June 20, 2018

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global equities ended in the red** overnight after President Trump threatened to slap tariffs on an additional $200bn of Chinese goods on Monday (this, plus the previous announcement would add up to more than 90% of its total imports from China), as investors began to fear that the ongoing spat could be heading towards a full blown trade war. 10Y US treasuries yield fell 2bps to 2.90%. WTI declined to $65.07/ barrel ahead of OPEC meeting.

- **The RBA released its June meeting minutes yesterday offering no fresh leads.** Data front remained muted. **Housing starts in the US rebounded more than expected** in May led by higher gain in the Midwest **but building permits fell**. **Eurozone construction output rose** attributed to higher increase in Germany, France and Italy **while the currency bloc's current account surplus narrowed.** The newly released Westpac Consumer Confidence Index shows that sentiments in New Zealand dampened as participants felt less optimistic about the outlook than present condition.

- **MYR** weakness stayed extended for a 2nd straight day, **depreciating by a further 0.12% to 4.0025 against further rally in the USD.** MYR however managed to advance against 8 G10s and most regional peers. **We remain bearish on MYR** on the back of a firmer USD and continued paring of demand for riskier EM currencies amid intensifying trade war concerns following US' plans to slap import tariff on 90% of its imports from China. USDMYR is poised to move higher after breaking above the psychological 4.00 handle. We expect the pair to head towards 4.0155 in its next move higher.

- **DXY** shrugged off weakness in Asia session and climbed steadily through European trading to **close 0.27% higher at 95.01.** The USD advanced against all G10s save for haven currencies JPY and CHF. **DXY is expected to stay bullish today** as heightened concerns over US-China trade war will continue to suppress risk appetite. Upside momentum in DXY is picking up and the Dollar Index looks set to push ahead towards 95.15 next.

- **SGD fell** against 5 G10s and weakened 0.41% **to 1.3570 against the USD** amid risk aversion in the markets. **Expect a bearish SGD** on the back of a firm USD and subdued demand for EM currencies. Upside momentum in USDSGD continued to gain traction, and is poised to break 1.3578 soon, after which the pair could be heading towards 1.3605 next.

Overnight Economic Data	
US	→
Eurozone	→
New Zealand	↓

What's Coming Up Next

Major Data

- Malaysia CPI
- US MBA Mortgage Applications, Existing Home Sales
- UK CBI Trends Total Orders
- Japan Convenience Store Sales
- Australia Westpac Leading Index

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1504	1.1568	1.1580	1.1607	1.1626	↘
USDJPY	109.65	109.85	110.03	110.35	110.54	↘
GBPUSD	1.3078	1.3130	1.3167	1.3201	1.3248	↘
AUDUSD	0.7341	0.7371	0.7386	0.7414	0.7442	↘
EURGBP	0.8774	0.8787	0.8794	0.8800	0.8818	→
USDMYR	3.9920	3.9952	3.9975	3.9994	4.0015	↗
EURMYR	4.6186	4.6235	4.6327	4.6347	4.6452	↗
JPYMYR	3.6261	3.6294	3.6357	3.6439	3.6528	↗
GBPMYR	5.2505	5.2577	5.2665	5.2795	5.2873	↗
SGDMYR	2.9433	2.9460	2.9489	2.9524	2.9574	↗
AUDMYR	2.9452	2.9522	2.9532	2.9586	2.9643	↗
NZDMYR	2.7527	2.7552	2.7603	2.7658	2.7702	↘
USDSGD	1.3526	1.3554	1.3568	1.3578	1.3605	↗
EURSGD	1.5655	1.5681	1.5709	1.5741	1.5751	↗
GBPSGD	1.7794	1.7833	1.7860	1.7872	1.7898	↗
AUDSGD	0.9965	0.9989	1.0016	1.0023	1.0030	→

* 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	1,715.36	-1.61	-4.53	CRB Index	193.82	-1.20	-0.02
Dow Jones Ind.	24,700.21	-1.15	-0.08	WTI oil ($/bbl)	65.07	-1.18	7.70
S&P 500	2,762.59	-0.40	3.33	Brent oil ($/bbl)	75.08	-0.35	12.28
FTSE 100	7,603.85	-0.36	-1.09	Gold (S/oz)	1,274.66	-0.29	8.10
Shanghai	2,907.82	-3.78	-12.08	CPO (RM/tonne)	2,307.00	-0.52	-3.47
Hang Seng	29,468.15	-2.78	-1.51	Copper ($/tonne)	6,840.00	-1.78	-5.62
STI	3,301.35	-0.68	-2.98	Rubber (sen/kg)	436.00	0.23	-5.73

