

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rose overnight on report that the US was considering to delay imposing tariffs on Mexico** which is expected go live on next Monday. A Bloomberg news story quoted an unnamed source that Washington was mulling a delay as talks continue between two countries but "the most likely outcome is that a 5% tariff goes into effect". On a positive note, the said duties could be "short-lived" if Mexico keeps up with promises to crack down on migration. Key US benchmarks finished higher with the Dow adding 181pts or a modest 0.7%, whereas the S&P500 and NASDAQ climbed 0.6% and 0.5% respectively. Treasuries yield curve flattened as the **ECB push back forward guidance on its first-post crisis rate hike, vowing to keep its key interest rates at "present levels at least through the first half of 2020"**. 10Y UST yield fell 1bp to 2.12%. 10Y German bund slipped to -0.24%. Crude oil prices rose – WTI gained 1.8% to \$52.59/barrel while Brent crude picked up 1.7% to \$61.67/barrel. **Earlier, the Reserve Bank of India (RBI) cut its repo rate for the third time in a row by 25bps to 5.75 in a bid to support a slower domestic growth in India.**
- On the data front, **US trade deficit shrank to \$50.8b in April as both exports and imports fell 2.2% MOM.** Initial jobless claims were flat at 218k last week suggesting that the US market remained tight. **Japan wages fell for the fourth straight month** while household spending rose ahead of October's sales tax hike. Australia trade surplus missed expectations, narrowing to AUD4.87b in April, exports and imports managed to rebound. Singapore Nikkei PMI fell to 52.1 in May as growth remained weak in the private sector.
- **MYR closed 0.16% stronger** against the USD at 4.1745. **We remain bullish MYR** in the short term as there is a shift to dovish stance among Fed members expressing concerns over risks to US growth outlook.
- **The Dollar index closed 0.30% lower at 97.012** as the broad USD continued to trade weaker ahead of key data releases. **We remain bearish USD** on Fed members' recent dovish tilts as they expressed concerns over risks to growth outlook amidst ongoing trade uncertainties and slower global growth.
- **SGD closed stronger by 0.15% at 1.3641 against USD** amidst broad USD weakness. **We remain bullish SGD** over the short term as markets readjust accordingly to Fed members' dovish tilts despite ongoing global trade uncertainties.

Overnight Economic Data

| | |
|-----------|---|
| US | ↑ |
| EU | ↑ |
| Japan | → |
| Australia | → |
| Singapore | ↓ |

What's Coming Up Next

Major Data

- US Job Report, Wholesale Inventories
- UK Halifax House Prices Index
- Japan Leading and Coincident Indexes

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1220 | 1.1250 | 1.1276 | 1.1300 | 1.1330 | ↗ |
| GBPUSD | 1.2600 | 1.2650 | 1.2697 | 1.2730 | 1.2750 | ↗ |
| USDJPY | 107.80 | 108.10 | 108.45 | 108.75 | 109.00 | ↘ |
| AUDUSD | 0.6925 | 0.6950 | 0.6979 | 0.7000 | 0.7025 | ↗ |
| EURGBP | 0.8825 | 0.8850 | 0.8883 | 0.8900 | 0.8925 | ↗ |
| USDMYR | 4.1550 | 4.1570 | 4.1620 | 4.1650 | 4.1700 | ↘ |
| EURMYR | 4.6650 | 4.6800 | 4.6935 | 4.7200 | 4.7350 | ↘ |
| JPYMYR | 3.8100 | 3.8300 | 3.8375 | 3.8500 | 3.8700 | ↘ |
| GBPMYR | 5.2600 | 5.2800 | 5.2835 | 5.3200 | 5.3400 | ↘ |
| SGDMYR | 3.0400 | 3.0450 | 3.0505 | 3.0550 | 3.0600 | ↘ |
| AUDMYR | 2.8750 | 2.8900 | 2.9045 | 2.9150 | 2.9250 | ↘ |
| NZDMYR | 2.7300 | 2.7400 | 2.7570 | 2.7600 | 2.7700 | ↘ |
| USDSGD | 1.3600 | 1.3630 | 1.3645 | 1.3700 | 1.3720 | ↘ |
| EURSGD | 1.5310 | 1.5340 | 1.5385 | 1.5400 | 1.5450 | → |
| GBPSGD | 1.7250 | 1.7300 | 1.7320 | 1.7400 | 1.7500 | → |
| AUDSGD | 0.9480 | 0.9500 | 0.9525 | 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* | 1,644.09 | -0.68 | -2.75 | CRB Index | 173.87 | 0.89 | 2.39 |
| Dow Jones Ind. | 25,720.66 | 0.71 | 10.26 | WTI oil (\$/bbl) | 52.59 | 1.76 | 15.81 |
| S&P 500 | 2,843.49 | 0.61 | 13.43 | Brent oil (\$/bbl) | 61.67 | 1.72 | 14.63 |
| FTSE 100 | 7,259.85 | 0.55 | 7.90 | Gold (\$/oz) | 1,335.33 | 0.38 | 4.07 |
| Shanghai | 2,827.80 | -1.17 | 13.39 | CPO (RM/tonne)* | 1,990.50 | 1.89 | 1.95 |
| Hang Seng | 26,965.28 | 0.26 | 4.33 | Copper (\$/tonne) | 5,808.00 | 0.02 | -2.63 |
| STI | 3,146.18 | 0.12 | 2.52 | Rubber (sen/kg) | 495.00 | 0.00 | 30.61 |

