

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **Wall Street stocks gained overnight as markets turned hopeful that the US and China could still manage to reach a trade deal** amidst somewhat easing trade tensions. **President Trump said in a series of tweets that the US would make a deal with China “when the time is right” and his respect for President Xi was “unlimited”**. The Dow added 207 points or 0.82%, led by rebounds in trade bellwethers Caterpillar and Boeing’s shares. The S&P 500 also rose 0.8% (+23pts) as all sectors except for utilities finished higher, with technology stocks being the biggest winner overnight. NASDAQ advanced by 1.14% (+87pts). Earlier European main equity benchmarks rebounded as well while Asian markets mostly closed lower. US treasuries yield rose slightly across the curve, 10Y UST yield ended 1bp higher at 2.41%. Crude oil prices gained on Middle East tensions, WTI rose 1.21% to \$61.78/barrel and Brent crude went up by 1.44% to \$71.24/barrel.
- **Global economic data appeared mixed.** US small firms were more upbeat over business outlook given the 1.7pts increase in the NFIB Small Business Optimism Index. **The import price index rose 0.2% MOM in April and recorded its fourth YOY decline of 0.2% in five months, as a strong dollar weighed down imported inflation.** Eurozone industrial production fell again by 0.3% MOM in March, led by output decline in Spain, Italy and France. **The ZEW investors’ expectations index fell back to negative territory** at -1.6 on escalating US-China tensions. UK added 99k jobs in the three months to March and **unemployment rate fell to a 44-year low of 3.8%** in the same period. Wage growth however eased to 3.2% YOY. Japan Economy Watchers Survey showed mixed confidence in April. Confidence gauges in Australia also painted a mixed picture of business and consumer sentiments.
- **The Dollar index closed 0.2% higher at 97.506** as the broad USD continues to pick up strength post US-China talks. **We continue to maintain USD bullishness** so long as there continues to be safe haven demand as trade tensions continue.
- **MYR closed 0.17% lower** against the USD at 4.1715 as USD/AXJ continues its upwards rise following cues from USDCNY and USDCNH. **We remain bearish MYR** as USDAXJ continues to rise in tandem with a higher USDCNY and USDCNH as investors continue to shy away from risk assets.
- **SGD closed 0.12% stronger at 1.3689 against USD** in line with better risk appetite **towards late Asian trading.** **We maintain bearish SGD** as escalation of US-China trade spat will continue to dampen risk appetite and support USD/EM in general however we may see some consolidation around the recent ranges as risk appetite improves somewhat.

#### Overnight Economic Data

US	➔
Eurozone	➔
UK	➔
Japan	➔
Australia	➔

#### What’s Coming Up Next

##### Major Data

- US MBA Mortgage Applications, Retail Sales, Empire Manufacturing, Industrial Production, NAHB Housing Market Index
- Eurozone 1Q GDP
- Japan Machine Tool Orders
- China Fixed Assets Investment, Industrial Production, Retail Sales
- Australia Wage Price Index

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1150	1.1175	1.1204	1.1225	1.1250	➔
GBPUSD	1.2800	1.2870	1.2906	1.2950	1.3050	➔
USDJPY	109.00	109.25	109.55	109.75	110.00	➔
AUDUSD	0.6900	0.6945	0.6959	0.6975	0.7000	➔
EURGBP	0.8600	0.8625	0.8683	0.8700	0.8730	➔
USDMYR	4.1600	4.1650	4.1740	4.1750	4.1800	➔
EURMYR	4.6450	4.6650	4.6760	4.6900	4.7000	➔
JPYMYR	3.7800	3.8000	3.8110	3.8350	3.8500	➔
GBPMYR	5.3600	5.3800	5.3870	5.4000	5.4250	➔
SGDMYR	3.0400	3.0450	3.0475	3.0530	3.0550	➔
AUDMYR	2.8800	2.8850	2.8920	2.9000	2.9100	➔
NZDMYR	2.7150	2.7300	2.7420	2.7550	2.7650	➔
USDSGD	1.3650	1.3675	1.3700	1.3725	1.3750	➔
EURSGD	1.5300	1.5325	1.5352	1.5375	1.5400	➔
GBPSGD	1.7500	1.7600	1.7683	1.7800	1.8000	➔
AUDSGD	0.9400	0.9450	0.9494	0.9520	0.9550	➔