Source: Bloomberg

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Economic Data	For	Actual	Last	Survey
US Housing Starts MOM	May	5.0%	-3.1% (revised)	1.9%
US Building Permits MOM	May	-4.6%	-0.9% (revised)	-1.0%
EU ECB Current Account SA	Apr	€28.4b	€32.8b (revised)	--
EU Construction Output MOM	Apr	1.8%	-0.2% (revised)	--
NZ Westpac consumer confidence index	2Q	108.6	111.2	--

Source: Bloomberg

➢ Macroeconomics

- ***US Housing starts rebounded, building permits fell:*** Housing starts rose more than expected, rising 5.0% MOM in May (Apr: -3.1 revised) to 1.35mil units (Apr: 1.286mil). Both single family and multifamily starts posted a 3.9% and 7.5% gains respectively. Building permits however fell 4.6% MOM in May (Apr: -0.9%) to 1.301mil (Apr: 1.364mil revised). Housing starts started strong in January 2018 but was on a mixed trend after that as rising lumber prices and other input cost as well as limited supply of land led builders to postpone projects.

- ***Eurozone construction outputs:*** Construction output rebounded to increase 1.8% MOM in April (Mar: -0.2%) led by gains in Germany (+3.3%), France (+2.9%) and Italy (+2.5%). In a separate release, current account surplus narrowed to €28.4bil in April (Mar: €32.8bil).

- ***RBA minutes offered no fresh leads:*** The RBA has recently decided to keep its cash rate unchanged. Key points of the newly released June minutes include comments from the RBA saying low rates are supporting the economy, inflation will remain low for some time, labour market had eased in recent months but leading indicators pointing to a pick up. Wage growth remained low and stable but liaison showed more firms expecting faster growth. Data suggested household consumption was less buoyant in 2Q, partly due to warm weather while public infrastructure investment expected to support economy for some time yet. House prices had eased further in Sydney and Melbourne but still higher by 40 points since early 2014. Prospect of further tariff measures on trade posted a downside risk to global outlook.

- ***New Zealand consumer sentiment fell:*** The Westpac Consumer Confidence Index fell to 108.6 in 2Q18 (1Q: 111.2) dragged down by the expected conditions index as participants in the survey fell less optimistic about outlook of the economy.

Economic Calendar Release Date

Date	Country	Events	Reporting Period	Survey	Prior	Revised
20/06	**Malaysia**	**CPI YOY**	**May**	**1.8%**	**1.4%**	**--**
21/06		Foreign Reserves	14 Jun	--	$108.5b	--
20/06	**US**	**MBA Mortgage Applications**	**15 Jun**	**--**	**-1.5%**	**--**
		Existing Home Sales MOM	**May**	**1.1%**	**-2.5%**	**--**
21/06		Initial Jobless Claims	16 Jun	220k	218k	--
		Philadelphia Fed Business Outlook	Jun	29.0	34.4	--
		FHFA House Price Index MOM	Apr	0.5%	0.1%	--
		Leading Index MOM	May	0.4%	0.4%	--
21/06	Eurozone	Consumer Confidence	Jun A	0.0	0.2	--
20/06	**UK**	**CBI Trends Total Orders**	**Jun**	**2.0**	**-3.0**	**--**
21/06		Public Finances (PSNCR)	May	--	-9.7b	--
		Bank of England Bank Rate	21 Jun	0.50%	0.50%	--
20/06	**Japan**	**Convenience Store Sales YOY**	**May**	**--**	**0.7%**	**--**
21/06		Machine Tool Orders YOY	May F	--	22.0%	--
20/06	**Australia**	**Westpac Leading Index MoM**	**May**	**--**	**0.19%**	**--**
21/06	New Zealand	GDP SA QOQ	1Q	0.5%	0.6%	--
20/06	**Malaysia**	**CPI YOY**	**May**	**1.8%**	**1.4%**	**--**

