

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks snapped losing streak overnight but saw only limited gains as US-China trade dispute continued to dominate the uncertain atmosphere.** The Dow added 43pts or 0.17%, whereas the S&P 500 and NASDAQ rose minimally by 0.2% and 0.3%, as investors reassessed the markets following days of somewhat brutal selloffs in the wake of deteriorating Sino-American relation. Headlines didn't turn positive either - **Chinese vice foreign minister Zhang Hanhui accused the US for "naked economic terrorism" for deliberately provoking a trade war. Safe havens assets remained well sought after as rallies in US treasuries continued.** Yields were suppressed further by around 5bps along the curve where the 10Y UST yield was seen falling by 5bps to 2.21%. **Crude oil fell sharply** as a lesser-than-expected decline in US crude stocks added to the already bearish sentiments of the oil market. Brent crude wiped out 3.7% to \$66.87/barrel while WTI erased 3.8% to settle at \$56.59/barrel.
- **US data were mixed overnight.** The first quarter GDP growth was revised lower from 3.2% to 3.1% QOQ in a second estimate but was a non-event. Initial jobless claims rose by 3k to 215k last week. Advance goods trade deficit widened to \$72.1b in April, the highest level this year. Wholesale and retail inventories increased 0.7% and 0.5% MOM in in April implying that businesses began to ramp up inventory investments again following an inventory overhang. Pending home sales unexpectedly dropped by 1.5% MOM in April, painting a mixed picture of the housing market. **Elsewhere, UK consumer sentiments improved but business sentiments were dampened** this month. New Zealand consumer confidence weakened to a six-month low. In Japan, data remained a mixed bag with jobless rate inching lower to 2.4%; industrial production fell less than expected YOY in April but retail sales moderated more than expected during the month, underscoring weakness in consumers.
- **The Dollar index closed flat at 98.145** after a see saw session. **We continue to maintain USD bullishness** as trade and geopolitical worries, the latest being a 5% tariff slapped on all Mexican goods, continue to support USD strength.
- **MYR closed marginally stronger** against the USD at 4.1920 as last minute orders pushed it stronger towards the close. **We remain bearish MYR** with 4.20 being the short term target in focus as trade worries continue to weigh.
- **SGD closed stronger by 0.15% at 1.3791 against USD. We maintain bearish SGD** above 1.3680 on technicals and on continued poor risk sentiment overall in the EM space due to trade worries.

Overnight Economic Data

| | |
|-------------|---|
| US | ➔ |
| UK | ➔ |
| Japan | ➔ |
| New Zealand | ➔ |

What's Coming Up Next

Major Data

- US Personal Income, Personal Spending, Core PCE, MNI, Chicago PMI, U. of Mich. Sentiment
- UK Nationwide House Price Index, Mortgage Approvals
- Japan Housing Starts
- Hong Kong Retail Sales
- China Manufacturing PMI, Non-manufacturing PMI

Major Events

- Nil

Daily Supports – Resistances (spot prices)*

| | S2 | S1 | Indicative | R1 | R2 | Outlook |
|--------|--------|--------|------------|--------|--------|---------|
| EURUSD | 1.1110 | 1.1130 | 1.1135 | 1.1170 | 1.1200 | ➔ |
| GBPUSD | 1.2575 | 1.2600 | 1.2615 | 1.2680 | 1.2730 | ➔ |
| USDJPY | 108.80 | 109.20 | 109.30 | 119.80 | 110.00 | ➔ |
| AUDUSD | 0.6875 | 0.6900 | 0.6907 | 0.6950 | 0.6975 | ➔ |
| EURGBP | 0.8775 | 0.8800 | 0.8830 | 0.8850 | 0.8875 | ➔ |
| USDMYR | 4.1875 | 4.1900 | 4.1970 | 4.2000 | 4.2050 | ➔ |
| EURMYR | 4.6400 | 4.6600 | 4.6729 | 4.6900 | 4.7000 | ➔ |
| JPYMYR | 3.8100 | 3.8250 | 3.8410 | 3.8500 | 3.8700 | ➔ |
| GBPMYR | 5.2600 | 5.2800 | 5.2940 | 5.3200 | 5.3400 | ➔ |
| SGDMYR | 3.0300 | 3.0350 | 3.0410 | 3.0450 | 3.0500 | ➔ |
| AUDMYR | 2.8750 | 2.8900 | 2.8985 | 2.9150 | 2.9250 | ➔ |
| NZDMYR | 2.7150 | 2.7300 | 2.7315 | 2.7500 | 2.7600 | ➔ |
| USDSGD | 1.3750 | 1.3770 | 1.3805 | 1.3830 | 1.3850 | ➔ |
| EURSGD | 1.5320 | 1.5350 | 1.5373 | 1.5400 | 1.5450 | ➔ |
| GBPSGD | 1.7300 | 1.7400 | 1.7416 | 1.7500 | 1.7550 | ➔ |
| AUDSGD | 0.9500 | 0.9530 | 0.9540 | 0.9575 | 0.9600 | ➔ |

