

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks finished higher for the third day in a row, boosted by upbeat quarterly earnings and economic data in the absence of major trade headlines.** Earnings of consumer giant Walmart beat estimates, easing earlier concerns over softer US consumer spending following poor retail sales data. Tech conglomerate Cisco's better than expected results also led its shares to jump 6.7%, its largest gain in more than two years. Markets also turned hopeful over the recent rise in US homebuilding activities which suggests a pickup in the housing market. **Treasuries fell as risk sentiments improved leading yield to pick up 1-3bps across the curve.** 10Y UST yield rose 2bps to 2.39%. **Oil prices remained well supported by tensions in the Middle East** – WTI rose 1.37% to \$62.87/barrel and Brent crude advanced by 1.18% to \$72.62/barrel. Elsewhere, major European equity benchmarks closed higher while Asian markets finished mixed. **Bank Indonesia kept its 7-day reverse repo rate unchanged at 6% as widely expected.**
- **Overnight dataflow was positive in the US but downbeat elsewhere.** Homebuilding activities seem to be picking up with the rise of housing starts and building permits in April. The surge in the Philly Fed manufacturing index indicates faster growth in Philadelphia's manufacturing sector this month. Initial jobless claims fell by 16k to 212k last week pointing to still-robust labour market. Elsewhere, Eurozone trade surplus narrowed as imports jumped in March. Japan PPI rose a modest 1.2% YOY reaffirming still tepid price pressure. Australia job report disappointed as unemployment rate rose to 8-month high of 5.2% in April. New Zealand manufacturing PMI strengthened but demand appeared to be weak. Malaysia first quarter GDP growth clocked in at 4.5% YOY, a tad softer than 4Q but was above consensus estimate of 4.3%.
- **The dollar index surged by 0.29% to 97.855** following upbeat US data and partly on prevailing US-China trade talk uncertainties. USD strengthened against all G10s currencies. **We continue to maintain USD bullishness** despite somewhat easing trade tension in the absence of major trade headlines, as demand for safe haven assets will likely persist so long that the US and China are still unable to reach any trade deal in the near term.
- **USDMYR snapped a 12-day advance streak** after Bank Negara announced plans to boost market liquidity and Malaysia's first quarter GDP growth beat estimates. The pair however managed to pare losses and bounced off its intraday low of 4.1565, **finishing 0.22% lower at 4.1645 on Thursday.** MYR remains bearish in our view but the turn of events is likely to provide some short term support to MYR but we remained bullish USD in the medium term as trade talks uncertainties will continue to undermine risk assets which generally lead to a higher USDAXJ.
- **SGD closed 0.31% weaker against USD at 1.3725** amidst broader dollar strength. **We maintain bearish SGD** as stronger upward momentum is likely to keep the pair well supported above the upper Bollinger band so long that the US and China are unable to reach any agreement, we do not rule out an escalation of the current trade spat which if materialize, will dampen risk appetite and support USD/EM in general.

#### Overnight Economic Data

|             |   |
|-------------|---|
| Malaysia    | ↓ |
| US          | ↑ |
| Eurozone    | ↓ |
| Japan       | ↓ |
| Australia   | → |
| New Zealand | ↑ |

#### What's Coming Up Next

##### Major Data

- US Leading Index, U. of Mich. Consumer Sentiment
- Eurozone CPI
- Hong Kong 1Q GDP
- Singapore Non-oil Domestic Exports

##### Major Events

- Nil

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

|        | S2     | S1     | Indicative | R1     | R2     | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1150 | 1.1165 | 1.1173     | 1.1214 | 1.1250 | ↘       |
| GBPUSD | 1.2650 | 1.2700 | 1.2787     | 1.2870 | 1.2950 | ↘       |
| USDJPY | 109.00 | 109.50 | 109.91     | 110.00 | 110.32 | ↘       |
| AUDUSD | 0.6800 | 0.6850 | 0.6889     | 0.6900 | 0.6930 | ↘       |
| EURGBP | 0.8650 | 0.8700 | 0.8739     | 0.8750 | 0.8800 | ↗       |
| USDMYR | 4.1650 | 4.1700 | 4.1725     | 4.1750 | 4.1800 | ↗       |
| EURMYR | 4.6500 | 4.6520 | 4.6625     | 4.6650 | 4.6700 | ↘       |
| JPYMYR | 3.7815 | 3.7885 | 3.7966     | 3.8000 | 3.8500 | ↘       |
| GBPMYR | 5.3250 | 5.3300 | 5.3342     | 5.3390 | 5.3500 | ↘       |
| SGDMYR | 3.0300 | 3.0330 | 3.0385     | 3.0390 | 3.0430 | →       |
| AUDMYR | 2.8690 | 2.8700 | 2.8727     | 2.8760 | 2.8800 | ↗       |
| NZDMYR | 2.7200 | 2.7220 | 2.7242     | 2.7280 | 2.7300 | →       |
| USDSGD | 1.3700 | 1.3710 | 1.3728     | 1.3735 | 1.3745 | ↗       |
| EURSGD | 1.5300 | 1.5325 | 1.5342     | 1.5375 | 1.5400 | →       |
| GBPSGD | 1.7500 | 1.7520 | 1.7549     | 1.7590 | 1.7600 | ↘       |
| AUDSGD | 0.9430 | 0.9440 | 0.9457     | 0.9470 | 0.9500 | ↘       |

