June 17, 2019

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended slightly lower overnight as investors remained cautious ahead of next week's FOMC meeting.** Chipmakers stocks were in focus on Friday after Broadcom warned that the current US-China trade tension which has resulted in the ban of Chinese giant Huawei could cost the American chipmaker $2b losses in sales. **Markets are bracing for the Fed's potential signal next week to cut fed funds rate** in view of Fed's officials' recent dovish tilts. President Trump now said that "it doesn't matter if President Xi attends the G20 Summit in Japan later this month as "they are going to a make a deal" eventually, adding that the Chinese is paying hundreds of billions of tariffs to the US. The Chinese government remains silent on any such meeting. The Dow barely changed, losing a mere 17pts or 0.1%, the S&P 500 fell 0.2% and the NASDAQ slipped 0.5%. 10Y UST yield fell 1bp to 2.08%. **Crude oil prices climbed further on supply concerns** after oil tankers attacks near Strait of Hormuz. WTI settled 0.4% higher at $52.51/barrel while Brent picked up 1.1% to $62.01/barrel.

- **US data were generally positive** as retail sales rose 0.5% MOM in May while April sales were revised higher. Industrial production ticked up by 0.4% MOM to offset previous month's decline, with manufacturing output recording an increase for the first time in five months. **In Asia, Japan industrial output fell at a slower pace** of 1.1% YOY in April ahead of the Golden Week holidays, its third decline in a row. **China data bag were mixed** as industrial production grew a mere 5.0% YOY in May, the slowest since February 2002 and the YTD fixed assets investments also eased to 5.6% YOY. Retail sales was a bright spot, recording a faster growth of 8.6% YOY in the same month.

- **The Dollar Index rose a whopping 0.6% to 97.572, its largest gain in nearly three months,** driven primarily by a plunge in EUR component, following better than expected retail sales data which eased some concerns that the US economy is sharply slowing down. USD strengthened against all its G10 counterparts. **We remain bearish USD in the medium term** as the Fed is expected to cut rate this year amidst broadly slowing growth and muted inflation but we are looking to this week FOMC meeting for further guidance on the question of "when" and "how many" cuts. Markets are currently pricing in 4 cuts by the end of 2020 and we may see some short term volatilities should the Fed turns out less dovish as expected.

- **MYR closed weaker by 0.02%** against the USD at 4.1660 ahead of the weekend. **We continue to remain neutral to mildly bearish on MYR** in the short term as the pair consolidates between 4.15-4.18 with slightly upward pressure as month-end and quarter-end hedging demand lends some support to the pair while some volatilities likely stem from ongoing trade tensions and this week's highly anticipated FOMC meeting.

- **SGD closed 0.35% lower at 1.3716 against the USD. We remain neutral SGD** over the short term. As mentioned previously the pair is going through some consolidation between 1.3620-1.3680.

Overnight Economic Data

US	➔
Japan	↓
China	➔
New Zealand	↑

What's Coming Up Next

Major Data

- US Empire Manufacturing, NAHB Housing Market Index
- Eurozone Labour Costs
- UK Rightmove House Price Index
- Singapore Non-oil Domestic Exports

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1185	1.1200	1.1221	1.1235	1.1265	↘
GBPUSD	1.2500	1.2560	1.2596	1.2630	1.2700	↘
USDJPY	108.15	108.30	108.61	108.70	108.75	↘
AUDUSD	0.6700	0.6720	0.6881	0.6885	0.6900	↘
EURGBP	0.8850	0.8881	0.8907	0.8925	0.8950	↗
USDMYR	4.1650	4.1700	4.1740	4.1780	4.1800	➔
EURMYR	4.6770	4.6800	4.6827	4.6850	4.6890	↗
JPYMYR	3.8300	3.8360	3.8415	3.8470	3.8500	↗
GBPMYR	5.2400	5.2500	5.2564	5.2620	5.2700	↘
SGDMYR	3.0360	3.0370	3.0446	3.0460	3.0490	➔
AUDMYR	2.8620	2.8640	2.8720	2.8740	2.8755	↘
NZDMYR	2.7050	2.7060	2.7139	2.7160	2.7200	↘
USDSGD	1.3676	1.3695	1.3709	1.3715	1.3725	➔
EURSGD	1.5350	1.5360	1.5381	1.5390	1.5400	↗
GBPSGD	1.7240	1.7245	1.7265	1.7285	1.7295	↘
AUDSGD	0.9400	0.9410	0.9430	0.9440	0.9450	↘

