HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Wall Street stocks edged higher overnight despite poor US job data**. The Dow Jones rose 0.9%, the S&P500 and NASDAQ gained 1.2% and 1.4% respectively. European equities had rallied earlier while performances across the Asian markets were mixed with key benchmarks closing lower in China (-0.2%) , Hong Kong (-0.7%) but higher in Japan (+0.3%). **Oil futures erased intraday gains and settled lower on Thursday;** Crude oils initially rode on Saudi Aramco's move to raise its official pricing as well as better-than-expected China's exports data that also showed a rebound in Chinese oil imports. Investors remained skeptical over demand for oil in the near term and limited US storage capacity; Brent crude peaked at $31.84/barrel only to be sent down to $29.46/barrel (-0.9% DOD).

- **Gold price surged to $1716.06/ounce (+1.8% DOD) whereas treasury yields fell quite dramatically;** 10Y UST yield was 6bps lower at 0.64% on the back of poor US data. Notably, the yield on the benchmark 2Y notes settled at record low of 0.13%. Markets were also paying attention to US-China trade development; **Chinese Vice Premier Liu He and U.S. Trade Representative Robert Lighthizer are expected to hold a phone call** next week to discuss the progress of the implementation of the Phase One US-China trade deal that has been overshadowed by the Covid-19 Pandemic. The BLS is slated to publish the much anticipated April nonfarm payroll report tonight. Analysts are looking at a total job losses of 22mil in the US. The private sector had lost 20.2 mil jobs according to the ADP National Employment Report.

- On the data front, **initial jobless claims in the US came in at 3.169mil, leading the 7-week total claims to surpass 33mil. UK GfK Consumer Confidence was little changed at -33, a dismal reading.** In Asia, **China exports surprised on the upside**, recording a 3.5% YOY increase in March but imports plunged 14%. **Japan household spending plunged 6% prior to lockdown** while wage growth was flat. Australia recorded a record trade surplus of AUD10.6b in March thanks to a 15% boost in exports.

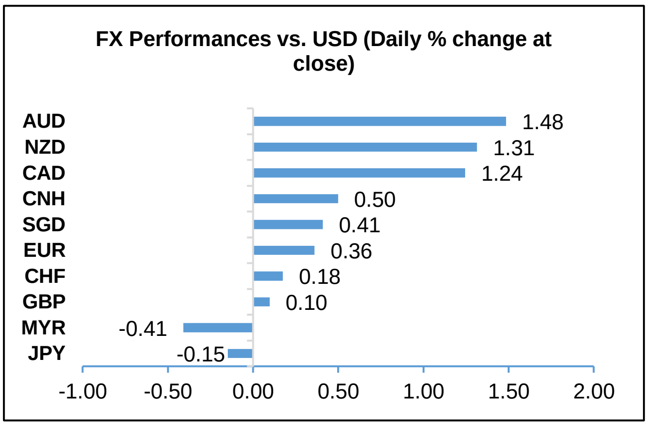
- **The USD weakened slightly after strengthening a day earlier. DXY dipped 0.2% on Thursday**, down to 99.889 after hitting the 100 level. This came as commodity-related currencies strengthened (AUD, NZD & CAD). At this moment, the USD remains in consolidation mode and we see some range bound movements near-term. Markets may favour the USD from a reopened US economy, even as data is poor and US cases continue to climb. We expect a dip in USD closer to end-Q2 as other currencies strengthen at the expense of the USD.

- **USDMYR finished 0.41% higher on Wednesday at 4.3240**. Daily outlook for USDMYR is neutral amid renewed USD weakness and pullback in oil prices as investors are generally cautious ahead of tonight's US nonfarm payroll report.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	23,875.89	0.89	-16.34
S&P 500	2,881.19	1.15	-10.82
FTSE 100	5,935.98	1.40	-21.30
Hang Seng	23,980.63	-0.65	-14.93
KLCI	1,376.93	-0.91	-13.33
STI	2,591.60	0.75	-19.59
Dollar Index	99.89	-0.2	3.6
WTI oil ($/bbl)	23.55	-1.83	-61.43
Brent oil ($/bbl)	29.46	-0.87	-55.24
Gold (S/oz)	1,716.06	1.80	13.12
CPO (RM/tonne)	2,036.00	-0.05	-32.71

