

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Newsflows appear to be turning less negative over the weekend. US-China trade talks seem to be progressing well** and the latest is President Trump is postponing the imposition of import tariff on China goods for now while China has agreed to trim its trade surplus with the US. **Political jitters in Italy have also somewhat abated** following Five Star and League struck a deal to form a populist coalition government, but new risks are emerging as proposed Italian government policies contradict with that of the EU.
- **On the data front, trade surplus widened marginally in the Eurozone** as a result of slightly quicker growth in exports vis-à-vis imports. **On the contrary, trade surplus in Japan narrowed somewhat in April**, as a rebound in imports offset continuous growth in exports. UK house prices quickened MOM in May but continued its softening YOY trend reaffirming sluggishness in the UK housing market. Retail sales in New Zealand disappointed to increase a mere 0.1% QOQ in 1Q18, the lowest gain in almost 3 years, signaling slower growth in the New Zealand economy.
- **USD ended higher against 6 G10s** while the DXY remained on the upsides, rising 0.18% on continued weakness in European majors. **We turn bullish on USD**, supported by continued de-escalation in US-China trade tension. DXY is likely to remain elevated in the coming days, but we continue to expect difficulty in making further gains amid strong resistances at 93.80 and 94.00. Rejections would trigger losses to 93.03.
- **MYR slipped 0.07% to 3.9722 against USD** but not before narrowing early losses while beating 7 G10s. **MYR is slightly bearish against a firm USD** and potentially softer market sentiment today. USDMYR continues to trend higher and there is now room for a break at 3.9800, above which 3.9875 will be tested in the next leg higher. However, we maintain that a reversal lower remains possibly going forward amid softening upside momentum.
- **SGD ended mixed against the G10s amid lackluster equities but slipped 0.09% to 1.3434 against a firmer USD. SGD is bullish in our view against USD** on technical reasons. Upside momentum continues to diminish, further weighing down USDSGD. Losing 1.3393 will likely trigger a decline to 1.3332 in the coming week.

Overnight Economic Data

Eurozone	→
UK	↑
Japan	↑
New Zealand	↓

What's Coming Up Next

Major Data

- US Chicago Fed Nat Activity Index
- Japan Trade Balance
- Hong Kong CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1700	1.1720	1.1745	1.1750	1.1777	↘
USDJPY	110.85	111.00	111.06	111.20	111.48	↗
GBPUSD	1.3400	1.3420	1.3455	1.3460	1.3485	↘
AUDUSD	0.7500	0.7507	0.7514	0.7522	0.7550	↘
EURGBP	0.8716	0.8720	0.8728	0.8732	0.8740	↘
USDMYR	3.9713	3.9750	3.9770	3.9785	3.9800	↗
EURMYR	4.6650	4.6698	4.6708	4.6765	4.6788	↘
JPYMYR	3.5775	3.5800	3.5819	3.5830	3.5878	↘
GBPMYR	5.3485	5.3511	5.3526	5.3560	5.3625	↘
SGDMYR	2.9559	2.9580	2.9591	2.9600	2.9630	↗
AUDMYR	2.9833	2.9850	2.9887	2.9911	2.9941	↗
NZDMYR	2.7390	2.7401	2.7431	2.7477	2.7500	↗
USDSGD	1.3400	1.3423	1.3435	1.3447	1.3460	↘
EURSGD	1.5750	1.5770	1.5786	1.5800	1.5816	↘
GBPSGD	1.8047	1.8070	1.8087	1.8100	1.8112	↘
AUDSGD	1.0046	1.0079	1.0101	1.0112	1.0122	↗

