

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks tumbled overnight, as President Trump's abrupt announcement to slap 5% tariffs on all Mexican goods effective 10 June sent investors fleeing riskier assets and scampering to safe havens, further depressing bond yields to multi-month lows.** Trump's move was a bid to speed up the two countries' immigration issues, raising concerns over the US leader's extreme move of using tariffs to tackle issues beyond trade and the effect of such multiple-front trade disputes could have on the global economy. The Dow lost 355pts or 1.4% in a single day, marking its sixth consecutive weekly fall and its worst monthly performance since December last year. **Treasuries yield plunged further by a whopping 7-14bps across the curve, 10Y UST yield lost 9bps to 2.13%**, the lowest level since Sep-17. **Crude oil prices collapsed on escalating trade tension.** WTI deep dived by 5.5% to \$53.50/barrel and Brent crude erased 3.6% \$64.49/barrel. **Continued deepening and broadening of US trade protectionism policy, with India being the latest target, will continue to undermine risk sentiments and eventually global growth.**
- **US data were mixed. Personal spending rose unexpectedly by 0.3% MOM in April following an outsized gain** in the previous month, supported by a solid 0.5% MOM rise in personal income. **Core PCE, the Fed's preferred measure of inflation rose 1.6% YOY, still well below its 2% target.** The final reading of University of Michigan Sentiment Index was revised lower to 100.0 in May as **consumer confidence eroded over the escalation of US-China trade dispute.** The MNI Chicago Business Barometer rose minimally to 54.2 in May. UK house prices growth continued to ease amidst Brexit. **China manufacturing PMI fell back below 50.0 to indicate a contraction in factory activities while services PMI was flat at 54.3.** Hong Kong retail sales fell for the third month amidst broader slowdown of the economy.
- **The Dollar index closed lower by 0.42% at 97.743** led by declines in USDJPY and USDCHF on safe haven demand. **We continue to maintain USD bullishness** as trade and geopolitical worries would likely support the USD going forward.
- **MYR closed marginally stronger** against the USD at 4.1900 as last minute orders pushed it stronger towards the close once again. **We remain bearish MYR** with 4.20 being the short term target in focus as trade worries continue to weigh with the US opening up multiple trade war fronts.
- **SGD closed stronger by 0.31% at 1.3748 against USD** amidst broad USD weakness against the majors. **We maintain bearish SGD** above 1.3680 on technicals and on continued poor risk sentiment overall in the EM space due to trade worries.

#### Overnight Economic Data

US	➔
UK	➔
China	➔
Hong Kong	➔
Australia	➔

#### What's Coming Up Next

##### Major Data

- Malaysia Nikkei Malaysia, Trade Report
- US ISM Manufacturing, Construction Spending
- Markit Manufacturing PMI for US, Eurozone, UK,
- China Caixin PMI manufacturing
- Japan, Singapore and Vietnam Nikkei PMI

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1120	1.1150	1.1180	1.1200	1.1230	➔
GBPUSD	1.2575	1.2600	1.2647	1.2680	1.2730	➔
USDJPY	107.70	108.00	108.30	118.60	109.00	➔
AUDUSD	0.6875	0.6900	0.6942	0.6950	0.6975	➔
EURGBP	0.8775	0.8800	0.8842	0.8850	0.8875	➔
USDMYR	4.1800	4.1850	4.1900	4.1950	4.2000	➔
EURMYR	4.6400	4.6600	4.6833	4.6900	4.7000	➔
JPYMYR	3.8300	3.8550	3.8695	3.8750	3.8900	➔
GBPMYR	5.2600	5.2800	5.2978	5.3200	5.3400	➔
SGDMYR	3.0400	3.0450	3.0505	3.0530	3.0550	➔
AUDMYR	2.8750	2.8900	2.9085	2.9150	2.9250	➔
NZDMYR	2.7150	2.7300	2.7415	2.7500	2.7600	➔
USDSGD	1.3685	1.3700	1.3736	1.3760	1.3790	➔
EURSGD	1.5310	1.5340	1.5360	1.5400	1.5450	➔
GBPSGD	1.7250	1.7300	1.7372	1.7450	1.7550	➔
AUDSGD	0.9500	0.9530	0.9534	0.9575	0.9600	➔

\* 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	1,650.76	0.87	-2.36	CRB Index	175.36	-1.90	3.28
Dow Jones Ind.	24,815.04	-1.41	6.38	WTI oil (\$/bbl)	53.50	-5.46	17.82
S&P 500	2,752.06	-1.32	9.78	Brent oil (\$/bbl)	64.49	-3.56	25.03
FTSE 100	7,161.71	-0.78	6.44	Gold (\$/oz)	1,305.58	1.31	2.07
Shanghai	2,898.70	-0.24	16.23	CPO (RM/tonne)	1,970.50	0.00	0.92
Hang Seng	26,901.09	-0.79	4.08	Copper (\$/tonne)	5,830.00	-0.38	-2.26
STI	3,117.76	-0.80	1.60	Rubber (sen/kg)	495.00	1.02	30.61