* 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 | 1,636.50 | 0.79 | -3.20 | CRB Index | 178.76 | -0.87 | 5.28 |
| Dow Jones Ind. | 25,169.88 | 0.17 | 7.90 | WTI oil (\$/bbl) | 56.59 | -3.77 | 24.62 |
| S&P 500 | 2,788.86 | 0.21 | 11.25 | Brent oil (\$/bbl) | 66.87 | -3.71 | 24.29 |
| FTSE 100 | 7,218.16 | 0.46 | 7.28 | Gold (\$/oz) | 1,288.65 | 0.69 | 0.47 |
| Shanghai | 2,905.81 | -0.31 | 16.52 | CPO (RM/tonne) | 1,970.50 | 0.95 | 0.92 |
| Hang Seng | 27,114.88 | -0.44 | 4.91 | Copper (\$/tonne) | 5,852.00 | -0.53 | -1.89 |
| STI | 3,143.00 | -0.64 | 2.42 | Rubber (sen/kg) | 489.50 | -0.81 | 29.16 |

Source: Bloomberg

Economic Data

| | For | Actual | Last | Survey |
|----------------------------------|--------|----------|--------------------|----------|
| US Wholesale Inventories MOM | Apr P | 0.7% | 0.0% (revised) | 0.1% |
| US Retail Inventories MOM | Apr | 0.5% | -0.3% | 0.2% |
| US Advance Goods Trade Balance | Apr | -\$72.1b | -\$71.9b (revised) | -\$72.7b |
| US GDP Annualized QOQ | 1Q S | 3.1% | 2.2% | 3.0% |
| US Initial Jobless Claims | May-25 | 215k | 212k (revised) | 214k |
| US Pending Home Sales MOM | Apr | -1.5% | 3.9% (revised) | 0.5% |
| UK GfK Consumer Confidence | May | -10.0 | -13.0 | -12.0 |
| UK Lloyds Business Barometer | May | 10.0 | 14.0 | -- |
| JP Jobless Rate | Apr | 2.4% | 2.5% | 2.4% |
| JP Industrial Production YOY | Apr P | -1.1% | -4.3% | -1.5% |
| JP Retail Sales YOY | Apr | 0.5% | 1.0% | 0.9% |
| NZ ANZ Consumer Confidence Index | May | 119.3 | 123.2 | -- |