* 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	1,638.63	-0.31	-3.07	CRB Index	174.81	0.22	2.95
Dow Jones Ind.	26,089.61	-0.07	11.84	WTI oil ($/bbl)	52.51	0.44	15.64
S&P 500	2,886.98	-0.16	15.16	Brent oil ($/bbl)	62.01	1.14	26.87
FTSE 100	7,345.78	-0.31	9.18	Gold (S/oz)	1,341.70	-0.05	4.57
Shanghai	2,881.97	-0.99	15.56	CPO (RM/tonne)	1,986.00	0.94	1.72
Hang Seng	27,118.35	-0.65	4.92	Copper ($/tonne)	5,822.00	-0.61	-2.40
STI	3,222.63	0.06	5.01	Rubber (sen/kg)	498.00	-0.40	31.40

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Retail Sales Advance MOM	May	0.5%	0.3% (revised)	0.6%
US Industrial Production MOM	May	0.4%	-0.4% (revised)	0.2%
US U. of Mich. Sentiment	Jun P	97.9	100.0	98.0
JP Industrial Production YOY	Apr F	-1.1%	-4.3%	--
CN Fixed Assets Ex Rural YTD YOY	May	5.6%	6.1%	6.1%
CN Industrial Production YOY	May	5.0%	5.4%	5.4%
CN Retail Sales YOY	May	8.6%	7.2%	8.1%
NZ Performance Services Index	May	53.6	51.8	--

Source: Bloomberg

Macroeconomics

- ***US retail sales rose in May, eased growth concerns:*** US retail sales US retail sales rose 0.5% MOM in May while April sales was also revised higher (-0.2% to +0.3%), offering relief to ongoing worries that the US economy could slow down substantially on faltering consumer demand. The upturn was supported by higher sales in motor vehicles & parts (+0.7% vs -0.5%) while consumers also appear to purchase more electronics appliances, healthcare items, sporting goods, musical instruments and books. Sales of clothing were flat despite summer approaching. Sales at furniture and food & beverages stores underperformed. Online sales managed to increase 1.4% MOM (Apr: +0.5%). Excluding motor vehicles, sales rose 0.5% MOM (Apr: +0.5%) while YOY, total retail sales growth eased to 3.2% (Apr: +3.7% revised). While the decent retail sales data suggest consumers are returning to spend, a separate release of the University of Michigan consumer sentiment index fell to 97.9 in June (May: 100.0) according to a preliminary reading. Consumer sentiments weakened this month over the now cancelled Mexico tariffs and slower employment gain.

- ***US industrial production rebounded in May; manufacturing output rose for first time in five months:*** Industrial production managed to rebound by 0.4% MOM in May (Apr: -0.4% revised), offsetting the decline in the previous month. Manufacturing output rose for the first time in five months by a modest margin of 0.2% MOM (Apr: -0.5%) pointing to a minor recovery in US factory output. Growth in mining output eased substantially to 0.1% MOM (Apr: +2.2%) following a sizable gain in the previous month while utilities output rebounded by 2.1% MOM to partially offset the 3.1% decline in April. Friday data offered welcoming signs for the US manufacturing sector but we remain wary that the industry could sustain a higher growth rate in the coming months as the labour market began to show signs of weakening and overseas trade uncertainties continued to weigh down on production.

- ***Japan industrial production fell for third month:*** Japan industrial production rose 0.6% MOM in April (Mar: -0.6%) reversing the decline in the previous month ahead of its Golden Week holiday. YOY, industrial production continued to fall but at a much slower rate of 1.1% (Mar: -4.3%), marking its third monthly consecutive decline. Slower overseas demand resulting from global trade uncertainties is likely to weigh on Japanese factories output in May, taking cue from the continuous drop in machine tools orders as well as the below 50.0 May Markit PMI reading.

- ***China industrial output slowed; retail sales rebounded:*** China industrial production grew a mere 5.0% YOY in May (Apr: +5.4%), its slowest rate since February 2002 driven by a much slower upturn in manufacturing output and power supply as mining output accelerated. The poor reading was in line with the official NBS manufacturing PMI which fell back below 50.0 neutral threshold in the same month confirming that Chinese factories continued to operate under huge pressure amidst falling demand and prices. Firms appeared to have scaled back on investment too, as fixed asset investment rose a mere 5.6% YOY from Jan-May, versus 6.1% YOY in the same period a year ago. Investment by both state-owned and private enterprises recorded slower increase. On a brighter note, retail sales bounced back up to record a healthier growth of 8.6% YOY (Apr: +7.2%), a level last seen in October last year, driven by a broad-based increase in sales across all categories save for construction materials. Friday's mixed data bag confirmed that the entrenched weakness in China's goods making sector as the industry continued to take the brunt from the slower growth worldwide, pointing to weaker outlook ahead.

