

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global stocks sold off overnight on fear that heightening US-China trade tension could further drag down economic growth as it seems unlikely that both parties could resume unfinished negotiations after Washington's move to blacklist Huawei led other foreign giants such as Toshiba and Panasonic to shun the Chinese smartphone maker.** Weak US, Eurozone and Japan PMI data meanwhile raised further concerns that the global economy is falling victim to the persisting trade tensions. US stocks plunged with the Dow losing 286pts or 1.1% while the S&P 500 and NASDAQ each wiped out 1.2% and 1.6%. European key markets lost 1 to nearly 2% and Asian main benchmarks closed in the red. **Risk-off mood prompted investors to flee to safety leading US treasuries to rally.** UST yield fell by 5-7bps across the curve with 10Y UST yield slipping by a whopping 6bps to 2.32%. **Crude oil prices tanked dramatically** as WTI lost 5.7% to \$57.91/barrel and Brent crude erased 4.6% to \$67.76/barrel, reversing last two months' gains.
- **Data were generally weak as the flash PMI data for US, Eurozone and Japan all came in lower** underscoring the entrenched weakness in major economies. In the US, new home sales fell 6.9% MOM after three successive gains while initial jobless claims slipped lower to 211k last week. In Europe, the German IFO Business Climate Index fell again to 97.9 in May after rattling investors last month. In line with data weaknesses, **ECB expressed concerns over growth outlook ahead**, cautioning that economic growth in the euro region could be weaker than expected in 2H19 in its minutes, underscoring a prolonged accommodative policy stance by the ECB. **Japan inflation rose in April on higher fuel cost- both headline and core CPI rose 0.9% YOY but still below BOJ's 2% target.** Hong Kong CPI jumped by 2.9% YOY on higher private rent while Singapore headline CPI quickened by 0.8% YOY as transport cost increased. **New Zealand exports managed to sustain a double digit growth of 11.7% YOY amid higher Chinese demand for meat.**
- **The Dollar index closed 0.21% lower at 97.87** as the broad USD traded weaker led by JPY and CHF on safe haven demand post a poor PMI reading. **We continue to maintain USD bullishness** so long as there continues to be safe haven demand as trade tensions continue.
- **MYR closed 0.18% lower** against the USD at 4.1935 as trade fears continue to weigh. **We remain bearish MYR** with 4.20 being the target in focus as it comes within striking distance.
- **SGD closed 0.09% weaker at 1.3804 against USD.** We maintain bearish SGD as US-China trade spat continues to dampen risk appetite and support USD/EM.

Overnight Economic Data

US	↓
Eurozone	↓
Japan	→
Hong Kong	↑
Singapore	↑
New Zealand	↑

What's Coming Up Next

Major Data

- Malaysia CPI, Foreign Reserves
- US Durable Goods Orders, Cap Goods Orders Nondef Ex Air
- UK Retail Sales Inc Auto Fuel
- Japan All Industry Activity Index
- Singapore Industrial Production

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1110	1.1150	1.1182	1.1200	1.1220	↘
GBPUSD	1.2575	1.2625	1.2664	1.2700	1.2750	↘
USDJPY	109.20	109.50	109.67	119.90	110.25	↘
AUDUSD	0.6850	0.6875	0.6901	0.6925	0.6950	↘
EURGBP	0.8775	0.8800	0.8832	0.8860	0.8890	↗
USDMYR	4.1800	4.1850	4.1940	4.2000	4.2050	↗
EURMYR	4.6600	4.6800	4.6910	4.7000	4.7200	→
JPYMYR	3.7800	3.8050	3.8250	3.8350	3.8500	↗
GBPMYR	5.2700	5.3000	5.3115	5.3200	5.3400	↘
SGDMYR	3.0300	3.0350	3.0415	3.0450	3.0500	→
AUDMYR	2.8650	2.8800	2.8945	2.9000	2.9150	↘
NZDMYR	2.7000	2.7150	2.7360	2.7400	2.7500	↘
USDSGD	1.3750	1.3775	1.3791	1.3830	1.3850	↗
EURSGD	1.5370	1.5400	1.5424	1.5450	1.5475	↗
GBPSGD	1.7400	1.7450	1.7470	1.7550	1.7600	↘
AUDSGD	0.9450	0.9475	0.9518	0.9525	0.9550	↘

