

Global Markets Research

Daily Market Highlights

Key Takeaways

- US stocks came off early high to end on a flattish note overnight as markets weighed **President Trump's fresh comments that he was the one "holding up the (trade) deal" with China ahead of the G20 Summit in Japan.** Trump had said on Monday that tariffs on Chinese goods would go up if President Xi did not meet him at the summit. **Amidst trade uncertainties, investors are looking to Wednesday CPI number for clues over the Federal Reserve's next move.** PPI released overnight showed that inflation has remained muted. The FOMC is meeting next Wednesday and is widely expected to stay put this round and then deliver a cut in July. The Dow snapped six-day winning streak to lose 0.05% while the S&P 500 and NASDAQ each fell by 0.03% and 0.01%. 10Y treasuries yield slipped 1bp to 2.14%. European stocks extended solid gains earlier while Asian key benchmarks finished higher as well. Crude oil benchmarks were flat on Tuesday– Brent stayed at \$62.29/ barrel while WTI barely changed at \$53.27/ barrel.
- On the data front, **growth in US PPI eased to 1.8% YOY in May** while the NFIB Small Business Confidence Index rose to 105.0 in the same month. **In Europe, investors' sentiments deteriorated** as the Sentix Investor Confidence Index took a U-turn to -3.3 in June after a rebound last month. Hiring slowed in the UK but unemployment rate remained at a historically low level of 3.8%. Basic pay growth rebounded. Japan core machinery orders, a leading indicator for capex jumped 5.2% MOM while PPI eased back to below 1.0%. Australia business confidence got boosted after the Federal Election and ahead of RBA rate cut but consumer confidence was dampened. **Malaysia IPI picked up 4.0% YOY in April**, its fastest pace in six months but we are not optimistic such momentum could sustain in the wake of external headwinds.
- **The Dollar index closed flattish at 96.695, down 0.04%** as the broad USD consolidates recent moves against majors. **We remain bearish USD** as Fed rate cut expectations still hold water although we may see some volatility in the short term due to trade and global growth worries.
- **MYR closed flat** against the USD at 4.1630. **We remain neutral on MYR** in the short term as the euphoria on Fed rate cut expectations have died down and reality on global growth and trade worries start to sink in.
- **SGD closed stronger by 0.16% at 1.3642 against USD.** **We remain neutral SGD** over the short term as the euphoria of Fed rate cut expectations dies down and investors start seeking directional cues.

Overnight Economic Data

Malaysia	→
US	→
Eurozone	↓
UK	→
Japan	→
Australia	→

What's Coming Up Next

Major Data

- US CPI, MBA Mortgage Applications
- China CPI, PPI
- Singapore Retail Sales

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1270	1.1300	1.1328	1.1335	1.1360	↗
GBPUSD	1.2600	1.2650	1.2725	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	0.8907	0.8925	0.8950	↗
USDMYR	4.1550	4.1575	4.1630	4.1650	4.1700	→
EURMYR	4.6700	4.6850	4.7170	4.7200	4.7350	↗
JPYMYR	3.8100	3.8300	3.8375	3.8500	3.8700	↗
GBPMYR	5.2600	5.2800	5.2970	5.3200	5.3400	↘
SGDMYR	3.0450	3.0475	3.0535	3.0550	3.0600	→
AUDMYR	2.8750	2.8900	2.8975	2.9150	2.9250	↘
NZDMYR	2.7100	2.7250	2.7400	2.7450	2.7600	↘
USDSGD	1.3600	1.3620	1.3637	1.3675	1.3690	→
EURSGD	1.5370	1.5410	1.5452	1.5470	1.5500	↗
GBPSGD	1.7250	1.7300	1.7353	1.7400	1.7500	↘
AUDSGD	0.9450	0.9480	0.9491	0.9500	0.9525	↘

* 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	1,651.20	-0.26	-2.33	CRB Index	174.87	0.46	2.98
Dow Jones Ind.	26,048.51	-0.05	11.66	WTI oil (\$/bbl)	53.27	0.02	17.31
S&P 500	2,885.72	-0.03	15.11	Brent oil (\$/bbl)	62.29	0.00	15.78
FTSE 100	7,398.45	0.31	9.96	Gold (\$/oz)	1,326.84	-0.09	3.47
Shanghai	2,925.72	2.58	17.32	CPO (RM/tonne)	1,950.00	-1.32	-0.13
Hang Seng	27,789.34	0.76	7.52	Copper (\$/tonne)	5,876.00	0.03	-1.49
STI	3,209.58	0.67	4.59	Rubber (sen/kg)	502.00	-0.20	32.45

