

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Overnight economic releases remained mixed.** Data showed the labour market in the US continue to tighten while Philly Fed business outlook and leading index signaled recovery in the US economy is still forthcoming. Construction output extended its decline for the 3<sup>rd</sup> straight month in Eurozone while inflation prints disappointed in Japan. The Australian and Hong Kong labour market remained decent while non-electronics led to a rebound in Singapore NODX.
- At the local front, **the Malaysian economy expanded more moderately for the 2<sup>nd</sup> straight quarter, by 5.4% YOY in 1Q as a big boost from net exports failed to fully offset easier growth in domestic demand.** Domestic demand pulled back sharply to grow at its slowest pace in five quarters, by 4.1% YOY in 1Q (4Q: +6.2%), a stark contrast to the jump in net exports to 62.4% in 1Q (4Q: +2.3%). Looking ahead, while the change in government is expected to prompt some reviews and reprioritization of fiscal and macroeconomic policies, we believe the impact on this year's growth forecasts could be relatively muted as we are already into mid-2Q and any policy changes will require some , as it needs to go through due processes. **Pending greater policy clarity** of which some of the announcements are targeted to be made within the first 100 days under the new government, i.e. by mid-August, **we are maintaining our 2018 growth forecast at 5.0% for now.**
- **USD advanced against 9 G10s** while the DXY inched 0.08% to close at 93.46, lifted by extended rise in bond yields. **Expect USD to be on the defensive today**, weighed down by a lack of catalysts to drive further gains. We noted several rejections by 93.50 that have firmed up our view of an imminent reversal. We reiterate that DXY must beat 93.50 and 93.80 for current uptrend to extend, otherwise, we suspect that it is just bidding time for bulls to be discouraged and set off a reversal lower.
- **MYR slipped 0.03% to 3.9695 against USD** after overturning early gains and weakened against 6 G10s. **We are neutral on MYR against USD** today; MYR gains may prevail on retreat in USD going into European trade but likely very mild. We maintain the view that continued failure to break the upper Bollinger (now at 3.9825) is to us a sign that bulls could not sustain further gains, thus, a reversal is likely going forward.
- **SGD fell against 6 G10s and weakened 0.18% to 1.3422 against USD**, weighed down by softer risk appetite in the markets. **We are still slightly bullish on SGD in anticipation of a soft USD.** With upside momentum diminishing further, we expect USDSGD to retreat. Losing 1.3393 will likely trigger a decline to 1.3332 in the coming week.

#### Overnight Economic Data

|           |   |
|-----------|---|
| Malaysia  | ↓ |
| US        | → |
| Eurozone  | ↓ |
| Japan     | ↓ |
| Hong Kong | ↑ |
| Singapore | ↑ |
| Australia | ↑ |

#### What's Coming Up Next

##### Major Data

- EU ECB Current account, Trade balance
- NZ Retail Sales Ex Inflation QOQ

##### Major Events

- Nil

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

|        | S2     | S1     | Indicative | R1     | R2     | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1750 | 1.1777 | 1.1800     | 1.1820 | 1.1840 | ↗       |
| USDJPY | 110.50 | 110.76 | 110.85     | 111.00 | 111.20 | ↗       |
| GBPUSD | 1.3479 | 1.3500 | 1.3513     | 1.3535 | 1.3572 | ↗       |
| AUDUSD | 0.7490 | 0.7500 | 0.7508     | 0.7527 | 0.7550 | ↗       |
| EURGBP | 0.8698 | 0.8716 | 0.8731     | 0.8736 | 0.8750 | ↘       |
| USDMYR | 3.9685 | 3.9703 | 3.9735     | 3.9750 | 3.9780 | →       |
| EURMYR | 4.6832 | 4.6880 | 4.6890     | 4.6911 | 4.6977 | ↗       |
| JPYMYR | 3.5800 | 3.5812 | 3.5821     | 3.5845 | 3.5885 | ↘       |
| GBPMYR | 5.3555 | 5.3611 | 5.3684     | 5.3716 | 5.3833 | ↗       |
| SGDMYR | 2.9585 | 2.9600 | 2.9610     | 2.9631 | 2.9650 | ↗       |
| AUDMYR | 2.9800 | 2.9820 | 2.9836     | 2.9883 | 2.9900 | ↘       |
| NZDMYR | 2.7315 | 2.7350 | 2.7365     | 2.7381 | 2.7400 | →       |
| USDSGD | 1.3393 | 1.3413 | 1.3417     | 1.3436 | 1.3450 | ↘       |
| EURSGD | 1.5800 | 1.5820 | 1.5830     | 1.5850 | 1.5873 | ↗       |
| GBPSGD | 1.8100 | 1.8119 | 1.8131     | 1.8163 | 1.8178 | ↗       |
| AUDSGD | 1.0046 | 1.0063 | 1.0073     | 1.0092 | 1.0103 | ↗       |