* 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	1,601.87	-0.12	-5.25	CRB Index	176.92	-1.46	4.19
Dow Jones Ind.	25,490.47	-1.11	9.27	WTI oil (\$/bbl)	57.91	-5.71	27.09
S&P 500	2,822.24	-1.19	12.58	Brent oil (\$/bbl)	67.76	-4.55	25.95
FTSE 100	7,231.04	-1.41	7.47	Gold (\$/oz)	1,283.45	0.79	0.14
Shanghai	2,852.52	-1.36	14.38	CPO (RM/tonne)	1,980.00	0.43	1.41
Hang Seng	27,267.13	-1.58	5.50	Copper (\$/tonne)	5,926.00	-0.03	-0.65
STI	3,160.72	-0.70	3.00	Rubber (sen/kg)	488.00	0.41	28.76

Source: Bloomberg

Economic Data

	For	Actual	Last	Survey
US Initial Jobless Claims	18 May	211k	212k	215k
US Markit Manufacturing PMI	May P	50.6	52.6	52.7
US Markit Services PMI	May P	50.9	53.0	53.5
US New Home Sales MOM	Apr	-6.9%	8.1% (revised)	-2.2%
US Kansas City Fed Manf. Activity	May	4.0	5.0	6.0
EU Markit Manufacturing PMI	May P	47.7	47.9	48.1
EU Markit Services PMI	May P	52.5	52.8	53.0
JP Nikkei PMI Mfg	May P	49.6	50.2	--
JP Machine Tool Orders YOY	Apr F	-33.4%	-28.5%	--
JP Natl CPI YOY	Apr	0.9%	0.5%	0.9%
JP Natl CPI Ex Fresh Food YOY	Apr	0.9%	0.8%	0.9%
HK CPI Composite YOY	Apr	2.9%	2.1%	2.2%
SG CPI YOY	Apr	0.8%	0.6%	0.8%
NZ Trade Balance NZD	Apr	433m	824m (revised)	450m
NZ Exports NZD	Apr	5.55b	5.60b (revised)	5.35b

