

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks rose overnight as investors turned hopeful over international trade following the Trump Administration's decision to put off imposing tariffs on imported automobiles and parts.** Treasury Secretary Steven Mnuchin's remark that trade talks with China would soon resume in Beijing also helped lift overall investors' sentiments, leading stocks to bounce back up from earlier lows after a slew of disappointing US and China data renewed concerns over global growth prospects. Treasuries rallied on poor global data leading yield to slip by 3-4bps along the curve. 10Y UST yield fell by 4bps to 2.37%. **Crude oil prices strengthened further as Middle East tensions overshadowed a surge in US crude stockpiles** - WTI edged up by 0.39% to \$62.02/barrel and Brent crude settled 0.74% higher at \$71.77/barrel. Earlier, easing trade tension drove up European stocks while Asian key markets also closed mostly higher. **Latest data show that China sold the most U.S. treasuries in almost 2.5 years in March** prior to the recent abrupt tariffs hike, trimming its total US treasuries holdings to \$1.121tn.
- **Global economic data came in mixed and largely disappointed in the US and China.** Retail sales and industrial production unexpectedly fell in the US, underscoring a fragile US economy. First tier Chinese data including retail sales, industrial production and investment all saw softer momentum in April, implying more stimulus may be needed to support the China economy. **On a less downbeat note, EU managed to grow at a faster pace of 0.4% QOQ in 1Q, offering some reprieves.**
- **The dollar index was flattish, edging up only 0.04% higher at 97.569** on prevailing dollar strength amidst US-China trade talk uncertainties. USD generally saw mixed performance against G10s currencies. **We maintain USD bullishness** despite somewhat easing trade tensions as demand for safe haven assets will likely persist so long as the US and China are still unable to reach any trade deal in the near term.
- **MYR closed 0.05% weaker** against the USD at 4.1735 amidst prevailing broader dollar strength. **We remain bearish MYR** as the pair continued to trade above its upper Bollinger band and a modestly stronger upward momentum looks likely to push the pair to test the 4.2000 target in the medium term, not to mention that trade talks uncertainties will continue to undermine risk assets which generally lead to a higher USDAXJ.
- **SGD closed 0.04% stronger at 1.3683 against USD** amidst improving risk sentiments as trade tensions appeared to have eased slightly. **We maintain bearish SGD** so long that the US and China are unable to reach any agreement thus not ruling out an escalation of the current trade spat which if materialize, will dampen risk appetite and support USD/EM in general. For now we may see some consolidation around the recent ranges as risk appetite improves a little.

#### Overnight Economic Data

US	➔
Eurozone	➕
Japan	➖
China	➖
Australia	➔

#### What's Coming Up Next

##### Major Data

- Malaysia 1Q GDP
- US Initial Jobless Claims, Housing Starts, Building Permits, Philadelphia Fed Business Outlook
- Eurozone Trade Report
- Japan PPI
- Australia Job Report

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1150	1.1175	1.1207	1.1225	1.1250	➘
GBPUSD	1.2750	1.2800	1.2847	1.2900	1.2940	➘
USDJPY	109.00	109.25	109.46	109.75	110.00	➘
AUDUSD	0.6900	0.6945	0.6922	0.6940	0.6975	➘
EURGBP	0.8650	0.8700	0.8723	0.8750	0.8800	➘
USDMYR	4.1600	4.1650	4.1713	4.1750	4.1800	➔
EURMYR	4.6450	4.6650	4.6749	4.6900	4.7000	➔
JPYMYR	3.7800	3.8000	3.8113	3.8350	3.8500	➔
GBPMYR	5.3350	5.3500	5.3590	5.3800	5.4000	➘
SGDMYR	3.0400	3.0450	3.0472	3.0530	3.0550	➔
AUDMYR	2.8800	2.8830	2.8864	2.8900	2.9000	➘
NZDMYR	2.7150	2.7300	2.7355	2.7400	2.7460	➘
USDSGD	1.3650	1.3675	1.3688	1.3700	1.3725	➔
EURSGD	1.5300	1.5325	1.5343	1.5375	1.5400	➔
GBPSGD	1.7500	1.7540	1.7590	1.7600	1.7675	➘
AUDSGD	0.9450	0.9460	0.9470	0.9500	0.9520	➘

