

Global Markets Research

Daily Market Highlights

Key Takeaways

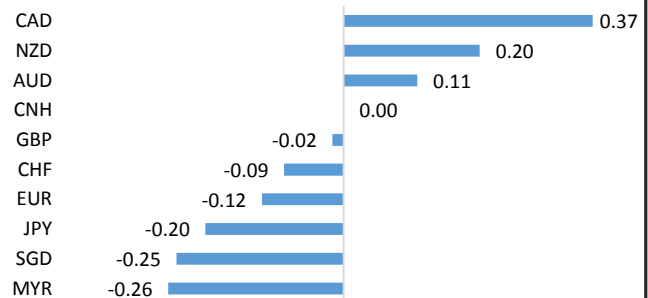
- US stocks rebounded overnight, defying trends in Europe and Asia despite elevating jobless claims.** After falling for three sessions, the Dow Jones rose 377pts or 1.6% DOD, the S&P gained 1.2%, led by financials (+2.6%) while NASDAQ was up by 0.9%. **Latest jobless claims data put the total 8-week or two month claims at a staggering 36.5mil.** In another erratic move, President Trump said that he considered cutting off the whole relationship with China, risking the escalation of US-China tension.
- Poor economic data alongside renewed US-China tension did not seem to stir investors away from equity on Thursday but the simultaneous gain in other safer asset classes suggests lurking risk aversion.** Treasury yields were lower overnight; 10Y UST fell for the third successive day to 0.62% (-3bps), gold price gained for the third session to \$1730.3/ounce (+0.8%) and the dollar strengthened further; the dollar index rose 0.2% to 100.47, solidifying its position above 100. Oil prices surged as OPEC slashed its forecast for oil demand and also predicted a drop in supply, indicating further cuts in crude production. Futures suggest that Asian stocks are opening higher later this morning.
- Spotlight was on US new jobless claims which came in higher than expected at 2.98mil last week.** The import price index dropped 2.6% MOM thanks to a record fall in imported fuel prices of nearly 32%. Japan factories slumped back to deflation as PPI dropped sharply by 2.3% YOY. The country's machine tools order nearly halved in April compared to the same month last year. Australia lost nearly 600k jobs in April and unemployment rate surged to 6.2%. New Zealand manufacturing PMI fell to 26.1 in March. **Key data today are China's monthly economic indicators as well as US retail sales and industrial production.**
- The USD peaked on Thursday before a swift retreat seen near closer. After a peak of 100.556, DXY rose 0.2% overall to 100.466, solidifying its position above 100. Thursday saw USD gain against some other major G10 currencies – EUR, JPY in particular. **We turn neutral to bullish on the USD on a 1-week basis.** Risk sentiments are currently souring, which can provide for some USD strength near-term. We see some possible moves closer to the 101 level for the DXY.
- USDMYR finished Thursday's session slightly higher (+0.26%) at 4.3390 on the back of stronger dollar. **Daily outlook for the pair remains bullish in our view** ahead of the weekend as rising US-China tension is posing a downside risk to MYR and risk aversion still dominates markets despite the modest rebound in US equity overnight.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	23,625.34	1.62	-17.22
S&P 500	2,852.50	1.15	-11.71
FTSE 100	5,741.54	-2.75	-23.88
Hang Seng	23,829.74	-1.45	-15.47
KLCI	1,397.25	0.01	-12.05
STI	2,522.31	-1.93	-21.74
Dollar Index	100.47	0.2	4.0
WTI oil (\$/bbl)	27.56	8.98	-54.86
Brent oil (\$/bbl)	31.13	6.65	-52.77
Gold (\$/oz)	1,730.30	0.82	14.09
CPO (RM/tonne)	2,039.00	0.82	-32.61

Source: Bloomberg

FX Performance vs USD (Daily % Change at close)



Source: Bloomberg

Overnight Economic Data

US	↓	Japan	↓
Australia	↓	New Zealand	↓

Up Next

Date	Event	Prior
15/05	US Retail Sales Advance MoM (Apr)	-8.7%
	US Empire Manufacturing (May)	-78.2
	US Industrial Production MoM (Apr)	-5.4%
	US U. of Mich. Sentiment (May P)	71.8
	EU Trade Balance SA (Mar)	25.8b
	EU GDP SA QoQ (1Q P)	-3.8%
	CH Industrial Production YoY (Apr)	-1.1%
	CH Retail Sales YoY (Apr)	-15.8%
	CH Fixed Assets Ex Rural YTD YoY (Apr)	-16.1%
	18/05	US NAHB Housing Market Index (May)
UK Rightmove House Prices YoY (May)		2.1%
JN GDP Deflator YoY (1Q P)		1.2%
JN GDP SA QoQ (1Q P)		-1.8%
SI Non-oil Domestic Exports YoY (Apr)		17.6%
NZ Performance Services Index (Apr)		52.0

