

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- US stocks fell overnight as the **Federal Reserve kept its fed funds target range unchanged as widely expected and reiterated its patient stance on monetary policy**. Stocks were up for the most part of the day driven by iPhone maker Apple's shares but turned lower as markets reacted to Fed chair Jerome Powell's remarks that the Fed **saw "no strong case" for either a rate hike or a cut** and the lower inflation in recent months were driven by "transitory" factors, **essentially dampening traders' hope that the central bank would deliver a rate cut this year**. The Dow fell 0.61% (-162.77pts), the S&P 500 snapped three day winning streak to lose 0.75% (-22.10pts) while NASDAQ trimmed 0.57% (-45.75pts). **10Y UST yield rebounded sharply after Powell's inflation comment to end flat at 2.5%**. Crude oil prices weakened after EIA reported increased crude stockpiles- WTI fell 0.49% to \$63.60/barrel while Brent crude went down by 0.85% to \$721.18/barrel. European and Asian markets were mostly closed for Labour Day holiday.
- **US data overnight offered mixed signals**. The ISM Manufacturing Index fell by 2.5pts to 52.8 in April while the Markit Manufacturing PMI rose slightly to 50.6. April ADP jobs came in better than expected at 275k. Construction spending fell 0.9% MOM in March, mortgage applications fell 4.3% last week. **In UK, stockpiling eased, effectively slowing down the manufacturing sector** as PMI fell to 53.1 in April from March's 13-month high. The Nationwide House Prices Index picked up 0.9% YOY in April but mortgage approvals dropped. Down under, **New Zealand job data disappointed, reinforcing views that the RBNZ will cut OCR next Wednesday**. Australia manufacturing PMI rebounded to 54.8 in April but probably has little impact on RBA rate cut expectation next week.
- **The Dollar index closed 0.09% higher at 97.601** as the Fed downplayed market expectations of a rate cut and held firm citing the need to be 'patient'. **We maintain USD bullishness** as market will most likely readjust short term positioning to reflect the Fed's non-committal to a rate cut.
- **MYR closed flat** against the USD at 4.1345 as market awaits FOMC announcement. **We remain neutral MYR** as it continues to consolidate between the 4.12-4.15 immediate range with a slight upside bias thanks to a non-committal Fed as it stands firm on rates.
- **SGD closed flat at 1.3610 against USD** post FOMC. **We maintain bearish SGD** as the broader USD is likely to continue to register gains as investors remove Fed rate cut bets off the table. Expected equity weakness in Asia is expected to support SGD weakness as well post FOMC.

#### Overnight Economic Data

US	➔
UK	➔
Australia	➕
New Zealand	➔

#### What's Coming Up Next

##### Major Data

- Malaysia Nikkei PMI
- US Initial Jobless Claims, Factory Orders, Durable Goods Orders
- Eurozone Markit Manufacturing PMI
- UK Markit/CIPS UK Construction PMI

##### Major Events

- Bank of England Bank Rate Decision

#### Daily Supports – Resistances (spot prices)\*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1140	1.1170	1.1205	1.1220	1.1250	➔
GBPUSD	1.2950	1.3000	1.3057	1.3100	1.3150	➔
USDJPY	111.00	111.30	111.53	111.75	112.00	➔
AUDUSD	0.6950	0.7000	0.7021	0.7060	0.7100	➔
EURGBP	0.8520	0.8550	0.8585	0.8600	0.8650	➔
USDMYR	4.1250	4.1300	4.1380	4.1400	4.1450	➔
EURMYR	4.5800	4.6100	4.6390	4.6450	4.6650	➔
JPYMYR	3.6800	3.6900	3.7130	3.7200	3.7300	➔
GBPMYR	5.3750	5.3900	5.4060	5.4150	5.4400	➔
SGDMYR	3.0325	3.0375	3.0425	3.0450	3.0500	➔
AUDMYR	2.8950	2.9000	2.9065	2.9100	2.9150	➔
NZDMYR	2.7300	2.7400	2.7465	2.7650	2.7750	➔
USDSGD	1.3550	1.3600	1.3611	1.3655	1.3700	➔
EURSGD	1.5150	1.5200	1.5250	1.5270	1.5311	➔
GBPSGD	1.7410	1.7560	1.7775	1.7875	1.7975	➔
AUDSGD	0.9450	0.9500	0.9557	0.9650	0.9700	➔