*Closing for 04 June

Source: Bloomberg

Economic Data

| | For | Actual | Last | Survey |
|------------------------------|-------|----------|-----------------------|----------|
| US Initial Jobless Claims | Jun 1 | 218k | 218k (revised) | 215k |
| US Trade Balance | Apr | -\$50.8b | -\$51.9b (revised) | -\$50.6b |
| EU GDP SA QOQ | 1Q F | 0.4% | 0.2% | 0.4% |
| EU ECB main refinancing rate | Jun 6 | 0.00% | 0.00% | 0.00% |
| JP Household Spending YOY | Apr | 1.3% | 2.1% | 2.6% |
| JP Labour Cash Earnings YOY | Apr | -0.1% | -1.3% (revised) | -1.5% |
| SG Nikkei PMI | May | 52.1 | 53.3 | -- |
| AU Trade Balance | Apr | A\$4871m | A\$4887m (revised) | A\$5000m |
| AU AiG Construction Index | May | 40.4 | 42.6 | -- |

Source: Bloomberg

➤ Macroeconomics

- ECB to delay rate hike to after mid-2020, announced TLTRO-III details:** ECB left its key interest rates unchanged as widely expected and announced that it now expects the key ECB rates to remain at present levels “at least through the first half of 2020”, signaling that it will further delay its first post-GFC rate hike to after mid-2020. The move came after the central bank had first delayed its plan to hike rates from the end of summer 2019 to the end of 2019 in its March meeting and was in sync with the recent waves of easing bias across global central banks. Notably, the central bank also announced new details regarding its new series of targeted longer-term refinancing operations (TLTRO III), where it offers to lend as low as -0.3% to 0.1% to banks. In its introductory statement, ECB said that incoming data suggest somewhat weaker growth in 2Q and 3Q this year, reflecting ongoing weakness in international trade amidst prolonged trade uncertainties which are weighing on the manufacturing sector. The services, construction sectors and the labour market meanwhile continued to be resilient. Risks surrounding growth outlook remain “tilted to the downside”. Reaffirming the poor outlook was the newly revised projections - Annual GDP growth projection was revised from 1.1% to 1.2% for 2019 and 1.6% to 1.4% for 2020. HICP inflation rate was revised up from 1.2% to 1.3% for 2019 and 1.5% to 1.4% for 2020. President Mario Draghi repeatedly acknowledged in his post-meeting press conference that markets are pricing in rate cuts but he implied that the ECB won't cut rates, citing positive survey-based measures but indicated that the central bank could cut rates if conditions in the euro area deteriorated. A separate release by the Eurostat earlier had shown that the final reading of the Euro area first quarter GDP growth was unrevised at 0.4% QOQ (4Q: +0.2%).
- US trade deficit shrank in April; initial jobless claims reaffirmed solid labour market:** US trade deficit shrank to \$50.8b in April (Mar: -\$51.9b revised). Both exports and imports fell 2.2% MOM (Mar: +0.8% & +1.4%). On an annual basis, exports fell 1.0% YOY (Mar: +0.7%) while imports rose a mere 0.2% YOY (Mar: +2.4%). Its trade deficit with China rose to \$29.4b (Mar: -\$27.3b), before tensions between the two countries flared up in May. April print points to a generally subdued growth in US international trade in the coming months as global trade continued to weaken against a backdrop of muted demand and continuous trade uncertainties. In a separate release, initial jobless claims were flat at 218k for the week ended 1 June (previous: 218k revised), suggesting that the US market remained tight. All eyes will be on tonight's job report for further assessment of the US job market. The ADP private employment number had come in at a disappointing 27k in May.
- Japan wages fell in April; household spending went up:** Labour cash earnings which measures wage growth however fell for the fourth running month by 0.1% YOY in April (Mar: -1.3% revised) as both contracted earnings and bonus payout continued to decline. Overtime payment, a barometer of corporate activities also clocked in its fifth straight month of decrease. Latest earning data raised concerns on whether Japanese household could withstand the pressure of an upcoming sales tax hike in October. Separate data shows that household spending rose 1.3% YOY in April (Mar: +2.1%), marking its fifth consecutive month of increase as consumers continued to ramp up purchases prior to October's sales tax hike.

