

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets were once again unnerved by President Trump's remarks that he was "unsatisfied" over the trade deal with China and a "very substantial chance" that the meeting with North Korea scheduled on 12 June in Singapore might not happen.** Both the US and China have reached an agreement yesterday to suspend tariff imposition on Monday. Yesterday, in what is widely seen as a move to placate the US administration, the Chinese government even announced that it will reduce its 25% tariff on imported cars to 15% prompting US and European auto stocks to rally. European automakers are expected to benefit more from the reduction compared to their American counterparts as they do not own plants in China.
- **At the data front, Richmond Fed manufacturing index rose**, in line with last week's Philly Fed and New York Fed Empire manufacturing indexes, signaling stronger growth momentum in the sector. The UK recorded a lowest budget deficit for the first month in a new fiscal year since 2018. Sentiments within its industrial sector however weakened. Japan supermarket sales slipped for the second month, a sign of softer retail sales in May. Malaysia foreign reserves fell slightly to \$109.4b as at 15 May.
- **USD advanced against 7 G10s** but the DXY ended 0.07% lower after narrowing early losses from a sharp drop in European morning. **USD is slightly bearish in our view** on risk aversion heading into the release of FOMC minutes; softer set of US data will further aggravate downsides. Current signs point to DXY closing above 93.67 by end of this week but thereafter, we set sights on a downward reversal. This could result in a decline to circa 92.80 – 92.91. Failure to hold above this exposes a move to 92.21.
- **MYR strengthened 0.3% to 3.9675 against USD** but fell against 7 G10s that also rallied on a retreating greenback. **We are neutral on MYR against USD**; expect early MYR losses to be narrowed on a softening greenback. We maintain the view that USDMYR is initiating a reversal lower. We set sights on a potential decline to 3.9627, below which 3.9531 will be targeted.
- **SGD** was supported by refuge demand amid weakness in regional markets, beating 8 G10s and **was 0.07% firmer at 1.3391 against USD**. **Keep a bullish view on SGD against a soft USD**, further supported by refuge demand within the region as markets turn risk averse ahead of FOMC minutes. USDSGD remains below 1.3393 and continues to be exposed to a decline to 1.3332 in the coming week. Downside momentum prevails, suggesting further weakness can be expected.

Overnight Economic Data

Malaysia	➔
US	➔
UK	➔
Japan	➔
Australia	➔

What's Coming Up Next

Major Data

- Malaysia CPI
- US MBA Mortgage Applications, Markit Manufacturing & Services PMI, New Home Sales
- Eurozone Markit Manufacturing & Services PMI, Consumer Confidence
- UK CPI, RPI, PPI Output, House Price Index
- Japan Nikkei PMI Mfg, All Industry Activity Index, Nationwide Dept Sales, Machine Tool Orders
- Singapore CPI

Major Events

- FOMC minutes

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1750	1.1777	1.1782	1.1802	1.1822	➔
USDJPY	110.28	110.55	110.81	110.85	111.00	➔
GBPUSD	1.3400	1.3420	1.3437	1.3443	1.3455	➔
AUDUSD	0.7560	0.7565	0.7573	0.7587	0.7600	➔
EURGBP	0.8758	0.8765	0.8770	0.8779	0.8788	➔
USDMYR	3.9664	3.9700	3.9725	3.9713	3.9738	➔
EURMYR	4.6751	4.6779	4.6808	4.6852	4.6891	➔
JPYMYR	3.5775	3.5800	3.5838	3.5878	3.5900	➔
GBPMYR	5.3288	5.3320	5.3350	5.3381	5.3413	➔
SGDMYR	2.9618	2.9647	2.9660	2.9677	2.9690	➔
AUDMYR	3.0000	3.0052	3.0082	3.0094	3.0138	➔
NZDMYR	2.7512	2.7535	2.7565	2.7592	2.7618	➔
USDSGD	1.3366	1.3374	1.3392	1.3400	1.3425	➔
EURSGD	1.5720	1.5746	1.5780	1.5802	1.5816	➔
GBPSGD	1.7950	1.7967	1.7990	1.8000	1.8021	➔
AUDSGD	1.0100	1.0127	1.0143	1.0169	1.0184	➔

* 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	1845.03	-0.5	2.7	CRB Index	206.20	0.25	6.4
Dow Jones Ind.	24834.41	-0.7	0.5	WTI oil (\$/bbl)	72.13	-0.15	19.4
S&P 500	2724.44	-0.3	1.9	Brent oil (\$/bbl)	79.57	0.44	19.0
FTSE 100	7877.45	0.2	2.5	Gold (\$/oz)	1291.14	-0.11	-0.7
Shanghai	3214.35	0.0	-2.8	CPO (RM/tonne)	2423.00	-0.19	1.4
Hang Seng	31234.35	0.6	4.4	Copper (\$/tonne)	6979.00	1.45	-3.7
STI	3543.18	-0.1	4.1	Rubber (sen/kg)	497.50	0.81	7.6