\* 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*	1,642.29	0.30	-2.86	CRB Index	183.66	-0.32	8.16
Dow Jones Ind.	26,430.14	-0.61	13.30	WTI oil (\$/bbl)	63.60	-0.49	40.06
S&P 500	2,923.73	-0.75	16.63	Brent oil (\$/bbl)	72.18	-0.85	34.16
FTSE 100	7,385.26	-0.44	9.77	Gold (S/oz)	1,276.76	-0.53	-0.41
Shanghai*	3,078.34	0.52	23.43	CPO (RM/tonne)**	1,976.00	-0.73	1.20
Hang Seng*	29,699.11	-0.65	14.91	Copper (\$/tonne)	6,235.00	-2.81	4.53
STI*	3,400.20	-0.20	10.80	Rubber (sen/kg)*	488.00	0.21	28.76

\*Last price for 30 Apr, \*\* Last price for 29 Apr

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US FOMC Fed Funds Rate Target Range	2 May	2.25%-2.5%	2.25%-2.5%	2.25%-2.5%
US MBA Mortgage Applications	26 Apr	-4.3%	-7.3%	--
US ADP Employment Change	Apr	275k	151k (revised)	180k
US Markit Manufacturing PMI	Apr F	52.6	52.4	52.4
US ISM Manufacturing	Apr	52.8	55.3	55.0
US Construction Spending MOM	Mar	-0.9%	0.7% (revised)	0.0%
UK Nationwide House Prices Index	Apr	0.9%	0.7%	0.7%
UK Mortgage Approvals	Mar	62.3k	65.3k (revised)	64.5k
UK Markit PMI Manufacturing	Apr	53.1	55.1	53.1
AU AiG Perf of Mfg Index	Apr	54.8	51.0	--
NZ Unemployment Rate	1Q	4.2%	4.3%	4.3%
NZ Employment Change QOQ	1Q	-0.2%	0.1%	0.5%
NZ Private Wage Inc Overtime QOQ	1Q	0.3%	0.5%	0.5%

Source: Bloomberg

**➤ Macroeconomics**

- Fed held rates steady, saw no strong case for a hike or cut:** The Federal Reserve maintained the target range for the fed funds rate unchanged at 2.25-2.5% as widely expected. The Fed made some changes regarding the current state of the economy in response to the better-than-expected 1Q19 GDP growth. Economic activity was said to rise at a "solid rate" and acknowledged that core inflation has declined and was running below 2%. Outlook for monetary policy remained unchanged as it reiterated its patience stance. Much of the attention was on Fed Chair Jerome Powell post meeting's press conference where he said that the Fed didn't see "a strong case for moving (fed funds rate) in either direction" and the recent weakness in inflation was a result of 'transitory' factors, effectively dampening markets' hope for a rate cut this year despite lower inflation. Rates traders reduced bets that the central bank will deliver a 25bps cut later this year following Powell's presser. The probability of a December rate cut went from 41.5% to 39.7%.
- US manufacturing sector seen slowing; ADP beat estimates:** US data overnight offered mixed signals on the strength of the economy. The ISM Manufacturing Index fell by 2.5pts to 52.8 in April (Mar: 55.3), suggesting an easing in manufacturing activities as new orders, production and employment rose at a slower pace to compared to last month while new exports orders contracted for the first time since Feb-16. The prices paid sub-index fell to 50.0 neutral level indicating no change in prices levels, as price pressure failed to pick up. In contrast, the Markit Manufacturing PMI rose slightly to 50.6 in the same month (Mar: 52.4) to indicate a marginal increase in manufacturing activities. Construction spending fell 0.9% MOM in March (Feb: +0.7% revised), more than reversing previous month's revised gain. The US private sector added 275k new jobs in April (Mar: +151k revised) according to the ADP job report, March's number was also revised higher by 22k, pointing to a still robust labour market. Last but not least, mortgage applications fell for a fourth straight week by 4.3% for the week ended 26 Apr (previous: -7.3%) despite markedly lower borrowing cost, again offering mixed signs on demand in the housing market.
- Stockpiling eased in UK, slowed down manufacturing sector:** The IHS Markit Manufacturing PMI fell to 53.1 in April (March: 55.1), down from the 13-month high in March on weaker growth in productions, new orders, and stocks of purchases as well as job losses in the sector. The weaker PMI reading reaffirmed earlier view that the recent boost to the manufacturing industry was only temporary as the rate of stockpiling for Brexit fizzled out. That said, business optimism improved to seven-month high (in line with the higher Llyods Business Barometer) as companies saw brighter outlook over expansion plans, new product launches, use of new technologies, marketing strategies and an improved operating environment. Firms remained concerned over ongoing Brexit uncertainties. On the housing front, the Nationwide House Prices Index rose 0.9% YOY in April (Mar: +0.7%) suggesting that house prices are gathering some momentum in recent months, but sentiments appeared to remain weak with the number of mortgage approvals dropping to 62.3k in March (Feb: 65.3 revised).

