

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks fell overnight led by the fall in energy shares alongside tumbling crude oil prices while the increasing prospect of a Fed rate cut helped drive down banking stocks.** Rising US crude stockpiles, compounded by the worries over the lack of demand amidst prolonged global trade uncertainties pushed crude oil prices down by around 4%. Brent crude dropped below \$60 to \$59.97/barrel while US benchmark WTI plunged to \$51.14/barrel. Government data showed that US inflation turned even softer last month, raising expectations of a Fed rate cut, hitting financials stocks as lower interest rates tend to affect banks' margins. **Energy sector was the major loser of the day erasing 1.4%, followed by banking shares which lost nearly 1%.** The Dow and S&P 500 both fell 0.2% while NASDAQ slipped 0.4%. Treasuries rose overnight, with the 10Y UST yield ended 2bps lower at 2.12%.
- **US CPI data disappointed** with growth in headline CPI easing to 1.8% YOY in May while core CPI falling to 2.0% YOY, confirming the lack of price pressure in the US economy. Meanwhile **mortgage applications jumped by 26.8% last week as lower treasuries yields drove down mortgages cost** across the board, boosting demand for refinancing segment in particular. The UK RICS house price balance index rose to -10% in May supported by lesser decline in buying interests. **China CPI accelerated to 2.7% YOY** on higher food prices while PPI eased to 0.6% YOY in May, both as expected. **Singapore retail sales continued to slip** for the 3rd running month, down by 1.8% YOY in April as consumers tightened purses, underscoring weak domestic demand.
- **The Dollar index closed higher by 0.27% at 96.963** as the broad USD recouped some lost ground due to rate cut expectations. **We remain bearish USD over the medium term** as Fed rate cut expectations still hold water although as mentioned previously we may see some volatility in the short term due to trade and global growth worries.
- **MYR closed stronger by 0.11%** against the USD at 4.1585 amidst quiet trading. **We remain neutral to slightly bearish on MYR** in the short term as the pair is consolidating within broad range of 4.15-4.18 with a slight upwards pressure.
- **SGD closed weaker by 0.19% at 1.3668 against USD.** **We remain neutral SGD** over the short term as the pair is going through some consolidation between 1.3620-1.3680.

Overnight Economic Data

US	→
UK	↑
China	→
Singapore	↓

What's Coming Up Next

Major Data

- US Import Price Index, Initial Jobless Claims
- Eurozone Industrial Production
- Australia Job Report

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1250	1.1270	1.1297	1.1330	1.1360	↗
GBPUSD	1.2600	1.2650	1.2697	1.2750	1.2775	↘
USDJPY	107.80	108.10	108.48	108.75	109.00	↘
AUDUSD	0.6900	0.6920	0.6936	0.6950	0.6975	↘
EURGBP	0.8850	0.8875	0.8898	0.8925	0.8950	↗
USDMYR	4.1575	4.1600	4.1640	4.1675	4.1700	→
EURMYR	4.6700	4.6850	4.7048	4.7200	4.7350	↗
JPYMYR	3.8100	3.8300	3.8405	3.8500	3.8700	↗
GBPMYR	5.2600	5.2800	5.2875	5.3200	5.3400	↘
SGDMYR	3.0450	3.0475	3.0490	3.0550	3.0600	→
AUDMYR	2.8600	2.8750	2.8888	2.9000	2.9150	↘
NZDMYR	2.7100	2.7250	2.7430	2.7450	2.7600	↘
USDSGD	1.3600	1.3620	1.3660	1.3675	1.3690	→
EURSGD	1.5370	1.5410	1.5430	1.5470	1.5500	↗
GBPSGD	1.7250	1.7300	1.7347	1.7400	1.7500	↘
AUDSGD	0.9430	0.9450	0.9477	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	1,650.74	-0.03	-2.36	CRB Index	173.24	-0.93	2.03
Dow Jones Ind.	26,004.83	-0.17	11.48	WTI oil (\$/bbl)	51.14	-4.00	12.62
S&P 500	2,879.84	-0.20	14.88	Brent oil (\$/bbl)	59.97	-3.72	11.47
FTSE 100	7,367.62	-0.42	9.50	Gold (\$/oz)	1,333.58	0.51	3.93
Shanghai	2,909.38	-0.56	16.66	CPO (RM/tonne)	1,971.00	1.08	0.95
Hang Seng	27,308.46	-1.73	5.66	Copper (\$/tonne)	5,852.00	-0.41	-1.89
STI	3,207.74	-0.06	4.53	Rubber (sen/kg)	503.00	-0.10	32.72