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
MY Industrial Production YOY	Apr	4.0%	3.1%	2.5%
MY Foreign Reserves	31 May	\$102.3b	\$102.8b	--
US NFIB Small Business Optimism	May	105.0	103.5	102.0
US PPI Final Demand YOY	May	1.8%	2.2%	2.0%
EU Sentix Investor Confidence	Jun	-3.3	5.3	2.5
UK Employment Change 3M/3M	Apr	32k	99k	4k
UK Average Weekly Earnings 3M/YOY	Apr	3.1%	3.3% (revised)	3.0%
UK ILO Unemployment Rate 3Mths	Apr	3.8%	3.8%	3.8%
JP Machine Tool Orders YOY	May P	-27.3%	-33.4%	--
JP PPI YOY	May	0.7%	1.3% (revised)	0.7%
JP Core Machine Orders MOM	Apr	5.2%	3.8%	-0.8%
AU NAB Business Conditions	May	1.0	3.0	--
AU NAB Business Confidence	May	7.0	0.0	--
AU Westpac Consumer Confidence Index	Jun	100.7	101.3	--

Source: Bloomberg

➤ Macroeconomics

- US factory gate inflation stayed subdued:** The producer prices index for final demand rose a mere 0.1% MOM in May (Apr: +0.2%), the slowest since the last decline in January this year, mainly due to the decline in prices of goods (-0.2% vs + 0.3%) as prices of services picked up at a faster pace of 0.3% MOM (Apr: +0.1%). Within the goods category, prices of energy and food both experienced declines. Leaving out these two items, core PPI was flat (0.0% for the second month). On a yearly basis, producer prices growth eased further to 1.8% (Apr: +2.2%), foretelling a softer CPI (due tonight) while core PPI inched slightly higher to 2.3% (Apr: +2.2%), confirming that prices pressure remained very much subdued in the US.
- US small business confidence boosted in May:** The NFIB Small Business Confidence Index rose to 105.0 in May (Apr: 103.5), marking the index' return to historically high levels. According to NFIB, the surge in confidence was driven by solid hiring and plans to raise capex due to smaller firms' better expectations over sales and growth outlook.
- Eurozone investor confidence deteriorated on trade uncertainties:** The Sentix Investor Confidence Index took a U-turn, falling to -3.3 in June (May: 5.3) after managing a rebound in the previous month. The reading was a huge miss of a Bloomberg consensus estimate of 2.5 and pointed to a sharp fall in investor confidence following the US threat to slap tariffs on Mexico amidst stalling trade talk with China. The index for current situation fell to 6.0 (May: 11.0) while the expectations index dipped to -12.3 (May: -0.3) indicating investors' dismal outlook for the Eurozone economy as prolonged uncertainties over global trade pose downside risk to growth prospect.
- UK regular wage growth bounced back up; unemployment rate unchanged:** Hiring slowed in the UK as the economy added 32k jobs in the three months to April (Mar: 99k), its smallest gain since August last year. Job gains had been impressive for the past five months, recording an average addition of 160k from Nov-18 to Mar-19. That said, the job market appeared solid still as unemployment rate remained unchanged at historically low of 3.8% (Mar: 3.8%). Average weekly earnings inclusive bonus payments rose at a slower pace of 3.1% YOY (Mar: +3.3% revised) but on a positive note, growth in basic pay (earnings excluding bonus) accelerated back to 3.4% YOY (Mar: +3.3% offering some relief that consumption could be supported by a still solid wage growth.
- Japan capex jumped; factory gate inflation fell back to below 1%:** Core machinery orders, a widely followed barometer of Japanese capex jumped by an impressive 5.2% MOM in April (Mar: +3.8%), marking its third running month of increase and was the fastest since August last year. YOY, orders rose 2.5% (Mar: -0.7%) indicating that Japanese firms are raising capex despite slower growth outlook amidst prolonged trade tensions potentially in anticipation of the 2020 summer Olympics. Meanwhile on the prices front, producer prices index growth fell back to below 1% to 0.7% YOY in May (Apr: +1.3%) underscoring the weakness in factory gate inflation and overall price pressure in the Japanese economy. Not to be confused with machinery orders, machine tool orders which measure orders of Japanese made machine tools continued to fall by 27.3% YOY in May (Apr: -33.4%) according to a preliminary reading, due to slower domestic and foreign demand and partly on unfavourably high base effect.

