June 21, 2019

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks rose overnight as expectations over imminent Fed rate cuts pushed up the S&P 500 to its record high.** Investors became assured that the Fed would cut rate to support a slowing economy after the central bank dropped its patient policy stance and signaled an easing bias on Thursday**. Futures show that markets are pricing in as many as three cuts in the Fed funds rate by the end of this year and the first cut to come as soon as late July.** The broader S&P 500 index clinched a 0.9% gain to finish at an all-time high, supported by the gains in nearly all of its 11 sectors. The blue chip Dow added 249pts or 0.9% while tech heavy NASDAQ went up by 0.8%. Treasuries yields rose as stocks turned higher. The yield on 2Y notes, often a proxy for Fed rate outlook finished 4bps higher at 1.78% after slipping to a multi-year low of 1.69% initially while 10Y UST yield rose 1bp to 2.03%. **Crude oil prices shot up on US-Iran tensions** –WTI spiked by 5.38% in a single day to $56.65/barrel while Brent jumped by 4.25% to $64.45/barrel. Earlier, **the Bank of England kept Bank Rate unchanged, stroke a cautious tone but maintained its hawkish stance. The Bank of Japan also kept its ultra-loose monetary policy intact.**

- **On the data front, US** initial jobless claims fell to 216k last week, **the Philly Fed manufacturing index dipped to just a touch above 0 in June** while the Conference Board leading index flat-lined. **Eurozone flash consumer confidence slipped further to -7.2 in June. UK retail sales dropped 0.5% MOM** as cold weather held off consumers on summer clothing purchases. **Japan headline CPI inflation eased back to 0.7% YOY** in May and core CPI growth also ticked lower to 0.8%, reaffirming a continuous lack of price pressure.

- **The Dollar index closed lower by 0.50% at 96.629** as the broad USD continues to lose ground led by low yielders against the USD. **We remain bearish USD over the medium term** as Fed rate cut expectations kicked up a notch with markets now pricing in an 80% chance of a 25 bps cut in the Fed funds rate as early as July.

- **MYR closed stronger by 0.61%** against the USD at 4.1470 on broad USD weakness. **We maintain bullish MYR** as the Fed adopts a dovish stance and highlighted risks to economic growth which paved the way for broad USD weakness across the board and lower UST yields.

- **SGD closed 0.49% stronger at 1.3563 against USD. We turn bullish SGD** in the short term as expected yield differentials against the USD should lead to a relatively stronger SGD, in line with the regionals.

Overnight Economic Data	
US	→
Eurozone	↓
UK	↓
Japan	↓

What's Coming Up Next

Major Data

- Malaysia Foreign Reserves
- US Markit Manufacturing and Services PMIs, Existing Home Sales
- Eurozone Markit Manufacturing and Services PMIs
  Japan Nikkei Manufacturing PMI
- Hong Kong CPI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1250	1.1280	1.1297	1.1300	1.1350	↗
GBPUSD	1.2650	1.2670	1.2710	1.2750	1.2800	↗
USDJPY	106.80	107.00	107.37	107.70	108.00	↘
AUDUSD	0.6870	0.6900	0.6929	0.6950	0.6975	↗
EURGBP	0.8850	0.8875	0.8890	0.8925	0.8950	→
USDMYR	4.1450	4.1475	4.1520	4.1550	4.1600	↘
EURMYR	4.6700	4.6850	4.6905	4.7200	4.7350	↗
JPYMYR	3.8400	3.8550	3.8680	3.8750	3.8900	↗
GBPMYR	5.2500	5.2600	5.2770	5.2900	5.3100	↗
SGDMYR	3.0575	3.0600	3.0625	3.0650	3.0675	↗
AUDMYR	2.8600	2.8750	2.8765	2.8900	2.9050	↗
NZDMYR	2.7100	2.7250	2.7375	2.7450	2.7600	↗
USDSGD	1.3500	1.3525	1.3565	1.3575	1.3600	↘
EURSGD	1.5270	1.5300	1.5319	1.5350	1.5375	↗
GBPSGD	1.7180	1.7200	1.7235	1.7265	1.7300	→
AUDSGD	0.9350	0.9375	0.9395	0.9415	0.9430	↗

* 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	1,675.43	0.53	-0.90	CRB Index	178.63	1.82	5.20
Dow Jones Ind.	26,753.17	0.94	14.69	WTI oil ($/bbl)	56.65	5.38	24.75
S&P 500	2,954.18	0.95	17.84	Brent oil ($/bbl)	64.45	4.25	19.80
FTSE 100	7,424.44	0.28	10.35	Gold (S/oz)	1,388.44	2.06	8.26
Shanghai	2,987.12	2.38	19.78	CPO (RM/tonne)	1,974.50	-0.88	1.13
Hang Seng	28,550.43	1.23	10.46	Copper ($/tonne)	5,973.00	0.93	0.13
STI	3,314.51	0.80	8.01	Rubber (sen/kg)	492.00	0.10	29.82