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Personal Income	Apr	0.5%	0.1%	0.3%
US Personal Spending	Apr	0.3%	1.1% (revised)	0.2%
US PCE Core Deflator YOY	Apr	1.6%	1.5% (revised)	1.6%
US MNI Chicago PMI	May	54.2	52.6	54.0
US U. of Mich. Sentiment	May F	100.0	97.2	101.5
UK Nationwide House Price NSA YOY	May	0.6%	0.9%	1.2%
UK Mortgage Approvals	Apr	66.3k	62.6k (revised)	63.7k
HK Retail Sales Value YOY	Apr	-4.5%	-0.2%	-0.2%
CN Manufacturing PMI	May	49.4	50.1	49.9
CN Non-manufacturing PMI	May	54.3	54.3	54.3
AU AiG Perf of Mfg Index	May	52.7	54.8	--

Source: Bloomberg

## ➤ Macroeconomics

- US consumer spending rose amidst strong income growth:** Personal consumption expenditure (PCE), a measurement of consumer spending rose more than expected by 0.3% MOM in April (Mar: +1.1% revised). Notably, the better-than-expected reading came after a strong growth in March which was further revised upward from 0.9% to 1.1% MOM, offering tentative sign that spending is finally picking up in the US following the slowness in late 2018 and early 2019. The upturn is supported by the faster growth in personal income which registered a higher 0.5% MOM increase (Mar: +0.1%), the fastest rate since December last year. Despite the pick-up in spending and income, inflation remained subdued in the US as the price index for core PCE, the Fed's preferred inflation gauge rose 0.2% MOM (Mar: +0.1%) and a mere 1.6% YOY (Mar: 1.5% revised), well below the central bank's 2% target.
- US consumer confidence eroded in late May over tariffs concerns:** The final reading of the University of Michigan Consumer Sentiment Index was revised lower from 102.4 to 100.0 in May (Apr: 97.2) as consumer confidence significantly eroded in the last two weeks of May following the escalation of US-China trade dispute with 35% of respondents making reference to tariffs. Inflation expectations jumped as consumers were concerned over the effect of tariffs on prices of goods, leading the gauge of buying conditions for appliances and other large household durables to fall to its lowest level in four years. The headline index remained at a very favourable level but nonetheless suggests that the current trade dispute if should it escalate further, could significantly weigh down on consumer sentiments and hence overall spending.
- MNI Chicago Index rose in May:** The MNI Chicago Business Barometer rose minimally to 54.2 in May (Apr: 52.6) supported by a pick-up in business sentiments over a modest increase in new order and production. The survey however points to softness in business activity as the three-month average reading fell to a two-year low. Employment was also the softest since Oct-17 as the demand for workers weakened in response to slower growth in demand and production since the turn of the year. Prices managed to pick up a little over high oil prices.
- UK house price fell; mortgage approvals went up:** The Nationwide House Price Index fell 0.2% MOM in May (Apr: +0.3% revised) and slowed to increase 0.6% YOY (Apr: +0.9%) to indicate that growth in the housing market remained sluggish amidst Brexit uncertainties. Separate release by the BOE shows that mortgages approvals went up to a three-month high of 66.3k in April (Mar: 62.6k), but overall sentiments in the UK housing sector is still bearish.
- China manufacturing sector weakened in May:** China manufacturing PMI disappointed again in May, recording a much lower reading of 49.4 this time around (Apr: 50.1) and marking its return below the 50.0 neutral threshold. The poorer than expected PMI reaffirmed the entrenched weakness in the Chinese manufacturing industry as global and domestic demand slowed all in the middle of the prolonged trade dispute with the US. The services sector appeared to hold up still as the non-manufacturing PMI was flat at 54.3, offering some respites that the services sector could act as a support for the slower economy.

