

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks fell for the fourth session overnight taking cue from earlier rout in global markets as investors continued to retreat from riskier assets while awaiting the outcome of what appears to be a “make or break” US-China trade talks in Washington, which if faltered, could lead to the US slapping more tariffs on Chinese goods on Friday and a re-ignition of a full blown trade war.** All major benchmarks slipped further with the Dow, S&P 500 and NASDAQ each losing 0.54% (-139.0pts), 0.30% (-8.7pts) and 0.41% (-32.7pts). **European shares tumbled** - the Euro STOXX 50 and France CAC 40 erased nearly 2%, while Germany DAX lost 1.69%. **Asian markets suffered the same fate earlier** with the Hang Seng Index dropping 2.39% while the Shanghai Composite Index giving up 1.48%. **Treasuries rallied as investors fled to safety, yield fell across the curve by 3-4bps.** 10Y UST yield ended 4bps lower at 2.44%. Crude oil prices were mixed - WTI settled 0.68% lower at \$61.70/barrel while Brent crude barely changed at \$70.39/barrel.
- **US trade deficit widened to \$50.0b in March as imports quickened by 1.1% MOM vs the 1.0% gain in exports. Trade deficit with China shrank to \$20.75b.** PPI rose at a steady 2.2% YOY and core PPI was unchanged at 2.4% suggesting that **prices are still very much subdued in the economy.** Initial jobless claims fell by 2k to 228k last week. Wholesale inventories dropped 0.1% MOM as firms scaled back on inventories investment amidst an inventories overhang. **China CPI rose back up to 2.5% YOY in April largely driven by a surge in food prices** as pork supply stayed limited amidst widespread swine flu. PPI also rebounded to 0.9% YOY, easing earlier concerns over dis-inflation. **Japan wages fell 1.9% YOY in March but household spending however rose to an 8-month high as consumers spent ahead of October’s sales tax hike.**
- **The Dollar index closed 0.15% lower at 97.426** as there was some relief put forth by Trump saying there is still a chance for a deal. **We continue to maintain USD bullishness** as only a trade deal inked now will only avert current bullish momentum.
- **MYR closed 0.1% lower** against the USD at 4.1525 as US-China trade tensions continue to underpin demand for safety in the USD. **We turn bearish MYR** as it has closed above the important 4.1500 level. Continued trade tensions as well with Trump looking to raise tariffs later today to support MYR bearishness.
- **SGD closed 0.12% weaker at 1.3641 against USD** in mixed trading. **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	→
Japan	→
China	↑

#### What’s Coming Up Next

##### Major Data

- Malaysia Industrial Production
- US CPI
- UK Visible Trade Balance, Industrial Production, GDP
- Singapore Retail Sales

##### Major Events

- RBA Statement on Monetary Policy

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1170	1.1200	1.1227	1.1250	1.1275	↘
GBPUSD	1.2950	1.3000	1.3015	1.3050	1.3100	↗
USDJPY	109.50	109.75	109.91	110.30	110.50	↘
AUDUSD	0.6950	0.6975	0.6996	0.7010	0.7050	↘
EURGBP	0.8550	0.8575	0.8635	0.8650	0.8675	↘
USDMYR	4.1400	4.1450	4.1550	4.1575	4.1600	↗
EURMYR	4.6200	4.6450	4.6650	4.6700	4.6900	→
JPYMYR	3.7500	3.7650	3.7810	3.7900	3.8000	↗
GBPMYR	5.3800	5.4000	5.4080	5.4250	5.4400	↗
SGDMYR	3.0350	3.0430	3.0480	3.0500	3.0530	↗
AUDMYR	2.8800	2.8950	2.9070	2.9100	2.9200	↘
NZDMYR	2.7150	2.7300	2.7360	2.7550	2.7650	↘
USDSGD	1.3600	1.3610	1.3640	1.3675	1.3700	↗
EURSGD	1.5170	1.5200	1.5213	1.5250	1.5300	→
GBPSGD	1.7600	1.7700	1.7750	1.7900	1.8050	→
AUDSGD	0.9425	0.9475	0.9545	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	1,618.53	-0.92	-4.26	CRB Index	179.01	-0.41	5.42
Dow Jones Ind.	25,828.36	-0.54	10.72	WTI oil (\$/bbl)	61.70	-0.68	35.87
S&P 500	2,870.72	-0.30	14.52	Brent oil (\$/bbl)	70.39	0.03	30.84
FTSE 100	7,207.41	-0.87	7.12	Gold (\$/oz)	1,284.08	0.25	0.16
Shanghai	2,850.95	-1.48	14.32	CPO (RM/tonne)	1,951.00	0.13	-0.08
Hang Seng	28,311.07	-2.39	9.54	Copper (\$/tonne)	6,102.00	-0.75	2.30
STI	3,269.70	-0.43	6.55	Rubber (sen/kg)	476.50	0.63	25.73