* 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	1854.50	0.0	3.2	CRB Index	203.69	0.06	5.1
Dow Jones Ind.	24715.09	0.0	0.0	WTI oil (\$/bbl)	71.28	-0.29	18.0
S&P 500	2712.97	-0.3	1.5	Brent oil (\$/bbl)	78.51	-1.00	18.1
FTSE 100	7778.79	-0.1	1.2	Gold (\$/oz)	1293.04	0.20	-0.9
Shanghai	3193.30	1.2	-3.4	CPO (RM/tonne)	2400.00	-0.08	0.4
Hang Seng	31047.91	0.3	3.8	Copper (\$/tonne)	6855.00	-0.35	-5.4
STI	3529.27	-0.2	3.7	Rubber (sen/kg)	485.50	1.46	5.0

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
EU ECB Current Account SA	Mar	€32.0b	€36.8b (revised)	--
EU Trade Balance SA	Mar	€21.2b	€20.9b (revised)	€21.0b
UK Rightmove House Prices	May	0.8%	0.4%	--
JP Trade Balance	Apr	¥626.0b	¥797.0b (revised)	¥440.0b
JP Exports YOY	Apr	7.8%	2.1%	8.7%
NZ Retail Sales Ex Inflation QOQ	1Q	0.1%	1.4% (revised)	1.0%

Source: Bloomberg

➤ Macroeconomics

- Friday data shows that the Eurozone current account surplus narrowed to €32.0b in March (Feb: €36.8b revised). The seasonally adjusted trade balance meanwhile was recorded at €21.2b in the same month (Feb: €20.9b) as the rate of growth in exports was slightly higher than that of imports. Exports gained 0.81% MOM while imports grew 0.79% MOM. Quarterly data shows that demand for Eurozone goods continue to hold up in the first quarter of 2018 despite a softer economy. Exports of goods to the rest of the world grew 2.5% YOY on a non-seasonally adjusted basis in 1Q18 compared to 1Q17.
- House prices in the UK increased 0.8% MOM in May (Apr: +0.4%) according to property tracking website Rightmove. On a yearly basis, prices grew at a softer pace at 1.1% YOY (Apr: +1.6%) as housing markets continue to ease in the country.
- Japan's trade surplus narrowed to ¥626.0b in April (Mar: ¥797.0b revised). Exports grew 7.8% YOY (Mar: +2.1%) after a lackluster reading in the previous month reflecting strong demand for Japanese goods. Imports meanwhile rebounded to increase 5.9% YOY (Mar: -0.6%).
- Retail sales in New Zealand disappointed to increase a mere 0.1% QOQ in 1Q18, the lowest gain in almost 3 years while 4Q17 sales was revised lower from 1.7% to 1.4%. The slowdown was attributed to a decline in sales in a few key areas - Fuel -2.1% (4Q17: -1.0%), motor vehicles/parts -0.9% (4Q17: +0.6%), department store -0.3% (4Q17: -0.4%), Clothing and footwear -5.0% (4Q17: +1.7%) and food and beverage -1.1% (4Q17: +3.9%). This signals a softer 1Q18 growth as the New Zealand economy continues to slow down.