\* 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   | -0.76 | -5.41 | CRB Index          | 182.32     | 0.92  | 7.38  |
| Dow Jones Ind. | 25,862.68  | 0.84  | 10.87 | WTI oil (\$/bbl)   | 62.87      | 1.37  | 38.45 |
| S&P 500        | 2,876.32   | 0.89  | 14.74 | Brent oil (\$/bbl) | 72.62      | 1.18  | 34.98 |
| FTSE 100       | 7,353.51   | 0.78  | 9.30  | Gold (S/oz)        | 1,286.72   | -0.75 | 0.28  |
| Shanghai       | 2,955.71   | 0.58  | 18.52 | CPO (RM/tonne)     | 1,954.50   | 1.53  | 0.10  |
| Hang Seng      | 28,275.07  | 0.02  | 9.40  | Copper (\$/tonne)  | 6,100.00   | 0.25  | 2.26  |
| STI            | 3,230.26   | 0.36  | 5.26  | Rubber (sen/kg)    | 486.00     | 1.25  | 28.23 |

Source: Bloomberg

**Economic Data**

|                                      | For    | Actual | Last                | Survey |
|--------------------------------------|--------|--------|---------------------|--------|
| MA GDP YOY                           | 1Q     | 4.5%   | 4.7%                | 4.3%   |
| US Initial Jobless Claims            | 11 May | 212k   | 228k                | 220k   |
| US Housing Starts MOM                | Apr    | 5.7%   | 1.7%<br>(revised)   | 6.2%   |
| US Building Permits MOM              | Apr    | 0.6%   | -0.2%               | 0.1%   |
| US Philadelphia Fed Business Outlook | May    | 16.6   | 8.5                 | 9.0    |
| EU Trade Balance SA                  | Mar    | €17.9b | €20.6b<br>(revised) | €19.4b |
| JP PPI YOY                           | Apr    | 1.2%   | 1.3%                | 1.1%   |
| AU Employment Change                 | Apr    | 28.4k  | 27.7k<br>(revised)  | 15.0k  |
| AU Unemployment Rate                 | Apr    | 5.2%   | 5.1%<br>(revised)   | 5.0%   |
| NZ BusinessNZ Manufacturing PMI      | Apr    | 53.0   | 52.0<br>(revised)   | --     |