\* 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	1,599.19	-0.12	-5.41	CRB Index	179.99	1.32	6.00
Dow Jones Ind.	25,532.05	0.82	9.45	WTI oil (\$/bbl)	61.78	1.21	36.05
S&P 500	2,834.41	0.80	13.07	Brent oil (\$/bbl)	71.24	1.44	32.42
FTSE 100	7,241.60	1.09	7.63	Gold (\$/oz)	1,296.92	-0.23	1.13
Shanghai	2,883.61	-0.69	15.63	CPO (RM/tonne)	1,916.50	0.31	-1.84
Hang Seng	28,122.02	-1.50	8.81	Copper (\$/tonne)	6,027.00	0.27	1.04
STI	3,223.71	-0.33	5.05	Rubber (sen/kg)	481.00	-0.21	26.91

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US NFIB Small Business Optimism	Apr	103.5	101.8	102.0
US Import Price Index MOM	Apr	0.2%	0.6%	0.7%
EU Industrial Production SA MOM	Mar	-0.3%	-0.1% (revised)	-0.3%
EU ZEW Survey Expectations	May	-1.6	4.5	--
UK Average Weekly Earnings 3M/YOY	Mar	3.2%	3.5%	3.4%
UK ILO Unemployment Rate 3Mths	Mar	3.8%	3.9%	3.9%
UK Employment Change 3M/3M	Mar	99k	179k	140k
JP Eco Watchers Survey Current Conditions Index SA	Apr	45.3	44.8	45.5
JP Eco Watchers Survey Expectations Index SA	Apr	48.4	48.6	48.0
AU NAB Business Conditions	Apr	3.0	7.0	--
AU NAB Business Confidence	Apr	0.0	-1.0 (revised)	--
AU Westpac Consumer Confidence Index	May	101.3	100.7	--

Source: Bloomberg

## ➤ Macroeconomics

- US small firms upbeat on business outlook:** The NFIB Small Business Optimism Index climbed further to 103.5 in April (Mar: 101.8), its highest level since December last year to signal an upbeat confidence level among US small and independent businesses. All sub-indexes posted gains with firms turned much positive over business outlook. A net 20% of owners expect real sales to go higher and 25% said that now is the good time to expand which led firms to make plans to increase employment, inventories and to make capital outlay.
- Strong dollar weighed down US imported inflation:** Import price index missed estimates, posting a tiny increase of 0.2% MOM in April (Mar: +0.6%) as the surge in prices of imported food & beverages (+2.8% vs -0.2%) were offset by the slower gain in prices of fuels & lubricant (+2.5% vs +6.9%) and the extended fall in cost of capital goods (-0.4% vs -0.1%). YOY, import prices fell 0.2% (Mar: +0.1%), its fourth decrease in five months, highlighting weak imported inflation in the US which is mainly attributed to a stronger dollar in recent months, leading consumers to feel less of a pinch while purchasing foreign made goods. April print was in line with the generally weak readings of CPI and PPI, suggesting that inflation remains tepid in the US economy, meaning that the Fed is likely to stay pat this year.
- Eurozone industrial production fell again in March:** Eurozone industrial production fell for the second running month by 0.3% MOM in March (Feb: -0.1% revised), marking its fourth decline within a 5-month period since November last year. March's extended decline was driven by the fall in output of Spain (-1.0% vs -1.0%), Italy (-0.9% vs +0.8%) and France (-1.0% vs +0.1%) 8%) where thousands of Frenchmen went to street to protest the Macron government. Output in Portugal continued to fall but at a slower pace (-1.3% vs -1.6%) whereas productions in Germany finally rebounded to 0.4% MOM (Feb: -0.2%) after two months of decline suggesting that output is slowly picking up in the bloc's largest economy. YOY, industrial production fell 0.6% (Feb: 0%) after coming in unchanged in the previous month. Looking ahead, the manufacturing sector appears to be vulnerable still with the Markit manufacturing PMI recording below-50 readings three months in a row amidst increasingly uncertain global trade outlook.
- Eurozone ZEW index fell back to negative reading, investors turned pessimistic over trade woes:** The German ZEW Expectation of Economic Growth index for the Eurozone fell back to a negative reading of -1.6 in May (Apr: 4.5) after an upbeat record in the previous month while the similar gauge for the German economy also went down to -2.1 (Apr: 3.1) as investors' turned pessimistic over the outlook for foreign trade amidst escalating US-China trade tension.
- UK unemployment rate fell to 44-year low:** The UK economy added 99k jobs in the three months to March (Feb: +179k), missing consensus estimate of 140k. Unemployment rate fell to 3.8% in the same period (Feb: 3.9%), a level last seen in Jan 1975 as the labour market continued to tighten despite the generally uncertain impact Brexit might have on medium term growth outlook. Wage data disappointed as well with the average weekly earnings clocking in a mere 3.2% YOY gain in the three months to March (Feb: +3.5%) while growth in earnings exclusive of bonus also softened a bit to 3.3% YOY (Feb: +3.4%), adding to signs of subdued inflation in the near term.

