

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Overnight, President Trump's decision to cancel a scheduled meeting with North Korea leader Kim Jung Un in Singapore rattled markets once again.** The US equity markets fell initially as all 3 main indices plunged on risk-off sentiments while investors flocked to safe haven assets but managed to recover in the mid-American session reversing their earlier day losses.
- **On the data front, initial jobless claims in the US rose more than expected to 234k but the labour market continued to tighten. Sales of existing homes dropped,** in line with the retreat in new home sales as limited inventories drove potential buyers out of the market while home prices posted a smaller gain. **Manufacturing activities rose in Kansas Fed's district,** in line with other regions signaling robust growth in the manufacturing sector in May. **UK retail recorded a solid gain** as warm weather led consumers back to the high street but consumers will likely remain cautious. **Singapore economy picked up at a faster rate led by faster growth in manufacturing, finance & insurance and business services.**
- **USD slipped against 7 G10s** while the DXY fell through Asian-European sessions before recovering slightly in US trading to close 0.24% lower at 93.77, weighed down by softer sentiment regarding geopolitical and trade issues. **Maintain a bearish view on USD** on extended dip in sentiment regarding US' progress in geopolitical and trade issues with North Korea and China, respectively. We expect DXY to close above 93.67, but technical signals point to an end to current bullish trend. A decline is likely going forward, with scope to slide to 93.29 – 93.39 in the next leg lower.
- **MYR closed 0.07% firmer at 3.9797 against a tumbling USD** in European morning but fell against 8 G10s that were also stronger on a weak greenback. **We are neutral on MYR against USD,** likely with minor gains amid a softer overnight 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 advanced against 8 G10s and strengthened 0.31% to 1.3392 against USD,** supported by refuge demand within the region. **We are slightly bullish on SGD against a softening USD.** USDSGD's climb was rejected and is now tilted to the downside. Expect a break below 1.3393 soon that would set a course for 1.3332.

Overnight Economic Data

US	→
UK	↑
Japan	→
Singapore	↑

What's Coming Up Next

Major Data

- US Durable Goods Orders, University of Michigan Sentiment Index
- UK GDP
- Singapore Industrial Production

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1676	1.1700	1.1724	1.1749	1.1764	↗
USDJPY	109.00	109.38	109.49	109.65	109.78	↘
GBPUSD	1.3347	1.3385	1.3378	1.3391	1.3422	↗
AUDUSD	0.7552	0.7565	0.7575	0.7583	0.7600	↗
EURGBP	0.8749	0.8760	0.8762	0.8769	0.8780	↗
USDMYR	3.9739	3.9785	3.9800	3.9830	3.9875	→
EURMYR	4.6550	4.6600	4.6645	4.6638	4.6698	↗
JPYMYR	3.6283	3.6300	3.6326	3.6357	3.6385	↗
GBPMYR	5.3100	5.3151	5.3192	5.3244	5.3291	↘
SGDMYR	2.9638	2.9663	2.9673	2.9685	2.9700	↗
AUDMYR	3.0059	3.0100	3.0106	3.0134	3.0152	↗
NZDMYR	2.7500	2.7515	2.7562	2.7592	2.7630	↗
USDSGD	1.3382	1.3393	1.3402	1.3411	1.3430	↘
EURSGD	1.5683	1.5700	1.5709	1.5733	1.5747	↗
GBPSGD	1.7900	1.7910	1.7926	1.7950	1.7967	↘
AUDSGD	1.0126	1.0135	1.0149	1.0163	1.0181	↗

* 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	1775.66	-1.6	-1.2	CRB Index	205.66	-0.35	6.1
Dow Jones Ind.	24811.76	-0.3	0.4	WTI oil (\$/bbl)	70.71	-1.57	17.0
S&P 500	2727.76	-0.2	2.0	Brent oil (\$/bbl)	78.79	-1.27	17.8
FTSE 100	7716.74	-0.9	0.4	Gold (\$/oz)	1304.63	0.87	0.1
Shanghai	3154.65	-0.5	-4.6	CPO (RM/tonne)	2416.50	-0.54	1.1
Hang Seng	30760.41	0.3	2.8	Copper (\$/tonne)	6880.00	0.19	-5.1
STI	3528.92	0.9	3.7	Rubber (sen/kg)	503.00	0.20	8.8