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
US Initial Jobless Claims	Jun-15	216k	222k	220k
US Philadelphia Fed Business Outlook	Jun	0.3	16.6	10.4
US Leading Index	May	0.0%	0.2%	0.1%
EU Consumer Confidence	Jun A	-7.2	-6.5	-6.5
UK Retail Sales Inc Auto Fuel MOM	May	-0.5%	-0.1% (revised)	-0.5%
UK Bank of England Bank Rate	Jun-20	0.75%	0.75%	0.75%
JP All Industry Activity Index MOM	Apr	0.9%	-0.4%	0.7%
JP Machine Tool Orders YOY	May F	-27.3%	-33.4%	--
JP BOJ Policy Balance Rate	Jun-20	-0.1%	-0.1%	-0.1%
JP CPI YOY	May	0.7%	0.9%	0.7%
JP CPI Ex Fresh Food YOY	May	0.8%	0.9%	0.7%

Source: Bloomberg

➢ Macroeconomics

- ***BOE held rate steady, trimmed growth forecast but maintained hawkish bias:*** The Bank of England MPC voted unanimously to keep the Bank Rate unchanged at 0.75% on Thursday and maintained its hawkish message that "an ongoing tightening of monetary policy" at a "gradual pace and limited extent" would be appropriate to return inflation to its 2% target. The latest MPC statement however appeared to strike a cautious tone suggesting that the central bank could be paving ways for removing its hawkish stance and joining its global counterparts in an easing monetary policy. The BOE said that "downside risks to growth have increased". Globally trade tensions have intensified while domestically the "perceived likelihood of a no-deal Brexit has risen". Forward interest rates in major economies have fallen and similarly increased Brexit uncertainties have pressured UK forward interest rates and weakened the sterling. Notably it slashed its Q2 quarterly GDP growth projection from 0.2% (in May projection) to 0.0% as the positive contribution from stocks-building activities by UK and EU firms ahead of Brexit deadlines unwound. Underlying growth appeared to have weakened below its potentials. BOE also turned bearish over inflation outlook as it now expects CPI to fall below its 2% target later this year due to recent falls in energy prices. It said that the labour market remained tight but mentioned in the minutes that employment growth has slowed in the three months to April but was still higher than expected. In short, the BOE kept its hawkish language but highlighted its bearish views over growth outlook and in view of its rather cautious message, we judge that the central bank intends to hold the Bank Rate steady at least until a time when Brexit uncertainties eases.

- ***BOJ kept ultra-loose monetary policy intact:*** To no one's surprise, the Bank of Japan maintained its ultra-loose monetary policy after concluding a two-day meeting yesterday. It left its policy balance rate unchanged at -0.1% and kept the 10Y JGB yield target at 0.0%. The pace of purchase of JGBs is held steady to ensure its holding increase at an annual pace of about 80 trillion yen. The central bank did not release any further comments nor projections regarding its outlook. It had previously said in April that it intends to "keep very low-interest rates levels for extended period of time at least through around spring 2020."

- ***US initial jobless claims stayed low; Philly Fed manufacturing index nearly flat-lined:*** Initial jobless claims fell to 216k in the week ended 15 June (previous: 222k), reflecting the fairly solid labour market in the US. The Philly Fed Manufacturing Business Outlook Survey reported that its current activity index plunged to 0.3 in June (May: 16.6), only a touch above zero, the lowest reading since February, thus pointing to weakening manufacturing conditions in the region. The Conference Board Leading Index was unchanged in May (Apr: +0.1% revised) at 111.8, flashing signal that growth momentum is stalling in the economy.

- ***Eurozone flash consumer confidence slipped further:*** The European Commission Consumer Confidence Index slid lower to -7.2 in June (May: -6.5) according to preliminary reading after turning up slightly in the previous month as consumer confidence dampened further over slower Eurozone growth, global trade uncertainties and among other, tensions in the Middle East despite the ECB's dovish tilts.

- ***UK retail sales took the brunt from cold weather:*** UK retail sales fell 0.5% MOM in May (Apr: -0.1% revised), marking its second month of decline. Sales excluding fuels also dropped by 0.3% MOM (Apr: -0.3% revised) as sales in all sectors save for household goods stores and "other stores" declined. Sales in clothing stores (-4.5% vs +2.6%) recorded the largest declines and served as a drag on overall figure. ONS attributed the fall in clothing sales to poor weather conditions as consumers held off on summer clothing purchases.

- ***Japan inflation slipped further away from BOJ's target :*** Justifying the central bank's unchanged policy was the muted inflationary environment in Japan as official data released this morning showed that growth in headline CPI eased further to 0.7% YOY in May (Apr: +0.9%). The CPI excluding fresh food, the BOJ's preferred inflation gauge also slipped to 0.8% YOY (Apr: +0.9%), further away from the BOJ's 2% target level. Other Japan data include the All Industry Activity Index which managed to rebound by 0.9% MOM in April (Mar: -0.3%) driven by a jump in both the tertiary and manufacturing industries. YOY, the index rose 1.0% (Mar: -0.3%). Meanwhile, machine tools orders was confirmed to have fallen 27.3% YOY in May (Apr: -33.4%) due to weak domestic and overseas demand.

