

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Markets recovered on fresh hope that Italy might be able to form a coalition government after all.** All three main indices in the US rebounded sharply, while oil prices rallied following news of OPEC and non-OPEC decision to maintain its production cut until the end of 2018. Yield on US 10-year treasuries closed higher at 2.885% while yields on 10-year Italian government bonds ended lower at 2.916% after closing at an all-time high the day before at 3.164%. The euro meanwhile rebounded to post its second biggest daily gain this year, retracing its losses against the dollar after tanking the previous day. **On the monetary policy front, BOC paused but signaled a tightening bias while Bank Indonesia hiked a second time in two weeks in an unscheduled meeting yesterday. Its hawkish tone seems to suggest more rate hikes are still forthcoming this year.**
- **Data flow were largely softer. US 1Q18 GDP growth was revised lower from 2.3% to 2.2% QOQ in a second estimate. ADP jobs report missed estimate with a total of 178k jobs added** in the private sector. **US Fed Beige Book points to rising manufacturing activities, upward pressure in wage growth and prices.** MBA mortgage applications fell for the sixth consecutive month. Wholesale inventories remained unchanged in a preliminary reading. Elsewhere, **Eurozone sentiments weakened** as both businesses and consumers remained uneasy over recent economic slowdown, **Japan retail sales picked up on the back of higher sales in fuel while homebuilding in Australia fell, reaffirming believes of a softening property market.**
- **USD slumped against 9 G10s** while the DXY tumbled 0.79% to 94.06 as demand for refuge retreated drastically and US data underperformed. **We turn bearish on USD** as buying interests wanes, pressured by signs of softening US data and easing refuge demand. DXY was succinctly rejected from further advances overnight, which we opine likely to be the onset of a reversal lower. Expect a decline to 93.65 next, below which a drop to 92.81 is likely.
- **MYR slipped 0.16% to 3.9890 against USD** but not before clawing back early losses after opening weaker. MYR advanced against 6 G10s. **MYR is now bullish on the back of a weak USD**, further supported by likelihood of improved markets sentiment. USDMYR is still within a minor bullish trend that requires a close below 3.9797 today, or 3.9813 tomorrow, to be nullified. Unless the bullish trend is nullified, a close above 3.9890 within 4 days is still in the works.
- **SGD also underperformed** as refuge demand retreated, sliding against 7 G10s but **advanced 0.48% to 1.3392 against a weak USD. SGD is now bullish against USD** amid improving risk appetite in the markets. USDSGD was rejected strongly by 1.3471 and is now tilted to the downside after losing 1.3400 overnight. Expect further losses while below 1.3393, which could set a course for 1.3332.

Overnight Economic Data

US	↓
EU	↓
Japan	↑
Australia	↓

What's Coming Up Next

Major Data

- US PCE Core, Personal Income, Personal Income, Initial Jobless Claims, Chicago PMI, Pending Home Sales
- Eurozone Unemployment Rate, CPI Estimate
- UK GfK Consumer Confidence, Mortgage Approvals,
- Japan Industrial Production, Housing Starts, Construction Orders
- China Non-manufacturing PMI, Manufacturing PMI
- Hong Kong Retail Sales
- New Zealand ANZ Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1620	1.1646	1.1656	1.1670	1.1700	↗
USDJPY	108.23	108.44	108.60	108.91	109.00	↘
GBPUSD	1.3220	1.3240	1.3281	1.3295	1.3335	↗
AUDUSD	0.7541	0.7565	0.7572	0.7587	0.7605	↗
EURGBP	0.8762	0.8769	0.8777	0.8783	0.8794	↗
USDMYR	3.9797	3.9818	3.9848	3.9852	3.9878	↘
EURMYR	4.6400	4.6458	4.6476	4.6550	4.6598	↗
JPYMYR	3.6600	3.6650	3.6698	3.6726	3.6750	↘
GBPMYR	5.2879	5.2900	5.2936	5.3034	5.3115	↘
SGDMYR	2.9700	2.9731	2.9747	2.9761	2.9783	↗
AUDMYR	3.0085	3.0100	3.0165	3.0213	3.0250	↗
NZDMYR	2.7738	2.7805	2.7842	2.7900	2.7921	↗
USDSGD	1.3359	1.3370	1.3393	1.3400	1.3421	↘
EURSGD	1.5583	1.5600	1.5618	1.5668	1.5726	↗
GBPSGD	1.7756	1.7776	1.7795	1.7800	1.7832	↗
AUDSGD	1.0118	1.0127	1.0140	1.0161	1.0187	↗

