

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks took a major blow overnight as heightening trade tension triggered a bout of selloffs** after US trade representative Robert Lighthizer and Treasury Secretary Steven Mnuchin accused China of backtracking on promises made during previous trade negotiations. While China said that it will still send Vice Premier Liu He to Washington for Thursday's talk, **the latest developments prove that US-China trade relation turned out more wobbling than earlier expected given** that in recent weeks markets had grown slightly accustomed to positive trade headlines where both US and Chinese officials had repeatedly cited "progress" in talks. The trade sensitive technology and industrials sectors took the largest hit, each losing 2.12% and 2.04% in one day. The Dow erased 1.79% (-473.39pts), the S&P 500 fell 1.65% (-48.42pts) while NASDAQ dropped by 1.96% (-159.53pts). Treasuries yield fell slightly across the curve with 10Y UST yield ending 1bp lower at 2.46%. **Crude oil prices dipped on trade tension** and buildup in US crude stocks. WTI fell 1.37% to \$61.40/barrel and Brent crude erased 1.91% to settle below \$70 for the first time in over a month at \$69.88/barrel. Elsewhere, **the RBA defied expectations as it held cash rate steady at 1.5% while BNM cut OPR by 25bps to 3.0% as widely expected.** Focus will be on the RBNZ's official cash rate decision today at 10.00am local time. Consensus is calling for a 25bps cut from 1.75% to 1.5%.
- Data remained scanty on Tuesday. **Japan manufacturing PMI rose to 50.2 in April, signaling that factories operating conditions returned to expansion** last month. Australia trade surplus narrowed in March as exports fell 1.8% MOM while imports also dropped by 1.5% MOM. Retail sales rose by a modest rate of 0.3% MOM following a robust growth in a month earlier. Malaysia foreign reserves fell \$0.1b to \$103.4b as at 30 April 2019.
- **The Dollar index closed 0.05% higher at 97.575** as the broad USD gained marginally vs majors but clocked decent gains against EM currencies on trade tensions. **We continue to maintain USD bullishness** as ongoing US-China trade spat will put a damper on risk appetite.
- **MYR closed marginally lower** against the USD at 4.1480 as US-China trade tensions continue to rise ahead of trade talks this week. **We remain neutral MYR** as it continues to trade below the 4.1500 level. Watch out for trade talk developments and bond flows to determine direction post a BNM rate cut.
- **SGD closed flat at 1.3629 against USD** in line with relatively flat USD performance against the majors. **We maintain bearish SGD** as the resumption of the US-China trade spat will continue to dampen risk appetite and support USD/EM in general.

Overnight Economic Data

Malaysia	↓
Japan	↑
Australia	↓

What's Coming Up Next

Major Data

- US MBA Mortgage Applications
- UK Halifax Houe Price Index
- Japan Nikkei Services PMI
- China External Trade Report

Major Events

- RBNZ Rate Decision

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1140	1.1170	1.1191	1.1230	1.1250	↘
GBPUSD	1.3000	1.3050	1.3069	1.3100	1.3150	↗
USDJPY	109.70	110.00	110.23	110.50	110.75	↘
AUDUSD	0.6950	0.6975	0.7012	0.7030	0.7050	→
EURGBP	0.8500	0.8525	0.8567	0.8575	0.8600	→
USDMYR	4.1350	4.1400	4.1500	4.1550	4.1600	↗
EURMYR	4.6000	4.6250	4.6460	4.6500	4.6650	→
JPYMYR	3.7300	3.7450	3.7665	3.7700	3.7800	↗
GBPMYR	5.4000	5.4200	5.4255	5.4450	5.4600	→
SGDMYR	3.0350	3.0400	3.0465	3.0475	3.0500	→
AUDMYR	2.9000	2.9050	2.9105	2.9150	2.9200	→
NZDMYR	2.7300	2.7350	2.7400	2.7550	2.7650	→
USDSGD	1.3600	1.3610	1.3630	1.3675	1.3700	↗
EURSGD	1.5170	1.5225	1.5255	1.5300	1.5350	→
GBPSGD	1.7700	1.7800	1.7815	1.7900	1.8050	→
AUDSGD	0.9475	0.9525	0.9555	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	1,639.37	-0.40	-3.03	CRB Index	179.49	-0.66	5.70
Dow Jones Ind.	25,965.09	-1.79	11.31	WTI oil (\$/bbl)	61.40	-1.37	35.21
S&P 500	2,884.05	-1.65	15.05	Brent oil (\$/bbl)	69.88	-1.91	29.89
FTSE 100	7,260.47	-1.63	7.91	Gold (S/oz)	1,284.43	0.26	0.16
Shanghai	2,926.39	-0.69	17.34	CPO (RM/tonne)	1,918.00	-2.29	-1.77
Hang Seng	29,363.02	-0.52	13.61	Copper (\$/tonne)	6,180.00	-0.90	3.60
STI	3,312.52	-0.67	7.94	Rubber (sen/kg)	478.00	0.42	26.12

