

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street extended rallies on Friday as a weaker-than-expected job report reaffirmed the possibility of a Fed rate cut.** Sentiments was also lifted over progress in US-Mexico talks which subsequently led to an announcement of an immigration deal on Saturday. **President Trump cancelled his Mexico tariffs**, originally slated to go live on Monday, narrowly averting an escalation of a trade war between the two countries. The Dow added 1.0% while the S&P 500 and NASDAQ gained 1.1% and 1.7%. Treasuries yield continued to fall as investors increased bets on a Fed rate cut, with markets now pricing in a 66.8% chance of a cut in the July FOMC meeting as of writing. 10Y UST yield lost 4bps to 2.08%. The greenback weakened against all G10s currencies and the dollar index slipped by 0.5% to 96.54. Crude oil prices jumped by 2.6-2.7%, Brent settled at \$63.29/barrel and WTI at \$53.99/barrel.
- On the data front, **US job data disappointed with nonfarm payrolls clocking in at a mere 75k in May. Wage growth slowed to 3.1% YOY while unemployment rate stayed at 3.6%.** Wholesale inventories rose 0.8% MOM in April. In the UK, the Halifax house price index beat expectations to increase 5.2% YOY in the three months to May. **Japan final 1Q GDP growth was revised higher to 0.6% QOQ, but leading indicators appeared mixed.**
- **The Dollar index closed lower by 0.45% at 96.586** as the broad USD weakness stayed extended on weak jobs data. **We remain bearish USD** as dovish Fed rhetoric is further supported by weak jobs data which in turn, further supports the view of an impending Fed rate cut in July.
- **MYR closed 0.37% stronger** against the USD at 4.1590 on overall USD weakness. **We remain bullish MYR** in the short term as weak jobs data in the US helps reinforce expectations of an upcoming Fed rate cut.
- **SGD closed stronger by 0.15% at 1.3620 against USD** amidst broad USD weakness. **We remain cautiously bullish SGD** over the short term as markets readjust according to Fed rate cut expectations but remain wary as trade and global growth worries continue to linger.

Overnight Economic Data

US	↓
UK	↑
Japan	→

What's Coming Up Next

Major Data

- UK GDP, Industrial Production, Visible Trade Balance
- Japan Eco Watchers Survey Indexes
- China External Trade Report

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1250	1.1280	1.1324	1.1330	1.1360	↗
GBPUSD	1.2650	1.2700	1.2725	1.2750	1.2775	↗
USDJPY	107.80	108.10	108.43	108.75	109.00	↘
AUDUSD	0.6950	0.6975	0.6995	0.7025	0.7050	↗
EURGBP	0.8850	0.8875	0.8900	0.8925	0.8950	↗
USDMYR	4.1525	4.1550	4.1570	4.1600	4.1630	↘
EURMYR	4.6650	4.6800	4.7080	4.7200	4.7350	↘
JPYMYR	3.8100	3.8300	3.8349	3.8500	3.8700	↘
GBPMYR	5.2600	5.2800	5.2910	5.3200	5.3400	↘
SGDMYR	3.0400	3.0450	3.0490	3.0550	3.0600	↘
AUDMYR	2.8750	2.8900	2.9075	2.9150	2.9250	↘
NZDMYR	2.7450	2.7600	2.7685	2.7700	2.7850	↘
USDSGD	1.3600	1.3620	1.3635	1.3660	1.3690	↘
EURSGD	1.5370	1.5410	1.5445	1.5470	1.5500	→
GBPSGD	1.7250	1.7300	1.7350	1.7400	1.7500	→
AUDSGD	0.9480	0.9500	0.9538	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	1,649.33	0.32	-2.44	CRB Index	174.42	0.32	2.72
Dow Jones Ind.	25,983.94	1.02	11.39	WTI oil (\$/bbl)	53.99	2.66	18.89
S&P 500	2,873.34	1.05	14.62	Brent oil (\$/bbl)	63.29	2.63	18.74
FTSE 100	7,331.94	0.99	8.97	Gold (\$/oz)	1,340.86	0.41	4.08
Shanghai*	2,827.80	-1.17	13.39	CPO (RM/tonne)	1,989.00	-0.08	1.87
Hang Seng*	26,965.28	0.26	4.33	Copper (\$/tonne)	5,799.00	-0.15	-2.78
STI	3,166.29	0.64	3.18	Rubber (sen/kg)	503.50	1.72	32.85