Source: Bloomberg

## ➤ Macroeconomics

- US homebuilding activities surged in April:** Housing starts rose for the second month in a row by 5.7% MOM in April (Mar: +1.7% revised) driven by a surge in the Northeast and Midwest as weather turned drier in the regions. Building permits also picked up 0.6% MOM (Mar: -0.2%) after falling for three straight months, suggesting that homebuilding activities began to pick up again amidst improving sales expectations. This is largely in line with the steady gain in the NAHB housing market index which has painted an increasingly upbeat sentiments among US homebuilders as the Fed hold off on moving rates thus keeping overall mortgages cost lower in the near term. Meanwhile on the manufacturing front, the Philadelphia Fed Manufacturing Business Outlook survey reported that its current general activity index rose to 16.6 in May (Apr: 8.5) pointing to faster growth in the Philadelphia's factories' activities. Initial jobless claims fell by 16k to 212k for the week ended 11 May (previous: 228k), indicating that the US labour market remains robust.
- Eurozone trade balance narrowed on higher imports:** Newly released trade report shows that international trade strengthened in the Eurozone international as exports growth came in stronger at 0.9% MOM in March (Feb: +0.3%) while imports rebounded by a higher margin to increase 2.5% MOM (Feb: -1.6%), leaving trade surplus to shrink to €17.9b (Feb: €20.6b revised). On a yearly basis, exports growth went back down to a modest 3.1% YOY (Feb: +6.2%) while imports grew by a stronger 6.0% YOY (Feb: +5.2%), painting a rather softer picture of overseas demand for European goods in general.
- Japan factory-gate inflation remained subdued:** Producer prices rose 1.2% YOY in April (Mar: +1.3%), a tad slower than March reading, thus pointing to a subdued inflation in the goods producing industries which in turn would translate into a slower gain in consumer prices. Prices of manufacturing goods grew at a steady rate of 0.7% YOY while that of agricultural goods rose 1.6% YOY (Mar: +0.4%) and other smaller categories namely minerals and utilities recorded slower gains in prices.
- Malaysia saw softer 1Q growth amid easier domestic demand and exports:** The Malaysian economy recorded a slightly softer growth of 4.5% YOY in 1Q as expected (4Q: +4.7%), confirming concerns over softening growth in 2019 amid escalating external headwinds and normalization in domestic growth conditions. Domestic demand pulled back for the second straight quarter and expanded at its slowest pace in a year, by 4.4% YOY in 1Q (4Q: +5.7% YOY), despite maintaining its lead position contributing 4.1ppt to overall growth during the quarter under review (4Q: +5.2ppt). Positive albeit smaller gain in net exports (+10.9 vs +15.5% YOY) offered an added support, contributing 0.9ppt to overall growth in 1Q (4Q: +1.0ppt) while inventories continued to exert a drag (-0.5ppt vs -1.5ppt). On a seasonally adjusted QOQ basis, real GDP growth moderated somewhat to increase 1.1% in 1Q (4Q: +1.3%). Looking ahead, growth prospects would, most likely than not, soften further amid unrelenting escalation in external risks that would inevitably spill over to the domestic sectors, of which much would depend on the pace of recovery in investment spending following the revival of mega projects namely the ECRL and Bandar Malaysia, to mitigate prospects of soft commodity prices and more moderate consumer spending. We foresee downside risks to our full year 2019 growth forecast of 4.7% and will be reviewing this in due course pending more clarity from both external and domestic development.

- Australia unemployment rate unexpectedly jumped; fueling rate cut hope:** Australia unemployment rate unexpectedly jumped to an eight-month high of 5.2% in April following an upward revision to March reading (5.0% to 5.1%). The Aussie dollar slipped after the data release, and markets immediately raised expectations of an RBA rate cut in its coming June meeting. The reading was accompanied by an upbeat 28.4k jobs creation in the same month (Mar: +27.7k revised) but failed to inspire investors' confidence as all the newly added jobs are of part-time nature (+34.7k vs -21.5k) whereas full-time employment fell by 6.3k (Mar: 49.2k). As of writing, markets are now pricing in a 67.4% chance of a 25bps cut in the cash rate, a jump from the pre-data 39.3%.
- New Zealand manufacturing PMI strengthened but demand appeared weak:** The BusinessNZ Manufacturing PMI rose to 53.0 in April (Mar: 52.0) pointing to a faster pace of expansion of the manufacturing sector. The gain however was largely driven by a surge in deliveries of raw materials as the sub-indexes for production, employment, new orders as well as finished stocks all came in weaker albeit still above the 50.0 neutral threshold, raising question on the outlook for demand in general.

| Economic Calendar |             |                                |                  |        |        |         |
|-------------------|-------------|--------------------------------|------------------|--------|--------|---------|
| Date              | Country     | Events                         | Reporting Period | Survey | Prior  | Revised |
| 17/05             | US          | Leading Index                  | Apr              | 0.2%   | 0.4%   | --      |
|                   |             | U. of Mich. Sentiment          | May P            | 97.2   | 97.2   | --      |
| 20/05             |             | Chicago Fed Nat Activity Index | Apr              | --     | -0.15  | --      |
| 17/05             | Eurozone    | CPI Core YOY                   | Apr F            | 1.2%   | 0.8%   | --      |
|                   |             | CPI YOY                        | Apr F            | 1.7%   | 1.4%   | 1.4%    |
| 20/05             | UK          | Rightmove House Prices YOY     | May              | --     | -0.1%  | --      |
| 20/05             | Japan       | GDP SA QOQ                     | 1Q P             | -0.1%  | 0.5%   | --      |
|                   |             | Industrial Production YOY      | Mar F            | --     | -4.6%  | --      |
|                   |             | Convenience Store Sales YOY    | Apr              | --     | 0.0%   | --      |
| 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% | --      |
| 20/05             | New Zealand | Performance Services Index     | Apr              | --     | 52.9   | --      |