\* 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           | 1854.44    | -0.2  | 3.2   | CRB Index          | 203.56     | -0.10 | 5.0   |
| Dow Jones Ind. | 24713.98   | -0.2  | 0.0   | WTI oil (\$/bbl)   | 71.49      | 0.00  | 18.3  |
| S&P 500        | 2720.13    | -0.1  | 1.7   | Brent oil (\$/bbl) | 79.30      | 0.03  | 18.6  |
| FTSE 100       | 7787.97    | 0.7   | 1.3   | Gold (\$/oz)       | 1290.79    | 0.01  | -1.0  |
| Shanghai       | 3154.28    | -0.5  | -4.6  | CPO (RM/tonne)     | 2402.00    | -0.33 | 0.5   |
| Hang Seng      | 30942.15   | -0.5  | 3.4   | Copper (\$/tonne)  | 6879.00    | 0.78  | -5.1  |
| STI            | 3536.76    | 0.1   | 3.9   | Rubber (sen/kg)    | 478.50     | 0.21  | 3.5   |

Source: Bloomberg

**Economic Data**

|                                     | For    | Actual | Last               | Survey |
|-------------------------------------|--------|--------|--------------------|--------|
| MA GDP YOY                          | 1Q     | 5.4%   | 5.9%               | 5.6%   |
| US Initial Jobless Claims           | 12 May | 222k   | 211k               | 215k   |
| US Philadelphia Fed Business Output | May    | 34.4   | 23.2               | 21.0   |
| US Leading Index                    | Apr    | 0.4%   | 0.4%<br>(revised)  | 0.4%   |
| EU Construction Output MOM          | Mar    | -0.3%  | -0.7%<br>(revised) | --     |
| JP National CPI YOY                 | Apr    | 0.6%   | 1.1%               | 0.7%   |
| CH Foreign Direct Investment YOY    | Apr    | -1.1%  | 0.40%              | --     |
| HK Unemployment Rate SA             | Apr    | 2.8%   | 2.9%               | 2.9%   |
| SG Non-oil Domestic Exports YOY     | Apr    | 11.8%  | -2.7%              | 7.3%   |
| AU Employment Change                | Apr    | 22.6k  | 4.9k               | 20.0k  |
| AU Unemployment Rate                | Apr    | 5.6%   | 5.5%               | 5.5%   |

Source: Bloomberg

**➤ Macroeconomics**

- Initial jobless claims in the US rose more than expected to 222k for the week ended 12 May (previous: 211k). Continuing claims which measures the number of Americans receiving aid after an initial week of claims however dropped to 1,707k for the week ended 5 May (previous: 1,790k). The data signals a diminishing slack and continuous tightening of the labour market. The Philly Fed Business Output Index surged substantially to 34.4 in May (April: 23.20). This, coupled with Tuesday's Empire Manufacturing Index which rose to 20.1 in May (Apr: 15.8) indicate improved sentiments among manufacturers signaling a stronger growth momentum in the manufacturing sector in May. Meanwhile, the Conference Board Leading Index sustained a 0.4% increase in April (Mar: +0.4% revised), suggesting recovery in the US economy is still forthcoming.
- Construction output in the Eurozone contracted by 0.3% MOM in March (Feb: -0.7% revised), its third consecutive month of decline. Output grew at a faster rate on an annual basis at 0.8% YOY (Feb: +0.2% revised).
- Headline inflation in Japan disappointed. CPI slowed substantially to increase 0.6% YOY in April (Mar: +1.1%) following a strong start in 2018. Core inflation also rose more slowly by 0.7% YOY (Mar: +0.9%). The April print highlights the BOJ's struggle to meet its 2% inflation target and will raise further questions on the sustainability of its stimulus program. The central bank has earlier removed the timeframe for inflation goal in its April policy statement.
- Foreign direct investment in China fell 1.1% YOY in April (Mar: +0.4%). Total FDI stood at CNY59.2b in April. Cumulative FDI from January to April still managed a 0.1% YOY growth to CNY286.8b (Jan-Mar: +0.5%).
- Hong Kong unemployment rate fell to its all-time low at 2.8% in April (Mar: 2.9%) after remaining at 2.9% for four consecutive month, reaffirming prospects of a steady job market.
- Number of new jobs added in Australia rose more than expected. Employment change in April amounted to 22.6k in April (Mar: -0.7k revised), more than enough to offset the newly revised contraction seen in March. New jobs have been estimated to be 4.9k in March. Unemployment rate rose to 5.6% (Mar: 5.5%) as participation rate increased by 0.1ppt to 65.6% (Mar: 65.5%) signaling that more eligible employees are looking for jobs, reaffirming views that the labour market is strengthening further given a decent wage growth at 0.5% QOQ as reported yesterday. The Aussie dollar surged following the announcement.
- Singapore non-oil domestic export beats expectations to surge 11.8% YOY in April (Mar: -2.7%) following two months of decline. The increase was attributed to higher non-electronics export as electronics declined.