*Closing for 06 June

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Change in Nonfarm Payroll	May	75k	224k (revised)	175k
US Unemployment Rate	May	3.6%	3.6%	3.6%
US Average Hourly Earnings YOY	May	3.1%	3.2%	3.2%
US Wholesale Inventories MOM	Apr F	0.8%	0.7%	0.7%
UK Halifax House Prices YOY	May	5.2%	5.0%	5.0%
JP GDP SA QOQ	1QF	0.6%	0.5%	0.6%
JP Leading Index	Apr P	95.5	95.9	95.8
JP Coincident Index	Apr P	101.9	99.4	100.2

Source: Bloomberg narrowly

➤ Macroeconomics

- Poor US job gains sparked hope on rate cut:** Hiring slowed in the US in May as nonfarm payroll came in at a mere 75k (Apr: 224k revised). Job count for March and April were also revised lower by a net reduction of 75k, suggesting that job growth has come off its peak in recent months and began to emanate signs of weakening. May job gain was a plain disappointment as a Bloomberg survey had put consensus estimate at 175k. The number echoed the also weaker than expected ADP private payroll report which had come in at a tiny 27k. Growth in average hourly earnings also missed estimates, easing to 3.1% YOY (Apr: +3.2%) indicating a slower upturn in wage growth. Meanwhile the household survey shows that unemployment rate was unchanged at 3.6% with participation rate remaining the same at 62.8%. Friday's job report was clearly a disappointment, spurring further talks that the Fed may deliver a rate cut this summer, after all a strong labour market has been the Fed's most convincing reason to hold back from slashing the fed fund rate, against a backdrop of muted inflation. The central bank's next meeting is on 18-19 June and many are expecting a cut in the July meeting. As of writing, markets are pricing in a 66.8% chance of a 25bps cut in the July meeting. Other data release for the US was the final reading of wholesale inventory which rose 0.8% MOM in April (Mar: 0.0%), as firms increased their inventory investment after spending an extended period of time clearing the overhang created since late last year.
- Halifax said the increase in UK house prices a sign of stability:** The Halifax house price index beat expectations, clocking in a MOM gain of 0.5% in May (Apr: +1.2% revised) while on a yearly basis, prices rose by an impressive 5.2% in the three months to May (Apr: +5.0%) due to low base effect. Halifax said the latest upturn in prices was a sign of stability in the UK housing market which is underpinned by the "twin factors of high employment and low interest rates".
- Japan final GDP growth revised higher; leading indicators appeared mixed:** The final reading of Japan's first quarter GDP growth was revised higher from 0.5% QOQ to 0.6% QOQ as expected (4Q: +0.5%) as the economy grew further following the recovery in 4Q last year. Leading indicators however appeared mixed ahead of October's sales tax hike – the Economic and Social Research Institutes' leading index fell to 95.5 in April (Mar: 95.9) according to a preliminary reading, pointing to a subdued outlook for the economy. In contrast, the present economic conditions appeared more favourable as its coincident index rose to 101.9 (Mar: 99.4).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
11/06	Malaysia	Industrial Production YOY	Apr	2.5%	3.1%	--
		Foreign Reserves	31 May	--	\$102.8b	--
11/06	US	NFIB Small Business Optimism	May	101.8	103.5	--
		PPI Final Demand YOY	May	2.0%	2.2%	--
10/06	UK	GDP MOM	Apr	-0.1%	-0.1%	--
		Industrial Production MOM	Apr	-1.0%	0.7%	--
		Visible Trade Balance	Apr	-£13,000m	-£13,650m	--
11/06		Average Weekly Earnings 3M/YOY	Apr	3.0%	3.2%	--
		ILO Unemployment Rate 3Mths	Apr	3.8%	3.8%	--
10/06	Japan	Eco Watchers Survey Current Outlook	May	45.5	45.3	--
		Eco Watchers Survey Outlook	May	48.0	48.4	--
11/06		Machine Tool Orders YOY	May P	--	-33.4%	--
10/06	China	Exports YOY	May	-3.9%	-2.7%	--
		Imports YOY	May	-3.5%	4.0%	--
		Trade Balance	May	\$23.3b	\$13.84b	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1334	-0.51	1.1348	1.1251	-1.31
GBPUSD	1.2737	-0.34	1.2763	1.2689	-0.26
USDJPY	108.19	-0.19	108.62	107.88	-1.11
AUDUSD	0.7001	-0.34	0.7022	0.6964	-0.79
EURGBP	0.8898	-0.17	0.8901	0.8850	-1.04
USDMYR	4.1590	-0.37	4.1725	4.1545	-0.62
EURMYR	4.6818	-0.33	4.7051	4.6799	-0.96
JPYMYR	3.8337	-0.74	3.8468	3.8289	-2.02
GBPMYR	5.2894	0.10	5.2970	5.2746	-0.41
SGDMYR	3.0431	-0.25	3.0580	3.0399	-0.24
AUDMYR	2.8998	-0.47	2.9104	2.8970	-0.79
NZDMYR	2.7550	0.18	2.7624	2.7495	-0.85
CHFMYR	4.1858	-0.39	4.2099	4.1830	-0.32
CNYMYR	0.6040	-0.25	0.6056	0.6038	-0.20
HKDMYR	0.5304	-0.41	0.5322	0.5300	-0.42
USDSGD	1.3620	-0.15	1.3684	1.3610	-0.01
EURSGD	1.5434	-0.34	1.5450	1.5375	-1.30
GBPSGD	1.7344	-0.17	1.7401	1.7311	-0.25
AUDSGD	0.9536	-0.20	0.9557	0.9514	-0.76

