June 27, 2019

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended a choppy session on mixed notes as puzzled investors weighed conflicting trade headlines and stayed cautious ahead of the scheduled Trump-Xi meeting on Saturday at the G20 Summit in Japan.** Stocks initially jumped after Treasury Secretary Steven Mnuchin was quoted as saying that the previous trade deal with China had been 90% done. President Trump's mixed comments in a Fox Business interview then sent stocks moving sideways throughout the day as he mentioned the possibility of imposing additional tariffs on China if there was no trade deal while added that it was possible to reach a deal with China but was "happy where things are now". **Treasuries yield shot up as Fed officials' less dovish comments on Wednesday lowered markets' expectations surrounding aggressive Fed rate cuts.** The yield on 2Y notes, sensitive to outlook of short-term interest rates picked up 4bps to 1.77% while 10Y UST yield jumped by 6bps to 2.05%. **Crude oil prices spiked on news of a disruption to a major refinery in the US and API data showing a fall in US crude stocks.** WTI settled 2.7% higher at $59.38/barrel and Brent crude edged up by 2.2% to $66.49/barrel. Earlier **RBNZ held OCR steady at 1.5% and maintained its dovish bias, hinting that another rate cut is in the pipeline.**

- **US data were mixed.** Durable goods orders slipped 1.3% MOM in May due to a fall in the volatile commercial aircrafts segment. Core capital orders, a popular gauge for business capex rebounded by 0.4% MOM, signaling resilient capex growth. Goods trade deficit widened to a five-month high of $74.5b in May as imports jumped after Trump triggered the escalation of trade war. Wholesale and retail inventories growth eased as firms modestly raised inventories investment for summer. Mortgage applications rose again as lower borrowing cost drove up refinancing applications. Elsewhere, **Japan retail sales picked up** 1.2% YOY in May, the fastest since December last year. **Singapore manufacturing downturn continued** as industrial output fell 2.4% YOY in May. **Malaysia headline inflation steadied at 0.2%** in the same month.

- **The Dollar index closed flat at 96.171** as markets go into consolidation mode. **We remain bearish USD over the medium term** but as mentioned previously, we may be going through some consolidation as investors stay sidelined ahead of G20.

- **MYR closed marginally weaker by 0.08%** against the USD at 4.1480. **We remain bullish MYR** in line with the broad USD weakness theme. However, markets seem to be in consolidation now as we await G20 meeting outcomes.

- **SGD closed flat at 1.3548 against USD. We remain bullish SGD** in the short term as the weak USD theme still has significant room to play out especially against EM. However, the pair seems to be going through the same consolidation phase in line with the broader market ahead of G20.

Overnight Economic Data	
Malaysia	→
US	→
Japan	↑
Singapore	↓

What's Coming Up Next

Major Data

- US 1Q GDP, Initial Jobless Claims, Pending Home Sales, Kansas City Fed Manf. Activity
- Eurozone Economic Sentiment Indicator
- China Industrial Profits
- ANZ Business Confidence

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

	S2	S1	Indicative	R1	R2	Outlook
EURUSD	1.1300	1.1330	1.1371	1.1390	1.1400	→
GBPUSD	1.2600	1.2650	1.2693	1.2700	1.2730	→
USDJPY	107.25	107.50	107.75	108.00	108.20	→
AUDUSD	0.6925	0.6950	0.6989	0.7000	0.7030	→
EURGBP	0.8900	0.8925	0.8960	0.8975	0.9000	→
USDMYR	4.1400	4.1450	4.1500	4.1550	4.1600	→
EURMYR	4.6850	4.7050	4.7198	4.7350	4.7500	→
JPYMYR	3.8300	3.8400	3.8525	3.8700	3.8900	→
GBPMYR	5.2500	5.2600	5.2685	5.2800	5.3000	→
SGDMYR	3.0575	3.0600	3.0640	3.0650	3.0675	→
AUDMYR	2.8700	2.8850	2.9010	2.9050	2.9150	→
NZDMYR	2.7400	2.7550	2.7740	2.7750	2.7900	→
USDSGD	1.3500	1.3520	1.3548	1.3555	1.3580	→
EURSGD	1.5350	1.5370	1.5405	1.5430	1.5460	→
GBPSGD	1.7125	1.7150	1.7195	1.7200	1.7230	→
AUDSGD	0.9400	0.9425	0.9465	0.9475	0.9500	→