\* 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	1,611.43	0.77	-4.68	CRB Index	180.66	0.37	6.39
Dow Jones Ind.	25,648.02	0.45	9.95	WTI oil (\$/bbl)	62.02	0.39	36.58
S&P 500	2,850.96	0.58	13.73	Brent oil (\$/bbl)	71.77	0.74	33.40
FTSE 100	7,296.95	0.76	8.45	Gold (\$/oz)	1,296.49	-0.03	1.10
Shanghai	2,938.68	1.91	17.83	CPO (RM/tonne)	1,924.00	0.26	-1.46
Hang Seng	28,268.71	0.52	9.37	Copper (\$/tonne)	6,085.00	0.96	2.01
STI	3,218.77	-0.15	4.89	Rubber (sen/kg)	480.50	-0.10	26.78

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US MBA Mortgage Applications	10 May	-0.6%	2.7%	--
US Retail Sales Advance MOM	Apr	-0.2%	1.7% (revised)	0.2%
US Empire Manufacturing	May	17.8	10.1	8.0
US Industrial Production MOM	Apr	-0.5%	+0.2% (revised)	0.0%
US NAHB Housing Market Index	May	66.0	63.0	64.0
EU Employment QOQ	1QP	0.3%	0.3%	--
EU GDP SA QOQ	1Q P	0.4%	0.2%	0.4%
JP Machine Tool Orders YOY	Apr P	-33.4%	-28.5%	--
CH Fixed Assets Ex Rural YTD YOY	Apr	6.1%	6.3%	6.4%
CH Industrial Production YOY	Apr	5.4%	8.5%	6.5%
CH Retail Sales YOY	Apr	7.2%	8.7%	8.6%
AU Wage Price Index YOY	1Q	2.3%	2.3%	2.3%

Source: Bloomberg

**➤ Macroeconomics**

- US industrial production marked third decline in four months:** US top-tiered data came below expectations overnight, renewing earlier concerns over slower growth. Industrial production unexpectedly fell 0.5% MOM in April (Mar: +0.2% revised), marking its third decline in four months as the drop in manufacturing output (-0.5% vs 0.0%) and utilities output (-3.5% vs +2.2%) more than offset a rebound in mining goods (+1.6% vs -0.4%). April downturn was also dragged by manufacturing output's third decrease within a four-month period after coming up flat in March. Looking at product types, both consumer goods and business equipment saw sharper falls in productions, more than reversing the slightly larger gains in the month before, while construction goods fell by a smaller margin. Overall industrial production numbers were largely in line with the weaker ISM and Markit manufacturing PMIs, underscoring the weakness in US factories as consumer and business demand struggled to hold up in this quarter. On the contrary, New York Fed Empire State Manufacturing survey reported that its headline General Business Conditions Index surged to a six-month high of 17.8 in May (Apr: 10.1) pointing to a significant pickup in manufacturing growth in the New York State.
- US retail sales unexpectedly fell in April:** Retail sales unexpectedly fell by 0.2% MOM in April (Mar: +1.7% revised) after an upbeat reading in the previous month, with key culprit being the fall in sales of motor vehicles & parts (-1.1% vs +3.2%). Leaving out motor vehicles, sales remained lacklustre, rising a mere 0.1% MOM (Mar: +1.3%) as consumer demand generally waned across all products. Sales of gasoline turned slower (+1.8% vs +3.3%) despite higher gasoline prices in April (\$2.79 vs \$2.52/gallon) while sales of electronics appliances, building materials clothing & accessories and healthcare products all declined.
- US homebuilders turned more upbeat in May:** The NAHB Housing Market Index continued to advance for the second month to 66.0 in May (Apr: 63), its highest level since October last year. Homebuilders reported improving present sales of single-family units and also appeared upbeat over sales prospects in the coming six months with prospective buyers' traffic expected to see further increase. Meanwhile, mortgage applications fell 0.6% for the week ended 10 May (previous: +2.7%) after a rebound in the previous week. Applications for new home purchases and refinancing both fell despite generally lower interest rates. The average rate of a fixed rate 30Y mortgage loan fell to 4.40% (previous: 4.41%).
- Eurozone first quarter GDP growth unrevised:** 1Q19 GDP growth was unrevised at 0.4% QOQ in its second reading (4Q: +0.4%). YOY, GDP growth was also unchanged at 1.2% (4Q: +1.2%). Looking at countries' details, Germany GDP staged a 0.4% QOQ rebound (4Q: 0%) after a stagnant fourth quarter, suggesting that growth in the bloc's largest economy is on track to pick up after a car-sector induced slump in late 2018. Growth quickened in Spain (+0.7% vs +0.6%) and Portugal (+0.5% vs +0.4%), bounced back up in Italy (+0.2% vs -0.1%) and steadied in France (+0.3% vs +0.3%). Separately, the Eurostat also released the first quarter employment data which saw a steady 0.3% QOQ increase in the first quarter, suggesting that the labour market continued to tighten in the Eurozone.