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US MBA Mortgage Applications	07 Jun	26.8%	1.5%	--
US CPI YOY	May	1.8%	2.0%	1.9%
UK RICS House Price Balance	May	-10%	-22% (revised)	-21%
CH CPI YOY	May	2.7%	2.5%	2.7%
CH PPI YOY	May	0.6%	0.9%	0.6%
SG Retail Sales YOY	Apr	-1.8%	-0.9% (revised)	-0.2%

Source: Bloomberg

Macroeconomics

- US CPI eased further, reaffirming Fed's easing bias:** Consumer price index rose a mere 0.1% MOM in May (Apr: +0.3%), this leaves the annual CPI growth at a softer 1.8% YOY (Apr: +1.9%), the slowest since February this year. Core CPI steadied at 0.1% MOM (Apr: +0.1%) while its annual reading fell to 2.0% (Apr: +2.1%), reaffirming the weakness in the core segments. The latest inflation numbers confirm the significant lack of price pressure in the US economy and reinforce expectations that Fed would officially shift to a dovish tone and signal an easing bias in next week's FOMC meeting before delivering a 25bps cut in the Fed funds rate in July. As of writing, markets are pricing in a 66.9% chance of a rate cut in July.
- US mortgage applications boosted as interest rates fell:** Mortgage applications jumped by 26.8% for the week ended 7 Jun (previous: +1.5%) as lower interest rates drove up applications to refinance existing homes (+46.5% vs +6.4%). Applications to buy houses also rebounded by 10.0% (previous: -2.4%). Tracking the recent tumble in treasuries yields, mortgages rates fell sharply across the board - the average rate of a 30Y fixed rate mortgage loan dropped to 4.12% last week (previous: 4.23%).
- UK housing market weakened at slower rate; helped by short term buying interest:** The UK housing market continued to weaken but at a much slower rate in May as the Royal Institute of Chartered Surveyors (RICS) house price index rose substantially to -10% in May (Apr: -22% revised). The upturn was supported by the smaller drop in buying interest as the indexes for new buyer enquiries, new instructions and agreed sales all went up by 10-23pts albeit still in negative territories. The delay in Brexit deadline offered some short-term certainties and could have helped spur some temporary buying interest. The price expectations index also ticked higher by 4pts to -14 (Apr: -18). That said, the outlook for the sector remained skewed to the downside according to the survey with the sales expectations index continued to record a drop.
- China consumer prices accelerated, factory gate inflation eased:** China consumer prices continued its acceleration as CPI rose 2.7% YOY in May (Apr: +2.5%), the fastest rate since February last year. The higher consumer inflation was mainly driven by the spike in food prices (+7.7% vs +6.1%), now in its third month of increase as prices of pork (Chinese household's preferred poultry) stayed elevated amidst a cut in supply due to the swine flu outbreak. Excluding food and energy, CPI growth eased to 1.6% YOY (Apr: +1.7%) confirming that the jump in headline CPI is mainly driven by volatile items and the core segments remained rather steady. Producer prices meanwhile diverged from CPI as PPI inflation fell to 0.6% YOY (Apr: +0.9%) driven by the drop in cost of raw materials. The latest prices data shouldn't be a concern for the PBOC and we see no reason for the central bank to halt its ongoing easing measures to support the economy.
- Singapore retail sales fell again, highlighted weakness in demand:** Retail sales slipped again by 1.8% YOY in April (Mar: -0.9% revised) underscoring the extended weakness in Singapore domestic demand. April downturn marked its third consecutive decline, and was a result of broad-based decrease across key categories. Sales of motor vehicles resumed its monthly fall after managing a rebound in the previous month (-1.1% vs +0.9%). Excluding motor vehicles, sales fell 2.0% YOY (Mar: -1.3%). With the exception of wearing apparel & footwear, all the remaining categories experienced declines in sales. Sales at department stores, supermarket & hypermarket mini-marts & convenience stores, food retailers as well as petrol stations all fell. Besides, the fall in furniture & household equipment and computer & telecommunications equipment pointed to consumers' cautious spending pattern as they held back from purchasing durable goods or large ticket items.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
13/06	US	Import Price Index MOM	May	-0.2%	0.2%	--
		Initial Jobless Claims	Jun-08	215k	218k	--
14/06		Retail Sales Advance MOM	May	0.6%	-0.2%	--
		Industrial Production MOM	May	0.2%	-0.5%	--
		U. of Mich. Sentiment	Jun P	98.0	100.0	--
13/06	Eurozone	Industrial Production SA MOM	Apr	-0.5%	-0.3%	--
14/06	Japan	Industrial Production YOY	Apr F	--	-4.3%	--
14/06	China	Fixed Assets Ex Rural YTD YOY	May	6.1%	6.1%	--
		Industrial Production YOY	May	5.4%	5.4%	--
		Retail Sales YOY	May	8.1%	7.2%	--
13/06	Australia	Employment Change	May	16.0k	28.4k	--
		Unemployment Rate	May	5.1%	5.2%	--
14/06	New Zealand	BusinessNZ Manufacturing PMI	May	--	53.0	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1287	-0.34	1.1343	1.1283	-.51
GBPUSD	1.2689	-0.23	1.2759	1.2682	-.48
USDJPY	108.50	-0.02	108.57	108.22	-.09
AUDUSD	0.6928	-0.49	0.6964	0.6925	-.65
EURGBP	0.8896	-0.06	0.8916	0.8872	-.02
USDMYR	4.1585	-0.11	4.1650	4.1570	0.60
EURMYR	4.7112	-0.02	4.7206	4.7093	0.34
JPYMYR	3.8431	0.23	3.8437	3.8333	2.27
GBPMYR	5.3010	0.15	5.3015	5.2914	0.63
SGDMYR	3.0493	-0.06	3.0535	3.0486	0.44
AUDMYR	2.8913	-0.13	2.8979	2.8898	-.08
NZDMYR	2.7382	-0.22	2.7408	2.7345	-.46
CHFMYR	4.1952	-0.17	4.2028	4.1914	-0.10
CNYMYR	0.6010	-0.23	0.6023	0.6010	-.69
HKDMYR	0.5317	0.04	0.5326	0.5309	0.66
USDSGD	1.3668	0.19	1.3674	1.3631	0.28
EURSGD	1.5429	-0.14	1.5478	1.5424	-.24
GBPSGD	1.7344	-0.07	1.7408	1.7316	-.21
AUDSGD	0.9471	-0.26	0.9499	0.9467	-.36

