

Global Markets Research

Daily Market Highlights

Key Takeaways

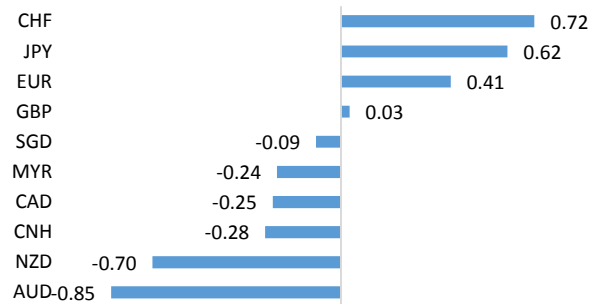
- US stocks generally retreated overnight amid profit taking following a powerful rally that briefly brought the S&P500 to a positive territory this year.** The index slipped 0.8% DOD to 3207.18, below where it started in early 2020. The Dow Jones lost 300pts or 1.1% but NASDAQ continued to gain 0.3% to a new record, as info tech and communications services stocks rose. It is likely that investors still have doubt over the potential economic rebound in the US, especially when protests and large gatherings across multiple states could lead to even higher Covid-19 infections and risk a second wave of outbreak.
- The yield on 10Y US treasury yield edged lower again by 5 basis points to 0.83%, indicating investor jittery.** Gold price climbed 1.0% to \$1715.33/ounce and the dollar continued to weaken; the dollar index fell 0.3% to 96.324. Crude oil rebounded over OPEC+ new deal to extend production cut and generally brighter commodity outlook; Brent crude settled at \$41.18/barrel (+0.9%) and WTI closed at \$38.94/barrel (+2%). **All eyes will be on upcoming FOMC meeting** early tomorrow morning.
- Data remained scarce.** US small business optimism recovered as economy reopened. Same goes to Australia overall business confidence. Eurozone GDP growth was revised slightly higher from -3.8% to -3.6% QOQ. Japan machinery orders recorded double-digit declines (-12% MOM and -17.7% YOY) and PPI fell 2.7% YOY, deepening the deflation in Japan.
- The dollar U-turned to weaken 0.3% on Tuesday, after a brief rebound. DXY closed at 96.324 from 96.618 a day earlier. JPY and CHF saw some gains against the USD, as AUD and NZD corrected. We are **neutral to bearish** on the USD for the week ahead. At current levels below 97, we expect some consolidation at some point in time.
- USDMYR finished 0.24% higher at 4.2770. The pair's **daily outlook is neutral to slightly bearish** in our view as the USD remains pressured on a broader level and the reopening of more economic sectors locally alongside brighter commodity outlook is likely to support MYR in the short term. Uncertainty about US-China tension continues to be a downside risk to MYR.

Market Snapshots

	Last Price	DoD%	YTD%
Dow Jones Ind.	27,272.30	-1.09	-4.44
S&P 500	3,207.18	-0.78	-0.73
FTSE 100	6,335.72	-2.11	-16.00
Hang Seng	25,057.22	1.13	-11.11
KLCI	1,575.16	1.21	-0.86
STI	2,794.17	-0.10	-13.30
Dollar Index	96.32	-0.3	0.0
WTI oil (\$/bbl)	38.94	1.96	-36.23
Brent oil (\$/bbl)	41.18	0.93	-38.76
Gold (\$/oz)	1,715.33	0.99	13.03
CPO (RM/tonne)	2,380.50	-0.36	-21.32

Source: Bloomberg

FX Performances vs USD (Daily % change)



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↓
Japan	↓	Australia	↑

Up Next

Date	Event	Prior
10/06	US MBA Mortgage Applications (05 June)	-3.9%
	US CPI YoY (May)	0.30%
	JN PPI YoY (May)	-2.30%
	JN Core Machine Orders MoM (Apr)	-0.40%
	CH PPI YoY (May)	-3.10%
	CH CPI YoY (May)	3.30%
11/06	AU Westpac Consumer Conf Index (Jun)	88.1
	AU Home Loans Value MoM (Apr)	0.20%
	MA Industrial Production YoY (Apr)	-4.90%
	US FOMC Rate Decision	0-0.25%
	US PPI Final Demand YoY (May)	-1.20%
	US Initial Jobless Claims (6 Jun)	1877k
	UK RICS House Price Balance (May)	-21%
	JN BSI Large Manufacturing QoQ (2Q)	-17.2
	NZ Card Spending Retail MoM (May)	-46.80%

