

Global Markets Research

Daily Market Highlights

Key Takeaways

➤ **US stocks slipped overnight amidst uncertainties whether the US and China could strike a trade deal at this juncture especially after President Trump said that he was “happy” to keep tariffs on China in place**, in other words to hike the current 10% tariffs to 25% on \$200b Chinese goods on Friday. **China has retorted that it would retaliate should the hike go live on Friday, pushing trade relation to the brink, despite ongoing talks in Washington.** The Dow was virtually flat, the S&P 500 and NASDAQ fell 0.16% (-4.63pts) and 0.26% (-20.44pts). Treasuries fell with 10Y UST yield rising 2bps to 2.48%. **European stocks finished mixed on trade tension, the German DAX outperformed as industrial productions surprisingly went up in March.** Asian benchmarks mostly closed in the reds. **Crude oil prices rebounded on higher Chinese imports and an unexpected drawdown in US crude inventories.** Brent crude rose 0.7% back above \$70.0 at \$70.37/barrel while WTI gained 1.17% to \$62.12/barrel. **Earlier, RBNZ cut its official cash rate by 25bps as expected while the Bank of Thailand held its key rate steady.**

➤ Data releases were still limited. **Key highlight of the day was April Chinese trade data which appeared to be rather mixed as exports fell unexpectedly by 2.7% YOY while imports notched its first gain for the first time in five months** by 4.0% YOY. In the US, mortgage applications rebounded for the first time in five weeks to increase 2.7% last week as buyers interests returned. In the UK, the Royal Institution of Chartered Surveyors (RICS) survey showed that the property markets remained subdued whereas mortgage lender Halifax said house prices picked up. **The Nikkei Services PMI for Japan fell to 51.8 in April indicating a slightly slower pace of expansion in the Japanese services sector.**

➤ **The Dollar index closed flat at 97.577** as the broad USD remained relatively stable against G7 components ahead of the US-China meet. **We continue to maintain USD bullishness** as ongoing US-China trade spat will put a damper on risk appetite.

➤ **MYR closed marginally weaker** against the USD at 4.1485 as US-China trade tensions continue to underpin USD strength. **We remain neutral MYR** as it continues to trade below the 4.1500 level. Watch out for break of the 4.15 key resistance; trade talk developments and bond flows to determine direction.

➤ **SGD closed flat at 1.3624 against USD** in line with relatively flat USD performance against the majors. **We maintain bearish SGD** as escalation of US-China trade spat will continue to dampen risk appetite and support USD/EM in general.

Overnight Economic Data

US	↑
UK	→
Japan	↓
China	→

What's Coming Up Next

Major Data

- US PPI, Trade Report, Initial Jobless Claims, Wholesale Inventories and Sales
- China CPI, PPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1140	1.1170	1.1195	1.1230	1.1250	↘
GBPUSD	1.2950	1.3000	1.3013	1.3050	1.3100	↗
USDJPY	109.50	109.75	109.97	110.30	110.50	↘
AUDUSD	0.6950	0.6975	0.6985	0.7000	0.7025	↘
EURGBP	0.8550	0.8575	0.8605	0.8630	0.8650	→
USDMYR	4.1400	4.1450	4.1530	4.1550	4.1600	→
EURMYR	4.6200	4.6350	4.6495	4.6530	4.6650	→
JPYMYR	3.7400	3.7550	3.7772	3.7800	3.7900	↗
GBPMYR	5.3800	5.4000	5.4050	5.4250	5.4400	→
SGDMYR	3.0350	3.0430	3.0480	3.0500	3.0530	↗
AUDMYR	2.8800	2.8950	2.9005	2.9100	2.9200	↘
NZDMYR	2.7150	2.7300	2.7330	2.7550	2.7650	↘
USDSGD	1.3600	1.3610	1.3632	1.3675	1.3700	↗
EURSGD	1.5170	1.5225	1.5259	1.5300	1.5350	→
GBPSGD	1.7600	1.7700	1.7738	1.7900	1.8050	→
AUDSGD	0.9425	0.9475	0.9518	0.9550	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	1,633.55	-0.36	-3.37	CRB Index	179.75	0.14	5.86
Dow Jones Ind.	25,967.33	0.01	11.32	WTI oil (\$/bbl)	62.12	1.17	36.80
S&P 500	2,879.42	-0.16	14.86	Brent oil (\$/bbl)	70.37	0.70	30.80
FTSE 100	7,271.00	0.15	8.07	Gold (\$/oz)	1,280.88	-0.28	-0.08
Shanghai	2,893.76	-1.12	16.03	CPO (RM/tonne)	1,946.50	1.49	-0.31
Hang Seng	29,003.20	-1.23	12.22	Copper (\$/tonne)	6,148.00	-0.52	3.07
STI	3,283.84	-0.87	7.01	Rubber (sen/kg)	475.50	-0.21	25.46