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data			
US	↓	UK	↓
Japan	↓	China	→
Australia	↑		

Up Next

Date	Event	Prior
08/05	JP Jibun Bank Services PMI (Apr)	22.8
	AU RBA Statement on Monetary Policy	--
	MA Industrial Production (Mar)	5.8%
	MA Foreign Reserves (30 Apr)	$102.0b
	US Nonfarm Payroll (Apr)	-701k
	US Unemployment Rate (Apr)	4.4%
	US Avg Hourly Earnings (Apr)	3.1%
11/05	NZ Card Spending Total MoM (Apr)	-8.7%
	NZ ANZ Business Confidence (May P)	-66.6

Source: Bloomberg

Macroeconomics

- ***BOE kept rate steady, expect GDP to plunge 14% in 2020 :*** The Bank of England kept its Bank Rate unchanged at 0.1% as widely expected and reaffimed that its current stance of monetary policy. It said that the outlook for the UK and global economies is unusually uncertain, and mentioned the tentative signs of recovery in domestic spending in China which is likely to be echoed in countries that have started to relax lockdown restrictions. In the accompanying May Monetary Policy Report, the central bank expects the UK economy to contract 14% in 2020 followed by a sharp rebound of 15% growth in 2021. CPI inflation is expected to fall below 1% in the next few months, largely reflecting developments in energy prices. Full year CPI is expected to gain a mere 0.6% in 2020 and 0.5% in 2021 before normaling and reaching its 2% target in 2022. BOE concluded by reiterating that it stands to take further action as necessary to support the economy and returning inflation to 2%. Two members of the MPC had voted to expand the QE program beyond the current £645b level, reflecting their gloomy outlook. Governor Andrew Bailey also hinted that they are ready to do more, stating that the central bank is not running "out of monetary policy tools" and it would "continue to come up with appropriate responses".

- ***US Initial jobless claims exceeded 33mil:*** Initial jobless claims came in at 3.169mil for the week ended 1 May, slightly higher than analysts' forecast of 3mil and was lower than previous week's claims of 3.846mil. This led the number of Americans filing for unemployment benefits for the first time to surpass 33mil for the period of seven weeks ever since states issued social distancing orders to contain Covid-19 in the US.

- ***Uk Consumer Confidence shattered by pandemic:*** The GfK Consumer Confidence Index was little changed at -33 in April, compared to -34 in March, reflecting the dismal state of consumer sentiment as the UK's Covid-19 death tolls had recently surpassed that of Italy and now stood at more than 30,000.

- ***UK Halifax house price index fell for second month:*** The Halifax House Price Index slipped 0.6% MOM (Mar: -0.3%) in April to an average price of £238.5k in the UK, leaving the annual growth rate to ease to 2.7% YOY (Mar: +3.0%). This marks UK house prices' second consecutive monthly decline as the containment measures to curb the spread of Covid-19 filter throught the UK housing market which had just begun to gain traction following Brexit in end of January this year.

- ***Japan household spending faltered before lockdown; wages little changed:*** Household spending in Japan extended its decline to a larger magnitude, falling by 6% YOY in March after a mere 0.3% decline in February. This marks spending's sixth consecutive month of contraction and its largest fall yet since October last year when the Japanese government hiked a consumption tax and when certain part of the country was hit by flood. The poor reading underscored weak demand prior to the nationwide lockdown in mid April. In a separate release, the labour cash earnings were little changed (+0.1% YOY) indicative of a flat wage growth in March. The reflects the 3% decline in special cash earnings or bonus payout while the 0.3% increase in base payment offered some comfort, albeit paltry compared to the gains seen in Jan and Feb. Overall headline wages had climbed by 1.0% in Jan and 0.7% in Feb.

