

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Advance 1Q GDP estimates from the US and the UK took center stage. While both readings confirmed much anticipated slowdown in 1Q18, the former surprised on the upside while the latter on the downside; reaffirming diverging policy path among the Fed and the BOE.** Odds of a Fed rate hike in June continued to hover around 63% while that of a BOE hike in May more than halved to 24% at time of writing.
- **First estimate showed the US economy moderated at a less than expected pace to 2.3% QOQ in 1Q18 (4Q17: +2.9%),** amid much slower growth in personal spending, which overshadowed quicker gains in investment and net exports. Across the Atlantic, **advance estimate showed the UK economy came to a near-halt with 1Q GDP grew a meager 0.1% QOQ** and moderated to a 6-year low on a YOY basis, at 1.2% dragged by declines in construction output. While we are still optimistic growth could regain some momentum in the US spurred by Trump's tax cuts that could help boost consumer spending, we remain skeptical on growth prospects in the UK in the coming quarters. **No change to our view for two more Fed rate hikes this year while the BOE is not expected to hike** anymore this year. **Last Friday, BOJ stood pat and maintained its ultra-loose monetary policy stance** as it dropped its timeframe for achieving 2% inflation target.
- **USD fell against 9 G10s** while the DXY faded its early rally and settled 0.02% lower at 91.54, as positions were pared going into the weekend. **Stay slightly bearish on USD** amid risk aversion heading another set of important US data this week; expect softer than expected figures to pressure USD. DXY is heading into the end of its minor bullish trend. Continued failure to break above 91.70 is expected to trigger a downside move to 90.88. Caution that even if 91.70 is broken, the 92.00 still poses a strong rejection risk.
- **MYR ended 0.05% softer at 3.9195 against USD** last Friday but managed to advance against 7 G10s. **Expect a slightly bearish MYR against USD,** weighed down by subdued buying interest ahead of Malaysian General Election next week. Upward trajectory remains intact while above 3.9094 and we still set sights on a test at 3.9255. Expect risk of rejection to increase approaching 3.9255 – 3.9290.
- **SGD** was also supported by firmer risk appetite to beat 6 G10s, including **climbing 0.29% to 1.3236 against USD. We are now bullish on SGD against a retreating USD,** further supported by improved risk appetite in the markets. USDSGD was firmly rejected last Friday and downward momentum is likely to continue pressuring the pair towards 1.3200 going forward.

Overnight Economic Data

US	↓
EU	→
UK	↓
Japan	↓
Australia	→
Singapore	↑

What's Coming Up Next

Major Data

- US personal income, personal spending, PCE core, Chicago PMI, pending home sales, Dallas Fed manufacturing
- China PMI manufacturing, PMI services
- New Zealand ANZ activity outlook, business confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.2085	1.2101	1.2127	1.2160	1.2188	↗
USDJPY	108.63	109.00	109.08	109.20	109.57	↗
GBPUSD	1.3720	1.3750	1.3775	1.3782	1.3804	↘
AUDUSD	0.7533	0.7550	0.7578	0.7580	0.7604	↘
EURGBP	0.8790	0.8795	0.8804	0.8812	0.8818	↗
USDMYR	3.9094	3.9150	3.9162	3.9200	3.9239	↗
EURMYR	4.7366	4.7458	4.7502	4.7557	4.7600	↗
JPYMYR	3.5889	3.5900	3.5931	3.5940	3.6010	↗
GBPMYR	5.3900	5.3926	5.3952	5.3980	5.4050	↘
SGDMYR	2.8559	2.9584	2.9597	2.9606	2.9630	↗
AUDMYR	2.9630	2.9645	2.9685	2.9700	2.9739	↗
NZDMYR	2.7620	2.7650	2.7754	2.7800	2.7821	↗
USDSGD	1.3214	1.3220	1.3232	1.3262	1.3288	↘
EURSGD	1.6020	1.6040	1.6050	1.6060	1.6070	↘
GBPSGD	1.8185	1.8200	1.8227	1.8242	1.8289	↘
AUDSGD	0.9985	1.0000	1.0027	1.0035	1.0046	↘

