HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks closed higher overnight even as protests over George Floyd's death continued to gain tractions and risked sparking more civil unrests across the country, not to mention ongoing US-China tension on the external front**. Local officials had imposed curfew to curb the nightime turmoil that involved assets damages while President Trump had threated military action. Gains were broad-based across all sectors - the Dow Jones added 268pts or 1.1% whereas the S&P500 and NASDAQ picked up 0.8% and 0.6% respectively, lifted by the prevailing risk-on sentiment that had also prompted the selling of safe havens. 10Y UST yield rose 3bps to 0.69%, gold price edged lower (-0.7%) to $1727.7/ounce.

- **Oil prices climbed more than 3% amid speculation that OPEC+ might extend ouput cut this wee**k. WTI settled at $36.81/barrel and Brent at $39.57/barrel. Stock futures point to higher opening in the Asian markets. **Services PMIs** for major economies are in focus today. **The Bank of Canada is expected to keep its policy rate steady at 0.25%**.

- **Yesterday, the RBA kept cash rate unchanged at 0.25% and appeared more optimistic over economic outlook** but nonetheless maintained its dovish and accomodative tone. The **AUD market is anticipating the release of Australia's 1Q GDP** at 9.30am today.

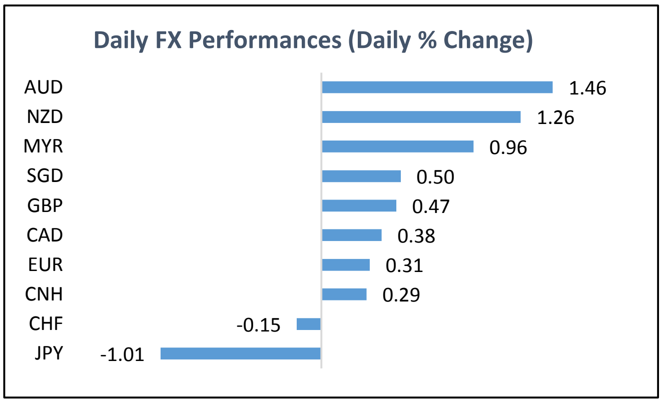
- The **continuous sell-off in the US dollar** led the dollar index to fall another 0.2% to 97.67. **The EUR briefly flirted with 1.12**, supported by improving prospect surrounding Euro Area economy as Germany is preparing to ease travelling rules on Wednesday, **GBP continued to climb** despite the lack of progress in this week's Brexit talks. **DXY weakness has moved beyond our Q2 forecast of 98.50 and towards our Q3 forecast of 97.50,** as markets moved 1-3 months ahead of fundamental recovery. **We stay neutral to bearish on the USD** over the coming week. We anticipate some possible consolidation on stretched levels, possibly close to 97.50.

- USDMYR suffered 0.95% DOD loss to close at 4.2765 on Tuesday amid persisting dollar weakness, spurred by higher risk appetite. **Daily outlook for USDMYR is slightly bearish on the back of persistent USD weakness but we anticipate some technical consolidation after yesterday's sharp move.** Uncertainties surrounding US-China tension still poses a downside risk to MYR in our view which tends to underperform alongside its emerging market peers for fear of a potential US-China fallout. This might led to a recovery in USD if risk appetites eventually retreat.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	25,742.65	1.05	-9.80
S&P 500	3,080.82	0.82	-4.64
FTSE 100	6,220.14	0.87	-17.53
Hang Seng	23,995.94	1.11	-14.88
KLCI	1,507.69	1.18	-5.10
STI	2,611.63	2.38	-18.96
Dollar Index	97.67	-0.2	1.1
WTI oil ($/bbl)	36.81	3.87	-39.72
Brent oil ($/bbl)	39.57	3.26	-39.17
Gold (S/oz)	1,727.70	-0.68	13.77
CPO (RM/tonne)	2,368.50	3.75	-21.72

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

UK

Up Next

Date	Event	Prior
03/06	US MBA Mortgage Applications (29 May)	2.7
	US ADP Employment Change (May)	-20236k
	US Markit US Services PMI (May F)	36.9
	US Factory Orders (Apr)	-10.30%
	US ISM Non-Manufacturing Index (May)	41.8
	EU Unemployment Rate (Apr)	7.40%
	UK Markit/CIPS UK Services PMI (May F)	28.7
	JN Jibun Bank Japan PMI Services (May F)	-21.5
	CN Caixin China PMI Services (May)	44.4
	SG Markit Singapore PMI (May)	28.1
	SG Purchasing Managers Index (May)	44.7
	HK Markit Hong Kong PMI (May)	36.9
	AU GDP SA QoQ (1Q)	0.50%
04/06	MA Exports YoY (Apr)	-4.70%
	US Trade Balance (Apr)	-$44.4b
	US Initial Jobless Claims (30 May)	2123k
	EU Retail Sales MoM (Apr)	-11.20%
	EU ECB Deposit Facility Rate (4 June)	-0.50%
	AU Exports MoM (Apr)	15%
	AU Retail Sales MoM (Apr)	8.50%

