

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Flight to safety intensified overnight as protracted trade tension is augmented by growing expectations of a Fed rate cut** stemming from prospects of growth fallout in the global economy. **Latest slew of PMI manufacturing readings largely disappointed** adding to signs the world economy is taking the brunt of US protectionism policies that has gone beyond trade – latest being China is warning its students studying in the US. **Dovish comment from Fed Bullard saying a rate cut may be needed “soon”** also added fuel to fire. **Fed fund futures is now pricing in a full four rate cuts by end-2020.** On top of these, news on **antitrust probe on big technology companies** in the like of Facebook, Amazon, Apple and Google is also unnerving markets. **Despite mixed closings in global equities, global government bonds all rallied on demand for refuge** with benchmark 10Y note yields registering hefty falls with the UST losing 14bps to 2.08%, its lowest since Sept-17. **Global crude oil prices continued its rapid decline, amid concerns over slower demand as the trade spat deepened.** Brent crude last closed at \$61.28/ barrel, its lowest since February and below its YTD average of \$63/ barrel. **Today, all eyes are on RBA rate decision where a 25bps rate cut is widely expected,** followed by RBA Governor Lowe’s speech later in the day.
- On the data front, **manufacturing prints all showed activities slowed in the month of May with the exception of China Caixin that surprisingly held steady,** contrary to the downtick in the official print released last week. Slower and/ or decline in new orders were the main drag on PMI. **Back home, exports snapped a two-month decline and increased at a better than expected pace of 1.1% YOY in April** mainly driven by a turnaround in E&E exports and pick-up in exports to the US, Singapore and Japan. No change to our view of softer exports outlook ahead amid intensifying trade tensions and slowdown concerns in the world economy.
- **The Dollar index closed lower by 0.52% at 97.220** as USD was sold across the board. **We turn bearish USD** as Fed Bullard takes on a dovish stance in suggesting that there may be a need to cut rates to sustain growth given current trade and inflation risks.
- **MYR closed 0.21% stronger** against the USD at 4.1810 as USD traded weak across the board. **We turn bullish MYR** in the short term as there is a shift in stance with Fed Bullard commenting that there may be a need to cut rates given prolonged trade and inflation risks to sustain growth causing USD sales across the board.
- **SGD closed stronger by 0.60% at 1.3666 against USD** amidst broad USD weakness. **We turn bullish SGD** over the short term as markets readjust according to Fed Bullard’s dovish stance despite trade tensions still nagging in the background.

#### Overnight Economic Data

Malaysia	➔
US	⬇
EU	⬇
UK	⬇
China	➔
Japan	⬇

#### What’s Coming Up Next

##### Major Data

- US factory orders, durable goods orders
- EU unemployment rate, CPI estimate
- UK PMI construction
- Australia retail sales

##### Major Events

- RBA cash target rate

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1200	1.1220	1.1253	1.1275	1.1300	↗
GBPUSD	1.2575	1.2600	1.2669	1.2680	1.2730	↗
USDJPY	107.40	107.70	107.97	108.25	108.50	↘
AUDUSD	0.6875	0.6900	0.6972	0.7000	0.7025	↘
EURGBP	0.8825	0.8850	0.8887	0.8900	0.8925	↗
USDMYR	4.1700	4.1750	4.1790	4.1850	4.1875	↘
EURMYR	4.6650	4.6800	4.7030	4.7200	4.7350	↗
JPYMYR	3.8300	3.8550	3.8710	3.8750	3.8900	↗
GBPMYR	5.2600	5.2800	5.2945	5.3200	5.3400	↘
SGDMYR	3.0500	3.0550	3.0600	3.0650	3.0700	↗
AUDMYR	2.8750	2.8900	2.9130	2.9150	2.9250	↘
NZDMYR	2.7300	2.7400	2.7555	2.7600	2.7700	↘
USDSGD	1.3600	1.3630	1.3665	1.3700	1.3720	↘
EURSGD	1.5310	1.5340	1.5380	1.5400	1.5450	➔
GBPSGD	1.7250	1.7300	1.7311	1.7400	1.7500	↘
AUDSGD	0.9480	0.9500	0.9529	0.9550	0.9575	↘

\* 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	1,655.31	0.28	-2.09	CRB Index	174.72	-0.37	2.89
Dow Jones Ind.	24,819.78	0.02	6.40	WTI oil (\$/bbl)	53.25	-0.47	17.26
S&P 500	2,744.45	-0.28	9.48	Brent oil (\$/bbl)	61.28	-4.98	25.11
FTSE 100	7,184.80	0.32	6.79	Gold (\$/oz)	1,325.31	1.51	3.37
Shanghai	2,890.08	-0.30	15.89	CPO (RM/tonne)	1,953.50	-0.86	0.05
Hang Seng	26,893.86	-0.03	4.06	Copper (\$/tonne)	5,842.00	0.21	-2.06
STI	3,123.46	0.18	1.78	Rubber (sen/kg)	486.50	-1.72	28.36