- New Zealand job data disappointed:** New Zealand unemployment rate fell to 4.2% in the first quarter of 2019 (4Q: 4.3%), largely due to the shrinking of the labour force as participation rate also fell concurrently to 70.4% (4Q: 70.9%). In fact, the labour market went through a setback with employment declining by 0.2% QOQ (4Q: +0.1%), as slower growth reduced demand for workers. Private wages inclusive of overtime payment grew a modest 0.3% QOQ (4Q: +0.5%) indicating that wage growth remained tepid in the economy. Overall job report was a disappointment and with inflation staying below the RBNZ's target range midpoint, helped reinforce view that the RBNZ will cut rate as soon as next week. As of writing, markets are pricing in a 56.5% chance that the central bank will cut its official cash rate (OCR) by 25bps from its current level of 1.75% to 1.5% in its next Wednesday's meeting.
- Australia manufacturing industry regained footing:** The AIG Performance of Manufacturing Index rebounded to 54.8 in April (Mar: 51.0) to suggest a faster pace of growth in Australia's manufacturing industry. Respondents reported improving economic conditions in April, with four of the six sectors recorded expansions. Weaker Aussie dollar supported foods export order, but further weakness was seen in the large metals and machinery & equipment sector. Manufacturers were generally concerned over the uncertainty arising from the Federal election, ongoing droughts as well as downturn in the housing market and credit tightening.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
02/05	Malaysia	<b>Nikkei Malaysia PMI</b>	<b>Apr</b>	--	<b>47.2</b>	--
03/05		Exports YOY	Mar	-4.5%	-5.3%	--
		Imports YOY	Mar	-3.7%	-9.4%	--
		Trade Balance MYR	Mar	13.50b	11.06b	--
02/05	US	<b>Initial Jobless Claims</b>	<b>27 Apr</b>	<b>215k</b>	<b>230k</b>	--
		<b>Factory Orders</b>	<b>Mar</b>	<b>1.5%</b>	<b>-0.5%</b>	--
		<b>Durable Goods Orders</b>	<b>Mar F</b>	--	--	--
		<b>Cap Goods Orders Nondef Ex Air</b>	<b>Mar F</b>	--	--	--
03/05		Advance Goods Trade Balance	Mar	-\$73.0b	--	--
		Wholesale Inventories MOM	Mar P	0.2%	0.2%	--
		Retail Inventories MOM	Mar	0.1%	0.3%	--
		Change in Nonfarm Payrolls	Apr	190k	196k	--
		Unemployment Rate	Apr	3.8%	3.8%	--
		Average Hourly Earnings YoY	Apr	3.3%	3.2%	-
02/05	Eurozone	<b>Markit US Services PMI</b>	<b>Apr F</b>	<b>52.9</b>	<b>55.3</b>	--
		<b>ISM Non-Manufacturing Index</b>	<b>Apr</b>	<b>57.0</b>	<b>56.1</b>	--
02/05		<b>Markit Eurozone Manufacturing PMI</b>	<b>Apr F</b>	<b>47.8</b>	<b>47.5</b>	--
03/05		PPI YOY	Mar	3.0%	3.0%	--
	CPI Core YOY	Apr A	1.0%	0.8%	--	
	CPI Estimate YOY	Apr	1.6%	1.4%	--	
02/05	UK	<b>Markit/CIPS UK Construction PMI</b>	<b>Apr</b>	<b>50.3</b>	<b>49.7</b>	--
		<b>Bank of England Bank Rate</b>	<b>02 May</b>	<b>0.75%</b>	<b>0.75%</b>	--
		<b>Bank of England Inflation Report</b>				
03/05		Markit/CIPS UK Services PMI	Apr	50.3	48.9	--
03/05	Singapore	Purchasing Managers Index	Apr	51.0	50.8	--
02/05	Vietnam	Nikkei Vietnam PMI Mfg	Apr	--	51.9	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1196	-0.17	1.1265	1.1187	-2.31
GBPUSD	1.3050	0.14	1.3102	1.3030	2.35
USDJPY	111.38	-0.04	111.61	111.05	1.60
AUDUSD	0.7015	-0.47	0.7061	0.7007	-0.47
EURGBP	0.8580	-0.29	0.8606	0.8578	-4.53
USDMYR	4.1345	0.02	4.1375	4.1305	0.03
EURMYR	4.6350	0.45	4.6395	4.6180	-1.95
JPYMYR	3.7143	0.41	3.7185	3.6997	-1.16
GBPMYR	5.3667	0.32	5.3688	5.3415	1.88
SGDMYR	3.0405	0.13	3.0405	3.0319	0.15
AUDMYR	2.9177	0.14	2.9206	2.9086	-0.18
NZDMYR	2.7611	0.22	2.7613	2.7515	-0.63
CHFMYR	4.0626	0.19	4.0655	4.0501	-3.25
CNYMYR	0.6141	0.01	0.6141	0.6136	1.46
HKDMYR	0.5273	0.08	0.5274	0.5266	-0.17
USDSGD	1.3610	0.01	1.3623	1.3573	-0.13
EURSGD	1.5238	-0.16	1.5292	1.5237	-2.44
GBPSGD	1.7761	0.15	1.7790	1.7717	2.21
AUDSGD	0.9550	-0.40	0.9596	0.9546	-0.57