Source: Bloomberg

Macroeconomics

- US initial jobless claims topped 36mil in 2 months:** Initial jobless claims came in at 2.981mil for the week ended 8 May, its smallest weekly gain in two months since US states began to issue stay-at-home orders to curb Covid-19 pandemic. Still, the latest number was higher than analysts' forecast of 2.5mil and put the total new jobless claims at near 36.5mil in a matter of 2 months, highlighting the devastating impact of the pandemic on the US labour market.
- Record drop in US imported fuel prices:** Import price index fell 2.6% MOM in April (Mar: -2.4%), marking its largest monthly drop since Jan-15. This reflects the record 31.5% MOM decline in imported fuel prices (following the 26% decline in March) as global crude oil prices collapsed in April. Comparatively, prices of nonfuel imports only fell -0.5% MOM, its first decline in four months. YOY, import prices recorded an 6.8% decline, its steepest fall since Dec-15.
- Japan factory slumped back to deflation:** Producer price index fell 1.5% MOM in April, following the 0.9% decline earlier. This left the annual decline in prices to steepen to 2.3% YOY, when compared to the same month in 2019 (Mar: -0.4%), pushing factories back into a state of deflation. Prices had recovered from Nov last year all the way to February after a period of decline in 2019, but had began to fall again in March ever since global crude oil prices lost ground and pandemic hit the world economy.
- Sharp fall in Japan's machine tools order:** Orders of Japan's machine tools declined sharply by 48.3% YOY in April according to preliminary reading. This follows the 40.7% decrease in the previous month as both domestic and overseas demand were curtailed by pandemic fallout.
- Australia lost nearly 600k jobs in April:** The Australian economy lost a record 594.3k jobs in April (Mar: +7k), a direct impact of the Covid-19 pandemic. Full-time jobs were slashed by 220.5k while about 374k part-time jobs were lost. Unemployment rate jumped to 6.2%, the highest level since Sep-15, this was however below market expectation of 8.3%. Unsurprisingly the labour force participation rate went down to 63.5% from 66% as citizens were mostly staying at home.
- NZ BusinessNZ Manufacturing PMI contracted in Mar:** The New Zealand BNZ Manufacturing PMI plunged to 26.1 in March from 53.2 in February, as activity was curtailed by the strict social distancing rules issued by the government. The country has since then managed to successfully contain the spread of Covid-19 and is easing its lockdown rules.

Forex

MYR (Bullish)

- USDMYR finished Thursday's session slightly higher (+0.26%) at 4.3390 on the back of stronger dollar.
- Daily outlook for the pair remains bullish in our view ahead of the weekend as rising US-China tension is posing a downside risk to MYR and risk aversion still dominates markets despite the modest rebound in US equity overnight.

USD (Neutral)

- The USD peaked on Thursday before a swift retreat seen near closer. After a peak of 100.556, DXY rose 0.2% overall to 100.466, solidifying its position above 100. Thursday saw USD gain against some other major G10 currencies – EUR, JPY in particular.
- We turn neutral to bullish on the USD on a 1-week basis. Risk sentiments are currently souring, which can provide for some USD strength near-term. We see some possible moves closer to the 101 level for the DXY.

EUR (Neutral)

- EUR/USD dipped below 1.08 to a low of 1.0775 on Thursday. However, pair continues to like 1.08 as a floor and pair has returned above the big figure. This came partially from some USD strength.
- 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 (Neutral to Bearish)

- GBP stayed on the downward trend, reaching a low of 1.2166 before rebounding above 1.2234 at close.
- We remain pessimistic regarding the GBP. Despite economic reopening, the Covid-19 outbreak continues to escalate in the UK. BOE expects a 14% decrease in 2020 GDP this year. Risk aversion also does not favour the GBP in our view.

JPY (Bullish)

- USD/JPY reversed the weekly downward trend on Thursday and rebounded above the 107.38. Pair was last seen looking towards the 107.50 level, after consolidating closer to 107.25.
- Policy differentials between Fed and BOJ may favour slight JPY strength. In addition, we expect some market risk aversion in the coming weeks. Our End-June forecast is 107.

AUD (Neutral to Bearish)

- AUD/USD was weighed down towards 0.6400 on Thursday by a poor labour market report. However, there was some reprieve near closing, with pair now looking towards the 0.6500 level once again. This has come on the back of stretched positioning and a return of risk aversion.
- 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 (Neutral to Bearish)

- USD/SGD peaked at 1.4265 on Thursday before returning closer to 1.4230s at close. The bid towards higher levels have been a trend since 11 May. We see some scope for higher USD/SGD, closer to the 1-month high of 1.4329.
- 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 Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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