* at time of writing

↗ = above 0/1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain /

	Last Price	DoD %	YTD %	Name	Last Price	DoD %	YTD %
KLCI	1863.5	0.6	3.7	CRB Index	201.4	0.08	3.9
Dow Jones Ind.	24311.2	0.0	-1.7	WTI oil (\$/bbl)	68.1	-0.13	12.7
S&P 500	2669.9	0.1	-0.1	Brent oil (\$/bbl)	74.6	-0.10	11.2
FTSE 100	7502.2	1.1	-2.4	Gold (\$/oz)	1316.8	0.50	1.6
Shanghai	3082.2	0.2	-6.8	CPO (RM/tonne)	2387.5	-0.02	-0.1
Hang Seng	30280.7	0.9	1.2	Copper (\$/tonne)	6797.0	-2.41	-6.2
STI	3577.2	0.2	5.1	Rubber (sen/kg)	455.0	1.90	-1.6

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US GDP Annualized QOQ	1Q A	2.3%	2.9%	2.0%
U. of Michigan Sentiment	Apr F	98.8	97.8	98.0
EU Economic Confidence	Apr	112.7	112.7	112.0
EU Business Climate Indicator	Apr	1.35	1.44	1.28
EU Consumer Confidence	Apr F	0.4	0.4	-0.1
UK GDP QOQ	1Q A	0.1%	0.4%	0.3%
UK Nationwide house prices YOY	Apr	2.7%	2.6%	2.1%
JN Housing Starts YOY	Mar	-8.3%	-2.6%	-4.8%
JN Construction Orders YOY	Mar	-4.0%	19.2%	--
JN BOJ Policy Balance Rate	27 Apr	-0.100%	-0.100%	-0.100%
SG Unemployment rate SA	1Q	2.0%	2.1%	2.1%
AU PPI YOY	1Q	1.7%	1.7%	--

Source: Bloomberg

➤ Macroeconomics

- In the US, first estimate showed the US economy moderated at a less than expected pace to 2.3% QOQ in 1Q18 (4Q17: +2.9% QOQ), amid much slower 1.1% growth in personal spending, which has tapered off from a 3-year high of +4.0% the preceding quarter to its slowest in nearly five years now. This more than offset quicker gains in investment and a bigger contribution from net exports. YOY, growth picked up to 2.9% in 1Q (4Q: +2.6%), its best in eleven quarters. Expectations for renewed growth optimism in the subsequent quarters spurred by Trump's tax reform plans however bodes well with the Fed normalization plan. Pick-up in inflation as suggested by the quicker 2.5% QOQ increase in core PCE (4Q: +1.9%) also bolstered expectations the Fed is on track to normalize interest rates by at least two more times this year. Contrary to expectations of a tax-boost revival in consumer spending, final print of Uni Michigan consumer sentiments showed a lesser than initially estimated pullback to 98.8 in April, but remained below March's 101.4, as consumers were less confident over their current and future finances.
- Over in the UK, advance 1Q GDP estimate eked out a mere 0.1% QOQ gain (4Q: +0.4%), and was up 1.2% on a YOY basis (4Q: +1.4%), its worst in six years, dragged by a sharp decline in construction and sluggish manufacturing sector. While the government cited snow related factors as part of the culprits, we remain adamant that the UK economy has been losing traction since the Brexit memorandum. The latest reading prompted us to reaffirm our view that any BOE rate hike remains premature and we continue to see any rate hikes including the previous move last November as ill-justified. The sterling plunged to a 7-week low following the release of disappointing 1Q GDP. In a separate release, Nationwide house prices showed a surprised pick-up to increase 2.7% YOY in April (Mar: +2.6%), its first pick-up in three months but did little to change underlying expectations of a still soft UK housing market.
- Contrary to renewed weaknesses in recent releases, confidence indicators in the Eurozone turned in surprisingly resilient. Economic confidence held steady at 112.7 in April while final reading on consumer confidence confirmed an increase to 0.4 in April. Business climate indicators however eased to 1.28 during the same month (Mar: 1.44 revised).
- The BOJ held its monetary policy lever steady on Friday and maintained a neutral policy stance but removed the timeframe on achieving 2% inflation target in fiscal year 2019. This suggests BOJ will keep its monetary policy stance at ultra-loose terms in the foreseeable future. The central bank projected that the Japanese economy is likely to grow above its potential space in 2018 against a backdrop of accommodative financial conditions and strengthening overseas economies. On the data front, housing starts in Japan fell for the 9th consecutive month, by 8.3% YOY in March (Feb: -2.6%) signaling a continuously weak housing market. Construction orders dropped 4.0% in the same month after a considerable increase of 19.2% YOY in February.
- Producer prices for final demand in Australia rose at a slightly softer pace of 0.5% QOQ in 1Q18 (4Q17: +0.6%). Prices for preliminary and intermediate demand meanwhile rose at a faster pace at 1.5% QOQ and 1.4% QOQ respectively suggesting limited pass through of cost to the final stage of production. ABS stated that higher input cost are not being passed through to retail customers as well due to competitive retail conditions as seen in the supply of energy which might result in a still subdued inflation in Australia. On annual term, PPI stabilized and rose 1.7% (4Q17: +1.7%)
- Unemployment rate in Singapore fell to 2.0% in 1Q018 (4Q17: 2.1%). Number of jobless residents fell to 2.8% (4Q17: 3.0%), indicating improvement in the labour market.

