June 18, 2019

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks edged higher overnight supported by tech shares as investors continued to stay cautious ahead of Wednesday's FOMC meeting** where the Fed is expected to signal a rate cut in July. Financials shares fell 0.9% as lower interest rates environment tends to add pressure to banks' margin. Both the Dow and S&P 500 rose by a minimal 0.1% whereas NASDAQ was pushed higher by 0.6%. **US treasuries saw yields rising 1-3bps along the curve.** 10Y UST yield ended 1bp higher at 2.09%. **Crude oil prices resumed declines as fear of a slower global demand outweighed the concerns over supply disruption** arising from recent attacks on two oil tankers near the Strait of Hormuz. WTI settled 1.1% lower at $51.93/barrel while Brent crude tumbled by 1.7% to $60.94/barrel. **China slashed its holding of US treasuries by $7.5b to a two-year low of $1.11 trillion in April** before President Trump triggered an escalation of trade war in early May. **Markets will also be watching other central bank actions this week** such as the three-day ECB annual Forum on Central Banking in Portugal where President Mario Draghi could potentially drop some hints over monetary policy. The BOE and BOJ are set to announce policy decisions on Thursday while **the RBA is slated to publish its June meeting minute this morning.**

- **US data were disappointing**. The New York Fed Empire State reported that the general business condition index plunged by 26pts, its largest monthly decline ever to -8.6 in June. The NAHB housing market index slipped to a still-decent level of 64 in June (May: 66), supported by expectations of Fed rate cuts which tend to favour the housing market. In Europe, **Eurozone labour cost picked up by 2.4% YOY** in the first quarter of 2019 driven by stronger rise in wages and salaries, a welcoming news for the ECB. Rightmove said **UK house prices flat-lined in June.** Key data release in Asia was limited to **Singapore non-oil domestic exports (NODX)** which was reported to have **tumbled by 15.9% YOY in May.**

- **The Dollar Index retreated to 97.34 after US data disappointed** but managed to rebound to close virtually unchanged at 97.56. USD weakened against six G10s. **We maintain USD bearishness in the medium term** as the Fed is expected to cut rate this year amidst broadly slowing growth and muted inflation. Again, we are looking to this week FOMC meeting for further guidance on the question of "when" and "how many" cuts. Futures are still pricing in 4 cuts by the end of 2020 and we may see some short term volatilities should the Fed turns out less dovish than expected.

- **MYR closed weaker again by 0.28%** against the USD at 4.1775 ahead of the FOMC meeting. **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 bias as month-end and quarter-end hedging demand lends some support to the pair. As previously reiterated, some volatilities likely stem from this week's FOMC meeting and any unforeseen trade headlines.

- **SGD closed 0.05% higher at 1.3709 against the USD ahead of FOMC despite disappointing NODX data. We remain neutral SGD** in the short term. As mentioned previously the pair is going through some consolidation between 1.3620-1.3680.

Overnight Economic Data

US	↓
Eurozone	↑
UK	→
Singapore	↓

What's Coming Up Next

Major Data

- US Housing Starts, Building Permits
- Eurozone Trade Report, CPI, ZEW Investor Confidence

Major Events

- Australia RBA Minutes of June Policy Meeting

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1185	1.1200	1.1224	1.1235	1.1265	↗
GBPUSD	1.2500	1.2520	1.2539	1.2560	1.2600	↘
USDJPY	108.15	108.30	108.52	108.70	108.75	↘
AUDUSD	0.6800	0.6830	0.6855	0.6870	0.6900	↘
EURGBP	0.8881	0.8900	0.8952	0.8970	0.9000	↗
USDMYR	4.1700	4.1750	4.1775	4.1790	4.1800	→
EURMYR	4.6800	4.6850	4.6887	4.6920	4.6965	↗
JPYMYR	3.8435	3.8470	3.8500	3.8515	3.8540	→
GBPMYR	5.2250	5.2300	5.2378	5.2460	5.2600	↘
SGDMYR	3.0450	3.0460	3.0485	3.0490	3.0500	→
AUDMYR	2.8600	2.8615	2.8639	2.8660	2.8700	↘
NZDMYR	2.7070	2.7100	2.7148	2.7195	2.7240	↘
USDSGD	1.3676	1.3695	1.3703	1.3715	1.3725	→
EURSGD	1.5350	1.5360	1.5380	1.5390	1.5400	↗
GBPSGD	1.7100	1.7150	1.7181	1.7200	1.7250	↘
AUDSGD	0.9350	0.9375	0.9395	0.9400	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	1,638.40	-0.01	-3.09	CRB Index	174.42	-0.22	2.72
Dow Jones Ind.	26,112.53	0.09	11.94	WTI oil ($/bbl)	51.93	-1.10	14.36
S&P 500	2,889.67	0.09	15.27	Brent oil ($/bbl)	60.94	-1.73	13.27
FTSE 100	7,357.31	0.16	9.35	Gold (S/oz)	1,339.66	-0.15	4.44
Shanghai	2,887.62	0.20	15.79	CPO (RM/tonne)	1,992.00	0.30	2.02
Hang Seng	27,227.16	0.40	5.35	Copper ($/tonne)	5,845.00	0.40	-2.01
STI	3,207.99	-0.45	4.54	Rubber (sen/kg)	499.00	0.20	31.66

