex which is measured by the YTD fixed asset ex rural investment meanwhile eased to increase 7.0% YOY (Mar: +7.5%) as state-owned firms continue the process of deleveraging as mandated by authorities to curb credit growth. Retail sales edged up 9.4% YOY (Mar: +10.1%) attributed to broad base slowdown in sales across nearly all consumer goods.
- Minutes released by the RBA shows that the central bank MPC board agreed that there was not a strong case for a near term move in policy in its recent May meeting. The next cash rate move is likely to be up than down. Growth in employment and inflation are likely to be gradual. Employment growth has moderated following a strong growth in 2017 while unemployment rate has been sticky at 5.5% and wage growth remained muted but is expected to pick up. March CPI was in line with RBA forecast but remained subdued given a slow pickup in wage growth. Consumption has been supported by strength in employment but high household debt poses uncertainty.

Economic Calendar Release Date

Date	Country	Event	Reporting Period	Survey	Prior	Revised
16/05	US	MBA Mortgage Applications	11 May	--	-0.4%	--
		Housing Starts MOM	Apr	-0.7%	1.9%	
		Building Permits MOM	Apr	-2.1%	2.5%	4.4%
		Industrial Production MOM	Apr	0.6%	0.5%	--
17/05		Initial Jobless Claims	12 May	215k	211k	--
		Philadelphia Fed Business Output	May	21.0	23.2	--
		Leading Index	Apr	0.4%	0.3%	--
16/05	Eurozone	CPI YOY	Apr F	1.2%	1.3%	1.3%
17/05		Construction Output MOM	Mar	--	-0.5%	--
16/05	Japan	Industrial Production YOY	Mar F	--	2.2%	--
17/05		Core Machine Orders MOM	Mar	-3.0%	2.1%	--
17/05-22/05		Nationwide Department Sales YOY	Apr	--	0.1%	--
16/05	China	New Home Prices MOM	Apr	--	0.42%	--
17/05	Hong Kong	Unemployment Rate SA	Apr	2.9%	2.9%	--
17/05	Singapore	Non-oil Domestic Exports YOY	Apr	7.3%	-2.7%	--
16/05	Australia	Westpac Consumer Confidence SA MOM	May	--	-0.6%	--
		Wage Price Index YOY	1Q	2.1%	2.1%	--
17/05		Employment Change	Apr	20.0k	4.9k	--
		Unemployment Rate	Apr	5.5%	5.5%	--
17/05	New Zealand	PPI Output QOQ	1Q	--	1.0%	--

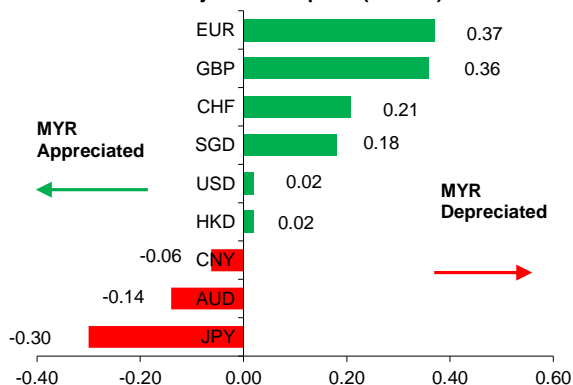
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1838	-0.75	1.1938	1.1820	-1.5
USDJPY	110.35	0.63	110.45	109.65	-2.1
GBPUSD	1.3502	-0.40	1.3572	1.3451	-0.1
AUDUSD	0.7472	-0.72	0.7538	0.7448	-4.3
EURGBP	0.8765	-0.39	0.8818	0.8763	-1.4
USDMYR	3.9562	-0.14	3.9600	3.9485	-2.0
EURMYR	4.7186	-0.28	4.7229	4.7085	-3.3
JPYMYR	3.5989	-0.12	3.6062	3.5943	-0.1
GBPMYR	5.3571	-0.11	5.3675	5.3496	-2.0
SGDMYR	2.9591	-0.13	2.9615	2.9536	-2.7
AUDMYR	2.9717	-0.23	2.9801	2.9664	-6.3
NZDMYR	2.7355	-0.30	2.7374	2.7243	-5.5

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



Forex

MYR

- **MYR slipped 0.14% to 3.9562 against a rallying USD** in European trade but managed to beat most G10s that were also on the defensive.
- **Expect a bearish MYR against a firmer overnight USD.** While there is still room for USDMYR gains, we maintain the view that continued failure to break the upper Bollinger (now at 3.9701) is, to us, a sign that bulls could not sustain further gains, thus, a reversal is likely going forward.

USD

- **USD rebounded further to beat all G10s** while the DXY jumped after US retail sales were upwardly revised, closing 0.68% higher at 93.21 amid rising expectations of quicker policy tightening amid firmer data and on the back of rising bond yields.
- **We are now bullish on USD** as expectation on the Fed to raise interest rate at a quicker pace is likely to increase after firm overnight US data and continued rise in bond yields. DXY has bounced off 92.45 and this has changed our bearish view to bullish. There is room for some gains as DXY tests 93.50 – 93.80 range, but caution that continued failure to break higher will introduce some weakness, paving the way for another reversal lower.

EUR

- **EUR tumbled 0.75% to 1.1838 against a strong USD** and fell against 7 G10s despite relatively firmer Eurozone data.
- **We turn bearish on EUR against a firm USD;** any downward adjustment to Eurozone CPI data today will spark further selling. We reckon that recent rebound attempt has ended after EURUSD fell below 1.1900. It is now likely to test 1.1800, below which a drop to 1.1721 is highly likely.

GBP

- **GBP managed to beat 8 G10s,** supported by refuge demand within European markets and relatively decent UK data, but **fell 0.4% to 1.3502 against a rallying USD.**
- **Continue to stay slightly bullish on GBP against USD,** supported by extended refuge demand as European markets remain soft. Downside momentum continues to recede and we continue to expect a modest rebound. A climb to 1.3564 is possible within the coming week.

JPY

- **JPY advanced against 5 G10s** amid support from refuge demand in the markets but **weakened 0.63% to 110.35 against a rallying USD.**
- **We maintain a bullish view on JPY against USD,** supported by extended risk-off in the markets amid sell-down in equities and bonds. The double top pattern has been nullified. USDJPY could be headed for a 1-2 day correction lower before moving higher thereafter. Losses are likely stemmed by 109.95.

AUD

- **AUD was weighed down** by softer risk appetite in the markets to **tumble 0.72% to 0.7472 against USD** and fall against 5 G10s.
- **AUD is now bearish in our view against a firm USD,** further weighs down by continued risk-off in the markets and risk aversion ahead of Australia's labour market data tomorrow. Failure to hold above 0.7507 has tilted AUDUSD to the downside. Expect losses to test 0.7448 next though we suspect declines to be limited and still prone to a potential rebound going forward.

SGD

- **SGD ended mixed against the G10s but weakened 0.65% to 1.3446 against a strong USD.**
- **We turn bearish on SGD against a firm USD,** further weighed down by continued risk aversion in the markets. A sharp break above 1.3393 has tilted USDSGD upwards. Expect a potential test at 1.3490 soon.

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