

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks rose overnight following President Trump's decision on weekend to call off threat to slap tariffs on Mexico.** Shares of auto manufacturers Ford Motors and General Motors benefitted due to their huge exposures in Mexico while rising bond yield helped push up financial stocks such as Goldman Sachs and JP Morgan. The Dow advanced for a sixth consecutive session to close 0.3% higher (+79pts) while the S&P 500 added 0.5% (+13pts) and NASDAQ saw a sharper gain of 1.1% (+81pts). US-China trade tension shows no sign of abating as **Trump dropped hint that he would raise 25% tariffs (or more) on Chinese goods if President Xi refuses to meet him at the upcoming G20 Summit in Japan.** Meanwhile markets continued to expect the Federal Reserve to cut rates to counter the impact of trade uncertainties on the economy. Investors retreated from safe havens amidst better risk sentiments, leading treasury yields to gain 5-7bps across the curve. 10Y UST yield picked up 7bps to 2.15%. Crude oil prices fell to offset parts of Friday's gain- Brent lost 1.6% to \$62.29/barrel and WTI slipped by 1.4% to \$53.26/barrel.
- On the data front, **UK GDP slipped 0.4% MOM in April driven by a 2.7% drop in industrial production.** Construction output fell for the second month by 0.4% MOM while services output flat-lined. External trade weakened as exports of goods fell 8.4% MOM, overall goods trade deficit narrowed further to £12.1b. In Asia, Japan Economy Watchers Survey pointed to weaker outlook. Notably, **China exports unexpectedly rose 1.1% YOY in May and imports plunged more than expected by a whopping 8.5% YOY,** underscoring weakness in domestic demand.
- **The Dollar index closed flattish at 96.771, up 0.06%** as the broad USD consolidates against recent moves. **We remain bearish USD** as Fed rate cut expectations still hold water although we might see some USD demand in the short term as we approach H1 end and quarter end.
- **MYR closed 0.12% weaker** against the USD at 4.1640 as it pared back some gains against the USD. **We turn neutral on MYR** in the short term as the euphoria on Fed rate cut expectations seem to have died down and reality on global growth and trade worries start to sink in.
- **SGD closed weaker by 0.32% at 1.3664 against USD** amidst broad USD strength. **We turn neutral SGD** over the short term as the euphoria of Fed rate cut expectations dies down and reality over trade and global growth sets in.

#### Overnight Economic Data

UK	↓
Japan	↓
China	→

#### What's Coming Up Next

##### Major Data

- Malaysia Industrial Production, Foreign Reserves
- US NFIB Small Business Optimism, Producer Prices Index
- Eurozone Sentix Investor Confidence Index
- UK Job Report
- Japan Machine Tools Orders
- Australia NAB Business Confidence Index

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1250	1.1280	1.1317	1.1330	1.1360	↗
GBPUSD	1.2600	1.2650	1.2690	1.2750	1.2775	↘
USDJPY	107.80	108.10	108.49	108.75	109.00	↘
AUDUSD	0.6920	0.6950	0.6958	0.6975	0.7000	↘
EURGBP	0.8850	0.8875	0.8921	0.8925	0.8950	↗
USDMYR	4.1570	4.1620	4.1670	4.1700	4.1730	→
EURMYR	4.6650	4.6800	4.7145	4.7200	4.7350	↗
JPYMYR	3.8100	3.8300	3.8420	3.8500	3.8700	↗
GBPMYR	5.2600	5.2800	5.2875	5.3200	5.3400	↘
SGDMYR	3.0400	3.0450	3.0500	3.0550	3.0600	→
AUDMYR	2.8750	2.8900	2.8990	2.9150	2.9250	↘
NZDMYR	2.7250	2.7450	2.7530	2.7700	2.7850	↘
USDSGD	1.3600	1.3620	1.3664	1.3675	1.3690	→
EURSGD	1.5370	1.5410	1.5463	1.5470	1.5500	↗
GBPSGD	1.7250	1.7300	1.7341	1.7400	1.7500	↘
AUDSGD	0.9480	0.9500	0.9506	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	1,655.47	0.37	-2.08	CRB Index	174.07	-0.20	2.51
Dow Jones Ind.	26,062.68	0.30	11.73	WTI oil (\$/bbl)	53.26	-1.35	17.29
S&P 500	2,886.73	0.47	15.15	Brent oil (\$/bbl)	62.29	-1.58	15.78
FTSE 100	7,375.54	0.59	9.62	Gold (\$/oz)	1,327.98	-0.96	3.63
Shanghai	2,852.13	0.86	14.36	CPO (RM/tonne)	1,976.00	-0.65	1.20
Hang Seng	27,578.64	2.27	6.70	Copper (\$/tonne)	5,874.00	1.29	-1.53
STI	3,188.11	0.69	3.89	Rubber (sen/kg)	501.00	-0.50	32.19

