

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global markets receded on risk-off sentiments as uncertainties over Italian politics continued.** Stocks in the US took a beating as all three of the main indices ended lower overnight on fear of a spill-over from Europe while the likes of safe havens performed - the US 10-year treasuries yield dropped 1.2ppt to close at 2.78% while the JPY appreciated against all G10s.
- **US data were positive** as house prices across 20 cities continued to climb and the Conference Board Consumer Confidence edged up signaling upbeat sentiments. Dallas Fed Manufacturing Index rose as expected. **Japan jobless rate held steady while Hong Kong exports growth ticked higher** but missed expectations. **Inflation in Vietnam soared but its industrial production eased.** Building approvals in New Zealand dipped.
- **USD extended its advance against 8 G10s** while the DXY jumped in Asian trade and remained elevated thereafter to close 0.43% higher at 94.82, supported by weakness in European majors. **We turn bullish on USD**, supported by prevailing refuge demand as political concerns in Europe continue to weigh down markets. Caution that surprise downsides in US data will trigger sharp losses. Upside momentum continues to increase and supports DXY to higher levels. Further gains may test 95.15, before a potential rejection that could spark a reversal lower.
- **MYR slipped 0.05% to 3.9818 against a firm USD** but managed to advance against 7 G10s that were also on a retreat against the greenback. **Expect a bearish MYR against USD** as risk aversion continues to prevail in the markets. Minor bullish trend has emerged in USDMYR, and further gains are expected going forward. Expect pace of upsides to wither approaching 4.0000, before sliding lower thereafter.
- **SGD** was also supported by refuge demand as it beat 7 G10s but **weakened 0.22% to 1.3457 against a strong USD.** **Expect a bearish SGD against a strong USD**, weighed down by risk aversion in the markets. USDSGD is now tilted to the upside amid emergence of a minor bullish trend. Caution that pace of gains will be more restrained approaching 1.3484 – 1.3500, a range that poses risk of rejection.

Overnight Economic Data

US	↑
Japan	→
Hong Kong	↑
Vietnam	→
New Zealand	↓

What's Coming Up Next

Major Data

- US 1Q GDP, mortgage applications, ADP employment change
- EU economic and consumer confidence
- Japan retail trade
- Australia building approvals

Major Events

- Fed Beige Book

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1500	1.1520	1.1539	1.1554	1.1575	↘
USDJPY	108.25	108.44	108.47	108.65	109.00	↘
GBPUSD	1.3220	1.3240	1.3250	1.3260	1.3280	↘
AUDUSD	0.7454	0.7473	0.7487	0.7489	0.7507	↘
EURGBP	0.8694	0.8700	0.8708	0.8713	0.8720	↘
USDMYR	3.9885	3.9900	3.9915	3.9950	3.9980	↗
EURMYR	4.5980	4.6000	4.6064	4.6131	4.6200	↘
JPYMYR	3.6680	3.6749	3.6804	3.6828	3.6881	↗
GBPMYR	5.2830	5.2850	5.2897	5.2905	5.2977	↘
SGDMYR	2.9631	2.9650	2.9656	2.9668	2.9677	↘
AUDMYR	2.9796	2.9844	2.9899	2.9933	3.0000	↘
NZDMYR	2.7500	2.7512	2.7539	2.7557	2.7600	↘
USDSGD	1.3421	1.3443	1.3459	1.3472	1.3484	↗
EURSGD	1.5500	1.5520	1.5531	1.5544	1.5583	↘
GBPSGD	1.3220	1.3240	1.3251	1.3260	1.3280	↘
AUDSGD	1.0046	1.0075	1.0081	1.0085	1.0107	↘

* 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	1775.84	-1.2	-1.2	CRB Index	201.82	-0.75	4.1
Dow Jones Ind.	24361.45	-1.6	-1.4	WTI oil (\$/bbl)	66.73	-1.69	10.4
S&P 500	2689.86	-1.2	0.6	Brent oil (\$/bbl)	75.39	0.12	12.7
FTSE 100	7632.64	-1.3	-0.7	Gold (\$/oz)	1298.77	-0.02	0.0
Shanghai	3120.46	-0.5	-5.6	CPO (RM/tonne)	2418.00	-1.10	1.2
Hang Seng	30484.58	-1.0	1.9	Copper (\$/tonne)	6860.00	-0.36	-5.3
STI	3518.48	0.1	3.4	Rubber (sen/kg)	497.00	-0.80	7.5

Source: Bloomberg

Note: KLCI and STI last closed on 28-May

Economic Data

	For	Actual	Last	Survey
US S&P CoreLogic CS 20-City YOY NSA	Mar	6.8%	6.8%	6.5%
US Conference Board Consumer Confidence	May	128.0	125.6 (revised)	128.0
US Dallas Fed Manufacturing Activity	May	26.8	21.8	21.8
JP Jobless Rate	Apr	2.5%	2.5%	2.5%
HK Exports YOY	Apr	8.1%	8.0%	9.1%
HK Trade Balance HKD	Apr	-46.9b	-55.5b	-38.5b
VN Trade Balance	May	-\$500m	\$1,1163m	--
VN CPI YOY	May	3.86%	2.75%	--
VN Exports YTD YOY	May	15.8%	19.0%	--
VN Industrial Production YOY	May	7.1%	9.4%	--
NZ Building Permits MOM	Apr	-3.7%	13.0% (revised)	--