Source: Bloomberg

Forex

MYR

- **MYR closed stronger by 0.11%** against the USD at 4.1585 amidst quiet trading.
- **We remain neutral to slightly bearish on MYR** in the short term as the pair is consolidating within broad range of 4.15-4.18 with a slight upwards pressure.

USD

- **The Dollar index closed higher by 0.27% at 96.963** as the broad USD recouped some lost ground due to rate cut expectations.
- **We remain bearish USD over the medium term** as Fed rate cut expectations still hold water although as mentioned previously we may see some volatility in the short term due to trade and global growth worries.

EUR

- **EUR closed 0.34% weaker at 1.1287** against USD amidst broad USD strength.
- **We remain bullish on EUR over the medium term** as the overall outlook continues to favour a weaker USD due to a dovish ECB and Fed rate cut expectations with the Ichimoku cloud top to support the short term.

GBP

- **GBP closed 0.28% lower at 1.2689** dragged by a stronger USD and Brexit drama.
- **We remain bearish GBP** as the failure of a no-deal Brexit vote in parliament continues to complicate matters amidst the UK leadership race.

JPY

- **JPY closed flattish at 108.50** against the USD, only 0.02% lower on the day.
- **We remain bullish JPY** as trade worries continue to support the currency even though it is being dragged by push/pull factors manifesting through a lower UST yield vs a higher USD in the short term.

AUD

- **AUD closed lower by 0.49% at 0.6928** against the USD.
- **We remain bearish on AUD** over the medium term due to AUD sensitivity to China. As mentioned previously, the pair may be going through some consolidation at a broader 0.6850-0.7000 range with a bearish bias.

SGD

- **SGD closed weaker by 0.19% at 1.3668** against USD.
- **We remain neutral SGD** over the short term as the pair is going through some consolidation between 1.3620-1.3680.

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