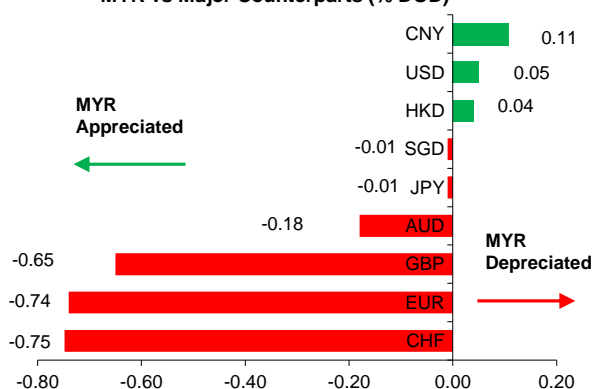
Economic Calendar Release Date						
Country	Date	Event	Reporting Period	Survey	Prior	Revised
US	30/4	Personal Income	Mar	0.4%	0.4%	--
		Personal Spending	Mar	0.4%	0.2%	--
		PCE Core YOY	Mar	2.0%	1.6%	--
		Chicago Purchasing Manager	Apr	58.0	57.4	--
		Pending Home Sales MOM	Mar	0.5%	3.1%	--
		Dallas Fed Manf. Activity	Apr	25.0	21.4	--
	1/5	Markit US Manufacturing PMI	Apr F	56.5	56.5	--
		Construction Spending MOM	Mar	0.5%	0.1%	--
		ISM Manufacturing	Apr	58.5	59.3	--
		UK	1/5	Mortgage Approvals	Mar	63.0k
Markit UK PMI Manufacturing	Apr	54.8		55.1	--	
Japan	1/5	Nikkei Japan PMI Mfg	Apr F	--	53.3	--
China	30/4	Non-Manufacturing PMI	Apr	54.5	54.6	--
		Manufacturing PMI	Apr	51.3	51.5	--
Australia	1/5	AiG Perf of Mfg Index	Apr	--	63.1	--
		CBA Australia PMI Mfg	Apr	--	54.3	--
		RBA Cash Rate Target	1 May	1.50%	1.50%	--
New Zealand	30/4	ANZ Activity Outlook	Apr	--	21.8	--
		ANZ Business Confidence	Apr	--	-20.0	--
		1/5	Building Permits MOM	Mar	--	5.7%

