

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

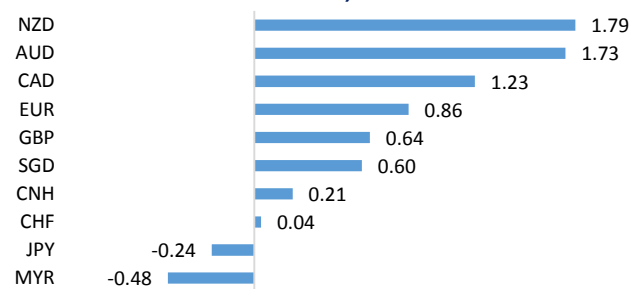
- US stocks rallied overnight**, boosted by drugmaker Moderna's announcement of its success in preliminary human trial of a Covid-19 vaccine that gave rise to hope that a vaccine could be available as early as late 2020. Prior to that, stocks were already trading higher alongside continuous recovery in crude oil prices and following **Fed Chair Jerome Powell's interview** on "60 Minutes" who **reassured the central bank's readiness to act and predicted a significant economic rebound**. He said that the US economy could contract more than 30% in the second quarter but would avoid a longer-term depression. The Dow Jones added 912pts or 3.9% overnight, its largest gain since early April; the S&P500 rose 3.2% and NASDAQ was up by 2.4%. Gains were broad-based across all eleven sectors, led by energy and industrial shares. Moderna's share price jumped 24%.
- Investors dumped safe haven assets amid a significant improvement in global risk appetite**; in fact stocks had risen in Europe and much earlier in Asia. Treasury yields rose; 10Y UST jumped by a whopping 9bps to 0.73%; gold price retreated from a fresh 7-year high of \$1764.73/ounce to \$1732.55/ounce (-0.6%), snapping its 5-day winning streak. The US dollar also backed off where the dollar index lost 0.7% to 99.665, back to below 100. Crude oils scored big wins and surged to two-month highs on the back of better demand outlook as economies reopened; Brent crude rose 7.1% DOD to \$34.81/barrel and WTI was up by 8.1% to \$31.82/barrel. **Focus turns to RBA meeting minutes and the UK April job report** is expected to shed light on the pandemic's full impact on the labour market.
- Data releases were limited to **US NAHB Housing Market Index** that **managed to rebound** 7pts following a record plunge, **New Zealand services index meanwhile fell to an all-time low in April**.
- The USD weakened significantly on Monday. DXY weakened by 0.7% to close at 99.665, after the US touted some progress in creating a Covid-19 vaccine. AUD and NZD gained the most against the USD on Monday, each strengthening more than 1.7% against the USD. In contrast, JPY weakened by 0.24%. **We turn neutral on the USD on a 1-week basis**. Uncertainty regarding US-China relations may cloud improving market sentiments on Covid-19 vaccine.
- USDMYR closed 0.48% higher at 4.3720 on Monday as the dollar was firmer amid lingering risk aversion amid uncertainty surrounding US-China relation. **The return in risk appetite that has resulted in a weaker dollar overnight is likely reverse the pair's movement today**, giving some temporary boost to MYR alongside potentially higher equities in Asia. Futures indicated that Asian stocks are poised for a strong start later this morning, tracking the jump in US equities overnight.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	24,597.37	3.85	-13.81
S&P 500	2,953.91	3.15	-8.57
FTSE 100	6,048.59	4.29	-19.81
Hang Seng	23,934.77	0.58	-15.09
KLCI	1,410.16	0.48	-11.24
STI	2,539.28	0.62	-21.21
Dollar Index	99.67	-0.7	3.3
WTI oil (\$/bbl)	31.82	8.12	-47.89
Brent oil (\$/bbl)	34.81	7.11	-45.97
Gold (\$/oz)	1,732.55	-0.64	14.30
CPO (RM/tonne)	2,084.00	2.48	-31.12