Source: Bloomberg

➤ Macroeconomics

- US 1Q GDP revised lower; initial jobless claims rose to 215k:** US first quarter GDP growth was revised lower from 3.2% to 3.1% QOQ in a second estimate (4Q: +2.2%) to reflect downward revisions to nonresidential fixed investment and private inventory investment as well as upward revisions to exports and personal consumption expenditures (PCE). Imports were revised up. The slight change in number was a non-event, as the general picture of US economic growth remains the same. Initial jobless claims rose by 3k to 215k for the week ended 25 May (previous: 212k revised) but nonetheless the labour remains on solid footing.
- US goods trade deficit widened to highest this year; firms restocked inventories on improving sales outlook:** Advance estimates by the Census Bureau show US goods trade deficit widened to \$72.1b in April (Mar: -\$71.9b revised), the highest level this year as imports fell 2.7% MOM (Mar: +1.6%) while exports saw a larger decline of 4.2% MOM (Mar: +1.0%). The fall in exports was broad-based across industrial supplies, capital goods, automotive vehicles and consumer goods. The similar advance report also shows that wholesale inventories increased 0.7% MOM in April (Mar: 0.0%) while retail inventories also ticked up by 0.5% (Mar: -0.3%) as businesses began to ramp up their inventory investments again following the inventory overhang observed earlier of the year, implying improvement in their outlook for sales.
- US pending homes sales unexpectedly dropped:** US pending home sales unexpectedly fell again by 1.5% MOM in April (Mar: +3.9% revised), after a rebound in the previous month. Pending home sales measures the contracts signed to purchase previously owned homes hence is a widely watched leading indicator for existing home sales. The poor reading indicates weaker existing home sales ahead, and is the latest housing data to paint a rather mixed picture of the overall US housing market. On a positive note, pending home sales managed to rebound by 0.4% YOY (Mar: -3.1% revised) after falling for eleven consecutive months.
- UK consumer sentiments improved but business confidence dampened in May:** The GfK Consumer Confidence rose by 3pts to -10 in May (Apr: -13), beating a Bloomberg consensus estimate of -12 as consumers grew less pessimistic over their personal finances in the next 12 months, potentially a result from the solid labour market. Consumers also became less pessimistic over economic outlook for the next 12 months. While climate for major purchases increased, saving intentions rose further suggesting that consumers will retain caution in spending as Brexit uncertainties dragged on. Brexit also continued to dampen business confidence given the 4pts decline in the Llyod Business Barometer to 10.0 in May (Apr: 14.0).
- Japan jobless rate fell, industrial activities stayed weak; retail sales slowed:** Japan jobless rate fell back to 2.4% in April (Mar: +2.5%) with job-to-applicant ratio remaining flat at 1.63 to indicate a still-solid labour market. Meanwhile, factory activities improved in April but remained weak - industrial production rose 0.6% MOM (Mar: -0.6%) reversing previous month's decline but fell 1.1% YOY (Mar: -4.3%), its third consecutive fall. On the retail front, retail sales growth eased to 0.5% YOY in April (Mar: +1.0%), the slowest since Oct-17, supported by sales of fuel and medicine & toiletry. Sales however decline for general merchandise, motor vehicles as well as fabric, apparels & accessories.

- **ANZ said New Zealand consumer sentiments remained resilient in May:** The ANZ Consumer Index fell by 3.2% MOM to a six-month low of 119.3 in May (Apr: 123.2) and was still close to the historical average of 120. Both current conditions and future conditions sub-indexes fell, implying a weakening of consumers' perceptions over the present and future state of the economy. ANZ said that the index was off the lows of late 2018 and consumer confidence was holding up well in response to "housing market softness in Auckland and Christchurch and a cooling economy more broadly", reflecting the strong labour market.

| Economic Calendar | | | | | | |
|-------------------|-------------|---------------------------------------|------------------|--------------|--------------|---------|
| Date | Country | Events | Reporting Period | Survey | Prior | Revised |
| 03/06 | Malaysia | Nikkei Malaysia PMI | May | -- | 49.4 | -- |
| | | Exports YOY | Apr | 0.7% | -0.5% | -- |
| | | Trade Balance MYR | Apr | 12.7b | 14.4b | -- |
| 31/05 | US | Personal Income | Apr | 0.3% | 0.1% | -- |
| | | Personal Spending | Apr | 0.2% | 0.9% | -- |
| | | PCE Core Deflator YOY | Apr | 1.6% | 1.6% | -- |
| | | MNI Chicago PMI | May | 54.0 | 52.6 | -- |
| | | U. of Mich. Sentiment | May F | 101.5 | 97.2 | -- |
| 03/06 | | Markit US Manufacturing PMI | May F | 50.8 | 52.6 | -- |
| | | ISM Manufacturing | May | 53.0 | 52.8 | -- |
| | | Construction Spending MOM | Apr | 0.5% | -0.9% | -- |
| 03/06 | Eurozone | Markit Eurozone Manufacturing PMI | May F | -- | 47.9 | -- |
| 31/05 | UK | Nationwide House Price NSA YOY | May | 1.2% | 0.9% | |
| | | Mortgage Approvals | Apr | 63.7k | 62.3k | -- |
| 03/06 | UK | Markit UK PMI Manufacturing SA | May | 52.0 | 53.1 | -- |
| 31/05 | Japan | Housing Starts YOY | Apr | -0.6% | 10.0% | -- |
| 03/06 | | Nikkei Japan PMI Mfg | May F | -- | 50.2 | -- |
| 31/05 | Hong Kong | Retail Sales Value YOY | Apr | -0.2% | -0.2% | -- |
| 31/05 | China | Manufacturing PMI | May | 49.9 | 50.1 | -- |
| | | Non-manufacturing PMI | May | 54.3 | 54.3 | -- |
| 03/06 | | Caixin China PMI Mfg | May | 50.1 | 50.2 | -- |
| 03/06 | Singapore | Purchasing Managers Index | May | -- | 50.3 | -- |
| 03/06 | Australia | AiG Perf of Mfg Index | May | -- | 54.8 | -- |
| 31/05 | New Zealand | ANZ Consumer Confidence Index | May | -- | 123.2 | -- |
| 03/06 | Vietnam | Nikkei Vietnam PMI Mfg | May | -- | 52.5 | -- |