- Australia trade surplus narrowed in April:** Australia trade surplus missed expectations, narrowing to AUD4.87b in April (Mar: 4.9b revised) as exports rose 2.5% MOM (Mar: -1.6%) while imports saw an increase of 2.8% MOM (Mar: -1.4%). Shipments of goods to key trading partner China rose 8.4% MOM (Mar: +4.1%) while shipment to Japan dipped 16.9% to completely reverse a 15% jump in the previous month. The trade data came after first quarter GDP growth disappointed yesterday, reaffirming that the Australian economy has lost significant growth momentum this year. Outlook remains dismal with the slowdown in Chinese domestic demand and global trade disputes posting tremendous downside risk to the economy. The RBA has cut its cash rate to a record low of 1.25% this week. A separate release this morning shows that the AiG Construction Index fell 2.2pts to 40.4 in May (Apr^r 42.6) as housing activity continued to contract in Australia.
- Limited growth in Singapore's private sector:** The headline Nikkei Singapore Purchasing Managers' Index fell to 52.1 in May (April: 53.3) from April's five-month high, signaling a "slightly weaker pace of improvement in economic conditions in Singapore's private sector". The slower upturn came mainly on softer rises to output, new business and employment.

| Economic Calendar | | | | | | |
|-------------------|---------|-----------------------------|------------------|----------|----------|---------|
| Date | Country | Events | Reporting Period | Survey | Prior | Revised |
| 07/06 | US | Change in Nonfarm Payroll | May | 175k | 263k | -- |
| | | Unemployment Rate | May | 3.6% | 3.6% | -- |
| | | Average Hourly Earnings YOY | May | 3.2% | 3.2% | -- |
| | | Wholesale Inventories MOM | Apr F | 0.7% | 0.7% | -- |
| 07/06 | UK | Halifax House Prices YOY | May | 5.0% | 5.0% | -- |
| | | GDP MOM | Apr | -0.1% | -0.1% | -- |
| | | Industrial Production MOM | Apr | -0.7% | 0.7% | -- |
| 10/06 | Japan | Visible Trade Balance | Apr | -£12700m | -£13650m | -- |
| | | Leading index | Apr P | 95.8 | 95.9 | -- |
| | | Coincident index | Apr P | 100.2 | 99.4 | -- |
| 10/06 | China | GDP SA QOQ | 1Q F | 0.6% | 0.5% | -- |
| | | Eco Watcher current | May | 45.5 | 45.3 | -- |
| | | Eco Watcher outlook | May | -- | 48.4 | -- |
| 10/06 | China | Exports YOY | May | -3.8% | -2.7% | -- |
| | | Imports YOY | May | -3.0% | 4.0% | -- |
| | | Trade Balance | May | \$23.3b | \$13.84b | -- |