Economic Calendar

Date	Country	Events	Reporting Period	Survey	Prior	Revised
21/06	**Malaysia**	**Foreign Reserves**	**14 Jun**	**--**	**$102.3b**	**--**
21/06	**US**	**Markit US Manufacturing PMI**	**Jun P**	**50.5**	**50.5**	**--**
		Markit US Services PMI	**Jun P**	**51.0**	**50.9**	**--**
		Existing Home Sales MOM	**May**	**2.1%**	**-0.4%**	**--**
24/06		Chicago Fed Nat Activity Index	May	0.10	-0.45	--
		Dallas Fed Manf. Activity	Jun	1.0	-5.3	--
21/06	**Eurozone**	**Markit Eurozone Manufacturing PMI**	**Jun P**	**48.0**	**47.7**	**--**
		Markit Eurozone Services PMI	**Jun P**	**53.0**	**52.9**	**--**
21/06	**Japan**	**Nikkei Japan Manufacturing PMI**	**Jun P**	**--**	**49.8**	**--**
24/06		Leading Index CI	Apr F	--	95.5	--
		Coincident Index	Apr F	--	101.9	--
21/06	**Hong Kong**	**CPI Composite YOY**	**May**	**2.8%**	**2.9%**	**--**
24/06	Singapore	CPI YOY	May	0.6%	0.8%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1293	0.60	1.1317	1.1226	-1.55
GBPUSD	1.2702	0.50	1.2727	1.2633	-0.39
USDJPY	107.30	-0.74	108.14	107.21	-2.15
AUDUSD	0.6923	0.61	0.6936	0.6879	-1.86
EURGBP	0.8890	0.10	0.8923	0.8873	-1.14
USDMYR	4.1470	-0.61	4.1660	4.1470	0.33
EURMYR	4.6882	0.30	4.6947	4.6754	-0.83
JPYMYR	3.8507	-0.03	3.8683	3.8469	2.47
GBPMYR	5.2763	0.50	5.2817	5.2653	0.17
SGDMYR	3.0585	0.17	3.0612	3.0529	0.74
AUDMYR	2.8705	0.05	2.8730	2.8615	-1.80
NZDMYR	2.7329	0.33	2.7378	2.7274	-1.65
CHFMYR	4.2024	0.46	4.2042	4.1912	0.08
CNYMYR	0.6057	0.13	0.6061	0.6033	0.08
HKDMYR	0.5310	-0.51	0.5326	0.5308	0.53
USDSGD	1.3563	-0.49	1.3635	1.3552	-0.48
EURSGD	1.5316	0.10	1.5347	1.5289	-2.02
GBPSGD	1.7228	-0.01	1.7275	1.7188	-0.87
AUDSGD	0.9390	0.12	0.9402	0.9361	-2.32

Source: Bloomberg

➢Forex

MYR

- **MYR closed stronger by 0.61%** against the USD at 4.1470 on broad USD weakness.
- **We maintain bullish MYR** as the Fed adopts a dovish stance and highlighted risks to economic growth which paved the way for broad USD weakness across the board and lower UST yields.

USD

- **The Dollar index closed lower by 0.50% at 96.629** as the broad USD continues to lose ground led by low yielders against the USD.
- **We remain bearish USD over the medium term** as Fed rate cut expectations kicked up a notch with markets now pricing in an 80% chance of a 25 bps cut in the Fed funds rate as early as July.

EUR

- **EUR closed 0.60% stronger at 1.1293 against USD** amidst broad USD weakness.
- **We remain bullish on EUR over the medium term** as the overall outlook continues to favour a weaker USD due to a dovish Fed. Ichimoku cloud top circa 1.1280 is likely to act as short term support going forward since it closed and opened above the cloud easily on USD weakness.

GBP

- **GBP closed 0.50% stronger at 1.2702** dragged down by a broadly weaker USD even though the BOE slashed its Q2 growth outlook and stroke a cautious tone while Brexit issues continue to nag.
- **We remain bearish GBP** over the medium term due to Brexit. However, we have to point out that in the shorter term, a broadly lower DXY over Fed rate cut expectations should lead to a higher GBP.

JPY

- **JPY closed 0.74% stronger at 107.30** on broadly lower USD and UST yields.
- **We remain bullish JPY** as markets start to price in a Fed rate cut against relatively low yielders as they have less room to maneuver.

AUD

- **AUD closed stronger 0.61% at 0.6923 against the USD.**
- **We turn bullish on AUD** over the short term due to a dovish Fed. However, given lingering growth and inflation issues, we are cautiously bullish as the RBA remains dovish and may follow the Fed in a cut-for-cut scenario.

SGD

- **SGD closed 0.49% stronger at 1.3563 against USD.**
- **We turn bullish SGD** in the short term as expected yield differentials against the USD should lead to a relatively stronger SGD, in line with the regionals.

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