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
UK GDP MOM	Apr	-0.4%	-0.1%	-0.1%
UK Industrial Production MOM	Apr	-2.7%	0.7%	-1.0%
UK Visible Trade Balance	Apr	-£12,113m	-£15,430m	-£13,000m
JP Eco Watchers Survey Current Outlook	May	44.1	45.3	45.5
JP Eco Watchers Survey Outlook	May	45.6	48.4	48.0
CH Exports YOY	May	1.1%	-2.7%	-3.9%
CH Imports YOY	May	-8.5%	4.0%	-3.5%
CH Trade Balance	May	\$41.65b	\$13.77b (revised)	\$23.3b

Source: Bloomberg

**➤ Macroeconomics**

- UK economy started weak in Q2:** GDP slipped more than expected by 0.4% MOM in April (Mar: -0.1%), driven by a 2.7% MOM drop in industrial production (Mar: +0.7% revised). Within industrial production, manufacturing output saw a sharper drop of 3.9% MOM (Mar: 0.9%), proving that the surge in output since early 2019 was merely temporary as firms ramped up productions ahead of Brexit deadline. Construction output fell for the second month by 0.4% MOM (Mar: -1.9%) while services output flat-lined (Mar: -0.1%). External trade weakened as exports of goods fell 8.4% MOM in April (Mar: +4.5%) while imports dropped 12.7% MOM (Mar: +1.9%), leading overall goods trade deficit to narrow further to £12.1b (Jan: -£15.4b revised). The latest data bag suggests that the UK economy started the second quarter on a weaker note following a strong growth in the first quarter as Brexit-driven demand waned and international trade continued to weaken.
- Japan Economy Watcher Survey shows weakening outlook:** The Economy Watchers Survey's index for current condition fell to 44.1 in May (Apr: 45.3) while the expectations index also dropped to 45.6 (Apr: 48.4), reaffirming the general narrative that outlook for the Japanese economy is skewed to the downside amidst slower global trade and October's scheduled sales tax hike.
- China exports surprised to the upside, imports tumbled:** China exports unexpectedly rose 1.1% YOY in May (Apr: -2.7%) supported by a pick-up in demand for Chinese goods from Canada, Japan, South Korea, Taiwan, ASEAN countries, Australia and South Africa. Shipments to the US fell 4.2% YOY (Apr: -13.1%), marking its 5<sup>th</sup> monthly decline within six months since December last year while shipments to the EU stabilized at 6.1% YOY (Apr: +6.5%). On the contrary, imports plunged more than expected by a whopping 8.5% YOY (Apr: 4.0%), after a brief upturn in April. May import print was also its 5<sup>th</sup> monthly drop in a six-month period, highlighting the weakness in domestic demand despite the authorities' relentless efforts to boost consumptions via fiscal and monetary stimulus. MOM, exports managed a 10.5% increase (Apr: -2.3%) while imports slipped 4.2% (Apr: +9.9%) leaving May trade surplus to balloon to \$41.66b (Apr: \$13.84b).