Economic Calendar Release Date

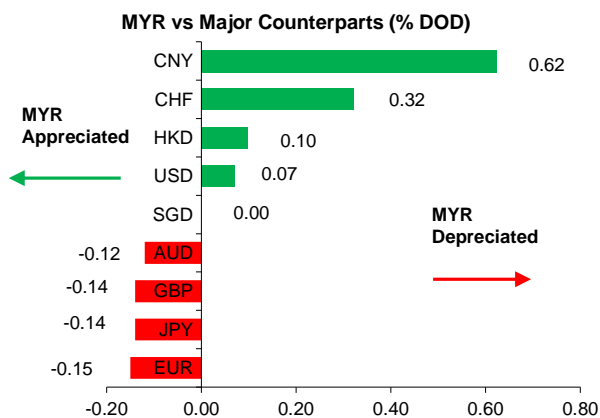
Date	Country	Event	Reporting Period	Survey	Prior	Revised
21/05	US	Chicago Fed Nat Activity Index	Apr	0.48	0.10	--
22/05		Richmond Fed Manufacturing Index	May	8	-3	--
22/05	UK	Public Finances (PSNCR)	Apr	--	0.5b	--
		CBI Trends Total Orders	May	2	4	--
21/05	Japan	Convenience Store Sales YOY	Apr	--	1.3%	--
22/05		Supermarket Sales YOY	Apr	--	-0.1%	--
21/05	Hong Kong	CPI Composite YOY	Apr	2.2%	2.6%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1772	-0.19	1.1822	1.1750	-2.0
USDJPY	110.78	0.01	111.08	110.61	-1.5
GBPUSD	1.3469	-0.35	1.3528	1.3455	-0.3
AUDUSD	0.7511	0.00	0.7528	0.7489	-3.7
EURGBP	0.8739	0.15	0.8754	0.8724	-1.7
USDMYR	3.9722	0.07	3.9785	3.9688	-1.8
EURMYR	4.6783	-0.15	4.6979	4.6779	-3.7
JPYMYR	3.5803	-0.14	3.5878	3.5775	-0.5
GBPMYR	5.3625	-0.14	5.3770	5.3577	-2.1
SGDMYR	2.9592	0.00	2.9633	2.9555	-2.4
AUDMYR	2.9848	-0.12	2.9911	2.9789	-5.6
NZDMYR	2.7432	-0.30	2.7448	2.7314	-4.7

Source: Bloomberg



Forex

MYR

- **MYR slipped 0.07% to 3.9722 against USD** but not before narrowing early losses while beating 7 G10s.
- **MYR is slightly bearish against a firm USD** and potentially softer market sentiment today. USDMYR continues to trend higher and there is now room for a break at 3.9800, above which 3.9875 will be tested in the next leg higher. However, we maintain that a reversal lower remains possibly going forward amid softening upside momentum.

USD

- **USD ended higher against 6 G10s** while the DXY remained on the upsides, rising 0.18% on continued weakness in European majors.
- **We turn bullish on USD**, supported by continued de-escalation in US-China trade tension. DXY is likely to remain elevated in the coming days, but we continue to expect difficulty in making further gains amid strong resistances at 93.80 and 94.00. Rejections would trigger losses to 93.03.

EUR

- **EUR fell 0.19% to 1.1772 against a firm USD** and slipped against 6 G10s.
- **We turn bearish on EUR against USD**, weighed down by rising risks emanating from proposed Italian government policies that contradicts that of the EU. EURUSD is still in a minor bearish trend and could trend lower from current level in the coming 4-5 days. Losses could test 1.1685 in the next leg lower.

GBP

- **GBP weakened 0.35% to 1.3469 against USD** and fell against 8 G10s as market sentiment with regards to Brexit dimmed.
- **We turn bearish on GBP against USD** on softer Brexit sentiment and risk aversion heading into UK inflation data on Wed. GBPUSD is deep in bearish territory and that is dragging the pair lower despite improvement in upside momentum. Expect further losses going forward, possibly testing 1.3400.

JPY

- **JPY ended mixed against the G10s but eased 0.01% to 110.78 against USD.**
- **Stay slightly bearish on JPY amid continued firmness in USD.** USDJPY remains on an upward direction; the pair is now exposed to 111.48, above which 112.33 will be targeted.

AUD

- **AUD was firmer along with most commodity majors**, beating 6 G10s but **closed unchanged against USD at 0.7511.**
- **Expect a bearish AUD as USD turns firmer**, further weighed down by retreating commodities. Rising upside momentum is likely offset weakness of AUDUSD being deep in bearish territory. Caution that losing 0.7507 will trigger renewed weakness that could take AUDUSD lower to 0.7452.

SGD

- **SGD ended mixed against the G10s amid lackluster equities but slipped 0.09% to 1.3434 against a firmer USD.**
- **SGD is bullish in our view against USD** on technical reasons. Upside momentum continues to diminish, further weighing down USDSGD. 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

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.