* 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	1719.28	-3.2	-4.3	CRB Index	203.29	0.73	4.9
Dow Jones Ind.	24667.78	1.3	-0.2	WTI oil (\$/bbl)	68.21	2.22	12.9
S&P 500	2724.01	1.3	1.9	Brent oil (\$/bbl)	77.50	2.80	15.9
FTSE 100	7689.57	0.7	0.0	Gold (\$/oz)	1301.38	0.20	0.0
Shanghai	3041.44	-2.5	-8.0	CPO (RM/tonne)	2372.00	-1.90	-0.8
Hang Seng	30056.79	-1.4	0.5	Copper (\$/tonne)	6840.00	-0.29	-5.6
STI	3443.95	-2.1	1.2	Rubber (sen/kg)	492.50	-0.91	6.5

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US GDP Annualized QOQ	1QS	2.2%	2.9%	2.3%
US MBA Mortgage Applications	25 May	-2.9%	-2.6%	--
US ADP Employment Change	May	178k	163k (revised)	190k
US Wholesale Inventories MOM	Apr P	0.0%	0.2% (revised)	0.5%
EU Economic Confidence	May	112.5	112.7	112.0
EU Consumer Confidence	May F	0.2	0.3	0.2
JP Retail Trade (Sales) YOY	Apr	1.6%	1.0%	1.0%
AU Building Approval MOM	Apr	-5.0%	3.5% (revised)	-3.0%

Source: Bloomberg

➤ Macroeconomics

- US 1Q GDP growth revised lower, ADP missed estimates:** The second estimate of 1Q18 annualized GDP growth came in slightly softer at 2.2% QOQ (4Q17: +2.9%), a tad lower than the initial estimate of 2.3% QOQ as downward revision to private inventory investment, residential fixed income and exports overshadowed an upward revision to non-residential fixed investment. A softer 1Q has been largely within expectations due to weather related reasons but momentum was seen gathering pace heading into 2Q as effect of tax cut started to materialize. The ADP report missed estimates as the private sector added a total of 178k jobs in May (Apr: 163k revised) compared to the expected 190k while April figure was revised markedly from 204k to 163k. This however does not necessarily signal a softer jobs market as other indicators reaffirmed a still firm labour market in the US. Preliminary reading shows that wholesale inventories was virtually unchanged in April at 0% MOM (Mar: +0.2% revised).
- US Fed Beige Book points to rising manufacturing activities, upward pressure in wage growth and prices:** Highlights of the newly published Fed Beige Book include moderate increase in economic activities in late April and early May with more than half of the districts reported pick up in industrial activities. Labour market remained tight with firms reporting difficulties in filling positions, talent shortage led firms to offer higher wages and more generous compensation packages. Prices rose moderately in most of the districts with few district reporting that rising material costs were becoming common.
- US mortgage applications dipped for 6th consecutive week:** The MBA mortgage applications extended its decline by 2.9% for the week ended 25 May (previous: -2.6%) owing to still-high interest rates. The rate-sensitive refinance applications fell 4.7% (previous: -3.7%) while applications to purchase a home dropped 1.9% (previous: -2.0%).
- Eurozone sentiments weakened:** Economic confidence eased slightly to 112.5 in May (Apr: 112.7) while consumer confidence fell to 0.2 (Apr: 0.3) suggesting that both businesses and consumers remained uneasy over near term outlook with the recent growth slowdown and political jitters in some member countries.
- Japan retail sales picked up, beat expectations:** Retail sales rose sharply by 1.6% YOY in April (Mar: +1.0%) spurred by higher sales in fuel on the back of higher oil prices while sales in food eased. Department store sales increased at a faster pace on same store basis at 1.5% YOY (Mar: +0.9%) potentially due to higher wage growth in March as firms handed out bonus to employees. Sales in supermarkets meanwhile dropped 1.8% YOY (Mar: -0.4%).
- Australia building approvals fell:** Homebuilding dropped 5.0% MOM in April (Mar: +3.5% revised) as permits granted to build new private houses fell 5.3% MOM (Mar: +4.3%). On an annual basis, building approvals eased to increase 1.9% YOY (Mar: +15.6%) following a substantial gain in the previous month, adding to signs of a softening property market down under.