* at time of writing
↗ = above 0.1% gain; ↘ = above 0.1% loss; → = less than 0.1% gain / loss

	Last Price	DoD %	YTD %
KLCI	1,674.49	-0.13	-0.95
Dow Jones Ind.	26,536.82	-0.04	13.76
S&P 500	2,913.78	-0.12	16.23
FTSE 100	7,416.39	-0.08	10.23
Shanghai	2,976.28	-0.19	19.34
Hang Seng	28,221.98	0.13	9.19
STI	3,301.25	-0.09	7.58

Name	Last Price	DoD %	YTD %
CRB Index	182.36	0.82	7.40
WTI oil ($/bbl)	59.38	2.68	30.76
Brent oil ($/bbl)	66.49	2.21	23.59
Gold (S/oz)	1,409.00	-1.01	9.76
CPO (RM/tonne)	1,931.00	-0.52	-1.10
Copper ($/tonne)	6,042.00	1.38	1.29
Rubber (sen/kg)	496.00	0.20	30.87

Source: Bloomberg

Economic Data				
	For	Actual	Last	Survey
MA CPI YOY	May	0.2%	0.2%	0.3%
US MBA Mortgage Applications	21 Jun	1.3%	-3.4%	--
US Wholesale Inventories MOM	May P	0.4%	0.9% (revised)	0.5%
US Retail Inventories MOM	May	0.5%	0.6% (revised)	0.3%
US Durable Goods Orders	May P	-1.3%	-2.8% (revised)	-0.2%
US Cap Goods Orders Nondef Ex Air	May P	0.4%	-1.0%	0.1%
US Advance Goods Trade Balance	May	-$74.5b	-$70.9b (revised)	-$71.8b
JP Retail Sales	May	1.2%	0.4% (revised)	1.2%
SG Industrial Production YOY	May	-2.4%	0.1%	-1.8%
NZ RBNZ Official Cash Rate	26 Jun	1.5%	1.5%	1.5%

Source: Bloomberg

Macroeconomics

- ***RBNZ held rate steady, maintained dovish bias, hinting another rate cut in the pipeline:*** The Reserve Bank of New Zealand left its official cash rate (OCR) unchanged at 1.5% as widely expected but maintained its dovish bias. It said that "a lower OCR may be needed over time" to meet its objectives, citing downside risks around employment and inflation outlook, suggesting another cut in the OCR is in the pipeline this year. Summary record of the meeting show that officials discussed the ongoing weakening in global trade activity as well as the trade, financial, and confidence channels through which slowing global growth and trade tensions affect New Zealand. On the domestic front, the construction sector was strong while services weak. Softer house prices are likely to dampen household spending. Nominal wage growth is subdued and the continuing absence of wage pressure could indicate there is still spare capacity in the labour market. The Committee discussed whether additional monetary stimulus was necessary given continued falls in global growth and subdued domestic demand and agreed that more support from monetary policy was likely to be necessary.

- ***US core capital orders rebounded; signaling solid capex growth:*** US durable goods orders slipped by 1.3% MOM in May (Apr: -2.8% revised) according to initial estimates driven by the fall in orders of the volatile commercial aircrafts (part of transportation) and electrical equipment. Excluding transportations, durable goods orders managed to stage a 0.3% MOM rebound (Apr: -0.1%) after three running months of decline. The good news was that core capital orders (non-defense capital goods orders excluding aircraft), a popular gauge of US firms' capex picked up a solid 0.4% MOM (Apr: -1.0%). Core capital orders have been increasing since the start of the 2019 save for a decline in April, a sign of resilience in the economy as firms normally are willing to spend for investment on better growth prospect.

