

Global Markets Research

Daily Market Highlights

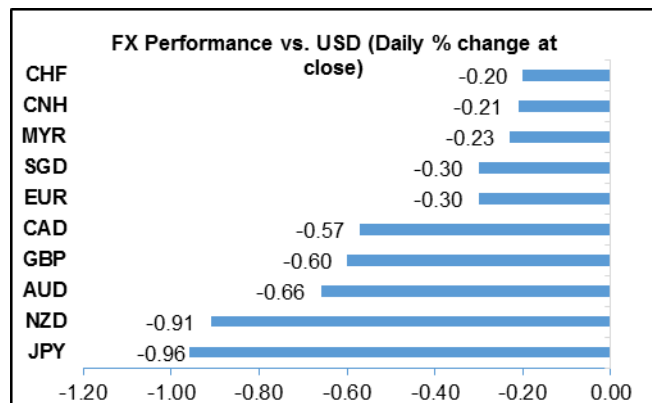
Key Takeaways

- US stock benchmarks ended little changed on Monday as investors remained on the edge over US-China trade tension and the reopening of economies across the country.** Main indexes saw mixed performances with the Dow Jones closing 0.4% lower DOD and S&P500 virtually unchanged; the NASDAQ rose 0.8%. Healthcare and tech sectors were the top gainers overnight among the eleven S&P sectors, majority of them posted modest declines. Stocks had ended lower in Europe earlier but higher in Asia on Monday, similarly against a background of uncertainties surrounding the gradual reopening of businesses of which South Korea's recent spike in cases serves as a warning. The WSJ reported that the Trump Administration is planning to accuse China of stealing intellectual property related to Covid-19 treatment, a move that could again damage the already fragile Sino-American relation.
- Looking at other asset classes, **10Y UST yield rose for the second session to 0.71% (+3bps) and gold price also trended lower for two successive session to \$1697.93 (-0.3% DOD).** The greenback turned stronger as gold weakened; the dollar index gained 0.5% to 100.236, its largest daily increase since mid-April. Crude oil prices failed to hold on to gains boosted by Saudi Arabia's increase in official pricing last week – Brent crude lost 4.3% DOD to \$29.63/barrel and WTI fell 2.4% to \$24.14/barrel.
- Data were limited to New Zealand statistics- Retail card spending fell by NZD2.6b or nearly 50% in April as a nationwide lockdown crimped spending.** On a brighter note, business confidence recovered modestly although outlook remained poor as the ANZ Business Confidence Index jumped 21pts to -46 in early May. **China and US inflation data are key watches for the day.**
- The USD strengthened broadly against G10 currencies on Monday, reversing trends seen for the prior two trading days.** DXY gained 0.5% to 100.236, its largest daily increase since mid-April. This was the most against JPY and NZD (almost 1%), reversing prior losses. **We are neutral to bullish on the USD on a 1-week basis.** We see some long positioning this period as the US economy reopens, even as the threat of rising Covid-19 cases climb. Some US-China cooperation may also help with market confidence. DXY is set to stay within 99.0-100.5 range in our view.
- USDMYR finished 0.23% higher on Friday at 4.3340. MYR market was closed for a public holiday yesterday. **USDMYR outlook looks bullish today** following the overnight strength in the greenback with investors being watchful over the reopening of some parts of the global economy and the potential re-emergence of US-China trade tension. On the local front, the conditional MCO has also been extended to 9 June and the MYR market is anticipating the release of 1Q GDP tomorrow. Our house view is calling for a small positive growth of 1.2% YOY.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	24,221.99	-0.45	-15.13
S&P 500	2,930.32	0.02	-9.30
FTSE 100	5,939.73	0.06	-21.25
Hang Seng	24,602.06	1.53	-12.73
KLCI	1,382.31	0.39	-12.99
STI	2,611.31	0.75	-18.97
Dollar Index	100.24	0.5	4.2
WTI oil (\$/bbl)	24.14	-2.43	-60.47
Brent oil (\$/bbl)	29.63	-4.33	-54.76
Gold (\$/oz)	1,697.93	-0.28	11.79
CPO (RM/tonne)	2,032.50	-0.22	-32.82