- China April data disappointed, highlighting entrenched weakness in domestic economy:** A series of key data released by the NBS proved that the Chinese domestic economy failed to preserve the upward momentum seen in March. Industrial production fell short of expectations, posting a much smaller gain of 5.4% YOY in April (Mar: +8.5%), a more than 10-year low due to pullbacks in mining and manufacturing output. Fixed asset investment growth eased marginally to 6.1% YOY in the four months to April (Mar: +6.3% YTD YOY), led by a faster upturn in state-owned enterprises' investment (+7.8% vs +6.7%). Investment grew in the tertiary or services sector as the secondary or manufacturing firms held back on investment amidst softer outlook. Retail sales rose lesser expected as well by a mere 7.2% YOY in April (Mar: +8.7%), its slowest in nearly 16 years as consumers turned away from big tickets items. The disappointing readings reaffirmed views that the Chinese economy continue to come under pressure, warranting more fiscal stimulus from the central government in the near term.
- Japan machine tools orders fell as demand weakened in April:** Machine tools order reversed course again in April, falling by 16.8% MOM (Mar: +19.1%) following an outsized gain in March. On a yearly basis, orders extended a further decline of 33.4% YOY (Mar: -28.5%), partly on unfavourable base but also a result of slower domestic and foreign demand.
- Australia wage growth steadied in first quarter:** Wage price index rose 0.5% QOQ in the first quarter of 2019 (4Q: +0.5%) while on a yearly basis, wage price also saw a steady increase of 2.3% YOY (4Q: +2.3), a welcoming news for the RBA which projected a gradual pickup in wage growth in a tighter labour market. That said, a steady instead of accelerating wage growth is likely to keep a lid on inflation which had clocked in at a more-than-two-year low of 1.3% YOY in the first quarter, making a cut to the cash rate a palatable option still. The RBA has recently left cash rate unchanged at 1.5% and said it would continue to monitor the development in the labour market.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
16/05	Malaysia	GDP YOY	1Q	4.3%	4.7%	--
16/05	US	Initial Jobless Claims	11 May	220k	228k	--
		Housing Starts MOM	Apr	6.2%	-0.3%	--
		Building Permits MOM	Apr	0.1%	-1.7%	-0.2%
		Philadelphia Fed Business Outlook	May	9.0	8.5	--
17/05		Leading Index	Apr	0.2%	0.4%	--
		U. of Mich. Sentiment	May P	97.1	97.2	--
16/05	Eurozone	Trade Balance SA	Mar	19.4b	19.5b	--
17/05		CPI Core YOY	Apr F	1.2%	0.8%	--
		CPI YOY	Apr F	1.7%	1.4%	1.4%
16/05	Japan	PPI YOY	Apr	1.1%	1.3%	--
17/05	Hong Kong	GDP YOY	1Q F	0.5%	0.5%	--
17/05	Singapore	Non-oil Domestic Exports YOY	Apr	-4.6%	-11.7%	--
16/05	Australia	Employment Change	Apr	15.0k	25.7k	--
		Unemployment Rate	Apr	5.0%	5.0%	--
17/05	New Zealand	BusinessNZ Manufacturing PMI	Apr	--	51.9	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1201	-0.03	1.1225	1.1178	-2.28
GBPUSD	1.2845	-0.46	1.2923	1.2827	0.71
USDJPY	109.60	-0.01	109.70	109.16	-0.16
AUDUSD	0.6928	-0.23	0.6948	0.6915	-1.70
EURGBP	0.8722	0.46	0.8737	0.8669	-2.95
USDMYR	4.1735	0.05	4.1755	4.1675	0.97
EURMYR	4.6746	-0.28	4.6818	4.6711	-1.11
JPYMYR	3.8159	0.32	3.8159	3.8017	1.55
GBPMYR	5.3914	-0.20	5.3935	5.3807	2.35
SGDMYR	3.0518	0.11	3.0518	3.0454	0.52
AUDMYR	2.8921	-0.20	2.8951	2.8877	-1.06
NZDMYR	2.7405	-0.21	2.7434	2.7380	-1.37
CHFMYR	4.1513	0.25	4.1513	4.1331	-1.14
CNYMYR	0.6075	0.21	0.6079	0.6067	0.38
HKDMYR	0.5318	0.06	0.5318	0.5311	0.68
USDSGD	1.3683	-0.04	1.3700	1.3678	0.39
EURSGD	1.5327	-0.07	1.5359	1.5311	-1.69
GBPSGD	1.7576	-0.50	1.7687	1.7565	1.10
AUDSGD	0.9480	-0.27	0.9511	0.9468	-1.31