Source: Bloomberg

Macroeconomics

- ***RBA kept rate steady, sounded more optimistic:*** The RBA left its cash rate unchanged at a record low of 0.25% and maintained its target yield on 3-year Australian government bond. RBA sounded more upbeat compared to the previous statement, suggesting that a recovery in global economy is under way if infection rates continue to decline. It added that it is possible that the depth of the dowturn will be less than earlier expected. There has been a pick-up in some forms of consumer spending. Nonetheless, the central bank's tone remained cautious, mentioning that the nature and speed of the expected recovery, "remains highly uncertain and the pandemic is likely to have long-lasting effects on the economy". It kepts its dovish and accomodative tone, and committed to do what it could. The cash rate will not be increased until progress is made towards full employment and inflation reaching 2-3% target.

- ***UK house prices rose at slower pace amid pandemic***: The Nationwide House Price Index fell 1.7% MOM in May, the largest monthly fall since Feb-2009 following a small 0.9% increase in April. This brings the annual growth rate to only 1.8% YOY, compared to April's 3.7% gain. The housing market had gained traction after Britain's formal removal from the European Union in late January, but has since then disrupted by the Covid-19 pandemic. Mortgage activity declined sharply and housing transactions turned lower as the population practised social distancing.

Forex

MYR (Slightly bullish)

- USDMYR suffered 0.95% DOD loss to close at 4.2765 on Tuesday amid persisting dollar weakness, spurred by higher risk appetite.
- Daily outlook for USDMYR is slightly bearish on the back of persistent USD weakness but we anticipate some technical consolidation after yesterday's sharp move. Uncertainties surrounding US-China tension still poses a downside risk to MYR in our view which tends to underperform alongside its emerging market peers for fear of a potential US-China fallout. This might led to a recovery in USD if risk appetites eventually retreat.

USD (Neutral-to-Bearish)

- On Tuesday, the US dollar continued to slide from market positioning and momentum. The DXY fell by 0.2% to 97.67. DXY weakness has moved beyond our Q2 forecast of 98.50 and towards our Q3 forecast of 97.50, as markets moved 1-3 months ahead of fundamental recovery.
- We stay neutral to bearish on the USD over the coming week. We anticipate some possible consolidation on stretched levels, possibly close to 97.50.

EUR (Neutral-to-Bullish)

- EUR/USD stayed close to the highest levels seen since mid-March. Pair is now looking to regain footing at 1.1200. This continued the bid tone seen since 26 May.
- The improving global economic outlook is beneficial for the EUR. We are somewhat sceptical on further rallies on a slow economic recovery but momentum is robust for now.

GBP (Neutral)

- GBP/USD continued to benefit from USD weaknesses. The bid tone continued from 28 May, with pair now close to 1.2600.
- Although there is scope for some near-term GBP catch-up on USD weakness and sentiments, we remain comparatively pessimistic regarding the GBP thereafter. Covid-19, Brexit and risk aversion does not favour GBP in our view.

JPY (Neutral-to-Bearish)

- USD/JPY broke out of consolidation trend since 19 May. Pair surged above 108.00 to examine 108.80 levels at the time of writing. Bullish risk sentiments have now turned on the JPY.
- We are slightly bearish on the JPY due to market optimism. Near-term, USD/JPY may examine 109.00 levels.

AUD (Neutral-to-Bullish)

- AUD/USD outperformed G10 currencies for a second consecutive day. Pair climbed by 1.46% on Tuesday, reaching a high of 0.6922 on 3 June open in the process.
- AUD/USD is likely to be one of the primary beneficiaries of risk on mood in markets (alongside NZD and CAD). Commodity markets outlook is also recovering. However, concerns on US-China or Australia-China relations may cause AUD to fall later on.

SGD (Neutral)

- USD/SGD has moved further to the lowest levels seen since mid-March, now below the 1.4000 big figure. This was helped by momentum towards a weaker USD.
- We expect improved risk sentiments to benefit the SGD. However, the momentum looks stretched after breaking out of April and May ranges at the moment. After hitting the 1.4000 level decisively, there may be some consolidation ahead.

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