

Global Markets Research

Daily Market Highlights

Key Takeaways

- **FOMC minutes signaled a rate hike in June** as Fed officials saw another hike soon as being appropriate if current economic outlook remained intact. A modest overshoot of its 2% inflation target would be welcomed, but the **Fed is not in a rush to tighten more aggressively**. There is little evidence of overheating in the labor market as wage growth remained moderate. Trade tensions raised some concerns that the dispute will hurt business confidence. Equity markets in the US closed higher after the minutes, reversing losses in earlier Wednesday while the DXY, which rose ahead of the minutes, came off its session-high thereafter putting it at a new best in 2018 as the session closed.
- At the data front, the US mortgage applications and new home sales fell as higher interest rates and rising house prices weighed on affordability. Both manufacturing and services sector expanded a faster paces according to flash Markit PMIs. Across the Atlantic, the Eurozone manufacturing and services sectors slowed while inflation in the UK softened. In Asia, Japan department sales improved and its manufacturing industry slowed. New Zealand recorded a trade surplus and exports rose. Singapore inflation pulled back while Malaysia inflation inched up higher at 1.4% YOY.
- **USD advanced against 9 G10s** while the DXY rallied at the starts of Asian, European and US sessions to advance 0.43% to 94.00, supported by firmer US data and buying interest in anticipation of a hawkish FOMC minutes. **Maintain a bearish view on USD** as we expect buying interest to wane amid a lack of positive catalyst to drive further gains. Current signs still point to DXY closing above 93.67 by Fri, 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 weakened 0.3% to 3.9825 against a rallying USD** but beat 8 G10s that were also on the retreat against a firm greenback. **MYR is now slightly bullish against USD** as we expect the greenback to retreat after recent rally. 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 ended mixed against the G10s but fell 0.31% to 1.3433 against USD. Keep a bullish view on SGD against USD** as we expect support from rebound in equities. USDSGD bounced off 1.3393 and that has put the bearish scenario in question. But we are skeptical over USDSGD's ability to climb further given strong resistances.

Overnight Economic Data

Malaysia	↑
US	→
Eurozone	→
UK	→
Japan	→
Singapore	→
New Zealand	↑

What's Coming Up Next

Major Data

- US Initial Jobless Claims, FHFA House Price Index MOM, Existing Home Sales MOM, Kansas City Fed Manufacturing Activity
- UK Retail Sales inc Auto Fuel MOM
- Japan Leading Index, Coincident Index
- Singapore GDP YOY

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1750	1.1777	1.1704	1.1802	1.1822	↗
USDJPY	109.29	109.65	109.74	109.84	110.11	↘
GBPUSD	1.3300	1.3322	1.3356	1.3391	1.3427	↗
AUDUSD	0.7526	0.7548	0.7553	0.7565	0.7596	↗
EURGBP	0.8729	0.8752	0.8762	0.8770	0.8782	↗
USDMYR	3.9785	3.9815	3.9825	3.9848	3.9875	→
EURMYR	4.6550	4.6600	4.6611	4.6638	4.6698	↘
JPYMYR	3.6237	3.6273	3.6286	3.6316	3.6357	↗
GBPMYR	5.3120	5.3151	5.3197	5.3262	5.3305	↘
SGDMYR	2.9600	2.9622	2.9637	2.9663	2.9677	↗
AUDMYR	3.0059	3.0094	3.0106	3.0134	3.0160	↗
NZDMYR	2.7477	2.7512	2.7557	2.7592	2.7641	↗
USDSGD	1.3410	1.3420	1.3438	1.3457	1.3472	↘
EURSGD	1.5685	1.5710	1.5729	1.5756	1.5782	↘
GBPSGD	1.7900	1.7926	1.7950	1.7967	1.7990	↘
AUDSGD	1.0135	1.0146	1.0157	1.0163	1.0173	↗