Source: Bloomberg

Forex

MYR

- **MYR closed 0.37% stronger** against the USD at 4.1590 on overall USD weakness.
- **We remain bullish MYR** in the short term as weak jobs data in the US helps reinforce expectations of an upcoming Fed rate cut.

USD

- **The Dollar index closed lower by 0.45% at 96.586** as the broad USD weakness stayed extended on weak jobs data.
- **We remain bearish USD** as dovish Fed rhetoric is further supported by weak jobs data which in turn, further supports the view of an impending Fed rate cut in July.

EUR

- **EUR closed 0.51% stronger at 1.1334 against USD** on the back of broad USD weakness.
- **We remain bullish on EUR** as the overall outlook continues to favour a weaker USD due to the ECB promising that interest rates would remain at their present level at least through to 1H of 2020 vis-a-vis expectations of a Fed rate cut.

GBP

- **GBP closed 0.34% higher at 1.2737** in line with broad USD weakness.
- **GBP continues to remain bearish** below 1.29 pivot and on nagging Brexit issues but we have to respect the broad USD move lower as USD index moves into bearish territory, that would keep the sterling supported.

JPY

- **JPY closed 0.19% stronger at 108.19** even against a strengthening greenback underpinned by demand for refuge.
- **We remain bullish JPY** as lower UST yields alongside Fed rate cut expectations coupled with global growth and trade worries will keep JPY supported overall.

AUD

- **AUD closed 0.34% stronger at 0.7001 against the USD.**
- **We remain bullish on AUD** as despite a RBA rate cut, AUD still managed to cling on to gains to trade circa the 0.70 handle on renewed risk appetite thanks to Fed rate cut expectations. A potential Fed rate cut is being viewed positively as it is expected to help soothe concerns over rapidly dwindling growth in the wake of unresolved trade spat.

SGD

- **SGD closed stronger by 0.15% at 1.3620 against USD** amidst broad USD weakness.
- **We remain cautiously bullish SGD** over the short term as markets readjust according to Fed rate cut expectations but remain wary as trade and global growth worries continue to linger.

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