June 21, 2018

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks ended on a mixed note overnight as investors returned to the markets after a sell-off in the previous days.** The NASDAQ rose 0.72% to close at an all-time high of 7,781.5 led by a rally in tech shares while the S&P 500 snapped a three-day losing streak. The Dow meanwhile declined for the 7th consecutive day to end 0.17% lower. 10Y US treasuries yield climbed 4bps to 2.94% while WTI edged higher to $66.22/ barrel following an EIA report which revealed a higher than expected drop in oil inventories. Elsewhere, PM Theresa May won a key Brexit vote leading the pound to strengthen briefly but came off after that as markets set eyes on today's BOE meeting. **BSP raised rates by another 25bps for a 2nd straight meeting while BOT stood pat.**

- Economic data in the US were limited to the housing market – **US existing home sales dropped for the second consecutive month** albeit at a slower pace as sales continued to be dampened by low supply, higher pricing and interest rates. The MBA mortgage applications rebounded last week driven by new purchases as well as refinancing. Elsewhere, **UK manufacturing order book recovered while sales in Japan convenience stores fell. New Zealand GDP growth softened to increase 0.5% QOQ in 1Q18.** Drop in Australia Westpac Leading Index pointed to a slower 2Q18. **At home, inflation saw continuous pick-up as the CPI increased 1.8% YOY in May lifted by higher transport costs.**

- The climb in **DXY** remained steady through Asian to European and US sessions, **closing 0.12% higher at 95.12.** Fed Chair Powell's reiteration on the need for gradual rate hike has had little impact on USD movement but China's hint on tolerance for a stronger CNY did help soften concerns over the ongoing trade disputes. The USD advanced against 8 G10s. **DXY is expected to stay firm today** but potential correction from recent rally and softening risk aversion could limit its advances. Upside momentum in DXY is still prevalent and the Dollar Index remains on track to head towards 95.15 next.

- **MYR** weakened for the 3rd straight day, **losing 0.08% to 4.0055 against the USD** at close. This marked a pullback in the USDMYR from an intraday high of 4.0130. MYR advanced against 7 G10s but underperformed all regional peers save for the SGD. **We remain bearish on MYR** on the back of a firmer USD and continued paring of demand for riskier EM currencies but would like to caution that the greenback could be in for a correction after recent rally. USDMYR is poised to move higher after breaking above the psychological 4.00 handle. We maintain that the pair will likely head towards 4.0155 in its next move higher.

- **SGD fell** against 5 G10s and weakened 0.13% **to 1.3587 against the USD** amid lingering risk aversion in the markets. **Expect SGD to stay bearish against** a still firm USD and subdued demand for EM currencies although we caution of a potential correction in the USD after recent rally. Upside momentum in USDSGD continued to accelerate. Yesterday's break of 1.3578 is expected to pave the way for 1.3605.

Overnight Economic Data

Malaysia	↑
US	→
UK	↑
Japan	↓
Australia	↓
New Zealand	↓

What's Coming Up Next

Major Data
- Malaysia Foreign Reserves
- US Initial Jobless Claims, Philadelphia Fed Business Outlook, FHFA House Price Index, Leading Index
- Eurozone Consumer Confidence
- UK Public Finance (PSNCR)
- Japan Machine Tool Orders

Major Events
- BOE Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1504	1.1568	1.1578	1.1607	1.1626	↘
USDJPY	109.71	110.15	110.35	110.54	110.76	↘
GBPUSD	1.3078	1.3130	1.3172	1.3201	1.3248	↘
AUDUSD	0.7327	0.7347	0.7368	0.7382	0.7411	↘
EURGBP	0.8760	0.8777	0.8788	0.8800	0.8818	↗
USDMYR	4.0001	4.0040	4.0090	4.0117	4.0155	↗
EURMYR	4.6250	4.6347	4.6377	4.6347	4.6462	↗
JPYMYR	3.6159	3.6230	3.6295	3.6344	3.6408	↗
GBPMYR	5.2505	5.2577	5.2776	5.2795	5.2873	↗
SGDMYR	2.9433	2.9460	2.9478	2.9524	2.9574	↗
AUDMYR	2.9422	2.9487	2.9506	2.9586	2.9643	↘
NZDMYR	2.7381	2.7434	2.7469	2.7506	2.7549	↘
USDSGD	1.3570	1.3582	1.3590	1.3605	1.3619	↗
EURSGD	1.5694	1.5711	1.5731	1.5749	1.5773	↗
GBPSGD	1.7872	1.7891	1.7899	1.7920	1.7936	↗
AUDSGD	0.9965	0.9989	1.0010	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	1,709.75	-0.33	-4.85	CRB Index	194.98	0.60	0.58
Dow Jones Ind.	24,657.80	-0.17	-0.25	WTI oil ($/bbl)	66.22	1.77	9.60
S&P 500	2,767.32	0.17	3.50	Brent oil ($/bbl)	74.74	-0.45	11.44
FTSE 100	7,627.40	0.31	-0.79	Gold (S/oz)	1,267.86	-0.53	8.10
Shanghai	2,915.73	0.27	-11.84	CPO (RM/tonne)	2,231.00	-3.29	-6.65
Hang Seng	29,696.17	0.77	-0.75	Copper ($/tonne)	6,773.00	-0.98	-6.54
STI	3,315.90	0.44	-2.56	Rubber (sen/kg)	427.50	-0.58	-7.57