* 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	1804.25	-2.2	0.4	CRB Index	206.38	0.08	6.5
Dow Jones Ind.	24886.81	0.2	0.7	WTI oil (\$/bbl)	71.84	-0.40	18.9
S&P 500	2733.29	0.3	2.2	Brent oil (\$/bbl)	79.80	0.29	19.3
FTSE 100	7788.44	-1.1	1.3	Gold (S/oz)	1293.41	0.18	-0.6
Shanghai	3168.96	-1.4	-4.2	CPO (RM/tonne)	2427.50	0.17	1.6
Hang Seng	30665.64	-1.8	2.5	Copper (\$/tonne)	6867.00	-1.60	-5.2
STI	3496.27	-1.3	2.7	Rubber (sen/kg)	502.00	0.50	8.5

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MA CPI YOY	Apr	1.4%	1.3%	1.6%
US MBA Mortgage Applications	18 May	-2.6%	-2.7%	--
US Markit US Manufacturing PMI	May P	56.6	56.5	56.5
US Markit US Services PMI	May P	55.7	54.6	55.0
US New Home Sales MOM	Apr	-1.5%	2.0% (revised)	-2.1%
Markit Eurozone Manufacturing PMI	May P	55.5	56.2	--
Markit Eurozone Services PMI	May P	53.9	54.7	--
Consumer Confidence	May A	0.2	0.3 (revised)	0.5
UK CPI YOY	Apr	2.4%	2.5%	
UK PPI Output NSA YOY	Apr	2.7%	2.7% (revised)	2.3%
JP Nikkei Japan PMI Mfg	May P	52.5	53.8	--
JP All Industry Activity Index	Mar	0.0%	0.4%	0.1%
JP Nationwide Dept Sales YOY	Apr	0.7%	0.1%	--
JP Machine Tool Orders YOY	Apr F	22.0%	28.1%	--
SG CPI YOY	Apr	0.1%	0.2%	0.4%
NZ Trade Balance NZD	Apr	263m	-156m (revised)	198m
NZ Exports NZD	Apr	5.05b	4.79b (revised)	4.85b

Source: Bloomberg

➤ Macroeconomics

- FOMC minutes signaled rate hike in June:** Key highlights of the newly released minutes for the Fed's May meeting include Fed officials saw another interest rate hike 'soon' as being appropriate if current economic outlook remained intact, a modest overshoot of its 2% inflation target would be helpful to anchor long run inflation expectations, but not in a rush to tighten more aggressively and there is little evidence of overheating of labour market as wage growth remained moderate. On trade tension with China, possible outcome on inflation and growth remained wide but there were some concerns that the dispute would hurt business confidence. The DXY rose ahead of the minutes but came off its session-high thereafter which put it at a new best in 2018 as the session closed.
- US mortgage applications and new home sales fell:** Demand for mortgages fell for the fifth consecutive month as higher interest rates weighed on mortgage affordability, prompting aspired homebuyers to pull back from home loan applications. The MBA mortgage applications fell 2.6% for the week ended 18 May (previous: -2.7%) as the average 30-year mortgage surged to 4.86% (previous: 4.77%) due to the higher treasury yields. Meanwhile, new home sales dropped less than expected by 1.5% MOM in April (Mar: +2.0%) to 662k units (Mar: 694k), while data for the past three months were revised lower. Rising mortgages cost and tight inventory in the markets that have been pushing up home prices to an average of \$407.3k (Previous: \$366.0k) drove some potential buyers out of the market. Homebuilders are struggling to keep up with demand citing higher lumber cost and difficulty in finding skilled workers, but the NAHB housing index, which measures home builders' sentiment, still saw improvement of expectations of new home sales in May.
- US Manufacturing and services sector expanded at a faster pace:** Flash Markit manufacturing PMI inched up to 56.6 in May (Apr: 56.5), the highest level since Sep-14. PMI for services sector, which employed majority of Americans, rose to 55.7 (Apr: 54.6).
- Eurozone manufacturing and services sector slowed:** Flash Markit PMIs indicated that growth in both sectors eased. The reading for manufacturing and services sector fell to a 15-month low of 55.5 (Apr: 56.2) and a 16-month low of 53.9 (Apr: 54.7) respectively. Business activities, new orders, hiring and backlogs of work slowed with companies becoming less optimistic about the outlook. In a separate release, the Eurozone flash consumer confidence inched lower to 0.2 in May (Apr: 0.3 revised).
- UK inflation softened, missed estimates:** Headline inflation slowed to a 13-month low in April. CPI increased 2.4% YOY in April (Mar: +2.5%) as higher energy prices are offset by drop in transportation costs. Core CPI, which excludes energy, food, alcohol and tobacco, came in at 2.1% YOY (Mar: +2.3%). Growth in producer prices was flat at 2.7% YOY (Mar: +2.7% YOY revised). Inflation in the UK has been softening for the past 4 months and moving towards the BOE's target of 2%. The BOE has postponed a rate hike in its recent May meeting as the outlook of the UK economy continues to weaken with Brexit uncertainties remains. Markets are pricing in a probability of a rate hike at 44.9% in Nov as of writing.
- New Zealand trade balance swung to surplus:** Trade surplus stood at NZ\$ 263m in April (Mar: -NZ\$156m revised) as the total exports of NZ\$5.05b (Apr: NZ\$4.79b) were the second-highest on record. Exports rose 12% on a yearly basis with dairy exports gained 6.2% YOY due to rising butter prices while fruit exports increased 51% YOY.