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Empire Manufacturing	Jun	-8.6	17.8	12.0
US NAHB Housing Market Index	Jun	64.0	66.0	67.0
EU Labour Costs YOY	1Q	2.4%	2.3%	--
UK Rightmove House Prices YOY	Jun	0.0%	0.1%	--
SG Non-oil Domestic Exports YOY	May	-15.9%	-10.0%	-16.5%

Source: Bloomberg

Macroeconomics

- ***New York manufacturing activities declined sharply in June:*** The New York Fed Empire State Manufacturing Survey reported that the general business condition index plunged by 26pts, its largest monthly decline ever to -8.6 in June (May: 17.8), as business activity took a sharp downward turn in New York state. The decline in manufacturing activities this month was driven by receding new orders, shrinking employment and hours worked. Firms turned less optimistic about future conditions compared to last month.

- ***US homebuilders confidence stayed supported:*** The NAHB housing market index slipped to a still-decent level of 64 in June (May: 66), supported by expectations of Fed rate cuts which tend to push borrowing cost lower and thus favour the housing market. Homebuilders expect slightly softer sales of single family units for the presence as well as over the next six months. Traffics of potential buyers are also expected to come off slightly.

- ***Eurozone wage growth picked up in 1Q but inflation remained stubborn:*** The Eurostat reported that hourly labour cost rose by 2.4% YOY in first quarter of 2019 (4Q: +2.3%), a tad stronger than the previous quarter, driven by a stronger increase in wages & salaries (+2.5% vs +2.3%). Notably, labour cost in all of the bloc's largest economies accelerated except for Portugal. Despite higher wage growth for the past few quarters, firms have yet to pass the higher labour cost to consumers as headline inflation in the Eurozone continue to slide, most recently to a more-than-one-year low of 1.2% YOY in May while core inflation trended sideways between 0.7-1.3% YOY. Inflation has surged above 2.0% for a brief period of time last year but has since then treading below the ECB's target of "just below 2% since December last year. The muted price pressure is a problem for the ECB which had already set its key interest rates at record lows. This, together with slower growth outlook and global trade uncertainties have been major obstacles for the ECB to hike interest rates, leading the central bank to postpone its plan (to hike rate) at least until after the first half of 2020. ECB Vice President Luis De Guindos said over the weekend that a further deterioration of market-based inflation expectations could lead the ECB to react, implying a potential rate cut should inflation continue to fall.

- ***Rightmove said UK house prices flat-lined in June:*** Property website Rightmove reported that its house price index rose 0.3% MOM in June (May: +0.9%) while YOY, house prices were flat (May: +0.1%). In fact house prices had barely moved for the past three months, recording changes between -0.1 to +0.1% YOY since April, suggesting that UK house prices are stabilizing as buyers grew weary of Brexit uncertainties. We doubt that the UK housing market is bound for a recovery in the near term despite brighter readings of other housing data. The Royal Institution of Chartered Surveyor house price balance index for instance had recorded a smaller decline in May but the extended fall in sales expectations points to still-weak demand.

- ***Singapore NODX tanked in May:*** Singapore NODX tanked again in May and this time by 15.9% YOY (Apr: -10.0%), marking its fourth decline this year and also its largest drop in 6 years. On a brighter note, NODX rebounded to increase 6.2% MOM (Apr: -0.7%) after falling for two straight months. Electronic exports fell by 31.4% YOY (Apr: -16.3%) as it continued trend down for more than one and a half years, weighing on overall NODX. At countries level, shipments to all its key trading partners faltered save for the United States which managed a marginal 0.2% YOY increase (Apr: +2.2%), underscoring the weakness in global demand. Shipment to China fell 23.3% YOY (Apr: -5.9%), its third running month of decline. The latest NODX print confirms the dismal outlook for Singapore international trade sector as demand for semiconductors remains persistently weak in the near to medium term as seen in the continuous fall in global semiconductor sales. The World Semiconductor Trade Statistics reported that its Global Sales Report (GSR) declined for the fourth consecutive months by 14.6% YOY in April (Mar: -13.0%).

