

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Wall Street rebounded on Friday, snapping a four-day losing streak after President Trump and Treasury Secretary Steven Mnuchin said trade talks with China were “constructive” and the US now gave China a month to agree to a deal.** The remarks helped lift sentiments as the absence of a post-hike meltdown somehow kept investors hopeful. Stocks got a much-needed boost after taking the brunt of the escalating trade tension last week, with the Dow, S&P 500 and NASDAQ bouncing up by 0.44%, 0.37% and 0.08% at the end of the day. **However on a weekly basis, US equities still fell 2-3%. Friday also saw ride hailing app Uber going public but its shares suffered a 7.6% drop after opening below its IPO price during the much anticipated debut.** Treasuries fell as stocks came back up - 10Y UST yield rose 3bps to 2.47%. Crude oil prices were mixed as WTI was flattish at \$61.66/barrel while Brent crude rose 0.33% to \$70.62/barrel. **Trade developments will continue to be the focus this week and is likely to keep investors on the sideline.** As of writing, the S&P 500 futures are down by 0.82%.
- **Positive data flow overall. US CPI rose at a faster pace of 2.0% YOY in April** while core CPI rose 2.1% YOY but overall report still points to a tepid inflation environment. **Pre-Brexit demand boosted UK growth in the first quarter** as the preliminary reading of GDP growth picked up to 0.5% QOQ as expected. Industrial productions beat expectations to increase 0.7% MOM in March as firms continued to ramp up productions for Brexit. **Singapore retail sales fell at a much slower pace of 1.0% YOY in March**, marking its fourth decline within a five-month period highlighting the entrenched weakness in consumer demand. **Malaysia industrial production saw momentum picking up again** after the seasonal lull in February, bouncing back more than expected to increase 3.1% YOY in March.
- **The Dollar index closed 0.12% lower at 97.321** 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 it is unlikely a deal will be inked in such a short span of time despite the slightly softening stance from the US. Would expect continued deadlock in trade talk to support USD strength.
- **MYR closed 0.12% lower** against the USD at 4.1575 as US-China trade talk remain deadlocked. **We remain bearish MYR** as Trump has followed through on his threat to increase tariffs which will likely get a retaliatory response from Beijing. Escalating tensions will support pair going forward towards 4.20 target in the medium term.
- **SGD closed 0.11% stronger at 1.3626 against USD** in line with broad USD. **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

Malaysia	↑
US	↑↑
UK	↑↑↑
Singapore	↑↑

#### What's Coming Up Next

##### Major Data

- Japan Leading Index, Coincident Index
- Australia Home Loan

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1170	1.1200	1.1234	1.1250	1.1275	↘
GBPUSD	1.2950	1.2980	1.3009	1.3050	1.3100	↗
USDJPY	109.25	109.50	109.73	110.00	110.30	↘
AUDUSD	0.6950	0.6975	0.6983	0.7010	0.7050	↘
EURGBP	0.8575	0.8600	0.8635	0.8650	0.8675	↘
USDMYR	4.1500	4.1550	4.1620	4.1650	4.1700	↗
EURMYR	4.6350	4.6550	4.6760	4.6900	4.7000	→
JPYMYR	3.7600	3.7800	3.7935	3.8000	3.8150	↗
GBPMYR	5.3800	5.4000	5.4145	5.4250	5.4400	↗
SGDMYR	3.0400	3.0450	3.0505	3.0530	3.0550	↗
AUDMYR	2.8800	2.8950	2.9070	2.9100	2.9200	↘
NZDMYR	2.7150	2.7300	2.7423	2.7550	2.7650	↘
USDSGD	1.3600	1.3610	1.3645	1.3675	1.3700	↗
EURSGD	1.5250	1.5300	1.5329	1.5350	1.5380	→
GBPSGD	1.7600	1.7700	1.7755	1.7900	1.8050	→
AUDSGD	0.9450	0.9500	0.9532	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	1,610.27	-0.51	-4.75	CRB Index	178.95	-0.03	5.39
Dow Jones Ind.	25,942.37	0.44	11.21	WTI oil (\$/bbl)	61.66	-0.06	35.79
S&P 500	2,881.40	0.37	14.94	Brent oil (\$/bbl)	70.62	0.33	30.89
FTSE 100	7,203.29	-0.06	7.06	Gold (\$/oz)	1,286.05	0.15	0.40
Shanghai	2,939.21	3.10	17.86	CPO (RM/tonne)	1,918.00	-1.69	-1.77
Hang Seng	28,550.24	0.84	10.46	Copper (\$/tonne)	6,126.00	0.39	2.70
STI	3,273.50	0.12	6.67	Rubber (sen/kg)	479.00	0.74	26.39