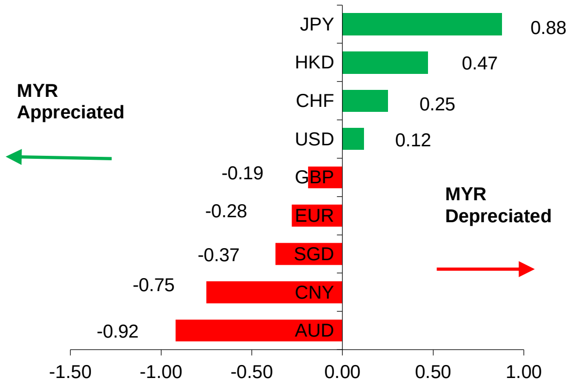
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1590	-0.28	1.1645	1.1531	-3.5
USDJPY	110.06	-0.44	110.57	109.55	-2.3
GBPUSD	1.3174	-0.54	1.3273	1.3151	-2.5
AUDUSD	0.7381	-0.57	0.7427	0.7347	-5.5
EURGBP	0.8796	0.25	0.8799	0.8753	-0.9
USDMYR	4.0025	0.12	4.0035	3.9950	-1.1
EURMYR	4.6235	-0.28	4.6567	4.6146	-4.6
JPYMYR	3.6445	0.88	3.6509	3.6280	1.4
GBPMYR	5.2780	-0.19	5.3076	5.2743	-3.4
SGDMYR	2.9464	-0.37	2.9615	2.9444	-2.7
AUDMYR	2.9481	-0.92	2.9697	2.9420	-6.8
NZDMYR	2.7636	-0.33	2.7764	2.7541	-4.0

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR** weakness stayed extended for a 2nd straight day, depreciating by a further 0.12% to 4.0025 against further rally in the USD. MYR however managed to advance against 8 G10s and most regional peers.
- **We remain bearish on MYR** on the back of a firmer USD and continued paring of demand for riskier EM currencies amid intensifying trade war concerns following US' plans to slap import tariff on 90% of its imports from China. USDMYR is poised to move higher after breaking above the psychological 4.00 handle. We expect the pair to head towards 4.0155 in its next move higher.

USD

- The **DXY** shrugged off weakness in Asia session and climbed steadily through European trading to **close 0.27% higher at 95.01.** The USD advanced against all G10s save for haven currencies JPY and CHF.
- **DXY is expected to stay bullish today** as heightened concerns over US-China trade war will continue to suppress risk appetite. Upside momentum in DXY is picking up and the Dollar Index looks set to push ahead towards 95.15 next.

EUR

- **EUR fell 0.28% to 1.1590 against further rally in the USD,** as tensions over US trade policies continued to dampen risk appetite. EUR advanced against 7 G10s.
- **EUR remains bearish against the USD in our view** in light of increasing policy divergence with the Fed but stands a chance for a brief rebound before resuming its downward move again. We maintain our view for EURUSD to head towards 1.1510 next, unless the pair closes above 1.1698.

GBP

- **GBP extended its decline, falling 0.54% to 1.3174 against a strengthening USD** and was weaker against 5 G10s, amid continued paring of demand for risk currencies as US-China trade war concerns intensified.
- **Expect GBP to stay bearish against the USD**. Escalated trade tension aside, investors will also likely turn more cautious ahead of BOE meeting tomorrow. GBPUSD has broken below 1.3205, paving the way for the next downward move to 1.3028.

JPY

- **JPY** outperformed all G10s on haven demand, and **strengthened 0.44% against the USD to 110.06**.
- **JPY is slightly bullish against the USD** as trade tensions intensified, but bullish bias in USDJPY prevails unless the pair closes below 110. A close below this would lead the pair towards 109.70 otherwise the pair will continue to eye 110.89.

AUD

- **AUD extended its decline** for a 4th straight day, **by 0.57% to 0.7381 against continuous rally in USD**, and underperformed 6 G10s amid dampened demand for riskier commodity currencies. Meanwhile, RBA minute offered no fresh leads that a rate hike is on the cards.
- **Stay bearish on AUD against USD**, weighed down by absence of risk appetite in the markets. Downside bias in AUDUSD continues to gain momentum. Closing below 0.7388 yesterday has set the stage for the pair to target 0.7327 next.

SGD

- **SGD fell** against 5 G10s and weakened 0.41% **to 1.3570 against the USD** amid risk aversion in the markets.
- **Expect a bearish SGD** on the back of a firm USD and subdued demand for EM currencies. Upside momentum in USDSGD continued to gain traction, and is poised to break 1.3578 soon, after which the pair could be heading towards 1.3605 next.

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