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA Foreign Reserves	15 May	\$109.4b	\$109.5b	--
US Richmond Fed Manufacturing Index	May	16	-3	10
UK Public Finances (PSNCR) ex Banking Group	Apr	£7.8b	£0.8b (revised)	£8.5b
UK CBI Trends Total Orders	May	-3	4	2
JP Supermarket Sales YOY	Apr	-1.2%	-0.1%	--
AU Westpac Leading Index MOM	Apr	0.19%	-0.13% (revised)	--

Source: Bloomberg

➤ Macroeconomics

- US manufacturing activities rose:** Manufacturing activities in the Richmond Fed's district (the region accounts for 9.1% of US GDP) improved as indicated by its manufacturing index which rebounded to record a reading of 16 in May (Apr: -3). The index rose on the back of higher shipments, capacity utilization, employment, wages and average work week. Recent indexes point to a vibrant manufacturing activities and signal stronger growth momentum in May. Last week, the Philly Fed Business Output Index surged substantially to 34.4 in May (April: 23.20) while New York Fed Empire Manufacturing Index rose to 20.1 in May (Apr: 15.8).
- UK public finance improved, industrial sector sentiments fell:** Public sector net cash requirement (PSNCR) which excludes public sector bank, a measure of the government budget deficit beat expectations and was recorded at £7.8bn in April (Apr'17: £8.9b), the lowest deficit for the first month of a new fiscal year since 2008 (UK fiscal year begins in 1 April). Meanwhile sentiments within the industrial sector took a beating in May as the CBI Industrial Trends Order dropped to -3, the first negative reading in 6 months.
- Japan supermarket sales weakened:** Sales in Japan's supermarket store extended its second month decline in April by 1.2% YOY (Mar: -0.1%), completely reversing the gain made in February 2018. Sales in all major categories dropped: food (-1.4%), clothing (-2.7%), household goods (-1.0%) and services (-4.0%). Monday's convenience store sales data show that sales in Japan's convenience stores slowed as well but remained above its six-month average. Nationwide department store sales scheduled to be released later today will allow us to gauge Japanese retail consumer spending better (*Supermarket, department and convenience stores sales are the three main contributors to Japan's total retail sales*). A slower growth in retail sales indicates lower domestic demand which could further weigh down inflations. This resonates with last Friday's disappointing inflation data which came in at 0.6% YOY after gathering momentum in the first few months of 2018 prompting questions on the effectiveness of the BOJ stimulus program.
- Australian leading index shows sign of improvement:** The Westpac Leading Index rebounded to increase 0.2% MOM in April (Mar: -0.13% revised) following a decline in the preceding month. The positive reading of the index which tracks nine gauges of economic activities indicated a better performance of the Australian economy in April.
- Malaysia foreign reserves remained stable:** Malaysia Foreign reserves fell slightly to \$109.4b as at 15 May (30 Apr: \$109.50), sufficient to finance 7.6 months of retained imports and is 1.1 times short-term external debt.

