18 June, 2020

# Global Markets Research

# Daily Market Highlights

## Key Takeaways

- **US stocks ended on a mixed note overnigh**t in a choppy session marked by multiple swings as markets parsed negative Covid-19 headlines. **Infections are rising sharply in six US states** according to Reuters which if persist, could invite a new round of lockdown. This came as **China is tightening restrictions in Beijing that include flight cancellation and school closure** in a bid to stem an outbreak in the capital city after the sharp increases in cases for the past week.

- The Dow Jones lost 0.6% and the S&P500 was 0.4% lower with energy shares leading the biggest fall. NASDAQ managed to eek out a 0.1% gain. Looking at other asset classes, **10Y UST yield (-1) was little changed, and gold price was flat at $1726.95. Crude oil prices fell modestly** -- Brent crude was 0.6% lower at $40.71/barrel and WTI fell 1.1% to $37.96/barrel, reacting to the 1.2mil increase in US crude stockpiles. **Key data due today are Australia's job report and markets will be closely watching the Bank of England MPC meeting.**

- On the data front, **US homebuilding activity recovered** given the double digit jump in housing starts (+14.4%), but a modest increase in building permits (+4.3%) issued was not that promising. Eurozone annual HICP inflation came in at a mere 0.1% while UK CPI inflation also eased to 0.5% YOY. **New Zealand 1Q GDP shed 1.6% QOQ as lockdown led to a widespread decline in economic activity.**

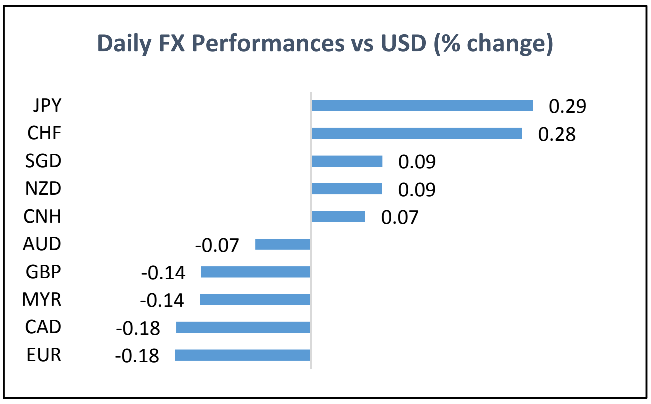
- The USD rebounded again on Wednesday. DXY went up by 0.2%, closing above 97. It gained against the EUR. AUD and NZD, but safe haven currencies like the JPY and CHF advanced against the dollar. DXY has remained in range movement since 10 June, after a bottom of 95.716 on 11 June. We are **neutral to bearish on the USD** for the week ahead. Risk sentiments may play a part in driving USD movements. Fed accommodation will likely remain a large factor in driving further moves downwards.

- USDMYR finished slightly higher on Wednesday at 4.2830 following an indecisive session. We turned **neutral on USDMYR** today amid a lack of market driver. In the short-to-medium term, uncertainty surrounding US-China tension and the renewed worry about a new Covid-19 outbreak in China continues to linger and pose as a downside risk to MYR.

## Market Snapshots

| | Last Price | DoD % | YTD % |
|---|---|---|---|
| Dow Jones Ind. | 26,119.61 | -0.65 | -8.48 |
| S&P 500 | 3,113.49 | -0.36 | -3.63 |
| FTSE 100 | 6,253.25 | 0.17 | -17.09 |
| Hang Seng | 24,481.41 | 0.56 | -13.15 |
| KLCI | 1,526.32 | 0.57 | -3.93 |
| STI | 2,669.62 | 0.10 | -17.17 |
| Dollar Index | 97.16 | 0.2 | 0.7 |
| WTI oil ($/bbl) | 37.96 | -1.09 | -37.83 |
| Brent oil ($/bbl) | 40.71 | -0.61 | -39.06 |
| Gold ($/oz) | 1,726.95 | 0.02 | 13.82 |
| CPO (RM/tonne) | 2,404.50 | 1.48 | -20.53 |

*Source: Bloomberg*




*Source: Bloomberg*

### Overnight Economic Data

| | | | |
|---|---|---|---|
| US | ↑ | Eurozone | ↑ |
| UK | ↓ | New Zealand | ↓ |

## Up Next

| Date | Event | Prior |
|---|---|---|
| 18/06 | US Philadelphia Fed Business Outlook (Jun) | -43.1 |
| | US Initial Jobless Claims (13/06) | -- |
| | US Leading Index (May) | -4.4% |
| | UK Bank of England Bank Rate (18/06) | 0.1% |
| | AU Employment Change (May) | -594.3k |
| | AU Unemployment Rate (May) | 6.2% |
| 19/06 | UK Retail Sales Inc Auto Fuel MoM (May) | -18.1% |
| | JP Natl CPI Ex Fresh Food YoY (May) | -0.2% |
| | UK CBI Trends Total Orders (Jun) | -62.0 |

*Source: Bloomberg*

# Macroeconomics

- ***Homebuilding activity recovered in US:*** Housing starts rose 14.4% MOM in May to a seasonally adjusted annual pace of 974k unit, rebounding from the 21.4% fall in April as delayed construction work were initiated when the economy reopened. The recovery in building permits issued was more modest at 4.3%, following April's 26.4% decline, this could suggest that builders were wary of the housing outlook amid much uncertainties.