- ***New Zealand services industry remained weak:*** The Performance of Services Index rose to 53.6 in May (Apr: 52.0 revised), from its lowest level since 2012 and below its long term average of 54.4, signaling a still-weak condition of the services sector. The higher PMI last month was driven by higher sales, employment and inventories while new orders remained lackluster. The reading came after last week's disappointing manufacturing PMI, pointing to a slowdown in the New Zealand economy.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
17/06	**US**	**Empire Manufacturing**	**Jun**	**12.0**	**17.8**	**--**
		NAHB Housing Market Index	**Jun**	**67.0**	**66.0**	**--**
18/06		Housing Starts MOM	May	0.3%	5.7%	--
		Building Permits MOM	May	0.8%	0.6%	0.2%
17/06	**Eurozone**	**Labour Costs YOY**	**1Q**	**--**	**2.3%**	**--**
18/06		Trade Balance SA	Apr	--	17.9b	--
		CPI Core YOY	May F	0.8%	1.3	--
		CPI YOY	May F	1.2%	1.7%	--
		ZEW Survey Expectations	Jun	--	-1.6	--
17/06	**UK**	**Rightmove House Prices YOY**	**Jun**	**--**	**0.1%**	**--**
17/06	**Singapore**	**Non-oil Domestic Exports YOY**	**May**	**-18.7%**	**-10.0%**	**--**
18/06	Australia	RBA Minutes of June Policy Meeting				

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1208	-0.60	1.1289	1.1203	-2.19
GBPUSD	1.2589	-0.67	1.2682	1.2580	-1.26
USDJPY	108.56	0.17	108.59	108.16	-1.05
AUDUSD	0.6872	-0.62	0.6918	0.6861	-2.44
EURGBP	0.8904	0.07	0.8918	0.8891	-0.93
USDMYR	4.1660	0.02	4.1705	4.1605	0.78
EURMYR	4.6950	-0.14	4.7072	4.6947	-0.68
JPYMYR	3.8520	0.26	3.8537	3.8418	2.51
GBPMYR	5.2796	0.05	5.2856	5.2755	0.23
SGDMYR	3.0496	0.10	3.0504	3.0454	0.45
AUDMYR	2.8759	-0.01	2.8800	2.8728	-1.61
NZDMYR	2.7264	-0.25	2.7325	2.7208	-1.88
CHFMYR	4.1898	-0.10	4.1990	4.1883	-0.22
CNYMYR	0.6022	0.11	0.6023	0.6018	-0.50
HKDMYR	0.5328	0.11	0.5329	0.5315	0.87
USDSGD	1.3716	0.35	1.3722	1.3663	0.61
EURSGD	1.5372	-0.27	1.5433	1.5366	-1.59
GBPSGD	1.7262	-0.34	1.7345	1.7255	-0.66
AUDSGD	0.9424	-0.29	0.9455	0.9412	-1.83

Source: Bloomberg

➢Forex

MYR

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USD

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- **We remain bearish USD in the medium term** as the Fed is expected to cut rate this year amidst broadly slowing growth and muted inflation but we are looking to this week FOMC meeting for further guidance on the question of "when" and "how many" cuts. Markets are currently pricing in 4 cuts by the end of 2020 and we may see some short term volatilities should the Fed turns out less dovish as expected.

EUR

- **EUR closed 0.60% weaker at 1.1208 against USD** dampened by positive US retail sales data and record low German bund yield as weaker Chinese data earlier fueled concerns over global growth.
- **We remain bullish on EUR over the medium term** as the overall outlook continues to favour a weaker USD due to a less dovish ECB and Fed rate cut expectations. This week's FOMC meeting will be a key driver for the pair.

GBP

- **GBP closed 0.67% lower at 1.2589 amidst stronger USD and as fear of a no-deal Brexit** weighed on sentiments after Brexit hardliner Boris Johnson led in last Thursday's first Tory leadership vote.
- **We remain bearish GBP as Brexit uncertainties** continue to dominate the atmosphere with no absolute conclusion nor progress seem likely in sight before a new PM is selected.

JPY

- **JPY closed weaker by 0.17% at 108.56 amidst broader USD strength but the gain was constrained by persistent risk aversion as seen in falling stocks.**
- **We remain bullish JPY** as global trade uncertainties continue to provide support to the pair. In the short term though it could be dragged down by push/pull factors manifesting through a lower UST yield vs a higher USD.

AUD

- **AUD closed lower by 0.62% at 0.6872 against the USD, touching its lowest level** since January's crash amidst broad dollar strength and weak Chinese data added pressure to the commodity-linked currency.
- **We remain bearish on AUD** due to AUD's sensitivity to China. As mentioned previously, the pair maybe going through some consolidation although at a broader 0.6850-0.7000 range with a bearish bias.

SGD

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- **We remain neutral SGD** over the short term. As mentioned previously the pair is going through some consolidation between 1.3620-1.3680.

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