Source: Bloomberg

Economic Data				
	For	**Actual**	**Last**	**Survey**
MA CPI YOY	May	1.8%	1.4%	1.8%
US MBA Mortgage Applications	15 Jun	5.1%	-1.5%	--
US Existing Home Sales MOM	May	-0.4%	-2.7% (revised)	1.1%
UK CBI Trends Total Orders	Jun	13	-3.0	2.0
JP Convenience Store Sales YOY	May	-1.2%	0.7%	--
AU Westpac Leading Index MOM	May	-0.22%	0.23% (revised)	--
NZ GDP QOQ	1Q18	0.5%	0.6%	0.5%

Source: Bloomberg

➢ Macroeconomics

- ***US Existing home sales fell, mortgage application rebounded:*** Existing home sales dropped for the second consecutive month by 0.4% MOM in May (Apr: -2.7% revised) with the Northeast as the only region seeing uptick in sales. Sales continued to be dampened by low supply, higher prices as well as rising interest rates which drove potential buyers out of the markets. In a separate release, MBA mortgage applications rebounded to increase 5.1% for the week ended 15 June (previous: -1.5%) driven by applications to refinance a home which rose 6.1% (previous: -1.5%) while applications to purchase a home increased 4.3% (previous: -1.5%). Average interest rate of 30-year fixed rate loans stayed at 4.83%.

- ***U.K. manufacturing order book recovered:*** The Confederation of British (CBI) Industrial Trends Survey shows that total orders rose to a balanced of 13 in the three months to June (previous: -3.0) versus an expectation of 2.0 driven by a broad base growth. Output grew in 14 of the 17 subsectors led by the categories of food, drink & tobacco and mechanical engineering. Exports order was stable and above average while expectation for output price inflation slowed to the weakest in almost a year.

- ***Japan convenience store sales fell:*** Sales at convenience stores fell 1.2% YOY on same store basis in May (Apr: +0.7%) after posting gains for four consecutive months. This signaled a slowdown in retail sales in 2Q18 as consumers remained fairly cautious as seen in the weak household spending in April.

- ***Australia leading index points to slower 2Q:*** The Westpac Leading Index decreased 0.22% MOM to 97.77 in May (Apr: 97.99) pointing to a slower growth in 2Q18.

- ***New Zealand GDP growth softened, matched expectations:*** The seasonally adjusted GDP grew 0.5% QOQ in 1Q18 (4Q: +0.6%) which brings the annual growth to 2.7% YOY (4Q: +2.9%), the slowest annual expansion since mid-2014. The primary industries posted 0.6% quarterly gain following a 2.6% drop in 4Q as higher agricultural output were offset by falls in other primary industry. Agriculture growth was driven by increased milk production in a favourable weather condition but was partly offset by falling livestock and wool production. Growth in goods producing industries was flat at 0.0% (4Q: +0.3%) led by higher manufacturing production while the services industries which made up majority of GDP rose 0.6% (4Q: +1.1%).

- ***Malaysia CPI saw continuous pick up:*** The gain in Consumer Price Index (CPI) edged up for the 2nd straight month, to 1.8% YOY in May (Apr: +1.4% YOY), as faster increase in transport prices overshadowed slower price gains in all other major categories except housing and education. We expect CPI to taper off further from here, averaging 0.2% YOY in 2H2018, down significantly from 1.6% YOY in 1H2018, following the abolishment of automatic pricing mechanism for RON95 and diesel as well as resetting of GST to 0% effective Jun-2018. This shall bring full year CPI to average a mere 0.9% YOY in 2018 (2017: +3.7%), its lowest since 2009. Downside risks to growth outlook and much softer inflationary pressure imply BNM will stay pat to keep overall growth and inflation outlook anchored while safeguarding undesirable capital outflows as yield differential between Malaysia and the US narrows.

Economic Calendar Release Date						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
21/06	**Malaysia**	**Foreign Reserves**	**14 Jun**	**--**	**$108.5b**	**--**
21/06	**US**	**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%**	**--**
22/06		Markit US Manufacturing PMI	Jun P	56.1	56.4	--
		Markit US Services PMI	Jun P	56.5	56.8	--
21/06	**Eurozone**	**Consumer Confidence**	**Jun A**	**0.0**	**0.2**	**--**
22/06		Markit Eurozone Manufacturing PMI	Jun P	55.0	55.5	--
		Markit Eurozone Services PMI	Jun P	53.8	53.8	--
21/06	**UK**	**Public Finances (PSNCR)**	**May**	**--**	**-9.7b**	**--**
		Bank of England Bank Rate	**21 Jun**	**0.50%**	**0.50%**	**--**
21/06	**Japan**	**Machine Tool Orders YOY**	**May F**	**--**	**22.0%**	**--**
22/06		Natl CPI YOY	May	0.6%	0.6%	--
		Nikkei Japan PMI Mfg	Jun P	--	52.8	--
		All Industry Activity Index MOM	Apr	0.9%	0.0%	--