Source: Bloomberg

| | Last Price | DoD % | High | Low | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1276 | 0.49 | 1.1309 | 1.1203 | -1.66 |
| GBPUSD | 1.2694 | 0.06 | 1.2742 | 1.2669 | -0.45 |
| USDJPY | 108.40 | -0.06 | 108.56 | 108.03 | -1.14 |
| AUDUSD | 0.6977 | 0.10 | 0.6994 | 0.6964 | -1.01 |
| EURGBP | 0.8883 | 0.43 | 0.8891 | 0.8830 | -1.19 |
| USDMYR | 4.1745 | 0.16 | 4.1815 | 4.1720 | 0.99 |
| EURMYR | 4.6972 | 0.52 | 4.7099 | 4.6913 | 0.64 |
| JPYMYR | 3.8621 | 0.04 | 3.8746 | 3.8607 | 2.78 |
| GBPMYR | 5.2840 | 0.07 | 5.2993 | 5.2786 | 0.31 |
| SGDMYR | 3.0508 | 0.00 | 3.0603 | 3.0493 | 0.49 |
| AUDMYR | 2.9134 | 0.23 | 2.9209 | 2.9076 | 0.33 |
| NZDMYR | 2.7501 | 0.29 | 2.7570 | 2.7473 | -1.03 |
| CHFMYR | 4.2020 | 0.14 | 4.2176 | 4.2014 | 0.07 |
| CNYMYR | 0.6040 | 0.25 | 0.6056 | 0.6038 | 0.20 |
| HKDMYR | 0.5326 | 0.24 | 0.5337 | 0.5325 | 0.83 |
| USDSGD | 1.3641 | -0.15 | 1.3670 | 1.3625 | 0.11 |
| EURSGD | 1.5382 | 0.34 | 1.5410 | 1.5303 | -1.55 |
| GBPSGD | 1.7315 | -0.10 | 1.7364 | 1.7300 | -0.35 |
| AUDSGD | 0.9517 | -0.04 | 0.9531 | 0.9514 | -0.90 |

Source: Bloomberg

Forex

MYR

- **MYR closed 0.16% stronger** against the USD at 4.1745.
- **We remain bullish MYR** in the short term as there is a shift to dovish stance among Fed members expressing concerns over risks to US growth outlook.

USD

- **The Dollar index closed 0.30% lower at 97.012** as the broad USD continued to trade weaker ahead of key data releases.
- **We remain bearish USD** on Fed members' recent dovish tilts as they expressed concerns over risks to growth outlook amidst ongoing trade uncertainties and slower global growth.

EUR

- **EUR closed 0.49% stronger at 1.1276 against USD** in line with broad USD weakness.
- **We remain bullish on EUR** as outlook on USD changes with the ECB pushing back its forward guidance, vowing to keep key interest rates at their present level at least through 1H 2020.

GBP

- **GBP closed 0.06% higher at 1.2694.**
- **GBP continues to remain bearish** below 1.29 pivot with the mid of the Bollinger band providing some resistance so far in the face of broad USD weakness.

JPY

- **JPY closed 0.06% stronger at 108.40** in relatively muted trading ahead of key data releases.
- **We remain bullish JPY** as widespread concerns over global trade will continue to support JPY strength alongside falling UST yields amidst Fed members' dovish tilts.

AUD

- **AUD closed 0.10% stronger at 0.6977 against the USD.**
- **We turn bullish on AUD** despite a recent RBA rate cut. AUD still managed to cling on to gains and remain within the striking distance of 0.70 handle as Fed members take on a more dovish stance.

SGD

- **SGD closed stronger by 0.15% at 1.3641 against USD** amidst broad USD weakness.
- **We remain bullish SGD** over the short term as markets readjust accordingly to Fed members' dovish tilts despite ongoing global trade uncertainties.

Hong Leong Bank Berhad

Fixed Income & 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**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.