Source: Bloomberg
*KLCI close as at 8 May



Source: Bloomberg

Overnight Economic Data

New Zealand →

Up Next

Date	Event	Prior
12/05	MA Industrial Production (Mar)	5.8%
	US NFIB Small Business Optimism (Apr)	96.4
	US CPI YoY (Apr)	1.5%
	JN Leading Index CI (Mar P)	91.7
	CH PPI YoY (Apr)	-1.5%
13/05	CH CPI YoY (Apr)	4.3%
	AU NAB Business Confidence (Apr)	-66
	MA GDP YoY (1Q)	3.6%
	US MBA Mortgage Applications (08 May)	0.1%
	US PPI Final Demand YoY (Apr)	0.70%
	EC Industrial Production SA MoM (Mar)	-0.1%
	UK Industrial Production MoM (Mar)	0.1%
	UK Visible Trade Balance GBP/Mn (Mar)	-£11487m
	UK GDP QoQ (1Q P)	0.0%
	JN Eco Watchers Survey Outlook SA (Apr)	18.8
AU Westpac Consumer Conf Index (May)	75.6	
AU Wage Price Index YoY (1Q)	2.2%	
NZ RBNZ Official Cash Rate (41395)	--	

Source: Bloomberg

Macroeconomics

- **New Zealand retail sales fell nearly 50%:** Retail card spending in New Zealand fell by NZD2.6b or 47% MOM in April, its largest decline on record and represents NZD520 fall in spending for each person compared to March. This follows a 4.6% decline in March and mainly because non-essential businesses temporarily shut down during a nationwide lockdown to contain Covid-19 pandemic. All industries recorded unprecedented falls in sales with furniture, hardware and appliances, classified as durable goods leading the decline.
- **Modest recovery in New Zealand business confidence:** Preliminary data show that business confidence recovered modestly in May- the ANZ Business Confidence jumped 21pts to -46 in early May following a dismal -66.6 in April. Nonetheless, the index remained far below 0, highlighting businesses' sense of gloominess. The bounce in May reflects higher readings of all forward-looking indicators but are still indicative of weak activity ahead. This comes after New Zealand had emerged from a successful lockdown which has thus far managed to eliminate the community spreading of the virus.

Forex

MYR

- USDMYR finished 0.23% higher on Friday at 4.3340. MYR market was closed for a public holiday yesterday.
- **USDMYR outlook looks bullish today** following the overnight strength in the greenback with investors being watchful over the reopening of some parts of the global economy and the potential re-emergence of US-China trade tension. On the local front, the conditional MCO has also been extended to 9 June and the MYR market is anticipating the release of 1Q GDP tomorrow. Our house view is calling for a small positive growth of 1.2% YOY.

USD

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EUR

- The EUR/USD has stalled close to the 1.0850 levels, after it 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.
- **Pair likely to remain within the 1.0800-1.1000 big figures.** Economic fundamentals look to improve as Eurozone economies reopen cautiously from the Covid-19 pandemic.

GBP

- GBP is once again on the downward trend, as policy uncertainty in the UK climbed and the Covid-19 escalated.
- **We caution against being optimistic about the GBP** down the road. Economic fundamentals remain extremely weak. BOE expects a 14% decrease in 2020 GDP this year. Risk aversion also does not favour the GBP in our view.

JPY

- JPY has corrected back to the 107s after grinding stronger past two weeks. This has come despite some recovery in risk sentiments. BOJ is unlikely to undertake more measures at this stage, weakening the case for a softer JPY.
- We see **room for USD/JPY to slightly rebound** in the coming day amid 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 closed in on the 1-month high of 0.6570 ((30 April) in recent days. However, the pair has corrected to below 0.6500 level on Monday after USD rebounded.
- **AUD/USD may correct further** after being at stretched level, partly from depressed commodity markets. We see a sustainable AUD/USD level at around 0.6300.

SGD

- Downside momentum on USD/SGD has recently stalled at lower levels and has since rebounded on USD strength. Range at 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.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

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

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