Source: Bloomberg

## Forex

### MYR

- **MYR closed 0.05% weaker** against the USD at 4.1735 amidst prevailing broader dollar strength.
- **We remain bearish MYR** as the pair continued to trade above its upper Bollinger band and a modestly stronger upward momentum looks likely to push the pair to test the 4.2000 target in the medium term, not to mention that trade talks uncertainties will continue to undermine risk assets which generally lead to a higher USDAXJ.

### USD

- **The dollar index was flattish, edging up only 0.04% higher at 97.569** on prevailing dollar strength amidst US-China trade talk uncertainties. USD generally saw mixed performance against G10s currencies.
- **We maintain USD bullishness** despite somewhat easing trade tensions as demand for safe haven assets will likely persist so long as the US and China are still unable to reach any trade deal in the near term.

### EUR

- **EUR closed 0.03% softer at 1.1207 against USD** even though Trump Administration hold off on broader auto tariffs imposition.
- **We remain bearish on EUR** on fundamentals reasons as the Eurozone economy continued its struggle to find a solid footing despite an upbeat 1Q GDP reading while concurrently trade tensions may continue to serve as a dampener to EUR.

### GBP

- **GBP closed 0.46% lower at 1.2845 after bouncing off from a three-month low** on growing expectations that PM Theresa May would again fail to secure a Brexit deal.
- **We are bearish on GBP**, dictated by unfavourable UK politics and technically, the pair continues to dip into negative territory and has broken below the 1.2900 support and is now trading below lower Bollinger.

### JPY

- **JPY was nearly unchanged at 109.60 on mixed risk sentiments** as markets weighed easing trade tensions and poor economic data.
- **We remain bullish JPY** as renewed global growth concerns and ongoing US-China trade talks uncertainties likely push up safe haven bids thus providing support to the currency pair.

### AUD

- **AUD weakened by 0.23% against USD at 0.6928** on the back of poor Chinese data despite steady wage gain in Australia.
- **We remain bearish on AUD** amidst US-China trade woes but is looking at today's job report to seek guidance in short and medium term movement. Australia employment data are key drivers of the RBA's next cash rate move. A miss could mean that a rate cut is in the pipeline since yesterday's steady wage growth is likely to keep inflation below the RBA target.

### SGD

- **SGD closed 0.04% stronger at 1.3683 against USD** amidst improving risk sentiments as trade tensions appeared to have eased slightly.
- **We maintain bearish SGD** so long that the US and China are unable to reach any agreement thus not ruling out an escalation of the current trade spat which if materialize, will dampen risk appetite and support USD/EM in general. For now we may see some consolidation around the recent ranges as risk appetite improves a little.

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