- Japan Economy Watchers Survey result appeared mixed ahead of sales tax hike:** The Economy Watchers Current Conditions Index advanced slightly to 45.3 in April (Mar: 44.8) driven by businesses and manufacturers' improved perceptions over the current state of the economy potentially because firms see household ramping up spending in the first half of 2019 prior to the upcoming sales tax hike in October. This could be seen in the survey's Expectations Index which fell for the third straight month to 48.4 (Mar: 48.6) as businesses and manufacturers' appeared gloomy over the general economic outlook.
- Confidence gauges painted mixed picture of Australia businesses and consumers sentiments:** The NAB Business Confidence Index rose to 0 in April (Mar: -1.0 revised) suggesting that optimism level among Australian businesses remained remarkably weak since the end of last year. The Business Conditions index fell to 3 (Mar: 7) as firms turned less positive over the current state of the economy with trading and profitability rising at slower pace while employment, forward orders and exports and exporters' sales declining. Capital expenditure stood in exception and was reported to be increasing slightly according to the survey. The Westpac Consumer Confidence Index released this morning rose to 101.3 in May (Apr: 100.7) as consumer turned positive over economy in one year ahead but were downbeat on next 5-year outlook. The index for current conditions rose 2.7% MOM (Apr: -3.2%) while the expectations index fell 0.7% MOM (Apr: +5.4%).