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.2130	0.22	1.2133	1.2056	1.0
USDJPY	109.05	-0.23	109.54	108.98	-3.2
GBPUSD	1.3781	-0.99	1.3935	1.3747	-9.9
AUDUSD	0.7581	0.36	0.7584	0.7532	-3.0
EURGBP	0.8799	1.19	0.8804	0.8683	-0.9
USDMYR	3.9195	0.05	3.9225	3.9145	-3.1
EURMYR	4.7357	-0.74	4.7500	4.7296	-2.0
JPYMYR	3.5827	-0.01	3.5918	3.5812	0.0
GBPMYR	5.4162	-0.65	5.4628	5.4112	-1.2
SGDMYR	2.9514	-0.01	2.9560	2.9475	-2.2
AUDMYR	2.9576	-0.18	2.9631	2.9531	-6.1
NZDMYR	2.7617	-0.19	2.7722	2.7599	-3.6

Source: Bloomberg

MYR vs Major Counterparts (% DOD)


Forex

MYR

- **MYR ended 0.05% softer at 3.9195 against USD** last Friday but managed to advance against 7 G10s.
- **Expect a slightly bearish MYR against USD**, weighed down by subdued buying interest ahead of Malaysian General Election next week. Upward trajectory remains intact while above 3.9094 and we still set sights on a test at 3.9255. Expect risk of rejection to increase approaching 3.9255 – 3.9290.

USD

- **USD fell against 9 G10s** while the DXY faded its early rally and settled 0.02% lower at 91.54, as positions were pared going into the weekend.
- **Stay slightly bearish on USD** amid risk aversion heading another set of important US data this week; expect softer than expected figures to pressure USD. DXY is heading into the end of its minor bullish trend. Continued failure to break above 91.70 is expected to trigger a downside move to 90.88. Caution that even if 91.70 is broken, the 92.00 still poses a strong rejection risk.

EUR

- **EUR climbed 0.22% to 1.2130 against a soft USD** but slipped against 5 G10s that consisted mostly of commodity majors.
- **Expect a slightly bullish EUR against USD**; direction will be dictated by the greenback's performance in response to US data. EURUSD remains technically bearish but downsides appear to be diminishing, thus we reckon that current downtrend is ending soon. A close below 1.2103 is still possible by Wed, but a rebound could culminate thereafter, potentially testing 1.2228.

GBP

- **GBP slumped against all G10s and tumbled 0.99% to 1.3781 against USD** after a softer than expected UK 1Q GDP figure further pressured expectations of a near-term BOE rate hike.
- **GBP remains bearish against USD**, weigh down by receding bets on a near-term BOE rate hike. GBPUSD remains inclined to the downsides, with room to slide to circa 1.3710 before attempting a rebound.

JPY

- **JPY advanced 0.23% to 109.05 against USD** and climbed against 5 G10s, supported by retreat in most European majors and GBP.
- **We turn bearish on JPY against USD** as improving risk appetite is likely to dampen buying interest. There is still room for soft gains in USDJPY and we expect a close above 109.43 by tomorrow. But even so, strong resistances at 109.78 and 110.00, coupled with diminishing upside momentum, are likely to set USDJPY on a course toward the downsides going forward.

AUD

- **AUD strengthened 0.36% to 0.7581 against USD** and advanced against 8 G10s, supported by firmer risk appetite in the markets.
- **We are now slightly bullish on AUD against USD**, anticipating support from improved risk appetite in the markets. AUDUSD again attempts to rebound but we reckon that gains will be limited to 0.7604 today before sliding below 0.7565. Upside break of 0.7604 today or failure to close below 0.7565 hint at the end of current downtrend and sets up a more sustained rebound going forward.

SGD

- **SGD** was also supported by firmer risk appetite to beat 6 G10s, including **climbing 0.29% to 1.3236 against USD**.
- **We are now bullish on SGD against a retreating USD**, further supported by improved risk appetite in the markets. USDSGD was firmly rejected last Friday and downward momentum is likely to continue pressuring the pair towards 1.3200 going forward.

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