Economic Calendar Release Date

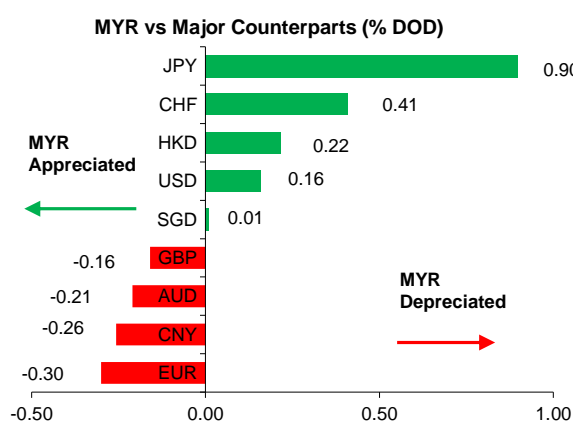
Date	Country	Events	Reporting Period	Survey	Prior	Revised
31/05	US	PCE Core YOY	Apr	1.8%	1.9%	--
		Personal Income	Apr	0.3%	0.3%	--
		Personal Spending	Apr	0.4%	0.4%	--
		Initial Jobless Claims	26 May	228k	234k	--
		Chicago Purchasing Manager	May	58.3	57.6	--
		Pending Home Sales MOM	Apr	0.4%	0.4%	--
1/06		Change in Nonfarm Payrolls	May	190k	164k	--
		Unemployment rate	May	3.9%	3.9%	--
		Average Hourly Earnings YOY	May	2.6%	2.6%	--
		Markit US Manufacturing PMI	May F	56.6	56.6	--
		Construction Spending MOM	Apr	0.8%	-1.7%	--
		ISM Manufacturing	May	58.2	57.3	--
31/05	Eurozone	Unemployment Rate	Apr	8.4%	8.5%	--
		CPI Estimate YOY	May	1.6%	1.2%	--
01/06		Markit Eurozone Manufacturing PMI	May F	55.5	56.5	--
31/05	UK	GfK Consumer Confidence	May	-8	-9	--
		Mortgage Approvals	Apr	63.5k	62.9k	--
01/06		Markit UK PMI Manufacturing PMI	May	53.5	53.9	--
31/05	Japan	Industrial Production YOY	Apr P	3.6%	2.4%	--
		Housing Starts YOY	Apr	-8.9%	-8.3%	--
		Construction Orders YOY	Apr	--	-4.0%	--
01/06		Nikkei Japan PMI Manufacturing	May F	--	52.5	--
31/05	China	Non-manufacturing PMI	May	54.8	54.8	--
		Manufacturing PMI	May	51.4	51.8	--
01/06		Caixin China PMI Manufacturing	May	51.2	51.1	--
31/05	Hong Kong	Retail Sales Value YOY	Apr	12.2%	11.4%	--
01/06	Australia	AiG Performance of Manufacturing Index	May	--	58.3	--
31/05	New Zealand	ANZ Business Confidence	May	--	-23.4	--
01/06	Vietnam	Nikkei Vietnam PMI Manufacturing	May	--	52.7	--