Economic Calendar Release Date

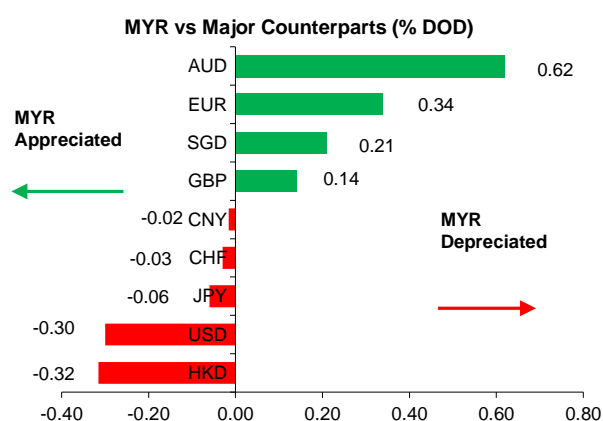
Date	Country	Event	Reporting Period	Survey	Prior	Revised
23/05	Malaysia	CPI YOY	Apr	1.6%	1.3%	--
23/05	US	MBA Mortgage Applications	18 May	--	-2.7%	--
		Markit US Manufacturing PMI	May P	56.5	56.5	--
		Markit US Services PMI	May P	55.0	54.6	--
		New Home Sales MOM	Apr	-2.1%	4.0%	--
24/05		FOMC Meeting Minutes	2 May	--	--	--
		Initial Jobless Claims	19 May	--	222k	--
		FHFA House Price Index MOM	Mar	0.6%	0.6%	--
		Existing Home Sales MOM	Apr	-0.9%	1.1%	--
		Kansas City Fed Manufacturing Activity	May	20	26	--
23/05	Eurozone	Markit Eurozone Manufacturing PMI	May P	56.1	56.2	--
		Markit Eurozone Services PMI	May P	54.7	54.7	--
		Consumer Confidence	May A	0.5	0.4	--
23/05	UK	CPI YOY	Apr	2.5%	2.5%	--
		RPI YOY	Apr	3.4%	3.3%	--
		PPI Output NSA YOY	Apr	2.3%	2.4%	--
		House Price Index YOY	Mar	4.4%	4.4%	--
24/05		Retail Sales inc Auto Fuel MOM	Apr	0.9%	-1.2%	--
23/05	Japan	Nikkei Japan PMI Mfg	May P	--	53.8	--
		All Industry Activity Index	Mar	0.1%	0.4%	--
		Nationwide Dept Sales YOY	Apr	--	0.1%	--
		Machine Tool Orders YOY	Apr F	--	22.0%	--
24/05		Leading Index	Mar F	--	105.0	--
		Coincident Index	Mar F	--	116.4	--
23/05	Singapore	CPI YOY	Apr	0.5%	0.2%	--
24/05		GDP YOY	1QF	4.4%	4.3%	--
24/05	New Zealand	Trade Balance NZD	Apr	198m	-86m	--
		Exports NZD	Apr	4.85b	4.85b	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1779	-0.10	1.183	1.1757	-1.8
USDJPY	110.90	-0.14	111.19	110.80	-1.7
GBPUSD	1.3432	0.04	1.3492	1.3413	-0.5
AUDUSD	0.7576	-0.08	0.7605	0.7566	-3.0
EURGBP	0.8770	-0.14	0.8789	0.8758	-1.3
USDMYR	3.9675	-0.30	3.9770	3.9643	-1.9
EURMYR	4.6910	0.34	4.6916	4.6716	-3.5
JPYMYR	3.5742	-0.06	3.5877	3.5682	-0.3
GBPMYR	5.3413	0.14	5.3510	5.3285	-2.4
SGDMYR	2.9647	0.21	2.9703	2.9601	-2.2
AUDMYR	3.0138	0.62	3.0189	3.0100	-4.9
NZDMYR	2.7618	0.55	2.7692	2.7585	-4.4

Source: Bloomberg



Forex

MYR

- **MYR strengthened 0.30% to 3.9675 against USD** but fell against 7 G10s that also rallied on a retreating greenback.
- **We are neutral on MYR against USD;** expect early MYR losses to be narrowed on a softening greenback. We maintain the view that USDMYR is initiating a reversal lower. We set sights on a potential decline to 3.9627, below which 3.9531 will be targeted.

USD

- **USD advanced against 7 G10s** but the DXY ended 0.07% lower after narrowing early losses from a sharp drop in European morning.
- **USD is slightly bearish in our view** on risk aversion heading into the release of FOMC minutes; softer set of US data will further aggravate downsides. Current signs point to DXY closing above 93.67 by end of this week but thereafter, we set sights on a downward reversal. This could result in a decline to circa 92.80 – 92.91. Failure to hold above this exposes a move to 92.21.

EUR

- **EUR advanced against 5 G10s** but **slipped 0.10% to 1.1779 against USD** amid rising Italian debt concerns.
- **Expect a slightly bullish EUR amid a soft USD;** expect upsides to firm up if Eurozone data improves. EURUSD must close above 1.1795 today to nullify current minor bearish trend that continues to threaten a close below 1.1772 before the week is out. But in any case, we view that minor bearish trend is coming to an end and we eye a rebound next week.

GBP

- **GBP inched 0.04% higher to 1.3432 against USD** and bested 7 G10s, supported by risk-off in European markets amid Italian debt concerns.
- **Stay slightly bullish on GBP against a soft USD,** barring any downside surprises in UK inflation reports. Upside momentum has improved but we reckon that GBPUSD has to first ride out current bearish trend, which suggests that a close below 1.3427 is still on track by Friday. Thereafter, we opine that a rebound could accelerate, possibly testing 1.3565.

JPY

- **JPY advanced against 8 G10s and strengthened 0.14% to 110.90 against USD** amid firmer demand for refuge on declines in equities and commodities.
- **Expect a slightly bullish JPY against a softer USD,** further supported by demand for refuge as equities and commodities retreat. USDJPY is likely making a reversal lower. We set sights on a decline to 109.65.

AUD

- **AUD slipped 0.08% to 0.7576 against USD** on easier risk appetite in the markets but registered gains against 6 G10s.
- **We maintain a bullish view on AUD against a soft USD;** upsides may further strengthen after the release of FOMC minutes. Upside momentum improved further, suggesting more room for gains. We continue to expect AUDUSD to break 0.7613 soon and set course for 0.7660.

SGD

- **SGD** was supported by refuge demand amid weakness in regional markets, beating 8 G10s and **was 0.07% firmer at 1.3391 against USD.**
- **Keep a bullish view on SGD against a soft USD,** further supported by refuge demand within the region as markets turn risk averse ahead of FOMC minutes. USDSGD remains below 1.3393 and continues to be exposed to a decline to 1.3332 in the coming week. Downside momentum prevails, suggesting further weakness can be expected.

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