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	102.0	103.5	--
		PPI Final Demand YOY	May	2.0%	2.2%	--
12/06		MBA Mortgage Applications	07 Jun	--	1.5%	--
		CPI YOY	May	1.9%	2.0%	--
11/06	Eurozone	Sentix Investor Confidence	Jun	2.5	5.3	--
11/06	UK	Average Weekly Earnings 3M/YOY	Apr	3.0%	3.2%	--
		ILO Unemployment Rate 3Mths	Apr	3.8%	3.8%	--
11/06	Japan	Machine Tool Orders YOY	May P	--	-33.4%	--
12/06	Japan	PPI YOY	May	0.7%	1.2%	--
		Core Machine Orders MOM	Apr	-0.8%	3.8%	--
12/06	China	CPI YOY	May	2.7%	2.5%	--
		PPI YOY	May	0.6%	0.9%	--
12/06	Singapore	Retail Sales YOY	Apr	0.3%	-1.0%	--
11/06	Australia	NAB Business Conditions	May	--	3.0	--
		NAB Business Confidence	May	--	0.0	--
12/06		Westpac Consumer Confidence Index	Jun	--	101.3	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1312	-0.19	1.1331	1.1290	-1.32
GBPUSD	1.2685	-0.41	1.2747	1.2653	-0.51
USDJPY	108.45	0.24	108.72	108.32	-1.18
AUDUSD	0.6961	-0.57	0.7023	0.6957	-1.29
EURGBP	0.8917	0.21	0.8930	0.8881	-0.80
USDMYR	4.1640	0.12	4.1675	4.1495	0.74
EURMYR	4.7084	0.57	4.7120	4.7007	-0.40
JPYMYR	3.8337	0.00	3.8390	3.8280	2.02
GBPMYR	5.2835	-0.11	5.2985	5.2822	0.30
SGDMYR	3.0455	0.08	3.0506	3.0427	0.32
AUDMYR	2.9008	0.03	2.9096	2.8974	-0.76
NZDMYR	2.7564	0.05	2.7688	2.7538	-0.80
CHFMYR	4.2054	0.47	4.2058	4.1940	0.15
CNYMYR	0.6004	0.60	0.6010	0.5997	-0.80
HKDMYR	0.5309	0.09	0.5313	0.5296	0.51
USDSGD	1.3664	0.32	1.3678	1.3614	0.21
EURSGD	1.5456	0.14	1.5465	1.5399	-1.11
GBPSGD	1.7332	-0.07	1.7395	1.7266	-0.30
AUDSGD	0.9509	-0.28	0.9560	0.9503	-1.07

Source: Bloomberg

## Forex

### MYR

- **MYR closed 0.12% weaker** against the USD at 4.1640 as it pared back some gains against the USD.
- **We turn neutral on MYR** in the short term as the euphoria on Fed rate cut expectations seem to have died down and reality on global growth and trade worries start to sink in.

### USD

- **The Dollar index closed flattish at 96.771, up 0.06%** as the broad USD consolidates against recent moves.
- **We remain bearish USD** as Fed rate cut expectations still hold water although we might see some USD demand in the short term as we approach H1 end and quarter end.

### EUR

- **EUR closed 0.19% weaker at 1.1312 against USD** in line with broad USD strength.
- **We remain bullish on EUR** as the overall outlook continues to favour a weaker USD due to a neutral ECB and Fed rate cut expectations.

### GBP

- **GBP closed 0.41% lower at 1.2685** in line with broad USD strength.
- **We remain bearish GBP** as it continues to trade below technical pivot point alongside nagging Brexit woes as euphoria on Fed rate cut expectations begin to die down.

### JPY

- **JPY closed 0.24% weaker at 108.45** against the greenback.
- **We remain bullish JPY** as demand for safe haven is likely to continue once Fed rate cut expectations die down and reality on global growth and trade sets back in.

### AUD

- **AUD closed 0.57% weaker at 0.6961 against the USD.**
- **We turn bearish on AUD** as Fed rate cut expectations dies down and global growth and trade worries begin to come back into focus.

### SGD

- **SGD closed weaker by 0.32% at 1.3664 against USD** amidst broad USD strength.
- **We turn neutral SGD** over the short term as the euphoria of Fed rate cut expectations dies down and reality over trade and global growth sets in.

**Hong Leong Bank Berhad**

Fixed Income &amp; 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](mailto:HLMarkets@hlbb.hongleong.com.my)**DISCLAIMER**

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