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
MA Industrial Production YOY	Mar	3.1%	1.7%	2.4%
US CPI YOY	Apr	2.0%	1.9%	2.1%
UK Visible Trade Balance	Mar	-£13650m	-£14434m	-£13700m
UK Industrial Production MOM	Mar	0.7%	0.6%	0.1%
UK GDP QOQ	1Q P	0.5%	0.2%	0.5%
SG Retail Sales YOY		-1.0%	-9.9% (revised)	-1.4%

Source: Bloomberg

## ➤ Macroeconomics

- RBA slashed growth forecast in latest statement on monetary policy:** RBA published its Statement on Monetary Policy for May and said that growth was weaker over 2018 than expected. GDP growth forecasts was revised lower from 2.75% to 2.00% for 2019 citing uncertain outlook for household consumption growth. Dwelling investment is expected to decline substantially over coming years but business investment is expected to support growth alongside public demand. Inflation is expected to pick up to 2.00% in December 2019, higher than the previous projection of 1.75% while the trimmed mean inflation (or core inflation) will soften to 1.75% (previous projection at 2.00%). On the international front, growth in Australia's trading partners eased in 2H18 and looks to have broadly continued to moderate into 2019, partly a result of a sharp slowing in global trade which is related to slowing growth in China, developments in trade policies and a turn in the cycle in the electronics sector. However, in many economies, domestically focused sectors such as services and retail trade appeared more resilient than externally focused sectors with strong labour market conditions and accommodative financial conditions providing support.
- US inflation rose in April but missed estimates:** CPI rose at a faster pace of 2.0% YOY in April (Mar: +1.9%) but was below consensus estimate of 2.1% YOY, reaffirming that prices are still very much subdued in the US economy. April print was driven by a rebound in prices of energy (+1.7% vs -0.4%) and a stronger rise in cost of services (+2.8% vs +2.7%). Leaving aside food and energy, core inflation rose 2.1% YOY (Mar: +2.0%), a tad faster than previous month's reading but nonetheless overall report still points to a tepid inflation environment which would likely leave the Fed staying put for the rest of the year.
- UK first quarter growth boosted by pre-Brexit demand:** The preliminary reading of UK first quarter GDP growth came in as expected at 0.5% QOQ (4Q: +0.2%). The stronger print was consumption and investment driven as proven in a surge in household spending (+0.7% vs +0.3%) and a steady gain in general government spending (+1.4% vs +1.3%). Gross fixed capital formation jumped by a whopping 2.1% QOQ (4Q: -0.6%). Imports rose an impressive 6.8% QOQ (4Q: +2.1%), boosted by pre-Brexit demand. Exports were flat (4Q: +1.6%) affirming the challenges faced by the external sector in the first quarter. YOY, GDP rose 1.8% YOY (4Q: +1.4%), the fastest since 3Q17. Meanwhile, industrial productions beat expectations to increase 0.7% MOM in March (Feb: +0.6%) on steady manufacturing output growth and slower fall in electricity output, as firms continued to ramp up productions and hoard inventories in preparation for Brexit deadlines. Visible trade deficit narrowed to £13.65b in March (Feb: £14.43b) as exports growth jumped to 4.6% MOM (Feb: +0.5%) while imports rebounded by 1.4% MOM (Nov: -1.5%).
- Slower downturn in Singapore retail sales:** Retail sales fell at a much slower pace of 1.0% YOY in March (Feb: -9.9% revised), its second decline in a row. Looking back, retail sales have now fallen for four times within a five-month period since November last year, highlighting the entrenched weakness in consumer demand. Breaking down key categories, sales of motor vehicles managed to pick up a mere 0.9% YOY (Feb: -13.2%) as demand for vehicles remained in its current down cycle while sales of medical goods and wearing apparels and footwear picked up some steam as well. Sales at department store, mini-marts/convenience stores and petrol service stations continued to fall alongside sales of furniture & household equipment, food & beverages, recreational goods as well as telecommunications & computers.