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US PPI Final Demand YOY	Apr	2.2%	2.2%	2.3%
US Trade Balance	Mar	-\$50.0b	-\$49.3b (revised)	-\$50.1b
US Initial Jobless Claims	May-04	228k	230k	220k
US Wholesale Inventories MOM	Mar F	-0.1%	0.2%	0.0%
US Wholesale Trade Sales MOM	Mar	2.3%	0.3%	0.6%
JP Household Spending YOY	Mar	2.1%	1.7%	1.6%
JP Labor Cash Earnings YOY	Mar	-1.9%	-0.7% (revised)	-0.5%
CH CPI YOY	Apr	2.5%	2.3%	2.5%
CH PPI YOY	Apr	0.9%	0.4%	0.6%

Source: Bloomberg

## ➤ Macroeconomics

- US trade gap with China narrowed; factory gate inflation steadied:**  
 US trade deficit widened to \$50.0b in March (Feb: -\$49.3b) as imports quickened by 1.1% MOM (Feb: +0.3%) driven by higher demand for food & beverages, industrial supplies and automotive while exports picked up 1.0% (Feb: +1.2%). YOY, exports growth eased to 1.3% (Feb: +2.5%) while imports rebounded to 2.1% (Feb: -0.5%). Trade deficit with China, shrank to \$20.75b (Feb: -24.76b), a welcoming news for the Trump's Administration. Meanwhile, US producer prices eased further as the index grew a mere 0.2% MOM in April (Mar: +0.6%) while YOY, PPI rose at a steady 2.2% YOY (Mar: +2.2%). Core PPI was unchanged at 2.4% YOY but nonetheless both headline and core readings were comparatively lower than those recorded in mid-2018, suggesting that prices are still very much subdued in the economy. Initial jobless claims fell by 2k to 228k for the week ended 04 May (previous: 230k) and remained at near three-month high. Wholesale inventories dropped 0.1% MOM as firms scaled back on inventories investment amidst an inventories overhang from last year. Nonetheless the jump in wholesale trade sales to an 11-month high of 2.3% MOM (Feb: +0.3%) suggests that sales are picking up after remaining weak for many months.
- China prices recovered:** China consumer prices inflation rose back up to 2.5% YOY in April (Mar: +2.3%), its fastest pace in six months, largely on a jump in food prices (+6.1% vs +4.1%), as a widespread African swine flu continues to limit pork supply thus driving up prices of the country's preferred poultry. Excluding prices of food and energy, CPI eased to 1.7% YOY (Mar: +1.8%) suggesting that demand is yet to pick up significantly to perk up prices. Producer prices also bounced back up to 0.9% YOY (Mar: +0.4%), shrugging off earlier concerns of disinflation at Chinese factories which could affect firms' profit. Looking ahead, the rebound in headline inflation suggests that prices have recovered in the domestic economy to the comfortable levels seen before late 2018 and thus not a major issue for the PBOC which observes a consumer inflation target of 3%.
- Japan wages dropped; household spending fastest in eight months:**  