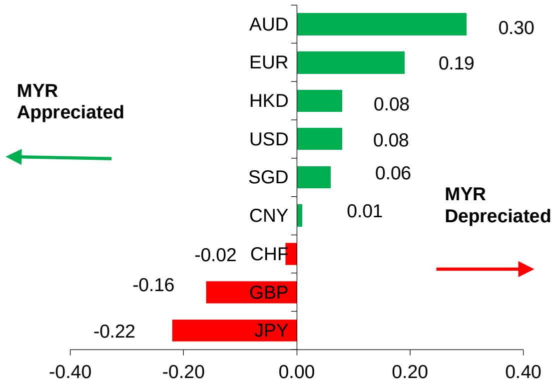
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1572	-0.16	1.16	1.1537	-3.6
USDJPY	110.36	0.27	110.45	109.86	-2.0
GBPUSD	1.3172	-0.02	1.3216	1.3148	-2.5
AUDUSD	0.7368	-0.18	0.7409	0.7367	-5.6
EURGBP	0.8785	-0.13	0.8801	0.8769	-1.0
USDMYR	4.0055	0.08	4.0130	3.9975	-1.0
EURMYR	4.6323	0.19	4.6457	4.6244	-4.5
JPYMYR	3.6364	-0.22	3.6439	3.6337	1.1
GBPMYR	5.2697	-0.16	5.2816	5.2647	-3.6
SGDMYR	2.9483	0.06	2.9586	2.9469	-2.7
AUDMYR	2.9570	0.30	2.9707	2.9496	-6.5
NZDMYR	2.7571	-0.24	2.7722	2.7557	-4.3

Source: Bloomberg

MYR vs Major Counterparts (% DOD)



➢Forex

MYR

- **MYR** weakened for the 3rd straight day, **losing 0.08% to 4.0055 against the USD** at close. This marked a pullback in the USDMYR from an intraday high of 4.0130. MYR advanced against 7 G10s but underperformed all regional peers save for the SGD.
- **We remain bearish on MYR** on the back of a firmer USD and continued paring of demand for riskier EM currencies but would like to caution that the greenback could be in for a correction after recent rally. USDMYR is poised to move higher after breaking above the psychological 4.00 handle. We maintain that the pair will likely head towards 4.0155 in its next move higher.

USD

- The climb in **DXY** remained steady through Asian to European and US sessions, **closing 0.12% higher at 95.12.** Fed Chair Powell's reiteration on the need for gradual rate hike has had little impact on USD movement but China's hint on tolerance for a stronger CNY did help soften concerns over the ongoing trade disputes. The USD advanced against 8 G10s.
- **DXY is expected to stay firm today** but potential correction from recent rally and softening risk aversion could limit its advances. Upside momentum in DXY is still prevalent and the Dollar Index remains on track to head towards 95.15 next.

EUR

- **EUR fell 0.16% to 1.1572 against sustained gains in the USD,** after narrowing losses triggered by dovish comments from ECB Governing Council members that policy stance will remain accommodative. EUR fell against 6 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 advanced in European session lifted by positive Brexit development after PM Theresa May won a key vote on EU Withdrawal Bill that kept her in office. **GBP** however gave back all gains and **closed 0.02% lower at 1.3172 against the USD**, as investors stayed on the sideline ahead of BOE meeting tonight.
- **Expect GBP to stay slightly bearish against the USD**. Potential correction in the USD and cautiousness ahead of BOE meeting are expected to keep a lid on GBP. GBPUSD remains bearish, targeting 1.3028 in its next move lower.

JPY

- **JPY** fell against all G10s save for the kiwi on reducing haven demand. It **fell 0.27% against the USD to 110.36**. BOJ Governor Kuroda said he is not expecting a sudden increase in inflation expectations even though the Japanese economy has improved significantly with the help of QE.
- **Expect slight bullishness in JPY** against potential retreat in the USD. Technically, bullish bias in USDJPY prevails and we expect the pair to head towards 110.89 provided the pair does not close below 110.

AUD

- **AUD fell** for the 5th straight day, **by 0.18% to 0.7368 against a still firm USD**, and underperformed 7 G10s amid still soft demand for riskier commodity currencies.
- **Stay bearish on AUD against USD**, weighed down by still soft risk appetite in the markets but Aussie stands a chance of a brief rebound in anticipation of a potential correction in the USD. Downside bias remains high in AUDUSD and the pair is on track to test 0.7327 next in our view.

SGD

- **SGD fell** against 5 G10s and weakened 0.13% **to 1.3587 against the USD** amid lingering risk aversion in the markets.
- **Expect SGD to stay bearish against** a still firm USD and subdued demand for EM currencies although we caution of a potential correction in the USD after recent rally. Upside momentum in USDSGD continued to accelerate. Yesterday's break of 1.3578 is expected to pave the way for 1.3605.

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