- Japan department sales improved, manufacturing sector slowed:** Sales in Japan's department stores extended its second month climb in April by 0.7% YOY (Mar: +0.1%), following a three-month decline. The faster growth in clothing as well as sundries and cosmetic goods offset the decline in household goods and food. The figure painted a mix picture of the Japanese consumer spending as both supermarket and convenience store sales weakened. (*Supermarket, department and convenience stores sales are the three main contributors to Japan's total retail sales*). Meanwhile, preliminary reading of Nikkei Japan PMI indicates that the manufacturing sector eased – the index fell to 52.5 in May (Apr: 53.8) on the back of softening new order and output. In a separate release, final reading confirmed that machine tool orders increased 22% YOY in April (Mar: +28.1%) as growth in tools order placed with major manufacturers continued to normalize from enormous gains in 2017. Japan All Industry Activity Index, which provides an estimate of overall economic activity, was flat at 0.0% in March (Feb: +0.1%) signaling a softer 1Q18. Preliminary reading of GDP shows that the Japanese economy contracted in 1Q18 at -0.2% QOQ.
- Singapore inflation pulled back, missed estimates:** Consumer prices in Singapore eased to 0.1% YOY in April (Mar: +0.2%) due to a smaller gain in retail items, electricity and gas but a bigger fall in the cost of private road transport as car prices continue to drop. Core inflation, which excludes accommodation and private road transport, meanwhile slowed to increase 1.3% YOY (Mar: +1.5%) due to lower increase in retail prices and electricity tariff.
- Malaysia inflation rose at a faster pace:** The rate of increase in Consumer Price Index (CPI) ticked up again for the first time in seven months, to 1.4% YOY in April (Mar: +1.3% YOY), as a result of slight increase in transport prices, which outweighed softer gains in food prices while prices of most other categories saw mixed movement. Looking ahead, we estimate that full year CPI forecast could be shaved by approximately a full percentage point to 0.9% YOY this year (from the original forecast of 2.0%) as a result of the fiscal reform measures introduced by the new government in resetting GST to zero and keeping petrol pump prices unchanged at current level pending the implementation of targeted petrol subsidy. The resulting jump in real yields would allow BNM to stay the course even if the Fed continues to normalize. Maintaining our view for OPR to stay unchanged for 2018.