Source: Bloomberg

➤ Macroeconomics

- US house prices climbed, consumers remained upbeat:** The S&P/Case-Shiller 20-City Composite Home Price Index maintained its pace of growth at 6.8% YOY in March (Feb: +6.8%) with Seattle, Las Vegas and San Francisco recording double digit YOY gains. On a monthly basis, 12 of the 20 cities reported higher price gains in March compared to February as steady demand continued to outstrip limited inventories. The Conference Board Consumer Confidence Index rose to 128.0 in May (Apr: 125.6 revised) as both and assessment of current conditions improved. Respondents who claimed that business conditions are "good" increased to 38.4% (Apr: 34.8%) while those claiming business conditions are "bad" went down to 12.0% (Apr: 12.3%). Overall sentiments in the US remained very positive despite the slight downward revision of the University of Michigan consumer sentiment last Friday from initial estimate of 98.8 to 98.0 in May (Apr: 98.8) as the jobs market continue to strengthen. In a separate release, Dallas Fed Manufacturing Index surged to 26.8 in May (Apr: 21.8), in line with all the respective district Fed manufacturing released last week, suggesting a strong pace of growth in the US manufacturing sector this month.
- Japan jobless rate held steady:** The seasonally adjusted unemployment rate remained at 2.5% in April (Mar: 2.5%) while the jobs-to-applicants ratio was unchanged at 1.59 (Mar: 1.59). A tight labour market has not spurred any substantial gains in wage growth. Acceleration of wage growth in March signaled hope for the BOJ to achieve its inflation target but the faster growth was partly attributed to bonus payout in the period and could be revised lower.
- Hong Kong exports growth ticked higher but missed expectations:** Exports grew 8.1% YOY in April (Mar: +8.0%), quicker than the gain in March as the drag from seasonality in Feb recovers. Growth was led by a rebound in shipments to the US (Apr: +11.7% vs Mar: -0.8%) and Taiwan (Apr: +27.8% vs Mar: -7.4%), but gains were nearly wiped out by a plunge in demand from India (Apr: -49.5% vs Mar: -35.3%). Exports to China moderated but remained robust (Apr: +12.9% vs Mar: +17.3%). Demand from Hong Kong was also firm, lifting imports higher by 11.1% in April (Mar: +10.7%). MOM, exports declined 5.0% but imports slipped more, down by 6.5%. This helped narrowed the trade deficit to HK\$ 46.9b in April (Mar: -HK\$ 55.5b).
- Vietnam data mixed:** Headline CPI soared to 3.86% YOY in May (Apr: 2.75%) as prices of food, transport, housing and construction materials, rose at a faster pace. Core CPI increased 1.37% YOY (Apr: +1.33%). Industrial production meanwhile slowed to increase 7.1% YOY in the same month (Apr: +9.4%) as higher growth output in electricity (hot weather led to higher demand) was offset by slower growth in manufacturing and water supply. Mining and quarrying continued to extend its fourth month decline in May. Trade balance swung from a revised surplus of \$1,163m in April to a deficit of \$500m in May. YTD exports slowed to increase 15.8% YOY (Apr: +19.0%).
- New Zealand building approvals dipped:** Home building approval dropped 3.7% MOM in April (Mar: +13.0%), the first time in 3 months, while March figure was revised lower from 14.7% to 13.0%.

Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
30/05	US	MBA Mortgage Applications	25 May	--	-2.6%	--
		ADP Employment Change	May	190k	204k	--
		Wholesale Inventories MOM	Apr P	0.5%	0.3%	--
		GDP Annualized QOQ	1QS	2.3%	2.3%	--
31/05		US Federal Reserve Releases				--
		Beige Book				--
		PCE Core YOY	Apr	1.8%	1.9%	--
		Personal Income	Apr	0.3%	0.3%	--
		Personal Spending	Apr	0.4%	0.4%	--
		Initial Jobless Claims	26 May	228k	234k	--
		Chicago Purchasing Manager	May	58.0	57.6	--
		Pending Home Sales MOM	Apr	0.4%	0.4%	--
30/5	Eurozone	Economic Confidence	May	112.0	112.7	--
		Consumer Confidence	May F	0.2	0.2	--
31/05		Unemployment Rate	Apr	8.4%	8.5%	--
		CPI Estimate YOY	May	1.6%	1.2%	--
31/05	UK	Nationwide House PX MOM	May	0.2%	0.2%	--
31/05		GfK Consumer Confidence	May	-8	-9	--
		Mortgage Approvals	Apr	63.5k	62.9k	--
30/05	Japan	Retail Trade (Sales) YOY	Apr	1.0%	1.0%	--
31/05		Industrial Production YOY	Apr P	3.6%	2.4%	--
		Housing Starts YOY	Apr	-8.9%	-8.3%	--
		Construction Orders YOY	Apr	--	-4.0%	--
31/05	China	Non-manufacturing PMI	May	54.8	54.8	--
		Manufacturing PMI	May	51.4	51.8	--
31/05	Hong Kong	Retail Sales Value YOY	Apr	12.3%	11.4%	--
30/05	Australia	Building Approvals MOM	Apr	-3.0%	2.6%	--
31/05	New Zealand	ANZ Business Confidence	May	--	-23.4	--