- ***US May goods trade deficit widened as trade tensions escalated:*** US advance goods trade deficit widened to a five-month high of $74.5b in May (Apr: -$70.9b revised) driven by a spike in merchandise imports (+3.7% vs -2.5%), as firms rushed to purchase goods from overseas following President Trump's threat to impose tariffs on the remaining untaxed Chinese goods in May. Shipments of industrial supplies, capital foods, automotive vehicles, consumers goods and other goods into the country all increased by larger margins as firms braced for the escalation of trade war. Exports also rose by 3.0% MOM (Apr: -3.2%), reversing previous month's decline as shipments of all goods categories (except for industrial supplies) also went up considerably. In the similar advance report, May wholesale inventories (+0.4% MOM vs +0.9% MOM revised) and retail inventories (+0.5% MOM vs +0.6% MOM) were seen ticking up albeit at slower paces suggesting firms modestly raised their inventory investment for summer. Separate release shows that US mortgage applications picked up a modest 1.3% last week (previous: -3.4%) as lower borrowing cost drove up refinancing applications.

- ***Japan retail sector improved in May:*** Japan retail sales picked up at a faster pace of 0.3% MOM in May (Apr: -0.1% revised) leading the YOY growth to accelerate to 1.2% (Apr: +0.4% revised), its best performance since December last year. The overall growth trajectory in retail sales appeared lacklustre still compared to the excellent sales observed in the whole of 2017 and 2018. This could be seen in the continuous fall in total department and supermarket sales on a same store basis, pointing to a still rather subdued consumer demand. Looking ahead it seems unlikely that the Japanese government is postponing the scheduled sales tax hike in October which could hit hard on the overall sector in the last quarter of 2019.

- ***Singapore manufacturing downturn continued:*** Industrial production fell again in May by 2.4% (Apr: +0.1%) after a stagnation in April, confirming that slower overseas demand continued to pressure the local manufacturing sector. The latest downturn was driven mainly by a larger fall in electronics products (-10.8% vs -0.6%) and a minor decline in chemicals output (-0.4% vs +2.1%) as growth in biomedical manufacturing output came in a tad faster compared to the previous month (+8.8% vs +8.2%). The unfavourable IPI readings in the past two months were mainly results of poor global demand for electronics product which remain in its current down cycle. This, together with the poor retail sales data suggest that the weakness in 1Q is likely to extend further into the second quarter of this year.

- ***Malaysia inflation remained muted but expect an imminent spike in 2H:*** Consumer Price Index (CPI) continued to see very muted gain, rising at a steady pace of 0.2% YOY for the 3rd straight month in May (Apr: +0.2% YOY), a tad above our expectation but below market consensus estimate, as a slight uptick in food prices were offset by softer price gains in most other categories. Inflation reading has stayed below the 1.0% mark for a good twelve months now, ever since the removal of GST in June last year. Core CPI also softened a tad to 0.4% YOY while services CPI tapered off to 1.8% YOY, adding to signs of lack of demand-pull pressure amid a softer growth backdrop. Even though we expect the lower base last year arising from the removal of GST to set in beginning June, downside risks to our full year CPI forecast of 1.0% YOY for 2019 remain. The trajectory in CPI in the months ahead hinges much on timing and details of the long delayed petrol subsidy system to the targeted B40 group, the review in the price ceiling for RON95 and diesel, and certainly movement in global crude oil prices. Meanwhile, the privatization of the four highways that is expected to lead to lower toll charges will not have an impact on this year's CPI as the whole exercise is only expected to be completed by end of the year.