Source: Bloomberg

Macroeconomics

- **US Small business optimism recovered:** The NFIB Small Business Optimism Index recovered to 94.4 in May, from 90.9 in April, in line with the general rebound in sentiment as the economy reopened following the easing in social distancing rules in the US.
- **Eurozone GDP growth revised higher:** The Euro Area economy contracted lesser than initially estimated in the second reading. GDP contracted 3.6% QOQ, compared to -3.8% in the advance estimate. Compared to the same quarter last year, the annual growth was also revised to -3.1% YOY (advance: -3.2% YOY). In the fourth quarter of 2019, GDP had gained a mere 0.1% QOQ and 1.0% YOY. Nonetheless, the quarterly contraction was still the sharpest since the time series started in 1995 as Covid-19 containment measures were widely introduced in March, the final month of 1Q.
- **Japan machinery orders slumped; factories mired in deflation:** Machinery orders fell 12% MOM in April, following the minor 0.4% decline in March. This is a direct impact of mid-April nationwide shutdown as businesses halted operations. YOY, machinery orders fell a whopping 17.7%, compared to -0.7% in March. Meanwhile, producer prices continued to fall 2.7% YOY in May (Apr:-2.3%), its third consecutive month of decline, sending factories deeper into deflation.
- **Australia business confidence rebounded:** The NAB Business Confidence Index rose to -24 in May, from -34 in April as confidence level among the business community bounced back in response to the easing in social distancing rules in Australia. Business conditions saw a broad-based improvement but remain deep in negative with services sector remaining the weakest.

Forex

MYR (Neutral to slightly bullish)

- USDMYR finished 0.2% higher at 4.2770.
- The pair's daily outlook is neutral to slightly bearish in our view as the USD remains pressured on a broader level and the reopening of more economic sectors locally alongside brighter commodity outlook is likely to support MYR in the short term. Uncertainty about US-China tension continues to be a downside risk to MYR.

USD (Neutral-to-Bearish)

- The dollar U-turned to weaken 0.3% on Tuesday, after a brief rebound. DXY closed at 96.324 from 96.618 a day earlier. JPY and CHF saw some gains against the USD, as AUD and NZD corrected.
- We are **neutral to bearish** on the USD for the week ahead. At current levels below 97, we expect some consolidation at some point in time.

EUR (Neutral-to-Bullish)

- EUR/USD benefitted from USD weaknesses, reaching a high of 1.1364 for the day and registering a 0.41% gain on Tuesday.
- We are neutral to bullish on EUR for the week. Momentum is strong but consolidation is likely at some stage. This week's data (GDP revision, industrial production, CPI) should not derail momentum.

GBP (Neutral)

- GBP/USD has consolidated after prior gains on Tuesday. Pair touched a high of 1.2755 but was unsustainable and is now hovering just above 1.2700 big figure.
- We remain neutral on GBP for the following week, on consolidation. There are less reasons to be optimistic on the GBP than the EUR, given Brexit uncertainty, worse Covid-19 infection and fundamentals. Progress in Brexit talks will be keenly watched after Germany's ambassador to the EU said that there has been no real progress in the EU-UK trade deal.

JPY (Neutral-to-Bearish)

- The JPY rebound continues for a second consecutive day, bringing USD/JPY below 108. However, we observed some consolidation in momentum.
- We stay neutral to bearish on the JPY for the week ahead. A key swing factor may also be on the Covid-19 outbreak in Japan, which may see a second wave in Tokyo and Fukuoka.

AUD (Neutral-to-Bullish)

- AUD/USD has corrected after reaching a high of 0.7041 on Tuesday, It has since dipped to 0.6899 before recovering to above 0.69 levels.
- We are neutral to bullish on the AUD at current levels. We see some consolidation around the 0.69-0.70 range. There is a risk that AUD will drop, mainly from event risks like rising US-China or China-Australia relations, or commodity markets.

SGD (Neutral-to-Bullish)

- USD/SGD saw some consolidation against the USD on Tuesday after a downward move to below 1.39. Pair overall rebounded for the day.
- A move below 1.40 shifts the overall equation for the pair. We stay neutral to bullish on the SGD. Pair may look to remain at a range of 1.38-1.39 should sentiments improve further.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.