- Growth in the Malaysian economy tapered off for the second consecutive quarters, pulling back more than expected to 5.4% YOY in 1Q18 (4Q17: +5.9%), its slowest since 4Q16. The softer expansion in 1Q was dampened by much slower growth in domestic demand which far outweighed the hefty gain in net exports. Domestic demand pulled back sharply to grow at its slowest pace in five quarters, by 4.1% YOY in 1Q (4Q: +6.2%), a stark contrast to the jump in net exports of 62.4% YOY in 1Q (4Q: +2.3%) despite slower growth in exports as imports posted its first decline since 3Q16 dragged by capital and intermediate goods imports. On a seasonally adjusted basis, real GDP increased at a faster pace of 1.4% QOQ in 1Q (4Q: +1.0%).
- Looking ahead, while the change in government is expected to prompt some reviews and reprioritization of fiscal and macroeconomic policies, we believe the impact on this year's growth forecasts could be relatively muted as we are already into mid-2Q and any policy changes will require some time as it needs to go through due processes. The biggest downside risks are expected to stem from potential delay in investment as businesses adopt a wait-and-see approach pending greater policy clarity while public sector projects are being reviewed. We are also hopeful that private consumption could be sustained as consumer sentiments improve in lieu of the resetting of GST and the introduction of targeted petrol subsidy even though we doubt prices of goods and services can be reduced significantly in the immediate future. Pending greater policy clarity of which some of the announcements are targeted to be made within the first 100 days under the new government, i.e. by mid-August, we are maintaining our 2018 growth forecast at 5.0% for now.

**Economic Calendar Release Date**

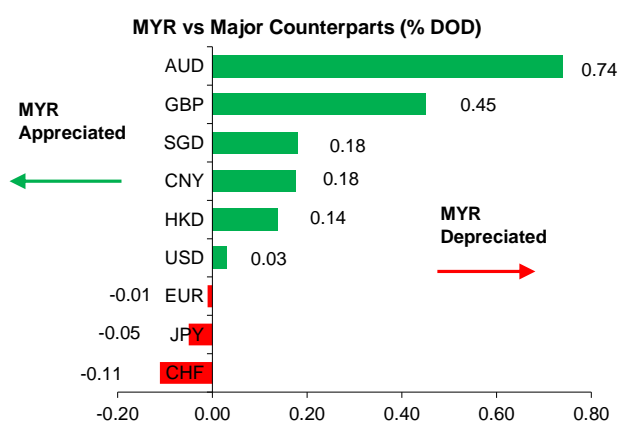
| Date         | Country         | Event                          | Reporting Period | Survey  | Prior        | Revised |
|--------------|-----------------|--------------------------------|------------------|---------|--------------|---------|
| 21/05        | US              | Chicago Fed Nat Activity Index | Apr              | --      | 0.10         | --      |
| <b>18/05</b> | <b>Eurozone</b> | <b>ECB Current Account SA</b>  | <b>Mar</b>       | --      | <b>35.1b</b> | --      |
|              |                 | <b>Trade Balance NSA</b>       | <b>Mar</b>       | --      | <b>18.9b</b> | --      |
| 21/05        | UK              | Rightmove House Prices MOM     | May              | --      | 0.4%         | --      |
| 21/05        | Japan           | Trade Balance                  | Apr              | ¥439.1b | ¥797.3b      | ¥797.0b |
|              |                 | Exports YOY                    | Apr              | 8.8%    | 2.1%         | --      |
| 21/05-23/05  |                 | Convenience Store Sales YOY    | Apr              | --      | 1.3%         | --      |
| 21/05        | Hong Kong       | CPI Composite YOY              | Apr              | --      | 2.6%         | --      |
| 21/05        | New Zealand     | Retail Sales Ex Inflation QOQ  | 1Q               | --      | 1.7%         | --      |

