

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

- **US stocks fell overnight as renewed US-China trade tension again dampened investors' sentiments** following news that Washington could impose sanctions on Chinese video surveillance company Hikvision. **Stocks were also dragged down by semiconductor stocks after a federal ruling that chipmaker Qualcomm illegally suppressed competition for cellphones chips.** Markets largely shrugged off the latest FOMC minutes which showed that the Fed's patient monetary policy approach could remain in place "for some time". The Dow, S&P 500 and NASDAQ all ended lower by 0.39% (-101pts), 0.28% (-8pts) and 0.45% (-35pts) respectively. **Trade tensions boosted safe haven bids leading treasuries to rally** across the curve. UST yield fell by 3-5bps with the 10Y UST yield losing 5bps to 2.38%. Stock benchmarks in Europe and Asia finished mixed. **Crude oil prices dropped on higher US stockpiles-** WTI plunged by 2.49% to \$61.42/barrel while Brent crude lost 1.65% to settle at \$70.99/barrel.
- **Data were scanty on Wednesday.** US mortgage applications rose 2.4% last week. **UK April inflation data disappointed** as CPI rose 2.1% YOY, faster than March's 1.9% but below estimate of 2.2%. Core CPI was steady at 1.8% while PPI inflation fell to 2.1% YOY. **Japan exports fell for the fifth month by 2.4% YOY** in April as overseas demand slowed. Core machinery orders rose 3.8% MOM in March as firms raised capex. Australia Westpac Leading Index fell 0.1% MOM in April leading its six-month annualized growth rate to decline to -0.47%, **signaling below trend growth.**
- **The Dollar index closed 0.06% higher at 98.017** as the broad USD traded stronger led by GBP on Brexit woes and safe haven demand. **We continue to maintain USD bullishness** so long as there continues to be safe haven demand as trade tensions continue.
- **MYR closed 0.23% lower at 4.1860** against the USD as trade fears continue to weigh. **We remain bearish MYR** as trade tensions continue to rise with the 4.20 target now in focus as it comes within striking distance.
- **SGD closed 0.16% weaker at 1.3792** against USD in line with stronger USD/AXJ. **We maintain bearish SGD** as US-China trade spat will continue to dampen risk appetite and support USD/EM. Pair seems likely now to push past 1.38 level again to target 1.39.

#### Overnight Economic Data

US	↑
UK	→
Japan	→
Australia	↓

#### What's Coming Up Next

##### Major Data

- US Initial Jobless Claims, Markit Manufacturing & Services PMI, New Home Sales, Kansas City Fed Manf. Activity
- Eurozone Markit Manufacturing & Services PMI
- Japan Nikkei Manufacturing PMI, Machine Tool Orders
- Hong Kong CPI
- Singapore CPI

##### Major Events

- Nil

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

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1110	1.1140	1.1155	1.1175	1.1200	↘
GBPUSD	1.2575	1.2625	1.2656	1.2700	1.2750	↘
USDJPY	109.50	109.75	110.23	110.35	110.65	↘
AUDUSD	0.6825	0.6850	0.6875	0.6900	0.6925	↘
EURGBP	0.8750	0.8775	0.8815	0.8830	0.8860	↗
USDMYR	4.1800	4.1850	4.1940	4.2000	4.2050	↗
EURMYR	4.6450	4.6650	4.6775	4.6800	4.6900	→
JPYMYR	3.7600	3.7800	3.8055	3.8150	3.8350	↗
GBPMYR	5.2700	5.3000	5.3085	5.3200	5.3400	↘
SGDMYR	3.0300	3.0350	3.0405	3.0450	3.0500	→
AUDMYR	2.8650	2.8800	2.8830	2.8900	2.9000	↘
NZDMYR	2.7000	2.7150	2.7219	2.7350	2.7500	↘
USDSGD	1.3750	1.3775	1.3799	1.3830	1.3850	↗
EURSGD	1.5350	1.5370	1.5393	1.5400	1.5450	↗
GBPSGD	1.7400	1.7450	1.7468	1.7550	1.7600	↘
AUDSGD	0.9450	0.9475	0.9488	0.9500	0.9525	↘

\* 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*	1,603.74	-0.10	-5.14	CRB Index	179.54	-1.33	5.74
Dow Jones Ind.	25,776.61	-0.39	10.50	WTI oil (\$/bbl)	61.42	-2.49	34.82
S&P 500	2,856.27	-0.28	13.94	Brent oil (\$/bbl)	70.99	-1.65	31.95
FTSE 100	7,334.19	0.07	9.01	Gold (\$/oz)	1,273.34	-0.11	-0.65
Shanghai	2,891.71	-0.49	15.95	CPO (RM/tonne)*	1,984.50	0.18	1.64
Hang Seng	27,705.94	0.18	7.20	Copper (\$/tonne)	5,928.00	-1.13	-0.62
STI	3,183.14	0.00	3.73	Rubber (sen/kg)	486.00	0.62	28.23