Source: Bloomberg

FX Table

Name	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1665	1.08	1.1676	1.1519	-2.9
USDJPY	108.91	0.13	109.07	108.35	-3.6
GBPUSD	1.3286	0.28	1.3307	1.3242	-1.7
AUDUSD	0.7575	0.93	0.7584	0.7476	-3.1
EURGBP	0.8778	0.78	0.8784	0.8698	-1.2
USDMYR	3.9890	0.16	3.9952	3.9878	-1.6
EURMYR	4.6335	-0.30	4.6343	4.5936	-4.3
JPYMYR	3.6722	0.90	3.6827	3.6652	2.0
GBPMYR	5.2955	-0.16	5.3034	5.2766	-3.2
SGDMYR	2.9714	0.01	2.9731	2.9569	-1.9
AUDMYR	3.0055	-0.21	3.0055	2.9799	-4.7
NZDMYR	2.7656	0.02	2.7668	2.7425	-3.5

Source: Bloomberg



Forex

MYR

- **MYR slipped 0.16% to 3.9890 against USD** but not before clawing back early losses after opening weaker. MYR advanced against 6 G10s.
- **MYR is now bullish on the back of a weak USD**, further supported by likelihood of improved markets sentiment. USDMYR is still within a minor bullish trend that requires a close below 3.9797 today, or 3.9813 tomorrow, to be nullified. Unless the bullish trend is nullified, a close above 3.9890 within 4 days is still in the works.

USD

- **USD slumped against 9 G10s** while the DXY tumbled 0.79% to 94.06 as demand for refuge retreated drastically and US data underperformed.
- **We turn bearish on USD** as buying interests wanes, pressured by signs of softening US data and easing refuge demand. DXY was succinctly rejected from further advances overnight, which we opine likely to be the onset of a reversal lower. Expect a decline to 93.65 next, below which a drop to 92.81 is likely.

EUR

- **EUR surged 1.08% to 1.1665 against USD**, more than recovering the losses suffered a day prior and advanced against 5 G10s on easing fears that Europe is heading into more political uncertainties.
- **Expect a bullish EUR against USD** amid subsiding fears of increased political uncertainties in Europe; strong set of Eurozone data will boost further upsides. The strong rebound overnight is to us a sign of EURUSD bulls have not given up. We expect EURUSD to try for further advances, potentially testing 1.1723 in the process, above which 1.1855 will be targeted.

GBP

- **GBP lost its luster as fears in Europe subsided**, sliding against 7 G10s but **managed to climb 0.28% to 1.3286 against USD**.
- **GBP is slightly bullish against a soft USD**. GBPUSD managed to hold off a decline below 1.32 and rebounded firmly. This is likely a sign that there may be some strength left in the bulls to try for further gains, possibly testing 1.3335.

JPY

- **JPY fell to the bottom of the G10 list and slipped 0.13% to 108.91** as demand for refuge greatly dissipates on easing political concerns in Europe.
- **Stay bullish JPY against a softening USD**. Expect a potential downside break at 108.44, which would trigger a decline to circa 107.58 in the next leg lower.

AUD

- **AUD underperformed 6 G10s that rallied as risk sentiment improved but surged 0.93% to 0.7575 against a weak USD**.
- **AUD is now bullish against a weak USD**, further led by improving risk appetite in the markets. Recapturing above 0.7565 overnight is a bullish sign and we now renew our view of an advance to 0.7660 in the next leg higher. Above this, there is room to test 0.7718.

SGD

- **SGD also underperformed as refuge demand retreated**, sliding against 7 G10s but **advanced 0.48% to 1.3392 against a weak USD**.
- **SGD is now bullish against USD** amid improving risk appetite in the markets. USDSGD was rejected strongly by 1.3471 and is now tilted to the downside after losing 1.3400 overnight. Expect further losses while below 1.3393, which could set a course for 1.3332.

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