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY BNM Overnight Policy Rate	May-07	3.00%	3.25%	3.00%
MY Foreign Reserves	Apr-30	\$103.4	\$103.5b	--
JP Nikkei Manufacturing PMI	Apr	50.2	49.2	--
AU AiG Construction Index	Apr	42.6	45.6	--
AU Trade Balance	Mar	A\$4949m	A\$5140m	A\$4480m
AU Retail Sales MOM	Mar	0.3%	0.9% (revised)	0.2%
AU RBA Cash Rate Target	May-07	1.50%	1.50%	1.25%

Source: Bloomberg

➤ Macroeconomics

- BNM cut OPR and shifted to neutral tone:** BNM cut the Overnight Policy Rate (OPR) by 25bps to 3.00% as expected, citing downside risks to the global and Malaysian economy. BNM sounded less downbeat on the global economy, highlighting that the global economy continues to expand moderately, compared to the previous statement where it said “global growth momentum is showing signs of moderation”. Despite the better than expected performance in the major economies in 1Q, BNM reckons downside risks to global growth remain, stemming from lingering trade tensions, country specific weaknesses, and risks of sharp adjustments in global financial markets. On its assessment on the Malaysian economy, BNM said economic activity has been moderate in 1Q19, but slower growth in major trading partners will continue to weigh on external demand. On inflation, BNM reiterated that average headline inflation is expected to be broadly stable compared to 2018. Today’s statement has turned neutral again in our view, although the overall tone remained cautious. This reaffirmed our view that this is a “one and done” scenario and that BNM has no plans to further adjust its policy rate in the foreseeable future at this juncture, barring further escalation in growth risks and tightening financial conditions. Hence, we are maintaining our view for OPR to stay pat at 3.00% for the rest of the year.
- RBA surprised by holding cash rate steady, citing strong labour market:** The RBA left cash rate unchanged at 1.5%, defying earlier expectations that the central bank would deliver a 25bps cut in key interest rate yesterday. The policy statement appeared downbeat as it now said that “risks are tilted to the downside” compared to last month’s mentioning that “downside risks have increased”. It expects the Australian economy to grow by around 2.75% in 2019 and 2020 and the main domestic uncertainty continues to be the outlook for household consumption. The solid labour market appeared to be the main reason for RBA to stay put this round as it expects some further lift in wage growth and hence inflation, saying that “a further improvement in the labour market was likely needed for inflation to be consistent with the target”. In late April, first quarter inflation had clocked in at a disappointing 1.3% YOY leading economists to call for a cut in cash rate. Traders have also increased bets on a rate cut as the RBA was known to act promptly to such scenario. The latest decision came ahead of the country’s federal election which is set to take place in less than two weeks’ time. For now, it seems like the RBA adopting a wait-and-see approach as it said it will be paying close attention on the development of the labour market in its next meeting.
- Japan manufacturing conditions improved in April:** The Nikkei Japan Manufacturing PMI rose above 50.0 for the first time in three months to record a 50.2 reading in April (Mar: 49.2), offering tentative signs that the Japanese manufacturing sector has returned to expansion. The positive reading however was driven by stronger employment and partly reflected the weaker downturns in output and new orders. As mentioned, new orders and new exports orders continued to fall highlighting the persistent weakness in domestic and foreign demand. This led firms to scale back on productions albeit at a slower pace. That said, businesses appeared to be more positive as they expect demand to pick up and support manufacturing for the next 12 months.