Source: Bloomberg

### FX Table

| Name   | Last Price | DoD % | High   | Low    | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1795     | -0.11 | 1.1838 | 1.1777 | -1.7  |
| USDJPY | 110.77     | 0.34  | 110.86 | 110.08 | -1.7  |
| GBPUSD | 1.3516     | 0.22  | 1.3569 | 1.3475 | 0.0   |
| AUDUSD | 0.7511     | -0.07 | 0.7548 | 0.7498 | -3.9  |
| EURGBP | 0.8727     | -0.30 | 0.8756 | 0.8713 | -1.7  |
| USDMYR | 3.9695     | 0.03  | 3.9713 | 3.9650 | -1.8  |
| EURMYR | 4.6852     | -0.01 | 4.6981 | 4.6809 | -3.3  |
| JPYMYR | 3.5853     | -0.33 | 3.6045 | 3.5843 | -0.3  |
| GBPMYR | 5.3699     | 0.45  | 5.3855 | 5.3560 | -1.7  |
| SGDMYR | 2.9592     | 0.18  | 2.9670 | 2.9562 | -2.3  |
| AUDMYR | 2.9883     | 0.74  | 2.9956 | 2.9818 | -5.7  |
| NZDMYR | 2.7349     | 0.19  | 2.7521 | 2.7315 | -5.0  |

Source: Bloomberg



## Forex

### MYR

- **MYR slipped 0.03% to 3.9695 against USD** after overturning early gains and weakened against 6 G10s.
- **We are neutral on MYR against USD** today; MYR gains may prevail on retreat in USD going into European trade but likely very mild. We maintain the view that continued failure to break the upper Bollinger (now at 3.9825) is to us a sign that bulls could not sustain further gains, thus, a reversal is likely going forward.

### USD

- **USD advanced against 9 G10s** while the DXY inched 0.08% to close at 93.46, lifted by extended rise in bond yields.
- **Expect USD to be on the defensive today**, weighed down by a lack of catalysts to drive further gains. We noted several rejections by 93.50 that have firmed up our view of an imminent reversal. We reiterate that DXY must beat 93.50 and 93.80 for current uptrend to extend, otherwise, we suspect that it is just bidding time for bulls to be discouraged and set off a reversal lower.

### EUR

- **EUR** managed to climb against 5 G10s but **slipped 0.11% to 1.1795 against a firmer USD**.
- **We are still slightly bullish on EUR today against USD**, as we suspect a mild rebound to form after recent losses. EURUSD is still in a minor bearish trend, but we suspect a mild rebound could still be in the works. Gains are likely limited to below 1.1856.

### GBP

- **GBP** was supported by improved Brexit sentiment to beat all G10s and **climbed 0.22% to 1.3516 against USD**.
- **Continue to stay slightly bullish on GBP in line with our view of a softer USD**, as well as supported by improved Brexit sentiment. Downside momentum continues to recede and we continue to expect a modest rebound. We set sights on another test at 1.3572, and a break here exposes a move to 1.3630.

### JPY

- **JPY** fell against 8 G10s and **weakened 0.34% to 110.77 against a firm USD** on risk aversion ahead of Japan's CPI data this morning.
- **Stay slightly bearish on JPY against USD**, weighed down by softer than expected Japan CPI print. USDJPY remains on an upward direction; breaking above 111.00 exposes a move to 111.48.

### AUD

- **AUD** managed to beat 7 G10s as softer sentiment in the markets was offset by decent Australia labour market data. However, **AUD slipped 0.07% to 0.7511 against a firmer USD**.
- **Stay slightly bullish on AUD against a soft USD**, supported continued gains in commodities. Holding above 0.7507 continues to support the bulls, but unless AUDUSD closes above 0.7526 tonight and nullify the current minor bearish trend, it remains vulnerable to a close below 0.7472 by early next week.

### SGD

- **SGD** fell against 6 G10s and **weakened 0.18% to 1.3422 against USD**, weighed down by softer risk appetite in the markets.
- **We are still slightly bullish on SGD in anticipation of a soft USD**. With upside momentum diminishing further, we expect USDSGD to retreat. Losing 1.3393 will likely trigger a decline to 1.3332 in the coming week.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hbb.hongleong.com.my](mailto:HLMarkets@hbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.