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Initial Jobless Claims	19 May	234k	223k (revised)	220k
US FHFA House Price Index MOM	Mar	0.1%	0.8% (revised)	0.6%
US Existing Home Sales MOM	Apr	-2.5%	1.1%	-0.9%
US Kansas City Fed Manf. Activity	May	29	26	20
UK Retail Sales inc Auto Fuel MOM	Apr	1.6%	-1.1% (revised)	0.9%
JP Leading Index	Mar F	104.4	105.9	--
JP Coincident Index	Mar F	116.3	116.0	--
SG GDP YOY	1QF	4.4%	3.6%	4.4%

Source: Bloomberg

➤ Macroeconomics

- US labour market continued to tighten:** Initial jobless claims in the US rose 11k to a seasonally adjusted 234k for the week ended 19 May (previous: 223k revised) but continued to signal a tightening labour market condition. The four-week moving average which irons out the week-to-week volatility stood at 219k (previous: 213k). Initial jobless claims have been below the 300k mark for the 168th consecutive weeks, the longest stretch since 1969 according to the labour department. Continuous claims which measures the number of Americans receiving benefits after an initial week of aid rose by 29k to 1.74mil for the week ended 12 May (previous: 1.71mil revised). The labour market is currently nearing full employment while sign of diminishing slacks begins to emerge. In its May meeting minutes, the Fed does not view any incoming overheating of the labour market as wage growth remained subdued.
- US existing home sales dropped, home prices posted smaller gain:** Existing home sales in the US which accounted for most of the US housing market dipped more than expected by 2.5% MOM in April (Mar: +1.1%) as limited inventories (homeowners reluctant to sell) and higher interest rates drove potential buyers out of the market. The drop was in line with the retreat in new home sales released yesterday which decreased 1.5% in April (Mar: +2.0%). Home builders have been struggling to keep up with the strong demand due to higher lumber cost, limited land supply and ability to locate skilled workers. In a separate release by the Federal Housing Finance Agency (FHFA), house price index edged up a mere 0.1% MOM in April (Mar:+0.8% revised) as drop in prices in the Pacific, West South Central, East South Central and New England offset gains in other regions.
- US manufacturing activities rose:** The Kansas Fed manufacturing activity index inched up more than expected to 29 in May (Apr: 26) and this tallies with other recently released regional indexes namely Richmond, New York, Philly Fed indexes suggesting that the overall US manufacturing sector is operating at a very robust pace this month.
- UK retail sales quickened, beat estimates:** retails sales inclusive of auto fuel rebounded to increase 1.6% MOM in April (Mar: -1.2%) following a decline in the preceding month, the highest gain since Oct-16 as warmer weather led consumers back to the high street. Sales in textile, clothing and footwear increased 1.6% MOM (Mar: -0.5%) while that of household goods stores advanced 2.5% MOM (Mar: +0.2%). On a yearly basis, retail sales rose 1.4% YOY (Mar: +1.3% revised). Consumers will likely stay cautious still as outlook of the U.K. economy remained clouded especially when wage growth struggled to keep up with inflation.
- Japan outlook mixed:** Japan leading index which tracks Japan economic variables fell to 104.4 in March (Feb: 105.9) while coincident index rose to 116.3 (Feb: 116.0).

- Singapore economy picked up at a faster rate: GDP growth topped initial estimates of 4.3% YOY to increase 4.4% YOY in 1Q18 (4Q17: +3.6%),** supported by sustained global demand for Singaporean goods. On a quarterly basis, GDP growth softened to edge up 1.7% QOQ, easing from the 2.1% growth in the previous quarter. **The quicker expansion was primarily driven by** higher rate of growth in both goods and services sector. Goods producing industries rose 6.4% YOY (4Q17: +2.7%) as manufacturing sector quickened to increase 9.8% YOY (4Q17: +4.8%) while constructions extended its decline of 5.0% (4Q17: -5.0%), weighed down by continuous weakness in both public and private sector construction activities due to cooling measures introduced by authorities to curb speculations. The services producing industries meanwhile expanded by 4.1% YOY (4Q17: +3.5%) attributed to faster growth in the area of finance and insurance and business services while majority of the sub-sectors softened. Looking ahead, we expect MAS to maintain its neutral policy stance and leave monetary policy unchanged in its next MPC meeting in October.