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	03 May	2.7%	-4.3%	--
UK Halifax House Price 3Mths/YOY	Apr	5.0%	2.6%	4.5%
UK RICS House Price Balance Index	Apr	-23%	-23% (revised)	-22%
JP Nikkei Services PMI	Apr	51.8	52.0	--
CH Trade Balance	Apr	\$13.84b	\$32.42b (revised)	\$34.56b
CH Exports YOY	Apr	-2.7%	13.8% (revised)	3.0%
CH Imports YOY	Apr	4.0%	-7.9% (revised)	-2.1%
NZ RBNZ Official Cash Rate	08 May	1.50%	1.75%	1.50%

Source: Bloomberg

Macroeconomics

- RBNZ cut rate, turned bearish on growth:** RBNZ cut official cash rate (OCR) by 25bps from 1.75% to 1.5% as widely expected, citing that a lower OCR is needed to support the outlook for employment and inflation. The overall policy statement appeared more downbeat compared to the last one in mid-February. RBNZ said that the slower global economic growth since mid-2018 eases demand for New Zealand's goods and services and has prompted central bank elsewhere to ease monetary policy stances. There is uncertainty regarding global economic outlook and trade concerns remained. RBNZ also turned bearish on domestic growth, saying that growth has slowed from the second half of 2018, adding that "reduced population growth through lower net immigration, and continuing house price softness in some areas, has tempered the growth in household spending. Ongoing low business sentiment, tighter profit margins, and competition for resources has restrained investment". When in February, it had said that "Low interest rates, and continued employment growth, should support household spending and business investment. Government spending on infrastructure and housing also supports domestic demand". RBNZ also became less optimistic on the labour market, stating that the outlook for employment growth is more subdued, and inflation is projected to rise only slowly (note that inflation has eased to 1.5% YOY well below its 2% target midpoint in the first quarter). Given yesterday's cut, we expect the central bank to maintain OCR at 1.5% for the rest of 2019.
- US mortgage applications rose for the first time in five weeks:** Mortgage applications rose for the first time in five weeks by 2.7% for the week ended 3-May (previous: -4.3%) driven largely by the surge in applications for purchases of new houses (+4.2% vs -3.7%) as buyers' interest returned last week. The refinancing segment managed to increase a mere 0.8% (previous: -5.0%) as borrowing costs across the board saw diverging movements. The average rate for a 30Y fixed-rate mortgage loan fell slightly to 4.41% (previous: 4.42%) but was still well below the 4.78% recorded a year ago.
- RICS survey showed UK property markets remained subdued, Halifax said house prices picked up:** The RICS House Price Balance Index was unchanged at -23% in April (Mar: -23% revised) as the fall in new buyers weighed on prices according to the monthly survey by the Royal Institution of Chartered Surveyors. Separately, mortgage lender Halifax however reported that house prices in the UK picked up 5.0% YOY in the three months to April (Mar: +2.6%) while MOM, house prices rebounded to increase 1.1% (Mar: -1.3%). The average price of a home in UK now stood at £236,619.
- China trade data a mixed bag:** The latest trade report shows that China exports unexpectedly fell 2.7% YOY in April (Mar: +13.8% revised) after staging a comeback in the previous month, highlighting the entrenched weakness in global demand for Chinese goods. Imports meanwhile surprised to increase 4.0% YOY (Mar: -7.9% revised), its first gain in five months, offering tentative signs that demand is picking up in the domestic economy fueled with government stimulus. The fall in exports and the rise of imports trimmed down China trade surplus to a mere \$13.84b (Mar: \$32.42b revised). Exports to the US fell 13.1% YOY (Mar: +3.7%) while the drop in imports doubled that of exports, falling 25.7% YOY (Mar: -25.8%). The trade surplus with US, a major irritation to President Trump also rose slightly higher to \$21.01b (Mar: \$20.50b). Overall April trade data painted a mixed picture of China's trade outlook as slower global demand continues to drag on exports in general, not to mention that exports could suffer a major blow should the newly threatened tariffs hike (and new tariffs on the remaining untaxed consumer goods) comes into effect on Friday.