## Economic Data

	For	Actual	Last	Survey
MY Nikkei PMI	May	48.8	49.4	--
MY exports YOY	Apr	1.1%	-0.5%	-2.1%
US Markit PMI manufacturing	May F	50.5	52.6	50.6
US ISM manufacturing	May	52.1	52.8	53.0
US construction spending MOM	Apr	0.0%	0.1% (revised)	0.4%
EU PMI manufacturing	May F	47.7	47.9	47.7
UK PMI manufacturing	May	49.4	53.1	52.2
JP Nikkei PMI manufacturing	May	49.8	50.2	--
CH Caixin PMI manufacturing	May	50.2	50.2	50.0
SG PMI	May	49.9	50.3	50.1
VN Nikkei PMI	May	52.0	52.5	--

Source: Bloomberg

## ➤ Macroeconomics

- US manufacturing indices confirmed slowdown in the sector:** Both ISM and PMI manufacturing indices for the month of May retreated adding to signs of slower growth in the US manufacturing sector. Markit PMI weakened considerably to a decade-low at 50.5 in May (Apr: 52.6), as new orders contracted for the first time since Aug-09, while employment was the slowest since Mar-17. The official ISM manufacturing meanwhile pulled back more modestly to 52.1 in May (Apr: 52.8), its lowest since Oct-16, as a pullback in production offset increases in new orders, new export orders and employment. In a separate release, construction spending stagnated in April (Mar: +0.1% revised), marking its 2<sup>nd</sup> straight month of pullback suggesting softening in the US housing market.
- Further contraction in EU manufacturing:** The final reading of the Eurozone PMI manufacturing index confirmed that manufacturing activities contracted for the 4<sup>th</sup> straight month in May. The final print was unchanged from the preliminary reading of 47.7 in May, down from 47.9 in April and nearing its lowest in six years. Extended contraction in output and new orders coupled with deterioration in employment underscored a bleak outlook of the Eurozone economy.
- UK PMI manufacturing surprised on the downside:** The UK PMI manufacturing index unexpectedly slipped into contractionary territory of 49.4 in May (Apr: 53.1), its first reading below 50 in almost three years. Similar to the case of the Eurozone, the decline in new orders was the culprit but the blame was put on a delayed Brexit till end-October that prompted factories to unwind its build-up in inventories. Increased Brexit uncertainties, coupled with rising odds of a global slowdown, could further weigh on the UK manufacturing sector and overall economy going forward.
- China Caixin PMI manufacturing defied expectations for a moderation:** Contrary to the easing in official PMI manufacturing index, Caixin PMI manufacturing index unexpectedly held steady at 50.2 in May (Apr: 50.2) as a rise in new orders offset slower gain in output. While this offered some relieves to a rapidly deteriorating China economy, it did little to soothe slowdown concerns.
- Generally slower manufacturing activities in Japan, Vietnam, Singapore and Malaysia:** The latest Nikkei PMI pointed to generally softer manufacturing sectors in Japan, Vietnam and Malaysia adding to signs of persisting headwinds from trade tensions and slower global demand. The Nikkei index pulled back to 48.8 and 52.0 in Malaysia and Vietnam respectively while ticked marginally higher to 49.8 in Japan. The Malaysia Nikkei PMI stayed contractionary for the 8<sup>th</sup> straight month in May while that of Japan contracted for the 3<sup>rd</sup> month this year. In Singapore, the PMI dipped below the 50 threshold separating expansion and contraction for the first time since Aug-16, to 49.9 in May (Apr: 50.3), adding to signs of increasing headwinds in the Singapore economy.