\*Last price for 21 May

Source: Bloomberg

**Economic Data**

	For	Actual	Last	Survey
US MBA Mortgage Applications	17 May	2.4%	-0.6% (revised)	-2.2%
UK CPI YOY	Apr	2.1%	1.9%	2.2%
UK Core CPI YOY	Apr	1.8%	1.8%	1.9%
UK PPI Output NSA YOY	Apr	2.1%	2.2% (revised)	2.8%
JP Exports YOY	Apr	-2.4%	-2.4%	-1.5%
JP Trade Balance	Apr	¥60.4b	¥527.8b (revised)	¥226.3b
JP Core Machinery Orders MOM	Mar	3.8%	1.8%	0.0%
AU Westpac Leading Index MOM	Apr	-0.1%	0.3% (revised)	--

Source: Bloomberg

## ➤ Macroeconomics

- Fed minutes reaffirmed patient policy stance:** Investors largely shrugged off the Federal Reserve's May meeting minutes overnight which shows that the central bank remained committed to its currently patient monetary policy stance. Key highlights of the minutes include that the real GDP growth was forecast to slow in the near term from its solid first-quarter pace as the sizable contributions from inventory investment and net exports were not expected to persist. Inflation forecast was revised down slightly, reflecting some recent softer-than-expected readings on consumer price inflation. The softening in some economic indicators since late last year signals slower growth while trade policies and foreign economic developments could have significant negative effects on U.S. economic growth. Regarding the outlook for monetary policy, a patient approach to determining future adjustments to the fed fund rates target range remained appropriate. Even if global economic and financial conditions continued to improve, a patient approach would likely remain warranted. The recent dip in PCE inflation is likely to be transitory, and a patient approach to policy adjustments was likely to be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the central bank's 2 percent target.
- US mortgage applications rebounded last week:** US mortgage applications rose 2.4% for the week ended 17 May (previous: -0.6% revised) driven by a surge in the refinancing segments (+8.3% vs -0.5%) as applications to purchase new homes fell for the second week. The average interest rate for a 30Y fixed-rate mortgage loan fell by a large margin to 4.33% (previous: 4.40%).
- UK inflation data disappointed:** UK CPI rose at a faster pace of 2.1% YOY in April (Mar: +1.9%) but was below consensus estimate of 2.2%. The upturn was driven by higher energy prices and air fares, which were influenced by the timing of Easter and were offset by recreational and cultural items including computer games and package holidays. Core inflation also disappointed, rising at a steady 1.8% YOY (Mar: +1.8%) versus an expectation of 1.9%. Factory-gate inflation eased in the same month as the producer prices for output rose 2.1% YOY (Mar: +2.2% revised) while at the same time, PPI for March was revised lower. The disappointing inflation data, together with the unfavourable responses to PM Theresa May's new offer on second Brexit referendum sent the pound to plunge to a four-month low yesterday.
- Japan exports fell for fifth straight months:** Japan exports fell 2.4% YOY in April (Mar: -2.4%), marking its fifth consecutive month of decline as slower overseas demand and current trade tensions have taken a toll on its external trade sector, as proven in the fall of shipments to majority of its key trading partners including China, most of Asia, Australia, New Zealand, Canada, the EU and the Middle East. Exports to the US bucked the trend to record an increase in April. Imports rose by 6.4% YOY (Mar: +1.2% revised). MOM, exports fell by 7.5% (Mar: +12.8%) and imports dropped by a lesser margin of 1.1% (Mar: +10.3%) leaving the monthly trade surplus to narrow to ¥60.4b (Mar: ¥527.8b revised). In a separate release, core machinery orders quickened to increase 3.8% MOM in March (Feb: +1.8%) as firms raised capex more than expected at the end of the first quarter.
- Australia Westpac leading index well below trend, signals slower growth:** Australia Westpac Leading Index fell 0.1% MOM in April (Mar: +0.3% revised) leading its six-month annualized growth rate to decline to -0.47% (Mar: -0.13%), marking the growth rate's consistently negative reading over the last five months, a clear signal that economic growth through the three quarters of 2019 is likely to be "below trend" according to Westpac.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
24/05	Malaysia	CPI YOY	Apr	0.3%	0.2%	--
		Foreign Reserves	15 May	--	\$103.4b	--
<b>23/05</b>	<b>US</b>	<b>Initial Jobless Claims</b>	<b>18 May</b>	<b>215k</b>	<b>212k</b>	--
		<b>Markit US Manufacturing PMI</b>	<b>May P</b>	<b>52.7</b>	<b>52.6</b>	--
		<b>Markit US Services PMI</b>	<b>May P</b>	<b>53.5</b>	<b>53.0</b>	--
		<b>New Home Sales MOM</b>	<b>Apr</b>	<b>-2.2%</b>	<b>4.5%</b>	--
		<b>Kansas City Fed Manf. Activity</b>	<b>May</b>	<b>6.0</b>	<b>5.0</b>	--
24/05		Durable Goods Orders	Apr P	-2.0%	2.6%	--
		Cap Goods Orders Nondef Ex Air	Apr P	-0.3%	1.4%	--
<b>23/05</b>	<b>Eurozone</b>	<b>Markit Eurozone Manufacturing PMI</b>	<b>May P</b>	<b>48.1</b>	<b>47.9</b>	--
		<b>Markit Eurozone Services PMI</b>	<b>May P</b>	<b>53.0</b>	<b>52.8</b>	--
24/05	UK	Retail Sales Inc Auto Fuel MOM	Apr	-0.3%	1.1%	--
<b>23/05</b>	<b>Japan</b>	<b>Nikkei Japan PMI Mfg</b>	<b>May P</b>	<b>--</b>	<b>50.2</b>	--
		<b>Machine Tool Orders YOY</b>	<b>Apr F</b>	<b>--</b>	<b>-33.4%</b>	--
24/05		Natl CPI YOY	Apr	0.9%	0.5%	--
		Natl CPI Ex Fresh Food YOY	Apr	0.9%	0.8%	--
<b>23/05</b>	<b>Hong Kong</b>	<b>CPI Composite YOY</b>	<b>Apr</b>	<b>2.2%</b>	<b>2.1%</b>	--
<b>23/05</b>	<b>Singapore</b>	<b>CPI YOY</b>	<b>Apr</b>	<b>0.8%</b>	<b>0.6%</b>	--
24/05		Industrial Production YOY	Apr	-3.5%	-4.8%	--
24/05	New Zealand	Trade Balance NZD	Apr	450m	922m	--
		Exports NZD	Apr	5.35b	5.70b	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1150	-0.10	1.1180	1.1149	-2.7%
GBPUSD	1.2665	-0.32	1.2719	1.2624	-0.7%
USDJPY	110.36	-0.13	110.63	110.24	0.51%
AUDUSD	0.6882	-0.01	0.6897	0.6871	-2.4%
EURGBP	0.8805	0.23	0.8840	0.8772	-2.0%
USDMYR	4.1860	0.23	4.1870	4.1720	1.27%
EURMYR	4.6679	0.10	4.6737	4.6586	-1.2%
JPYMYR	3.8018	-0.24	3.8029	3.7898	1.17%
GBPMYR	5.3153	-0.45	5.3284	5.3100	0.91%
SGDMYR	3.0361	-0.01	3.0439	3.0324	0.01%
AUDMYR	2.8781	0.19	2.8950	2.8762	-1.5%
NZDMYR	2.7243	-0.15	2.7371	2.7227	-1.9%
CHFMYR	4.1448	0.13	4.1483	4.1349	-1.3%
CNYMYR	0.6054	0.22	0.6066	0.6052	0.03%
HKDMYR	0.5334	0.24	0.5335	0.5315	0.98%
USDSGD	1.3792	0.16	1.3813	1.3765	1.18%
EURSGD	1.5379	0.08	1.5407	1.5364	-1.5%
GBPSGD	1.7466	-0.17	1.7556	1.7408	0.47%
AUDSGD	0.9491	0.13	0.9504	0.9469	-1.2%