- **Japan services saw continued growth but at slower pace:** The Nikkei Services PMI for Japan fell to 51.8 in April (Mar: 52.0) indicating a slightly slower pace of expansion in the Japanese services sector. Nonetheless, the industry remained relatively stronger compared to the manufacturing sector, with growth driven by increased new orders particularly from the domestic market, higher workforce and improving optimism.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
10/05	Malaysia	Industrial Production YOY	Mar	2.1%	1.7%	--
09/05	US	PPI Final Demand YOY	Apr	2.3%	2.2%	--
		Trade Balance	Mar	-\$50.1b	-\$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%	--
10/05		CPI YOY	Apr	2.1%	1.9%	--
10/05	UK	Visible Trade Balance GBP/Mn	Mar	-£13700m	-£14112m	--
		Industrial Production MOM	Mar	0.1%	0.6%	--
		GDP QOQ	1Q P	0.5%	0.2%	--
10/05	Japan	Household Spending YOY	Mar	1.6%	1.7%	--
		Labor Cash Earnings YOY	Mar	-0.5%	-0.8%	-0.7%
09/05	China	CPI YOY	Apr	2.5%	2.3%	--
		PPI YOY	Apr	0.6%	0.4%	--
10/05	Singapore	Retail Sales YOY	Mar	-0.6%	-10.0%	--
10/05	Australia	RBA Statement on Monetary Policy				

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1192	0.01	1.1214	1.1183	-2.36
GBPUSD	1.3006	-0.53	1.3080	1.2987	2.03
USDJPY	110.10	-0.15	110.29	109.90	0.30
AUDUSD	0.6988	-0.34	0.7027	0.6986	-0.73
EURGBP	0.8605	0.54	0.8624	0.8558	-4.23
USDMYR	4.1485	0.01	4.1500	4.1455	0.37
EURMYR	4.6479	0.01	4.6515	4.6406	-1.63
JPYMYR	3.7667	0.35	3.7735	3.7614	0.24
GBPMYR	5.4114	-0.43	5.4266	5.4085	2.73
SGDMYR	3.0480	0.04	3.0503	3.0426	0.40
AUDMYR	2.9104	-0.10	2.9146	2.9033	-0.43
NZDMYR	2.7340	-0.27	2.7399	2.7071	-1.61
CHFMYR	4.0764	0.05	4.0782	4.0672	-2.92
CNYMYR	0.6124	-0.22	0.6129	0.6122	1.19
HKDMYR	0.5286	-0.04	0.5287	0.5281	0.08
USDSGD	1.3624	-0.04	1.3635	1.3603	-0.05
EURSGD	1.5248	-0.03	1.5266	1.5237	-2.41
GBPSGD	1.7720	-0.56	1.7831	1.7689	1.97
AUDSGD	0.9522	-0.36	0.9566	0.9521	-0.82

Source: Bloomberg

Forex

MYR

- **MYR closed marginally weaker** against the USD at 4.1485 as US-China trade tensions continue to underpin USD strength.
- **We remain neutral MYR** as it continues to trade below the 4.1500 level. Watch out for break of the 4.15 key resistance; trade talk developments and bond flows to determine direction.

USD

- **The Dollar index closed flat at 97.577** as the broad USD remained relatively stable against G7 components ahead of the US-China meet.
- **We continue to maintain USD bullishness** as ongoing US-China trade spat will put a damper on risk appetite.

EUR

- **EUR closed flattish at 1.1192 against USD** as market focus turns to headlines on the US-China meet.
- **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 negative trade war developments.

GBP

- **GBP closed 0.53% lower at 1.3006** as cross party talks did not yield much results so far.
- **GBP remains bullish** as the pair continues to trade within the upper bound of the Bollinger. However, pair may be subjected to swings due to Brexit headlines.

JPY

- **JPY closed 0.15% stronger at 110.10** 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 0.34% weaker at 0.6988 against the USD.**
- **We turn bearish on AUD** as markets readjustment post the RBA is most likely over and now market focuses on the broader picture with trade tensions coming into focus.

SGD

- **SGD closed flat at 1.3624 against USD** in line with relatively flat USD performance against the majors.
- **We maintain bearish SGD** as escalation of US-China trade spat will continue to dampen risk appetite and support USD/EM in general.

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