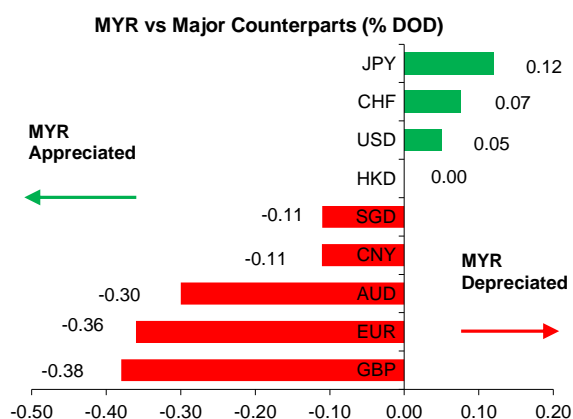
Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1540	-0.73	1.164	1.1510	-3.9
USDJPY	108.77	-0.59	109.47	108.11	-3.7
GBPUSD	1.3249	-0.47	1.3325	1.3205	-3.9
AUDUSD	0.7505	-0.54	0.7553	0.7498	-4.1
EURGBP	0.8710	-0.26	0.8742	0.8698	-2.0
USDMYR	3.9818	0.05	3.9835	3.9797	-1.6
EURMYR	4.6473	-0.36	4.6687	4.6427	-5.2
JPYMYR	3.6393	0.12	3.6427	3.6295	2.1
GBPMYR	5.3039	-0.38	5.3108	5.2977	-3.4
SGDMYR	2.9710	-0.11	2.9761	2.9689	-2.3
AUDMYR	3.0118	-0.30	3.0177	3.0082	-5.7
NZDMYR	2.7650	0.15	2.7708	2.7557	-4.8

Source: Bloomberg

* MYR pairs last closed on 28 May 2018



Forex

MYR

- **MYR slipped 0.05% to 3.9818 against a firm USD** but managed to advance against 7 G10s that were also on a retreat against the greenback.
- **Expect a bearish MYR against USD** as risk aversion continues to prevail in the markets. Minor bullish trend has emerged in USDMYR, and further gains are expected going forward. Expect pace of upsides to wither approaching 4.0000, before sliding lower thereafter.

USD

- **USD extended its advance against 8 G10s** while the DXY jumped in Asian trade and remained elevated thereafter to close 0.43% higher at 94.82, supported by weakness in European majors.
- **We turn bullish on USD**, supported by prevailing refuge demand as political concerns in Europe continue to weigh down markets. Caution that surprise downsides in US data will trigger sharp losses. Upside momentum continues to increase and supports DXY to higher levels. Further gains may test 95.15, before a potential rejection that could spark a reversal lower.

EUR

- **EUR slumped 0.73% to 1.1540 against USD** and fell against 7 G10s amid continued sell-off on political uncertainties arising from Italy and Spain.
- **We turn bearish on EUR against USD** as sell-off is likely to extend amid continued political uncertainties in Italy and Spain. Downside momentum has increased, pushing EURUSD lower. Caution that losing 1.1500 could trigger a new downward wave, otherwise, chances of a rebound higher still persists.

GBP

- **GBP** was supported by refuge demand within European markets, beating 6 G10s but **fell 0.47% to 1.3249 against a strong USD**.
- **We turn bearish on GBP on the back of a strong USD**. With downside momentum rising in GBPUSD, expect losses to extend, possibly testing 1.3200. Holding above 1.3200 still presents a change for reversal higher, otherwise, expect losses to test 1.3085 in the next leg lower.

JPY

- **JPY** rallied to beat all G10s and **strengthened 0.59% to 108.77 against USD** as refuge demand intensified amid rising jitters in Europe.
- **Stay bullish JPY against USD** supported by continued risk aversion in the markets. Expect a potential downside break at 108.44, which would trigger a decline to circa 107.58 in the next leg lower.

AUD

- **AUD** outperformed 5 G10s that were mostly European majors but **fell 0.54% to 0.7505 against a strong USD**.
- **We now expect a bearish AUD against USD**, weighed down by risk aversion in the markets. A minor bearish trend has emerged alongside fading upside momentum, both suggesting AUDUSD is tilted to the downside. Expect losses to test 0.7454 in the next leg lower, below which a drop to 0.7412 is likely.

SGD

- **SGD** was also supported by refuge demand as it beat 7 G10s but **weakened 0.22% to 1.3457 against a strong USD**.
- **Expect a bearish SGD against a strong USD**, weighed down by risk aversion in the markets. USDSGD is now tilted to the upside amid emergence of a minor bullish trend. Caution that pace of gains will be more restrained approaching 1.3484 – 1.3500, a range that poses risk of rejection.

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