Source: Bloomberg

|        | Last Price | DoD % | High   | Low    | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1174     | -0.24 | 1.1224 | 1.1166 | -2.56 |
| GBPUSD | 1.2798     | -0.37 | 1.2852 | 1.2788 | 0.33  |
| USDJPY | 109.85     | 0.23  | 109.97 | 109.34 | 0.16  |
| AUDUSD | 0.6892     | -0.52 | 0.6933 | 0.6887 | -2.24 |
| EURGBP | 0.8732     | 0.12  | 0.8748 | 0.8718 | -2.87 |
| USDMYR | 4.1645     | -0.22 | 4.1725 | 4.1565 | 0.75  |
| EURMYR | 4.6697     | -0.10 | 4.6782 | 4.6593 | -1.22 |
| JPYMYR | 3.8012     | -0.39 | 3.8148 | 3.7961 | 1.15  |
| GBPMYR | 5.3458     | -0.85 | 5.3620 | 5.3373 | 1.48  |
| SGDMYR | 3.0436     | -0.27 | 3.0502 | 3.0366 | 0.25  |
| AUDMYR | 2.8864     | -0.20 | 2.8905 | 2.8725 | -1.25 |
| NZDMYR | 2.7402     | -0.01 | 2.7410 | 2.7229 | -1.39 |
| CHFMYR | 4.1311     | -0.49 | 4.1405 | 4.1217 | -1.62 |
| CNYMYR | 0.6053     | -0.37 | 0.6067 | 0.6042 | 0.01  |
| HKDMYR | 0.5306     | -0.23 | 0.5317 | 0.5296 | 0.45  |
| USDSGD | 1.3725     | 0.31  | 1.3729 | 1.3680 | 0.72  |
| EURSGD | 1.5339     | 0.08  | 1.5357 | 1.5313 | -1.86 |
| GBPSGD | 1.7567     | -0.05 | 1.7593 | 1.7522 | 1.06  |
| AUDSGD | 0.9461     | -0.20 | 0.9485 | 0.9442 | -1.53 |

Source: Bloomberg

## Forex

### MYR

- **USDMYR snapped a 12-day advance streak** after Bank Negara announced plans to boost market liquidity and Malaysia's first quarter GDP growth beat estimates. The pair however managed to pare losses and bounced off its intraday low of 4.1565, **finishing 0.22% lower at 4.1645 on Thursday.**
- **MYR remains bearish** in our view but the turn of events is likely to provide some short term support to MYR but we remained bullish USD in the medium term as trade talks uncertainties will continue to undermine risk assets which generally lead to a higher USDAXJ.

### USD

- **The dollar index surged by 0.29% to 97.855** following upbeat US data and partly on prevailing US-China trade talk uncertainties. USD strengthened against all G10s currencies.
- **We continue to maintain USD bullishness** despite somewhat easing trade tension in the absence of major trade headlines, as demand for safe haven assets will likely persist so long that the US and China are still unable to reach any trade deal in the near term.

### EUR

- **EUR closed 0.24% weaker at 1.1174 against USD** amidst broader dollar strength.
- **We remain bearish on EUR** on fundamentals reasons as the Eurozone economy still struggles to find a solid footing despite an upbeat 1Q GDP reading and its growth lagging behind that of its American counterpart, while concurrently trade tensions may continue to serve as a dampener to EUR.

### GBP

- **GBP continued its losing streak against the USD, closing 0.37% lower at 1.2798** amidst dollar strength and growing fear of a 'no-deal' Brexit.
- **We are bearish on GBP** as the current state of UK politics suggests a longer lasting impasse and technical analyses show that the pair is now trading below its lower Bollinger for the third session after breaking below the 1.2900 support level.

### JPY

- **JPY finished 0.23% lower against USD at 109.85** amidst better risk sentiments as trade tensions eased.
- **We remain bullish JPY** as entrenched weakness in global growth and persistent US-China trade talk uncertainties will keep safe haven asset well supported.

### AUD

- **AUD plunged by 0.52% against USD at 0.6892** as Australia job report missed expectations, raising expectations over an RBA rate cut in early June.
- **We remain bearish on AUD** as the disappointing job report alongside steady wage gain but lower inflation builds a strong case for a cut in the cash rate considering the central bank's May statement that it would "pay close attention to developments in the labour market", not to mention downside risk to the economy from US-China trade woes. Will watch out for next Tuesday's RBA May meeting minutes for further guidance in near term movements.

### SGD

- **SGD closed 0.31% weaker against USD at 1.3725** amidst broader dollar strength.
- **We maintain bearish SGD** as stronger upward momentum is likely to keep the pair well supported above the upper Bollinger band in the near term and so long that the US and China are unable to reach any agreement, we do not rule out an escalation of the current trade spat which if materialize, will dampen risk appetite and support USD/EM in general.

**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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