 Japan labour cash earnings fell a whopping 1.9% YOY in March (Feb: -0.7% revised) as contracted earnings (both regular and overtime) saw a huge reversal of 1.1% YOY (Feb: -0.2%) while bonus payout fell 12.4% YOY (Feb: -31.4%). March print was the earnings' third decline in a row, reversing the gains made in late 2018 and raising concerns that the tight Japanese labour market will ever push up wages on sustainable basis. The good news is that household spending which was released simultaneously rose more than expected by 2.1% YOY in March (Feb: +1.7%), the fastest since August last year but we doubt that the momentum could hold up for long considering the fact that a planned sales tax hike is set to go live in October and Japanese are possibly perking up spending prior to the tax hike.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
10/05	Malaysia	Industrial Production YOY	Mar	2.4%	1.7%	--
10/05	US	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%	--
13/05	Japan	Leading Index CI	Mar P	96.3	97.1	--
		Coincident Index	Mar P	99.7	100.4	--
10/05	Singapore	Retail Sales YOY	Mar	-1.4%	-10.0%	--
10/05	Australia	RBA Statement on Monetary Policy				
13/05		Home Loans MOM	Mar	-0.3%	0.8%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1215	0.21	1.1251	1.1174	-2.15
GBPUSD	1.3014	0.06	1.3036	1.2968	2.01
USDJPY	109.74	-0.33	110.11	109.47	0.03
AUDUSD	0.6989	0.01	0.6998	0.6965	-0.88
EURGBP	0.8622	0.19	0.8649	0.8597	-4.07
USDMYR	4.1525	0.10	4.1545	4.1415	0.46
EURMYR	4.6494	0.03	4.6521	4.6343	-1.65
JPYMYR	3.7863	0.52	3.7895	3.7664	0.76
GBPMYR	5.3963	-0.28	5.4085	5.3855	2.44
SGDMYR	3.0456	-0.08	3.0473	3.0380	0.32
AUDMYR	2.8981	-0.42	2.9016	2.8883	-0.85
NZDMYR	2.7325	-0.05	2.7341	2.7229	-1.65
CHFMYR	4.0813	0.12	4.0831	4.0567	-2.81
CNYMYR	0.6090	-0.56	0.6115	0.6082	0.62
HKDMYR	0.5293	0.13	0.5294	0.5277	0.21
USDSGD	1.3641	0.12	1.3657	1.3620	0.14
EURSGD	1.5299	0.33	1.5349	1.5239	-2.03
GBPSGD	1.7752	0.18	1.7787	1.7696	2.15
AUDSGD	0.9534	0.13	0.9546	0.9501	-0.73

Source: Bloomberg

## Forex

### MYR

- **MYR closed 0.1% lower** against the USD at 4.1525 as US-China trade tensions continue to underpin demand for safety in the USD.
- **We turn bearish MYR** as it has closed above the important 4.1500 level. Continued trade tensions as well with Trump looking to raise tariffs later today to support MYR bearishness.

### USD

- **The Dollar index closed 0.15% lower at 97.426** as there was some relief put forth by Trump saying there is still a chance for a deal.
- **We continue to maintain USD bullishness** as only a trade deal inked now will only avert current bullish momentum.

### EUR

- **EUR closed 0.21% stronger at 1.1215 against USD** as Trump's comments brought forth some relief to ongoing tensions.
- **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 0.06% higher at 1.3014** as there was a slight wave of relief washing over markets over Trump's comments.
- **GBP remains bullish** as the pair continues to trade within the upper bound of the Bollinger. Closing above the 1.30 short term pivot also helps to support GBP bullishness.

### JPY

- **JPY closed 0.33% stronger at 119.74** 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 flat at 0.6989 against the USD.**
- **We remain bearish on AUD** and would continue to monitor trade talk outcomes as it directly has an impact on AUD due to its sensitivity to China.

### SGD

- **SGD closed 0.12% weaker at 1.3641 against USD** in mixed trading.
- **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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