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
16/05	Malaysia	GDP YOY	1Q	4.3%	4.7%	--
15/05	US	<b>MBA Mortgage Applications</b>	<b>10 May</b>	--	<b>2.7%</b>	--
		<b>Retail Sales Advance MOM</b>	<b>Apr</b>	<b>0.2%</b>	<b>1.6%</b>	--
		<b>Empire Manufacturing</b>	<b>May</b>	<b>8.0</b>	<b>10.1</b>	--
		<b>Industrial Production MOM</b>	<b>Apr</b>	<b>0.0%</b>	<b>-0.1%</b>	--
		<b>NAHB Housing Market Index</b>	<b>May</b>	<b>64.0</b>	<b>63.0</b>	--
16/05		Initial Jobless Claims	11 May	220k	228k	--
		Housing Starts MOM	Apr	6.2%	-0.3%	--
		Building Permits MOM	Apr	0.2%	-1.7%	-0.2%
		Philadelphia Fed Business Outlook	May	9.0	8.5	--
15/05	Eurozone	<b>GDP SA QOQ</b>	<b>1Q P</b>	<b>0.4%</b>	<b>0.2%</b>	--
16/05		Trade Balance SA	Mar	19.4b	19.5b	--
15/05	Japan	<b>Machine Tool Orders YOY</b>	<b>Apr P</b>	--	<b>-28.5%</b>	--
16/05		PPI YOY	Apr	1.1%	1.3%	--
15/05	China	<b>Fixed Assets Ex Rural YTD YOY</b>	<b>Apr</b>	<b>6.4%</b>	<b>6.3%</b>	--
		<b>Industrial Production YOY</b>	<b>Apr</b>	<b>6.5%</b>	<b>8.5%</b>	--
		<b>Retail Sales YOY</b>	<b>Apr</b>	<b>8.6%</b>	<b>8.7%</b>	--
15/05	Australia	<b>Wage Price Index YOY</b>	<b>1Q</b>	<b>2.3%</b>	<b>2.3%</b>	--
16/05		Employment Change	Apr	15.0k	25.7k	--
		Unemployment Rate	Apr	5.0%	5.0%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1204	-0.36	1.1244	1.1201	-2.27
GBPUSD	1.2905	-0.41	1.2970	1.2904	1.22
USDJPY	109.61	0.28	109.77	109.15	-0.04
AUDUSD	0.6944	0.00	0.6960	0.6935	-1.55
EURGBP	0.8682	0.25	0.8692	0.8654	-3.43
USDMYR	4.1715	0.17	4.1720	4.1625	0.92
EURMYR	4.6875	0.15	4.6910	4.6776	-0.84
JPYMYR	3.8038	0.10	3.8203	3.7957	1.22
GBPMYR	5.4023	-0.33	5.4092	5.3869	2.56
SGDMYR	3.0483	0.11	3.0494	3.0394	0.41
AUDMYR	2.8979	-0.30	2.9025	2.8899	-0.86
NZDMYR	2.7462	0.14	2.7490	2.7383	-1.77
CHFMYR	4.1411	0.35	4.1479	4.1313	-1.38
CNYMYR	0.6062	0.07	0.6073	0.6046	0.15
HKDMYR	0.5315	0.11	0.5316	0.5303	0.62
USDSGD	1.3689	-0.32	1.3708	1.3678	0.43
EURSGD	1.5337	-0.28	1.5395	1.5332	-1.65
GBPSGD	1.7664	-0.33	1.7770	1.7661	1.65
AUDSGD	0.9506	-0.11	0.9528	0.9496	-1.10

Source: Bloomberg

## Forex

### MYR

- **MYR closed 0.17% lower** against the USD at 4.1715 as USD/AXJ continues its upwards rise following cues from USDCNY and USDCNH.
- **We remain bearish MYR** as USDAXJ continues to rise in tandem with a higher USDCNY and USDCNH as investors continue to shy away from risk assets.

### USD

- **The Dollar index closed 0.2% higher at 97.506** as the broad USD continues to pick up strength post US-China talks.
- **We continue to maintain USD bullishness** so long as there continues to be safe haven demand as trade tensions continue.

### EUR

- **EUR closed 0.16% weaker at 1.1204 against USD** in line with a stronger 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 0.41% lower at 1.2905** in line with a stronger USD overall.
- **GBP turns bearish** as the pair continues to dip into negative territory below the mid of the Bollinger just ahead of 1.29 short term support.

### JPY

- **JPY closed 0.28% weaker at 109.61** as risk appetite improves on Trump and Mnuchin comments.
- **We remain bullish JPY** as ongoing trade tensions are likely to continue prompting investors to seek safe haven. However, we may see a short term correction towards the 110.00 handle.

### AUD

- **AUD closed unchanged at 0.6944 against the USD.**
- **We remain bearish on AUD** and would continue to monitor trade headlines due to AUD's sensitivity to China.

### SGD

- **SGD closed 0.12% stronger at 1.3689 against USD** in line with better risk appetite towards late Asian trading.
- **We maintain bearish SGD** as escalation of US-China trade spat will continue to dampen risk appetite and support USD/EM in general however we may see some consolidation around the recent ranges as risk appetite improves somewhat.

**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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