Source: Bloomberg

Macroeconomics

- Weak US PMIs suggest faltering business activity growth; new home sales fell:** The Flash US Services PMI fell to 50.9 in the same month (Apr: 53.0) suggesting a notable slowdown in the services sector amidst softer demand conditions and intense competitions according to IHS Markit. The Flash US Manufacturing PMI also slipped by 2pts to 50.6 in May (Apr: 52.6), only a tad above the neutral 50.0 level to indicate that the US manufacturing growth nearly stymied as new orders fell amidst muted demand. Elsewhere on the manufacturing front, the Kansas City Fed Manufacturing Index ticked lower to 4 in May (Apr: 5) as regional factory growth turned sluggish this month. Initial jobless claims fell by 1k to a near 50-year low of 211k for the week ended 18 May (previous: 212k) to suggest a sustained strength in the labour market. Meanwhile, new home sales slumped by 6.9% MOM in April (Mar: +8.1% revised), marking its first decline since December last year after sustaining an impressive MOM growth for three successive months. The reversal could be temporary given the recent pickup in homebuilding activities with lower mortgages rates seen supporting buyers' appetites this year.
- Eurozone Flash PMIs point to subdued growth:** The euro area economy continued to find itself struggling to hold on to a solid footing as indicated by the latest PMIs. The Flash Eurozone Manufacturing PMI fell to 47.7 in May (Apr: 47.9) marking its third month below the 50.0 neutral threshold while the Flash Services PMI ticked lower to a four-month low of 52.5 (Apr: 52.8), indicating a subdued business growth amidst a lack of demand in the Eurozone. Separately, the German IFO Business Climate Index fell again to 97.9 in May (Apr: 99.2) after rattling investors last month pointing to deteriorating business sentiments in the bloc's largest economy.
- ECB minutes revealed faltering confidence over growth:** The latest ECB meeting minutes shows that the Governing Council turned rather pessimistic over the Eurozone's growth prospect as members acknowledged that the slower growth momentum in 2H18 has extended into the current year. Incoming data especially for the manufacturing sector had continued to be weak while some recent data has "turned out even weaker than expected". While the protracted soft patch remained consistent with the baseline scenario of a return to solid growth in 2H19, there was now "somewhat less confidence in this baseline scenario and that the range of other possible outcomes had widened". The balance of risks surrounding growth outlook remained tilted to the downside on uncertainties related to geopolitical factors, protectionism and vulnerabilities in emerging markets. On inflation outlook, the transmission of wage inflation to consumer price inflation remained a key issue for the medium-term inflation outlook. The lack of pass-through of wages to underlying inflation so far implied that firms and retailers were compressing their profit margins rather than raising prices. All members agreed to maintain the current accommodative monetary policy stance and agreed that details on the precise terms of the new TLTROs should be considered at one of the Governing Council's next meetings.
- Hong Kong CPI jumped on higher private rent and transport:** Hong Kong CPI jumped by 2.9% YOY in April (Mar: +2.1%), its largest rise since February last year, driven mainly by a surge in private rent (+3.9% vs +2.2%) as well as cost of transport (+2.7% vs +2.0%) and miscellaneous services.
- Singapore headline inflation rose but core inflation eased:** Singapore inflation rose quickened last month as CPI rose 0.8% YOY in April (Mar: +0.6%), its fastest in nearly two years, driven by a rebound in prices of transports and the higher cost for household durables & services as well as recreation & culture. Core inflation however eased to 1.3% YOY (Mar: +1.4%) indicating the lack of price pressure in the core segment, suggesting that inflation likely to remain stable in the near term.

- Japan manufacturing sector continued to face pressure; inflation rose on higher fuel cost:** The Nikkei Flash Japan Manufacturing PMI fell to 49.6 in May (Apr: 50.2), marking its return to below the 50.0 neutral threshold to indicate a contraction of activities. May's survey reported the fifth successive decrease in output and new orders, a clear sign of weak demand. Business sentiments were downbeat as firms cast pessimistic outlook towards the coming year for the first time in 6.5 years. Meanwhile, the final reading of machine tool orders was unrevised at -33.4% YOY in April (Mar: -28.5%), its seventh running month of decline since October last year. Latest government data released this morning show that Japan headline CPI rose 0.9% YOY in April (Mar: +0.5%), the fastest rate in six months supported by higher fuel cost and prices of food. CPI ex fresh food, a key gauge of underlying inflation also picked up by 0.9% YOY (Mar: +0.8%), suggesting a modest buildup in price pressure in the economy. The data are welcoming news for the BOJ but nonetheless inflation (ex fresh food) is still below the central bank's target of 2%.
- New Zealand exports supported by Chinese demand for meat:** New Zealand exports fell slightly by 0.9% MOM in April (Mar: +18.9%) after an outsized gain in the previous month while imports rose 7.1% MOM (Mar: +0.0%), narrowing the monthly trade surplus to NZ\$433m (Mar: 824m revised). On a yearly basis, exports managed to sustain a double digit growth rate of 11.7% (Mar: +16.7%) for the second month supported by nearly 30% YOY increase in shipment to China which raised its demand for New Zealand beef and lamb amidst limited pork supply according to StatNZ. Exports to the US rose 18.3% YOY and 8.5% YOY to neighbouring Australia. Imports meanwhile rebounded to increase 7.3% YOY (Mar: -3.5%) following March's decline.