- **Hong Kong retail sales continued to fall as demand weakened:** Hong Kong retail sales fell by 4.5% YOY in April (Mar: -0.2%) marking its third consecutive month of decline, suggesting that consumers continued to hold back from spending amidst broader slowdown of the economy. The decline in sales was driven mainly by the fall in sales of clothing & footwear, consumer durable goods, department stores as well as jewelry, watches & clocks. Food, alcohol & tobacco and fuels saw slower gain in overall sales.
- **Australia manufacturing grew at slower pace in May:** AiG manufacturing index moderated to 52.7 in May (Apr: 54.8), suggesting manufacturing activities were expanding at slower pace in May dragged by broadly slower increases led by production, new orders, capacity utilization and exports. Employment is the segment that stood out, registering a 4.2-point gains, in line with other job indicators that showed a still healthy labour market.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
03/06	Malaysia	Nikkei Malaysia PMI	May	--	49.4	--
		Exports YOY	Apr	-2.1%	-0.5%	--
		Trade Balance MYR	Apr	12.5b	14.4b	--
03/06	US	Markit Manufacturing PMI	May F	50.6	50.6	--
		ISM Manufacturing	May	53.0	52.8	--
		Construction Spending MOM	Apr	0.4%	-0.9%	--
04/06		Factory orders	Apr	-1.0%	1.9%	--
		Durable goods orders	Apr F	--	-2.1%	--
03/06	Eurozone	Markit Manufacturing PMI	May F	47.7	47.7	--
04/06		Unemployment rate	Apr	7.7%	7.7%	--
		CPI estimate YOY	May	1.3%	1.7%	--
03/06	UK	Markit PMI Manufacturing SA	May	52.2	53.1	--
04/06		Markit PMI construction	May	50.6	50.5	--
03/06	Japan	Nikkei PMI Mfg	May F	--	49.6	--
03/06	China	Caixin China PMI Mfg	May	50.0	50.2	--
03/06	Singapore	Purchasing Managers Index	May	50.1	50.3	--
04/06	Australia	Retail sales MOM	Apr	0.2%	0.3%	--
		RBA cash target rate	Jun 4	1.25%	1.50%	--
03/06	Vietnam	Nikkei Vietnam PMI Mfg	May	--	52.5	--

Source: Bloomberg

## Forex

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1169	0.36	1.1180	1.1125	-2.54
GBPUSD	1.2629	0.17	1.2645	1.2559	-0.85
USDJPY	108.29	-1.21	109.62	108.28	-1.30
AUDUSD	0.6938	0.38	0.6944	0.6901	-1.62
EURGBP	0.8841	0.16	0.8875	0.8822	-1.68
USDMYR	4.1900	-0.05	4.1980	4.1885	1.37
EURMYR	4.6719	0.02	4.6806	4.6657	-0.93
JPYMYR	3.8523	0.7	3.8542	3.8361	3.00
GBPMYR	5.2868	-0.23	5.3007	5.2844	0.59
SGDMYR	3.0422	0.03	3.0455	3.0371	0.47
AUDMYR	2.8990	-0.30	2.9060	2.8948	-0.59
NZDMYR	2.7316	-0.19	2.7364	2.7284	-1.40
CHFMYR	4.1688	0.26	4.1772	4.1645	-0.16
CNYMYR	0.6072	-0.07	0.6084	0.6069	0.32
HKDMYR	0.5343	-0.06	0.5355	0.5341	1.23
USDSGD	1.3748	-0.31	1.3808	1.3734	0.79
EURSGD	1.5355	0.03	1.5389	1.5330	-1.76
GBPSGD	1.7368	-0.11	1.7418	1.7323	-0.06
AUDSGD	0.9537	0.05	0.9554	0.9523	-0.82

Source: Bloomberg

### MYR

- **MYR closed marginally stronger** against the USD at 4.1900 as last minute orders pushed it stronger towards the close once again.
- **We remain bearish MYR** with 4.20 being the short term target in focus as trade worries continue to weigh with the US opening up multiple trade war fronts.

### USD

- **The Dollar index closed lower by 0.42% at 97.743** led by declines in USDJPY and USDCHE on safe haven demand.
- **We continue to maintain USD bullishness** as trade and geopolitical worries would likely support the USD going forward.

### EUR

- **EUR closed 0.36% stronger at 1.1169 against USD** in line with broad USD weakness against the majors.
- **We remain bearish on EUR** as 1.1230 continues to provide decent resistance against a largely USD positive backdrop due to nagging concerns over trade.

### GBP

- **GBP closed 0.17% higher at 1.2629** as it continues to consolidate near the recent lows.
- **GBP remains bearish** below 1.29 pivot and current leadership crisis is adding weight and uncertainty to GBP.

### JPY

- **JPY closed 1.21% stronger at 108.29** as safe haven demand dominated trading.
- **We remain bullish JPY** as wide spreading trade worries will continue to support JPY strength and there doesn't seem to be a resolution foreseen in the short term.

### AUD

- **AUD closed 0.38% stronger at 0.6938 against the USD.**
- **We remain bearish on AUD** over the potential RBA rate cut tomorrow and expected USD strength over trade worries.

### SGD

- **SGD closed stronger by 0.31% at 1.3748 against USD** amidst broad USD weakness against the majors.
- **We maintain bearish SGD** above 1.3680 on technicals and on continued poor risk sentiment overall in the EM space due to trade worries.

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanela

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**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.