- Australia trade surplus narrowed; retail sales slowed:** Australia exports fell 1.8% MOM in March (Feb: +0.6%) while imports also dropped by 1.5% MOM (Feb: -0.7%) leaving the trade surplus to narrow to \$4.95b (Feb: 5.14b revised). Exports to China slowed on a monthly basis, rising 2.0% MOM (Feb: +10.1%) while exports to Japan rebounded to increase 17.6% MOM (Feb: -13.4%). Retail sales rose by a modest rate of 0.3% MOM (Feb: +0.9%) following a robust growth in a month earlier. The AiG Performance of Construction Index inched down further to 42.6 in April (Mar: 45.6), as construction activities continued to slow in the country amidst a housing market slowdown.
- Malaysia foreign reserves ticked down in April:** The international reserves of BNM fell to \$103.4b as at 30 April 2019 (previous: \$103.5b). The reserves position is sufficient to finance 7.4 months of retained imports and is 1.0 time total short-term external debt.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
08/05	US	MBA Mortgage Applications	May-03	--	-4.3%	--
09/05		PPI Final Demand YOY	Apr	2.3%	2.2%	--
		Trade Balance	Mar	-\$50.2b	-\$49.4b	--
		Initial Jobless Claims	May-04	220k	230k	--
		Wholesale Inventories MOM	Mar F	0.0%	0.2%	--
		Wholesale Trade Sales MOM	Mar	0.6%	0.3%	--
08/05	UK	UK Halifax House Price 3Mths/YOY	Apr	4.5%	2.6%	--
09/05		RICS House Price Balance	Apr	-22%	-24%	--
08/05	Japan	Nikkei Japan Services PMI	Apr	--	52.0	--
08/05	China	Trade Balance	Apr	\$34.56b	\$32.64b	--
		Exports YOY	Apr	3.0%	14.2%	--
		Imports YOY	Apr	-2.1%	-7.6%	--
09/05		CPI YOY	Apr	2.5%	2.3%	--
		PPI YOY	Apr	0.6%	0.4%	--
08/05	New Zealand	RBNZ Official Cash Rate	May-08	1.50%	1.75%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1191	-0.07	1.1218	1.1167	-2.42
GBPUSD	1.3075	-0.17	1.3131	1.3040	2.46
USDJPY	110.26	-0.45	110.85	110.17	0.53
AUDUSD	0.7012	0.30	0.7048	0.6981	-0.53
EURGBP	0.8560	0.11	0.8581	0.8538	-4.74
USDMYR	4.1480	0.02	4.1500	4.1465	0.35
EURMYR	4.6476	0.12	4.6529	4.6429	-1.69
JPYMYR	3.7534	0.18	3.7534	3.7426	-0.12
GBPMYR	5.4346	-0.04	5.4459	5.4288	3.17
SGDMYR	3.0468	0.13	3.0479	3.0406	0.36
AUDMYR	2.9133	0.49	2.9229	2.8981	-0.33
NZDMYR	2.7413	-0.14	2.7478	2.7371	-1.35
CHFMYR	4.0743	-0.06	4.0826	4.0714	-2.97
CNYMYR	0.6138	-0.16	0.6138	0.6118	1.41
HKDMYR	0.5288	0.02	0.5288	0.5284	0.11
USDSGD	1.3629	-0.01	1.3644	1.3607	0.02
EURSGD	1.5252	-0.10	1.5280	1.5233	-2.40
GBPSGD	1.7820	-0.19	1.7890	1.7776	2.47
AUDSGD	0.9556	0.27	0.9598	0.9517	-0.55

Source: Bloomberg

Forex

MYR

- **MYR closed marginally lower** against the USD at 4.1480 as US-China trade tensions continue to rise ahead of trade talks this week.
- **We remain neutral MYR** as it continues to trade below the 4.1500 level. Watch out for trade talk developments and bond flows to determine direction post a BNM rate cut.

USD

- **The Dollar index closed 0.05% higher at 97.575** as the broad USD gained marginally vs majors but clocked decent gains against EM currencies on trade tensions.
- **We continue to maintain USD bullishness** as ongoing US-China trade spat will put a damper on risk appetite.

EUR

- **EUR closed flattish at 1.1191 against USD** as it continues to trade within recent ranges without much conviction to either side.
- **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 as well as recent trade war developments.

GBP

- **GBP closed 0.17% lower at 1.3075** in line with broad USD strength on trade tensions.
- **GBP remains bullish** as the pair continues to trade within the upper bound of the Bollinger.

JPY

- **JPY closed 0.45% stronger at 110.26** as risk appetite continues to melt with falling equities.
- **We remain bullish JPY** as ongoing trade tensions will have a negative impact on equity markets which in turn will be bullish for JPY overall as investors seek safety.

AUD

- **AUD closed 0.30% stronger at 0.7012 against the USD** after RBA held rates steady.
- **We turn neutral on AUD** as markets readjust short term positioning post a no-hike RBA vs ongoing trade tensions.

SGD

- **SGD closed flat at 1.3629 against USD** in line with relatively flat USD performance against the majors.
- **We maintain bearish SGD** as the resumption of the US-China trade spat will continue to dampen risk appetite and support USD/EM in general.

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