Forex

MYR

- USDMYR finished 0.41% higher on Wednesday at 4.3240.
- **Daily outlook for USDMYR is neutral** amid renewed USD weakness and pullback in oil prices as investors are generally cautious ahead of tonight's US nonfarm payroll report.

USD

- The USD weakened slightly after strengthening a day earlier. DXY dipped 0.2% on Thursday, down to 99.889 after hitting the 100 level. This came as commodity-related currencies strengthened (AUD, NZD & CAD). At this moment, **the USD remains in consolidation mode** and we see some range bound movements near-term. Markets may favour the USD from a reopened US economy, even as data is poor and US cases continue to climb. We expect a dip in USD closer to end-Q2 as other currencies strengthen at the expense of the USD.

EUR

- EUR/USD has rebounded from bottom of the April range of 1.0727-1.0991. **We see little risks of EUR/USD breaking the 1.08-1.10 range** at the moment, given little impetus. Both economies are looking to return to work after the lockdowns.
- A return of risk aversion may weaken EUR sometime in May. Other key drivers include the Covid-19 situation in the US and in the Eurozone.

GBP

- GBP has dipped following a recent high of 1.2643 on 30 April and is now below 1.2500.
- **We caution against being optimistic about the GBP down the road.** The Covid-19 pandemic and risk aversion benefits the USD vs. GBP. There are also Brexit negotiations down the road.

JPY

- JPY has been grinding stronger past two weeks. This has come despite some recovery in risk sentiments. Bank of Japan is unlikely to undertake more measures at this stage, weakening the case for a softer JPY.
- **After some lows, we see room for USD/JPY to slightly rebound in the coming days.** This will stem from a recovery in risk sentiments. However, policy differentials between Fed and BOJ may favour JPY strength. Our End-June forecast is 107.

AUD

- AUD/USD has dipped from the recent high of 0.6570 to sub-0.6400 levels.
- **AUD is likely to dip after experiencing a relief rally past few weeks**. Although fundamentals are recovering in Australia, the commodity market outlook is likely to remain poor for the rest of Q2.USD strength sometime middle of May can weigh on the AUD. Longer-term, some USD weakness will help stabilise and limit downsides in the AUD. Our End-June forecast is 0.63, albeit with downside risks.

SGD

- Momentum is now on the downside with range tightening to 1.4050-1.4250. This is on the back of recovering risk sentiments on Singapore, as Covid-19 cases peaked.
- Our weekly outlook is for some consolidation of prior gains. Further into Q2, we see possible moves upwards for USD/SGD (if risk aversion returns). Other key drivers for USD/SGD will include the Covid-19 situation, and US-China tensions.

- ***Surprise rebound in China exports:*** China exports recorded a 3.5% YOY gain in April, defying a Bloomberg survey of a double-digit fall. This follows the 6.6% decline registered in March and suggests that exporters were compensating for the loss in shipments in the previous two months during the peak of Covid-19 pandemic in China. Imports dissappointed with a 14.2% YOY contraction, after recording a mere 1% fall in the previous month, highlighting the dent in domestic demand and possibly over the limited supply in oversea goods given that many factories around the world were in temporary shutdown. The mismatch led trade surplus to widen significantly to \$45.34b from \$19.93b, roughly back to its pre-pandemic levels.

- ***Higher China Caixin Services PMI***: The Caixin Services PMI rose slightly to 44.4 in April, up from 43.0 in March, but remained below the neutral threshold of 50.0, thus indicating a smaller decline in China's services activity. This was much lower compared to the April official NBS Non-manufacturing PMI that stood at 53.2 (Mar: 52.3) and indicated a growth in services activity.

- ***Australia saw record trade surplus in March:*** Australia recorded a record trade surplus of AUD10.6b in March, a substancial increase from AUD3.9b in February thanks to a 15% MOM jump in exports (Mar: -6.9%) and a 4% decline in imports (Mar: -4.6%). Exports were boosted by the surge in iron ores exports (+32%) mainly to its biggest client China and also the more-than-200% increase in shipment of gold amid high demand for the precious metal. This masked the decline in services exports (-9%) and in line with the record fall in the AiG Services PMI (from 38.7 to 27.1) in April.

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