Source: Bloomberg

#### FX Performances vs USD (Daily % change at close)



Source: Bloomberg

#### Overnight Economic Data

US	↑	New Zealand	↓
----	---	-------------	---

#### Up Next

Date	Event	Prior
19/05	US Building Permits MoM (Apr)	-6.8%
	US Housing Starts MoM (Apr)	-22.3%
	EC ZEW Survey Expectations (May)	25.2
	UK Average Weekly Earnings 3M/YoY (Mar)	2.8%
	UK ILO Unemployment Rate 3Mths (Mar)	4.0%
	UK Employment Change 3M/3M (Mar)	172k
20/05	JP Industrial Production YoY (Mar F)	-5.2%
	AU RBA Minutes of May Policy Meeting	
	MA CPI YoY (Apr)	-0.20%
	US MBA Mortgage Applications (15 May)	--
	EC CPI YoY (Apr F)	0.7%
	EC Consumer Confidence (May A)	-22.7
	UK CPI YoY (Apr)	1.5%
	JN Core Machine Orders MoM (Mar)	2.3%
	CH 1-Year Loan Prime Rate (20 May)	3.85%

Source: Bloomberg

## Macroeconomics

- **Modest recovery in US homebuilders' confidence:** Homebuilders' confidence in the US recovered modestly this month following the historic fall recorded last month. The NAHB Housing Market Index rebounded to 37 in May, from 30 in April, indicating that the housing market is showing a sign of stabilisation and "gradually moving forward" amid the Covid-19 pandemic. All the sub-indexes posted gains this month - current sales conditions (+6pts) sales expectations in the next six months (+10pts) and traffic of prospective buyers (+8pts). NAHB said that low interest rates helped to sustain demand and builders were showing flexibilities in terms of home viewing via social media, virtual tours and online closings.
- **New Zealand Services PMI fell to record low:** The BusinessNZ Performance of Services PMI plummeted to a record low of 25.9 in April, from 37.3 in March. Activity ground to a halt last month as the "almost total lockdown of the country at level 4 meant most businesses were either significantly affected, or simply couldn't trade at all during April", according to BNZ.

## Forex

### MYR (Bullish)

- USDMYR closed 0.48% higher at 4.3720 on Monday as the dollar was firmer amid lingering risk aversion amid uncertainty surrounding US-China relation.
- The return in risk appetite that has resulted in a weaker dollar overnight is likely reverse the pair's movement today, giving some temporary boost to MYR alongside potentially higher equities in Asia. Futures indicated that Asian stocks are poised for a strong start later this morning, tracking the jump in US equities overnight.

### USD (Neutral Outlook)

- The USD weakened significantly on Monday. DXY weakened 0.7% to close at 99.67, after the US touted some progress in creating a Covid-19 vaccine. AUD and NZD gained the most against the USD on Monday, each strengthening more than 1.7% against the USD. In contrast, JPY weakened by 0.24%.
- **We turn neutral on the USD on a 1-week basis.** Uncertainty regarding US-China relations may cloud improving market sentiments on Covid-19 vaccine.

### EUR (Neutral)

- EUR/USD surged late Monday from vaccine hopes, with pair climbing above 1.0900. This comes after the pair had languished close to 1.0800 levels in recent days.
- 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 1.2076 on Monday. This came as GBP underperformed compared to the EUR. GBP has since experienced a rebound from recovering risk sentiments
- We remain comparatively pessimistic regarding the GBP. Despite economic reopening, the Covid-19 outbreak continues to escalate in the UK. Brexit and risk aversion also does not favour the GBP in our view.

### JPY (Neutral to Bearish)

- USD/JPY has been range-bound, consolidating after a prior downtrend. Pair has been relatively crawling higher since 14 May, closing towards 107.50 levels.
- 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)

- AUD/USD benefitted from recovering market sentiments on Monday. Pair returned to levels seen around 8-11 May, bidding to take the 0.6550 level. This comes after AUD/USD has dipped back below the 0.6450 levels.
- 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 Outlook)

- USD/SGD tanked on Monday on some Covid-19 vaccine progress. Improving risk sentiment moved the pair by around one big figure down to around 1.4180. This came after days of progressively higher move in USD/SGD in previous days.
- Improving risk sentiments may mean that USD/SGD stays close to current levels around 1.4100-1.4200. 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](mailto: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.