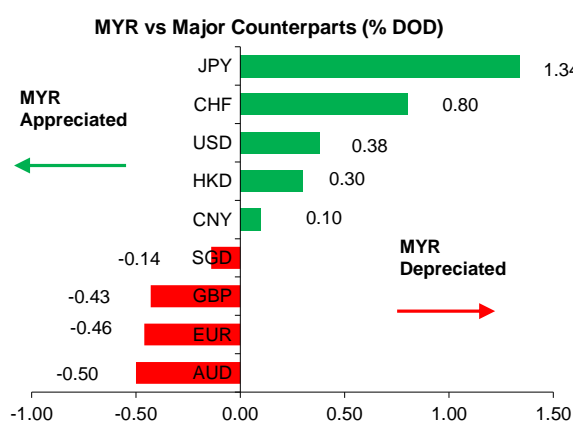
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
24/05	US	Initial Jobless Claims	19 May	220k	222k	--
		FHFA House Price Index MOM	Mar	0.6%	0.6%	--
		Existing Home Sales MOM	Apr	-0.9%	1.1%	--
		Kansas City Fed Manufacturing Activity	May	20	26	--
		Durable Goods Orders	Apr P	-1.3%	2.6%	--
25/05		University of Michigan Sentiment	May F	98.9	98.8	--
		Retail Sales inc Auto Fuel MOM	Apr	0.9%	-1.2%	--
25/05		GDP QOQ	1QP	0.1%	0.4%	--
24/05	Japan	Leading Index	Mar F	--	105.0	--
		Coincident Index	Mar F	--	116.4	--
24/05	Singapore	GDP YOY	1QF	4.4%	4.3%	--
25/05		Industrial Production YOY	Apr	--	5.9%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1697	-0.70	1.179	1.1676	-2.5
USDJPY	110.08	-0.74	110.92	109.56	-2.6
GBPUSD	1.3347	-0.63	1.3443	1.3306	-1.1
AUDUSD	0.7560	-0.21	0.7583	0.7523	-3.2
EURGBP	0.8764	-0.06	0.8797	0.8739	-1.3
USDMYR	3.9825	0.38	3.9830	3.9660	-1.8
EURMYR	4.6695	-0.46	4.6844	4.6550	-3.9
JPYMYR	3.6222	1.34	3.6237	3.5812	0.9
GBPMYR	5.3184	-0.43	5.3417	5.3117	-2.7
SGDMYR	2.9605	-0.14	2.9685	2.9564	-2.1
AUDMYR	2.9987	-0.50	3.0132	2.9934	-4.8
NZDMYR	2.7463	-0.56	2.7592	2.7402	-4.4

Source: Bloomberg



Forex

MYR

- **MYR weakened 0.3% to 3.9825 against a rallying USD** but beat 8 G10s that were also on the retreat against a firm greenback.
- **MYR is now slightly bullish against USD** as we expect the greenback to retreat after recent rally. 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 9 G10s** while the DXY rallied at the starts of Asian, European and US sessions to advance 0.43% to 94.00, supported by firmer US data and buying interest in anticipation of a hawkish FOMC minutes.
- **Maintain a bearish view on USD** as we expect buying interest to wane amid a lack of positive catalyst to drive further gains. Current signs still point to DXY closing above 93.67 by Fri, 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 tumbled 0.7% to 1.1697 against a strong USD**, and was also pressured by softer Eurozone data as it slipped against 7 G10s.
- **Expect a slightly bullish EUR against USD** as we anticipate a mild rebound after sharp overnight losses. EURUSD is expected to remain below 1.1791 until Fri but we maintain the view that minor bearish trend is coming to an end and we eye a rebound next week.

GBP

- **GBP** was felled by signs of disinflation in the UK, sliding against 6 G10s and **weakened 0.63% to 1.3347 against USD**.
- **Stay slightly bullish on GBP against USD**, anticipating a mild rebound after sharp overnight losses; firmer UK data will support further upsides. Minor bearish trend suggests GBPUSD will remain below 1.3427 until Fri. Thereafter, we opine that a rebound could accelerate, possibly testing 1.3565.

JPY

- **JPY** rallied to beat all G10s and **jumped 0.74% to 110.08 against USD**, supported by refuge demand amid sell-off in equities as well as signs of re-emergence of geopolitical and trade tensions.
- **Stay bullish JPY against USD**, supported by continued demand for refuge amid prevailing risks concerning US-Asia geopolitical and trade issues. USDJPY extends its reversal lower. We expect a downside break at 109.65 soon, below which a drop to 109.00 is likely.

AUD

- **AUD** advanced against 8 G10s, supported by better performance in commodities but **fell 0.21% to 0.7560 against USD**.
- **Continue to expect a bullish AUD against USD** as we expect rebound in equities and commodities. 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** ended mixed against the G10s but **fell 0.31% to 1.3433 against USD**.
- **Keep a bullish view on SGD against USD** as we expect support from rebound in equities. USDSGD bounced off 1.3393 and that has put the bearish scenario in question. But we are skeptical over USDSGD's ability to climb further given strong resistances at 1.3457 and 1.3472.

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