- Malaysia exports surprised on the upside:** Exports snapped a two-month decline and increased at a better than expected pace of 1.1% YOY in April mainly driven by a turnaround in E&E exports and pick-up in exports to the US, Singapore and Japan. Tracking the better momentum in exports, imports also rebounded to post its first increase in three months, expanding 4.4% YOY in April (Mar: -0.1% YOY) driven by improved imports across all the three main import categories. MOM, imports grew at a faster pace of 6.7% MOM than exports (+1.4% MOM), narrowing the trade surplus to a 4-month low of RM10.9bn in April (Mar: RM14.4bn). Moving forward, we are not overly optimistic today's pleasant surprise in external trade numbers is a sign of better days ahead. Despite the upside surprises in headline numbers, the improvement in exports was not broad-based and we have doubt the uptick in the E&E sector could be sustained. This, coupled with ongoing deepening and broadening of the US trade protectionism policies involving an ever increasing number of its trade partners, suggest the worst is not over in view of the imminent spillover to and fallout in the world economic growth. The latest two months of import data however, shall offer some respite that domestic demand conditions may not turn out not as bad as r expected, reinforcing believes that domestic consumptions will continue to act as the key support to overall growth of the Malaysian economy.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
04/06	US	Factory orders	Apr	-1.0%	1.9%	--
		Durable goods orders	Apr F	--	-2.1%	--
05/06		MBA mortgage applications	May 31	--	-3.3%	--
		ADP employment change	May	188k	275k	--
		Markit PMI services	May F	50.9	50.9	--
		ISM services	May	55.5	55.5	--
04/06	Eurozone	Unemployment rate	Apr	7.7%	7.7%	--
		CPI estimate YOY	May	1.3%	1.7%	--
05/06		Markit PMI services	May F	52.5	52.5	--
		PPI YOY	Apr	3.1%	2.9%	--
		Retail sales MOM	Apr	-0.5%	0.0%	--
04/06	UK	Markit PMI construction	May	50.6	50.5	--
05/06		Markit PMI services	May	50.6	50.4	--
05/06	Japan	Nikkei PMI services	May	--	51.8	--
05/06	China	Caixin PMI services	May	54.0	54.5	--
05/06	Hong Kong	Nikkei PMI	May	--	48.4	--
04/06	Australia	Retail sales MOM	Apr	0.2%	0.3%	--
		RBA cash target rate	Jun 4	1.25%	1.50%	--
05/06		AiG services index	May	--	46.5	--
		GDP SA QOQ	1Q	0.4%	0.2%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1241	0.64	1.1262	1.1155	-0.94
GBPUSD	1.2664	0.28	1.2674	1.2611	-0.70
USDJPY	108.07	-0.20	108.45	107.88	-1.50
AUDUSD	0.6977	0.56	0.6983	0.6927	-1.05
EURGBP	0.8877	0.40	0.8888	0.8825	-1.23
USDMYR	4.1810	-0.21	4.1980	4.1715	1.15
EURMYR	4.6727	0.02	4.6885	4.6616	-1.16
JPYMYR	3.8637	0.30	3.8747	3.8549	2.82
GBPMYR	5.2879	0.02	5.3040	5.2706	0.39
SGDMYR	3.0508	0.28	3.0534	3.0419	0.49
AUDMYR	2.9067	0.27	2.9114	2.8977	-0.56
NZDMYR	2.7422	0.39	2.7432	2.7306	-1.31
CHFMYR	4.1962	0.66	4.2035	4.1779	-0.07
CNYMYR	0.6055	-0.28	0.6066	0.6043	0.04
HKDMYR	0.5339	-0.07	0.5351	0.5322	1.08
USDSGD	1.3666	-0.60	1.3760	1.3656	0.24
EURSGD	1.5364	0.06	1.5382	1.5312	-1.70
GBPSGD	1.7308	-0.35	1.7407	1.7269	-0.46
AUDSGD	0.9535	-0.02	0.9542	0.9514	-0.79

Source: Bloomberg

## Forex

### MYR

- **MYR closed 0.21% stronger** against the USD at 4.1810 as USD traded weak across the board.
- **We turn bullish MYR** in the short term as there is a shift in stance with Fed Bullard commenting that there may be a need to cut rates given prolonged trade and inflation risks to sustain growth causing USD sales across the board.

### USD

- **The Dollar index closed lower by 0.52% at 97.220** as USD was sold across the board.
- **We turn bearish USD** as Fed Bullard takes on a dovish stance in suggesting that there may be a need to cut rates to sustain growth given current trade and inflation risks.

### EUR

- **EUR closed 0.64% stronger at 1.1241 against USD** in line with broad USD weakness.
- **We turn bullish on EUR** as 1.1230 technical resistance is broken coupled with a shift in the Fed's policy stance.

### GBP

- **GBP closed 0.28% higher at 1.2664** as USD is sold across the board.
- **GBP remains bearish** below 1.29 pivot. However, given the Fed's shift in stance, we might see a retracement to the mid of the Bollinger band.

### JPY

- **JPY closed 0.20% stronger at 108.07** as safe haven demand and USD weakness dominated trading.
- **We remain bullish JPY** as wide spreading trade worries will continue to support JPY strength alongside falling UST yields amidst a shift in Fed policy stance.

### AUD

- **AUD closed 0.56% stronger at 0.6977 against the USD** as the USD was sold across the board despite the high likelihood of a rate cut within hours.
- **We remain bearish on AUD** over the potential RBA rate cut.

### SGD

- **SGD closed stronger by 0.60% at 1.3666 against USD** amidst broad USD weakness.
- **We turn bullish SGD** over the short term as markets readjust according to Fed Bullard's dovish stance despite trade tensions still nagging in the background.

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