Source: Bloomberg

| | Last Price | DoD % | High | Low | YTD % |
|--------|------------|-------|--------|--------|-------|
| EURUSD | 1.1129 | -0.02 | 1.1143 | 1.1116 | -2.91 |
| GBPUSD | 1.2608 | -0.14 | 1.2640 | 1.2581 | -1.11 |
| USDJPY | 109.62 | 0.03 | 109.93 | 109.47 | -0.09 |
| AUDUSD | 0.6912 | -0.07 | 0.6937 | 0.6899 | -1.93 |
| EURGBP | 0.8828 | 0.13 | 0.8841 | 0.8808 | -1.80 |
| USDMYR | 4.1920 | -0.05 | 4.1980 | 4.1915 | 1.42 |
| EURMYR | 4.6709 | -0.16 | 4.6761 | 4.6677 | -1.19 |
| JPYMYR | 3.8252 | -0.43 | 3.8326 | 3.8207 | 1.79 |
| GBPMYR | 5.2991 | -0.14 | 5.3050 | 5.2924 | 0.60 |
| SGDMYR | 3.0412 | 0.21 | 3.2619 | 3.0368 | 0.17 |
| AUDMYR | 2.9078 | 0.17 | 2.9107 | 2.9012 | -0.52 |
| NZDMYR | 2.7368 | 0.03 | 2.7392 | 2.7312 | -1.51 |
| CHFMYR | 4.1580 | -0.38 | 4.1672 | 4.1564 | -0.93 |
| CNYMYR | 0.6076 | 0.03 | 0.6510 | 0.6068 | 0.39 |
| HKDMYR | 0.5346 | -0.02 | 0.5349 | 0.5342 | 1.21 |
| USDSGD | 1.3791 | -0.15 | 1.3817 | 1.3782 | 1.17 |
| EURSGD | 1.5350 | -0.16 | 1.5383 | 1.5337 | -1.79 |
| GBPSGD | 1.7387 | -0.30 | 1.7453 | 1.7363 | 0.03 |
| AUDSGD | 0.9532 | -0.22 | 0.9564 | 0.9520 | -0.73 |

Source: Bloomberg

Forex

MYR

- **MYR closed marginally stronger** against the USD at 4.1920 as last minute orders pushed it stronger towards the close.
- **We remain bearish MYR** with 4.20 being the short term target in focus as trade worries continue to weigh.

USD

- **The Dollar index closed flat at 98.145** after a see saw session.
- **We continue to maintain USD bullishness** as trade and geopolitical worries, the latest being a 5% tariff slapped on all Mexican goods, continue to support USD strength.

EUR

- **EUR closed flat at 1.1129 against USD** in line with see saw trading session.
- **We remain bearish on EUR** as 1.1230 continues to provide decent resistance against a largely USD positive backdrop due to nagging concerns over trade.

GBP

- **GBP closed 0.14% lower at 1.2608** as it recovers from pre-crash lows.
- **GBP remains bearish** below 1.29 pivot and current leadership crisis is adding weight and uncertainty to GBP.

JPY

- **JPY closed 0.19% weaker at 109.62** as USD strength dominates.
- **We remain bullish JPY** as trade worries will continue to support JPY strength and there doesn't seem to be a resolution foreseen in the short term.

AUD

- **AUD closed 0.07% weaker at 0.6912 against the USD.**
- **We remain bearish on AUD** over the potential RBA rate cut next week and extended USD strength.

SGD

- **SGD closed stronger by 0.15% at 1.3791 against USD.**
- **We maintain bearish SGD** above 1.3680 on technicals and on continued poor risk sentiment overall in the EM space due to trade worries.

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