Economic Calendar Release Date

Date	Country	Event	Reporting Period	Survey	Prior	Revised
25/05	US	Durable Goods Orders	Apr P	-1.3%	2.6%	--
		University of Michigan Sentiment	May F	98.8	98.8	--
25/05	UK	GDP QOQ	1QP	0.1%	0.4%	--
28/05	Hong Kong	Exports YOY	Apr	--	8.0%	--
		Trade Balance HKD	Apr	--	-55.5b	--
25/05	Singapore	Industrial Production YOY	Apr	8.0%	5.9%	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1720	0.20	1.175	1.1691	-2.3
USDJPY	109.26	-0.74	110.12	108.96	-3.0
GBPUSD	1.3380	0.25	1.3422	1.3337	-3.0
AUDUSD	0.7576	0.21	0.7583	0.7542	-3.0
EURGBP	0.8758	-0.08	0.8778	0.8738	-4.3
USDMYR	3.9797	-0.07	3.9878	3.9730	-1.7
EURMYR	4.6679	-0.03	4.6800	4.6568	-3.8
JPYMYR	3.6279	0.16	3.6440	3.6203	1.3
GBPMYR	5.3358	0.33	5.3477	5.3151	-2.5
SGDMYR	2.9683	0.26	2.9727	2.9625	-3.0
AUDMYR	3.0101	0.38	3.0201	3.0059	-1.7
NZDMYR	2.7538	0.27	2.7648	2.7505	-4.2

Source: Bloomberg

Forex

MYR

- **MYR closed 0.07% firmer at 3.9797 against a tumbling USD** in European morning but fell against 8 G10s that were also stronger on a weak greenback.
- **We are neutral on MYR against USD**, likely with minor gains amid a softer overnight 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 slipped against 7 G10s** while the DXY fell through Asian-European sessions before recovering slightly in US trading to close 0.24% lower at 93.77, weighed down by softer sentiment regarding geopolitical and trade issues.
- **Maintain a bearish view on USD** on extended dip in sentiment regarding US' progress in geopolitical and trade issues with North Korea and China, respectively. We expect DXY to close above 93.67, but technical signals point to an end to current bullish trend. A decline is likely going forward, with scope to slide to 93.29 – 93.39 in the next leg lower.

EUR

- **EUR rose 0.20% to 1.1720 against a soft USD** but dipped against 5 G10s as demand remains soft amid risk aversion in the markets.
- **EUR remains bullish in our view against a retreating USD.** Failure by EURUSD to break the recent low and overnight rebound suggest the onset of a sustained recovery, with scope to climb to circa 1.1850 in the next leg higher.

GBP

- **GBP climbed 0.25% to 1.3380 against USD** and advanced against 7 G10s, supported by firmer UK data and demand for refuge in Europe.
- **Expect a slightly bullish on GBP, led by a soft USD;** however, UK data will be a major factor in determining whether GBP actually ends in the gains. We opine that GBPUSD is at the cusp of a sustained rebound that could test 1.3513, but this is provided it does not close below 1.3300 in the next few days.

JPY

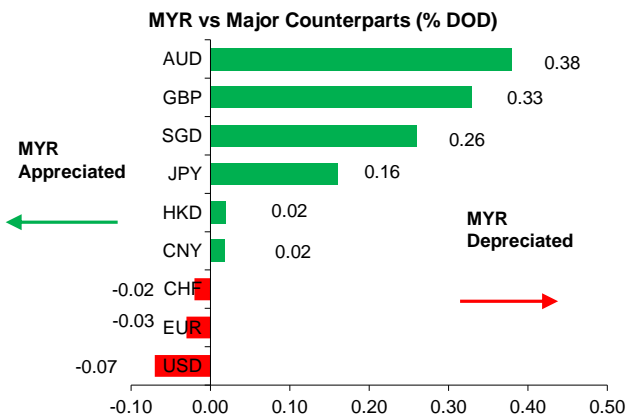
- **JPY advanced against all G10s for a second day**, supported by refuge demand amid diminishing optimism regarding geopolitical and trade issues between the US and North Korea + China. **JPY surged 0.74% to 109.26 against USD.**
- **Stay bullish JPY against USD**, supported by continued demand for refuge amid prevailing risks concerning geopolitical and trade issues. USDJPY broke below 109.65 as expected, and we set sights on a break below 109.00, below which it would set a course for 108.44.

AUD

- **AUD was supported by firmer commodities to beat 6 G10s and climbed 0.21% to 0.7576 against USD.**
- **AUD is likely slightly bullish against a soft USD**, though gains may be kept modest by continued retreat in risk appetite especially going into the week's close. Technically, 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 advanced against 8 G10s and strengthened 0.31% to 1.3392 against USD**, supported by refuge demand within the region.
- **We are slightly bullish on SGD against a softening USD.** USDSGD's climb was rejected and is now tilted to the downside. Expect a break below 1.3393 soon that would set a course for 1.3332.



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