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
27/06	**US**	**GDP Annualized QOQ**	**1Q T**	**3.2%**	**3.1%**	**--**
		Initial Jobless Claims	**22 Jun**	**220k**	**216k**	**--**
		Pending Home Sales MOM	**May**	**1.0%**	**-1.5%**	**--**
		Kansas City Fed Manf. Activity	**Jun**	**1.0**	**4.0**	**--**
28/06		Personal Income	May	0.3%	0.5%	--
		Personal Spending	May	0.5%	0.3%	--
		Core PCE Price Index YOY	May	1.5%	1.6%	--
		MNI Chicago PMI	Jun	53.5	54.2	--
		U. of Mich. Sentiment	Jun F	98.0	97.9	--
27/06	**Eurozone**	**Economic Confidence**	**Jun**	**104.8**	**105.1**	**--**
		Consumer Confidence	**Jun F**	**-7.2**	**-6.5**	**--**
28/06		CPI Core YOY	Jun A	1.0%	0.8%	--
		CPI Estimate YOY	Jun	1.2%	1.2%	--
28/06	UK	GfK Consumer Confidence	Jun	-11.0	-10.0	--
		Lloyds Business Barometer	Jun	--	10.0	--
		GDP QOQ	1Q F	0.5%	0.5%	--
28/06	Japan	Jobless Rate	May	2.4%	2.4%	--
		Job-To-Applicant Ratio	May	1.63	1.63	--
		Industrial Production YOY	May P	-2.9%	-1.1%	--
		Housing Starts YOY	May	-4.2%	-5.7%	--
27/06	**China**	**Industrial Profits YOY**	**May**	**--**	**-3.7%**	**--**
27/06	**New Zealand**	**ANZ Business Confidence**	**Jun**	**--**	**-32**	**--**
28/06		ANZ Consumer Confidence Index	Jun	--	119.3	--
28/06	**Vietnam**	Industrial Production YOY	Jun	--	10.0%	--
		Retail Sales YTD YOY	Jun	--	11.6%	--
		Trade Balance	Jun	-$376m	-$1300m	--
		GDP YOY	2Q	6.6%	6.8%	--
		CPI YOY	Jun	2.6%	2.9%	--
		Exports YOY	Jun	8.2%	7.5%	--

Source: Bloomberg

	Last Price	DoD %	High	Low	YTD %
EURUSD	1.1369	0.02	1.1391	1.1348	-0.82
GBPUSD	1.2690	0.01	1.2707	1.2663	-0.47
USDJPY	107.79	0.55	107.85	107.10	-1.79
AUDUSD	0.6985	0.34	0.6995	0.6952	-0.91
EURGBP	0.8960	0.04	0.8976	0.8941	-0.33
USDMYR	4.1480	0.08	4.1545	4.1425	0.35
EURMYR	4.7120	-0.09	4.7198	4.7036	-0.32
JPYMYR	3.8612	-0.24	3.8711	3.8538	2.75
GBPMYR	5.2573	-0.59	5.2702	5.2538	-0.20
SGDMYR	3.0624	0.02	3.0657	3.0553	0.87
AUDMYR	2.8958	0.28	2.8984	2.8840	-0.93
NZDMYR	2.7652	0.43	2.7686	2.7461	-0.49
CHFMYR	4.2520	0.10	4.2599	4.2426	1.26
CNYMYR	0.6028	0.10	0.6035	0.6012	-0.41
HKDMYR	0.5312	0.08	0.5318	0.5304	0.57
USDSGD	1.3548	0.02	1.3560	1.3527	-0.61
EURSGD	1.5402	0.03	1.5412	1.5370	-1.43
GBPSGD	1.7190	0.02	1.7207	1.7148	-1.08
AUDSGD	0.9463	0.36	0.9467	0.9421	-1.50

Source: Bloomberg

➢Forex

MYR

- **MYR closed marginally weaker by 0.08%** against the USD at 4.1480.
- **We remain bullish MYR** in line with the broad USD weakness theme. However, markets seem to be in consolidation now as we await G20 meeting outcomes.

USD

- **The Dollar index closed flat at 96.171** as markets go into consolidation mode.
- **We remain bearish USD over the medium term** but as mentioned previously, we may be going through some consolidation as investors stay sidelined ahead of G20.

EUR

- **EUR closed flat at 1.1369 against USD**.
- **We remain bullish on EUR** over the medium term but the pair is likely going through some consolidation ahead of G20.

GBP

- **GBP closed almost unchanged at 1.2690** in line with the broader market.
- **We remain bearish GBP as** Boris Johnson, one of the leading UK leadership candidates continues to make statements that should he win the leadership race, he would deliver Brexit on October 31 with or without a deal.

JPY

- **JPY closed weaker by 0.55% at 107.79** in line with higher UST yields.
- **We remain bullish JPY** as a weak USD and likely lower UST yields due to rate cuts will likely continue to weigh on the pair.

AUD

- **AUD closed 0.34% stronger at 0.6985 against the USD.**
- **We remain neutral on AUD** over the short term as market awaits G20 meeting outcomes.

SGD

- **SGD closed flat at 1.3548 against USD.**
- **We remain bullish SGD** in the short term as the weak USD theme still has significant room to play out especially against EM. However, the pair seems to be going through the same consolidation phase in line with the broader market ahead of G20.

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