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
18/06	**US**	**Housing Starts MOM**	**May**	**0.4%**	**5.7%**	**--**
		Building Permits MOM	**May**	**0.8%**	**0.6%**	**0.2%**
19/06		MBA Mortgage Applications	Jun-14	--	26.8%	--
18/06	**Eurozone**	**Trade Balance SA**	**Apr**	**17.0b**	**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**	**--**
19/06	UK	CPI YOY	May	2.0%	2.1%	--
		PPI Output NSA YOY	May	1.7%	2.1%	--
		CBI Trends Total Orders	Jun	-11.0	-10.0	--
19/06	Japan	Trade Balance	May	¥1200.0b	¥60.4b	--
		Exports YOY	May	-8.2%	-2.4%	--
18/06	**Australia**	**RBA Minutes of June Policy Meeting**				
19/06		Westpac Leading Index MOM	May	--	-0.09%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1218	0.09	1.1247	1.1204	-2.14
GBPUSD	1.2534	-0.44	1.2606	1.2532	-1.70
USDJPY	108.54	-0.02	108.72	108.39	-1.02
AUDUSD	0.6853	-0.28	0.6885	0.6849	-2.74
EURGBP	0.8950	0.52	0.8951	0.8889	-0.43
USDMYR	4.1775	0.28	4.1780	4.1720	1.06
EURMYR	4.6839	-0.24	4.6860	4.6721	-0.92
JPYMYR	3.8467	-0.14	3.8481	3.8366	2.37
GBPMYR	5.2576	-0.42	5.2605	5.2462	-0.19
SGDMYR	3.0469	-0.09	3.0480	3.0377	0.36
AUDMYR	2.8705	-0.19	2.8743	2.8648	-1.80
NZDMYR	2.7199	-0.24	2.7199	2.7063	-2.12
CHFMYR	4.1792	-0.25	4.1856	4.1704	-0.48
CNYMYR	0.6030	0.14	0.6034	0.6028	-0.86
HKDMYR	0.5334	0.11	0.5336	0.5321	0.98
USDSGD	1.3709	-0.05	1.3716	1.3695	0.58
EURSGD	1.5379	0.05	1.5407	1.5359	-1.58
GBPSGD	1.7183	-0.46	1.7283	1.7181	-1.13
AUDSGD	0.9395	-0.31	0.9434	0.9391	-2.17

Source: Bloomberg

➢Forex

MYR

- **MYR closed weaker again by 0.28%** against the USD at 4.1775 ahead of the FOMC meeting.
- **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 bias as month-end and quarter-end hedging demand lends some support to the pair. As previously reiterated, some volatilities likely stem from this week's FOMC meeting and any unforeseen trade headlines.

USD

- **The Dollar Index retreated to 97.34 after US data disappointed** but managed to rebound to close virtually unchanged at 97.56. USD weakened against six G10s.
- **We maintain USD bearishness in the medium term** as the Fed is expected to cut rate this year amidst broadly slowing growth and muted inflation. Again, we are looking to this week FOMC meeting for further guidance on the question of "when" and "how many" cuts. The Fed is weighing mixed data readings such as positive retail sales data and poor manufacturing numbers and has a tough job to craft an appropriate message to markets. Futures are still pricing in 4 cuts by the end of 2020 and we may see some short term volatilities should the Fed turns out less dovish than expected.

EUR

- **EUR closed 0.09% higher at 1.1218 against USD** as demand returned to the single currency following poor US NY Empire State Manufacturing Index.
- **We remain bullish on EUR in the medium term** as the overall outlook continues to favour a weaker USD due to a less dovish ECB and Fed rate cut expectations. We are also paying attention to the three-day annual ECB Forum on Central Banking in Sintra, Portugal for any hints from ECB chief Mario Draghi, but nonetheless FOMC meeting is still the key driver for the pair this week.

GBP

- **GBP extended further decline of 0.44% against the USD at 1.2534 ahead of FOMC and the spectre of a no-deal Brexit looms larger following** Brexit hardliner Boris Johnson's lead in Thursday's first Tory leadership vote.
- **We are still bearish on GBP as Brexit uncertainties dominate** with no absolute conclusion nor progress seem likely in sight before a new PM is selected.

JPY

- **JPY barely changed against the USD at 108.54 amidst persisting risk aversion as markets awaits FOMC.**
- **We maintain JPY bullishness due to unresolved global trade disputes.** Any negative headlines over the now quiet US-China trade row could spur demand for JPY. In the short term though it could be dragged down by push/pull factors manifesting through a lower UST yield versus a higher USD.

AUD

- **AUD weakened further by 0.28% against the USD at 0.6853 touching its lowest level** since January's crash.
- **We remain bearish on AUD** due to the commodity-linked currency's sensitivity to any weakness in China while recent indicators continued pointing to slower domestic growth outlook. The RBA's June meeting minutes will set the tone for the pair today as investors seek for further guidance on another potential rate cut this year. Markets are pricing in a 25bps cut in the cash rate as soon as early August.

SGD

- **SGD closed 0.05% higher at 1.3709 against the USD ahead of FOMC despite disappointing NODX data.**
- **We remain neutral SGD** in the short term. As mentioned previously the pair is going through some consolidation between 1.3620-1.3680.

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