- Malaysia industrial production bounced back from seasonal slump:**  
 Industrial production saw momentum picking up again after the seasonal lull in February, bouncing back more than expected to increase 3.1% YOY in March (Feb: +1.7%). As expected, the manufacturing sector continued to be the key driver, with smaller decline in the mining sector provided further lift while electricity output saw sustained increase (+4.8% vs +4.9% YOY). Growth in manufacturing output quickened to 4.1% YOY in March (Feb: +3.7%) while mining production fell a marginal 0.2% YOY (Feb: -5.0%) underpinned by rebound in the natural gas index (+1.4% vs -5.6%) and smaller decline in crude oil (-2.0% vs -4.3%). Based on available data in hand, we deduce that the Malaysian economy could be sustaining growth of 4.5-4.6% in 1Q, anchored by domestic consumption as well as yet another quarter of positive boost from net exports as imports fell by a larger quantum vs exports. We are maintaining our full year forecast of 4.7% pending the release of 1Q19 GDP on 16-May. While the revival of major infrastructure projects namely ECRL and Bandar Malaysia are expected to infuse some positive vibes to the domestic economy towards end of the year, hence helping mitigate protracted headwinds from the external front, the bulk of the effects could only be filtering down the system beginning next year.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
14/05	US	NFIB Small Business Optimism	Apr	102.0	101.8	--
		Import Price Index MOM	Apr	0.7%	0.6%	--
14/05	Eurozone	Industrial Production SA MOM	Mar	-0.3%	-0.2%	--
		ZEW Survey Expectations	May	--	4.5	--
14/05	UK	Average Weekly Earnings 3M/YOY	Mar	3.4%	3.5%	--
		ILO Unemployment Rate 3Mths	Mar	3.9%	3.9%	--
		Employment Change 3M/3M	Mar	140k	179k	--
13/05	Japan	<b>Leading Index CI</b>	<b>Mar P</b>	<b>96.3</b>	<b>97.1</b>	--
		<b>Coincident Index</b>	<b>Mar P</b>	<b>99.6</b>	<b>100.4</b>	--
13/05	Australia	<b>Home Loans MOM</b>	<b>Mar</b>	<b>-0.5%</b>	<b>0.8%</b>	--
14/05		NAB Business Conditions	Apr	--	7.0	--
		NAB Business Confidence	Apr	--	0.0	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1233	0.16	1.1254	1.1214	-2.01
GBPUSD	1.2998	0.12	1.3048	1.2991	2.01
USDJPY	109.95	0.19	110.05	109.48	0.05
AUDUSD	0.7002	0.19	0.7019	0.6979	-0.82
EURGBP	0.8640	0.20	0.8643	0.8614	-3.92
USDMYR	4.1575	0.12	4.1590	4.1500	0.59
EURMYR	4.6699	0.44	4.6729	4.6585	-1.21
JPYMYR	3.7846	0.04	3.7906	3.7744	0.71
GBPMYR	5.4069	0.20	5.4134	5.3996	2.64
SGDMYR	3.0510	0.18	3.0522	3.0432	0.50
AUDMYR	2.9091	0.38	2.9151	2.8986	-0.48
NZDMYR	2.7424	0.36	2.7471	2.7347	-1.31
CHFMYR	4.1012	0.49	4.1023	4.0884	-2.33
CNYMYR	0.6099	0.16	0.6112	0.6092	0.78
HKDMYR	0.5296	0.06	0.5299	0.5290	0.27
USDSGD	1.3626	0.11	1.3651	1.3619	0.04
EURSGD	1.5304	0.03	1.5328	1.5286	-1.96
GBPSGD	1.7709	0.24	1.7773	1.7704	2.05
AUDSGD	0.9539	0.05	0.9560	0.9522	-0.76

Source: Bloomberg

## Forex

### MYR

- **MYR closed 0.12% lower** against the USD at 4.1575 as US-China trade talk remain deadlocked.
- **We remain bearish MYR** as Trump has followed through on his threat to increase tariffs which will likely get a retaliatory response from Beijing. Escalating tensions will support pair going forward towards 4.20 target in the medium term.

### USD

- **The Dollar index closed 0.12% lower at 97.321** 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 it is unlikely a deal will be inked in such a short span of time despite the slightly softening stance from the US. Would expect continued deadlock in trade talk to support USD strength.

### EUR

- **EUR closed 0.16% stronger at 1.1233 against USD** in line with a weaker USD overall.
- **We remain bearish on EUR** as divergence between Eurozone economies and the US economy as well as trade tensions may continue to provide some drag to EUR.

### GBP

- **GBP closed 0.12% lower at 1.2998** as there was some slight selling pressure on continued trade tensions, overshadowing positive UK data.
- **GBP remains bullish** as the pair continues to trade within the upper bound of the Bollinger.

### JPY

- **JPY closed 0.19% weaker at 109.95** as risk appetite improves somewhat on Trump's comments that talks with China were constructive.
- **We remain bullish JPY** as ongoing trade talks are unlikely to produce any kind of result soon and investors are likely to continue to seek safe haven so long as talks remain deadlocked.

### AUD

- **AUD closed 0.19% stronger at 0.7002 against the USD** on slightly better risk appetite after Trump's comments.
- **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 0.11% stronger at 1.3626 against USD** in line with broad USD.
- **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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