Source: Bloomberg

## Forex

### MYR

- **MYR closed flat** against the USD at 4.1345 as market awaits FOMC announcement.
- **We remain neutral MYR** as it continues to consolidate between the 4.12-4.15 immediate range with a slight upside bias thanks to a non-committal Fed as it stands firm on rates.

### USD

- **The Dollar index closed 0.09% higher at 97.601** as the Fed downplayed market expectations of a rate cut and held firm citing the need to be 'patient'.
- **We maintain USD bullishness** as market will most likely readjust short term positioning to reflect the Fed's non-committal to a rate cut.

### EUR

- **EUR closed 0.17% lower at 1.1196 against USD** as USD strength dominates post FOMC as currencies retrace intraday gains against the USD.
- **We remain bearish on EUR** as there looks to be a divergence between Eurozone economies and the US economy which may drag on the EUR as a whole.

### GBP

- **GBP closed 0.14% higher at 1.3050 against the USD**, off the day's highs but still managed to impressively close higher in the face of USD strength post FOMC.
- **GBP turns bullish** retracing almost 2 weeks of losses to regain the 1.30 handle and now looks set to go back towards the 1.31 handle.

### JPY

- **JPY closed 0.04% stronger at 111.38** on lower US equities and mixed UST yields.
- **We continue to remain neutral on JPY** as we are still in the midst of Japanese golden week holidays and we look towards data calendar as a catalyst for short term volatility.

### AUD

- **AUD weakened 0.47% to 0.7015 against the USD** as USD strength returns post FOMC.
- **We turn neutral on AUD** here as it has failed to maintain the upside momentum needed to break higher towards 0.71 area post FOMC and is now trading towards important support zone of 0.7000.

### SGD

- **SGD closed flat at 1.3610 against USD** post FOMC.
- **We maintain bearish SGD** as the broader USD is likely to continue to register gains as investors remove Fed rate cut bets off the table. Expected equity weakness in Asia is expected to support SGD weakness as well post FOMC.

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)**DISCLAIMER**

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