Economic Calendar						
Date	Country	Events	Reporting Period	Survey	Prior	Revised
24/05	Malaysia	CPI YOY	Apr	0.4%	0.2%	--
		Foreign Reserves	15 May	--	\$103.4b	--
24/05	US	Durable Goods Orders	Apr P	-2.0%	2.6%	--
		Cap Goods Orders Nondef Ex Air	Apr P	-0.3%	1.4%	--
24/05	UK	Retail Sales Inc Auto Fuel MOM	Apr	-0.3%	1.1%	--
24/05	Japan	All Industry Activity Index MOM SA		-0.2%	-0.2%	
27/05		Leading Index CI	Mar F	--	96.3	--
		Coincident Index	Mar F	--	99.6	--
27/05	Hong Kong	Exports YOY	Apr	-1.5%	-1.2%	--
		Trade Balance HKD	Apr	-48.3b	-59.2b	--
27/05	China	Industrial Profits YOY	Apr	--	13.9%	--
24/05	Singapore	Industrial Production YOY	Apr	-3.7%	-4.8%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1181	0.28	1.1188	1.1107	-2.47
GBPUSD	1.2657	-0.06	1.2684	1.2606	-0.71
USDJPY	109.61	-0.63	110.36	109.46	-0.16
AUDUSD	0.6901	0.23	0.6901	0.6865	-2.10
EURGBP	0.8834	0.33	0.8838	0.8790	-1.75
USDMYR	4.1935	0.13	4.1960	4.1865	1.45
EURMYR	4.6692	0.03	4.6780	4.6665	-1.23
JPYMYR	3.8071	0.12	3.8086	3.7978	1.37
GBPMYR	5.2936	-0.21	5.3079	5.2865	0.49
SGDMYR	3.0350	-0.04	3.0401	3.0336	-0.03
AUDMYR	2.8815	0.12	2.8849	2.8779	-1.42
NZDMYR	2.7218	-0.09	2.7243	2.7181	-2.05
CHFMYR	4.1546	0.24	4.1610	4.1476	-1.06
CNYMYR	0.6062	0.13	0.6069	0.6061	0.16
HKDMYR	0.5342	0.15	0.5346	0.5333	1.14
USDSGD	1.3804	0.09	1.3830	1.3788	1.17
EURSGD	1.5435	0.36	1.5435	1.5361	-1.34
GBPSGD	1.7472	0.03	1.7501	1.7414	0.44
AUDSGD	0.9525	0.36	0.9525	0.9480	-0.96

Source: Bloomberg

Forex

MYR

- **MYR closed 0.18% lower** against the USD at 4.1935 as trade fears continue to weigh.
- **We remain bearish MYR** with 4.20 being the target in focus as it comes within striking distance.

USD

- **The Dollar index closed 0.21% lower at 97.87** as the broad USD traded weaker led by JPY and CHF on safe haven demand post a poor PMI reading.
- **We continue to maintain USD bullishness** so long as there continues to be safe haven demand as trade tensions continue.

EUR

- **EUR closed 0.28% stronger at 1.1181** against USD in line with weaker USD across the board.
- **We remain bearish on EUR** as trade tensions are likely to drag EUR alongside a slew of moving averages posing as resistances circa 1.1200 area to cap short term upside.

GBP

- **GBP closed 0.06% lower at 1.2657** as Brexit woes continue to drag GBP.
- **GBP remains bearish** as GBP can't seem to even take advantage of a weak USD in the face of political bickering over Brexit.

JPY

- **JPY closed 0.68% stronger at 109.61** on safe haven demand as equities closed lower again.
- **We remain bullish JPY** as ongoing trade tensions are likely to continue and investors continue to seek safe haven.

AUD

- **AUD closed 0.28% stronger at 0.6901** against the USD on overall USD weakness.
- **We remain bearish on AUD** as recent PMI data shows that ongoing trade tensions are exerting some drag to the global economy which should affect AUD in the medium term.

SGD

- **SGD closed 0.09% weaker at 1.3804** against USD.
- **We maintain bearish SGD** as US-China trade spat continues to dampen risk appetite and support USD/EM.

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