Source: Bloomberg

## Forex

### MYR

- **MYR closed 0.23% lower at 4.1860** against the USD as trade fears continue to weigh.
- **We remain bearish MYR** as trade tensions continue to rise with the 4.20 target now in focus as it comes within striking distance.

### USD

- **The Dollar index closed 0.06% higher at 98.017** as the broad USD traded stronger led by GBP on Brexit woes and safe haven demand.
- **We continue to maintain USD bullishness** so long as there continues to be safe haven demand as trade tensions continue.

### EUR

- **EUR closed 0.10% weaker at 1.1150** against USD in line with slightly stronger USD across the board.
- **We remain bearish on EUR** as divergence between Eurozone economies and the US economy as well as trade tensions continues to drag EUR.

### GBP

- **GBP closed 0.32% lower at 1.2665** as Brexit woes continue to drag GBP.
- **GBP remains bearish** as PM May continues to lack the support needed to pass her Brexit deal through Parliament, thus furthering the chances of a hard Brexit which drags on GBP.

### JPY

- **JPY closed 0.13% stronger at 110.36** on safe haven demand as equities closed lower.
- **We remain bullish JPY** as ongoing trade tensions are likely to continue and investors continue to seek safe haven. As previously mentioned, pair is pulling back towards the 110 handle for the time being with 110.50 likely to cap things for now.

### AUD

- **AUD closed flat at 0.6882** against the USD.
- **We turn bearish on AUD** as recent RBA minutes showed that there may be a reason to cut rates if job numbers surveyed do not live up to expectations in order to promote growth.

### SGD

- **SGD closed 0.16% weaker at 1.3792** against USD in line with stronger USD/AXJ.
- **We maintain bearish SGD** as US-China trade spat will continue to dampen risk appetite and support USD/EM. Pair seems likely now to push past 1.38 level again to target 1.39.

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