- Australia business confidence boosted post-election, ahead of RBA rate cut; business conditions weakened:** Australia business confidence received a boost in May as the NAB Confidence Index jumped to 7.0 (Apr: 0.0) in the wake of the federal election as well as the anticipation of an RBA rate cut in June. Current conditions however continued to weaken as the Business Conditions Index fell to 1.0 (Apr: 3.0) implying that the private sector continued to lose momentum. NAB said that the spike in confidence was short term as other forward looking indicators deteriorated further. The Westpac Consumer Confidence Index however slipped 0.6% MOM to 100.7 in June (May: 101.3), a “disappointing result” according to Westpac even after a rate cut, suggesting consumers’ deepening concerns over the economy.
- Malaysia industrial production gained on favourable base effect:** Industrial production saw momentum picking up a 2nd consecutive month, increasing at its fastest pace in six months by 4.0% YOY in April (Mar: +3.1% YOY), lifted by improvement across all the three main sectors further augmented by a favourable base effect last April. Quicker expansion was seen in manufacturing (+4.3% vs +4.1% YOY) and electricity (+5.8% vs +4.8% YOY) while mining output snapped three months of decline to increase 2.3% YOY in April (Mar: -0.2% YOY), its fastest pace since Sept-17. This was lifted by a pick-up in the natural gas index (+6.1% vs +1.4%) which offset a sustained 1.9% YOY decline in crude oil (Mar: -2.0%). Production of both export- and domestic-oriented sectors continued to expand, though at varying speed in April. Mirroring improvement in manufacturing IPI, manufacturing sales also picked up to increase at a faster pace of 6.8% YOY in April (Mar: +5.7% revised). On a broader perspective, global PMI manufacturing index lost steam for the 13th straight month to 49.8 in May (Apr: 50.3), suggesting manufacturing activities have started contracting in May. Weaknesses were evident across both the major as well as emerging economies, foretelling synchronized slowdown in the world economy. As external headwinds continue to rear its ugly head, growth prospects of the Malaysian economy would need to depend on sustainability of domestic consumption and revival of investment activities to help weather the external storm. No change to our full year real GDP growth forecast of 4.7% for now pending greater clarity on external development.
- Malaysia foreign reserves fell in May:** BNM international reserves fell to \$102.3b as at 31 May (previous: \$102.8b) which is sufficient to finance 7.3 months of retained imports and is 1.1 times short-term external debt.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
12/06	US	MBA Mortgage Applications	07 Jun	--	1.5%	--
		CPI YOY	May	1.9%	2.0%	--
13/06		Import Price Index MOM	May	-0.2%	0.2%	--
		Initial Jobless Claims	Jun-08	215k	218k	--
13/06	Eurozone	Industrial Production SA MOM	Apr	-0.5%	-0.3%	--
13/06	UK	RICS House Price Balance	May	-21.0%	-23.0%	--
12/06	China	CPI YOY	May	2.7%	2.5%	--
		PPI YOY	May	0.6%	0.9%	--
12/06	Singapore	Retail Sales YOY	Apr	-0.2%	-1.0%	--
13/06	Australia	Employment Change	May	16.0k	28.4k	--
		Unemployment Rate	May	5.1%	5.2%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1326	0.12	1.1337	1.1302	-1.22
GBPUSD	1.2725	0.32	1.2732	1.2670	-0.25
USDJPY	108.52	0.06	108.80	108.35	-1.05
AUDUSD	0.6962	0.01	0.6967	0.6947	-1.25
EURGBP	0.8901	-0.18	0.8933	0.8891	-0.96
USDMYR	4.1630	-0.02	4.1705	4.1615	0.72
EURMYR	4.7122	0.08	4.7177	4.7078	-0.32
JPYMYR	3.8324	-0.03	3.8430	3.8306	1.99
GBPMYR	5.2928	0.18	5.2932	5.2747	0.48
SGDMYR	3.0510	0.18	3.0519	3.0464	0.50
AUDMYR	2.8964	-0.15	2.9005	2.8932	-0.91
NZDMYR	2.7443	-0.44	2.7532	2.7431	-1.24
CHFMYR	4.2022	-0.08	4.2113	4.2019	0.07
CNYMYR	0.6024	0.34	0.6025	0.6016	-0.47
HKDMYR	0.5315	0.11	0.5316	0.5307	0.62
USDSGD	1.3642	-0.16	1.3668	1.3631	0.07
EURSGD	1.5451	-0.03	1.5464	1.5427	-1.16
GBPSGD	1.7357	0.14	1.7369	1.7299	-0.18
AUDSGD	0.9496	-0.14	0.9514	0.9481	-1.17

Source: Bloomberg

Forex

MYR

- **MYR closed flat** against the USD at 4.1630.
- **We remain neutral on MYR** in the short term as the euphoria on Fed rate cut expectations have died down and reality on global growth and trade worries start to sink in.

USD

- **The Dollar index closed flattish at 96.695, down 0.04%** as the broad USD consolidates recent moves against majors.
- **We remain bearish USD** as Fed rate cut expectations still hold water although we may see some volatility in the short term due to trade and global growth worries.

EUR

- **EUR closed 0.12% stronger at 1.1326 against USD.**
- **We remain bullish on EUR** as the overall outlook continues to favour a weaker USD due to a dovish ECB and Fed rate cut expectations. However, the shorter term may be more neutral as the overall USD goes through more consolidation.

GBP

- **GBP closed 0.32% higher at 1.2725** boosted by better than expected employment data.
- **We remain bearish GBP** in the medium term however, the pair seems to be going through consolidation alongside the broader USD in the shorter term.

JPY

- **JPY closed flattish at 108.52 against the greenback, 0.06% lower on the day.**
- **We remain bullish JPY** over the medium term due to lower US yield expectations and likelihood of continuous safe haven demand due to trade worries.

AUD

- **AUD closed flat at 0.6962 against the USD.**
- **We remain bearish on AUD** over the medium term due to AUD sensitivity to China. However, like the overall USD, the pair does seem to be going through some consolidation over the short term.

SGD

- **SGD closed stronger by 0.16% at 1.3642 against USD.**
- **We remain neutral SGD** over the short term as the euphoria of Fed rate cut expectations dies down and investors start seeking directional cues.

Hong Leong Bank Berhad

Fixed Income & 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**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.