- ***Eurozone inflation at near 0%:*** Eurozone inflation went negative on a monthly basis, recording a 0.1% MOM decline in May (Apr: +0.3%). The annual HICP inflation rate continued to pull back for the fourth month, to a mere 0.1% YOY in May, from the 0.3% YOY in April. This was driven by the 11.9% decline in energy prices and a smaller gain in prices of food, alcohol and tobacco. Services inflation went a tad higher at 1.3%.

- ***UK inflation eased further in May***: UK headline consumer price index was unchanged MOM in May following the -0.2% decline in April. The annual CPI rate was was slower at 0.5% YOY compared to 0.8% prior, marking its fourth consecutive month of slowdown. Higher prices of food and non-alcoholic drink helped partially offset falling prices of motor fuel prices and recreational & cultural goods. Core CPI was also softer at 1.2% YOY, from 1.4% in April.

- ***New Zealand GDP shed 1.6% in 1Q:*** New Zealand economy shrank 1.6% QOQ in the first quarter of 2020 (4Q: +0.5%), marking its first contraction since 4Q2010 and its largest fall since 1Q1991. On an annual basis, GDP fell 0.2% YOY (4Q: +1.8%), missing analyst expectation of a 0.3% growth. There was a widespread drop in economic activity after the country was placed in a lockdown in an eventually successful bid to contain Covid-19 pandemic. Services sector which accounts for two third of the economy fell 1.1% QOQ and made the largest downward contribution to the overall contraction. Manufacturing was down by 2.7% while primary industry fell 1%.

# Forex

**MYR (Neutral)**

- USDMYR finished slightly higher on Wednesday at 4.2830 following an indecisive session.
- We turned neutral on USDMYR today amid a lack of market driver. In the short-to-medium term, uncertainty surrounding US-China tension and the renewed worry about a new Covid-19 outbreak in China continues to linger and pose as a downside risk to MYR.

**USD (Bearish)**

- The USD rebounded again on Wednesday. DXY went up by 0.2%, closing above 97. It gained against the EUR. AUD and NZD, but safe haven currencies like the JPY and CHF advanced against the dollar. DXY has remained in range movement since 10 June, after a bottom of 95.716 on 11 June.
- We are **neutral to bearish** on the USD for the week ahead. Risk sentiments may play a part in driving USD movements. Fed accommodation will likely remain a large factor in driving further moves downwards.

**EUR (Neutral)**

- EUR/USD fell by 0.18% on Wednesday. Pair is now consolidating on a downward move. Range-trading may stay. EUR/USD has stayed in a range of 1.1195-1.1422 since 4 June.
- We turn neutral on EUR for the week. Momentum to weaken is not strong at the moment. However, the EUR may turn out a casualty if USD strengthens again.

**GBP (Neutral-to-Bearish)**

- GBP/USD continued showing signs of consolidation, after a slight 0.14% dip on Wednesday. BOE in focus, although the UK was cheered by football action returning on Wednesday.
- We remain bearish on GBP during periods of USD strength. Fundamentally, there are less reasons to be optimistic on the GBP than the EUR, given Brexit uncertainty, worse Covid-19 infection and fundamentals.

**JPY (Neutral-to-Bearish)**

- JPY strengthened against the USD on Wednesday, moving away from the range trading from the prior week. JPY gained 0.29% and moved below the 107 big figure.
- We are neutral to bearish on the JPY on the week ahead. We see psychological support around the 106 big figure, unless risk aversion climbs significantly.

**AUD (Neutral)**

- AUD/USD weakened by a slight 0.07% on Wednesday, now staying below the 0.69 big figure.
- Despite looking stretched, AUD is now looking quite balanced in terms of both its bullish and bearish signs. Pair remains much higher than 50, 100 and 200 day averages, so there may exist some pressure for a near-term retreat to 0.6551-0.6665.

**SGD (Neutral)**

- USD/SGD consolidated further on Wednesday after a rebound on Tuesday. Pair looks entrenched in consolidation mode since 10 June.
- Psychological resistance for USD/SGD is at 1.4000. Following which, the attention may turn to 100-day moving average of 1.4085. Still, a weaker USD may move USD/SGD to the lower half of the 1.38-1.40 range. A breakthrough of this range will likely signal at some momentum.

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