

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

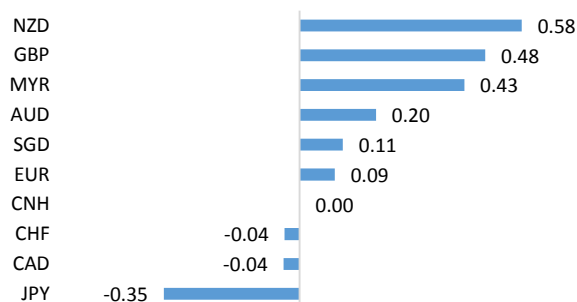
- US stocks lost steam overnight** as investors turned their attentions back to the economic fallout of the pandemic alongside emerging doubt over Moderna's claim on a successful preliminary vaccine trial that had spurred the jump in stocks on Monday. Meanwhile, **the Fed Chair Jerome Powell and Treasury Secretary Steven Mnuchin appeared on an online congressional hearing** and offered stark economic views with the former calling for more fiscal support and the latter suggesting a permanent damage to economy if states did not reopen sooner. The Dow Jones lost around 390pts or 1.6%; the S&P fell 1% and NASDAQ was 0.5% lower, following the drop in European equities earlier.
- This led investors back into safer assets** like the US treasuries that resulted in lower yields – 10Y UST yield fell 4bps to 0.69% overnight; gold price recovered 0.7% DOD to \$1745.05/ounce but the dollar remained pressured (the dollar index was down by 0.3% to 99.37). Crude oils hovered around recent levels – Brent settled at \$34.65/barrel (-0.5% DOD) and WTI was slightly higher at \$32.50/barrel.
- US housing starts saw a record plunge of 30.2% MOM in April and building permits fell 20.8%.** Germany ZEW **Economic Sentiment Index recovered sharply for both Eurozone and Germany.** **UK jobless claims spiked** by more than 850k in April, also a record jump. Japan April industrial production fell 3.7% MOM, unrevised from the flash reading and its core machinery orders was 0.4% lower in March compared to the previous month.
- The USD fell further on Tuesday.** DXY was down by 0.3% to close at 99.37, despite some risk aversion in markets. NZD and GBP in particular strengthened against the USD. **We are neutral on the USD on a 1-week basis.** Uncertainty regarding US-China relations may cloud improving market sentiments on Covid-19 vaccine. President Trump has threatened to permanently freeze funding for the World Health Organisation. His demands for the WHO to demonstrate independence from China puts the US on a collision course with China.
- USDMYR closed 0.42% lower** at 4.3535 on Tuesday as MYR benefitted from a broad-based dollar weakness that was spurred by a temporary boost in risk appetite. **Daily outlook for the pair is neutral** as risk appetites retreated and investors reassess markets following the fall in US and European stocks overnight. US-China tension continues to pose as a downside risk to MYR.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	24,206.86	-1.59	-15.18
S&P 500	2,922.94	-1.05	-9.53
FTSE 100	6,002.23	-0.77	-20.42
Hang Seng	24,388.13	1.89	-13.49
KLCI	1,423.97	0.98	-10.37
STI	2,581.33	1.66	-19.90
Dollar Index	99.37	-0.3	3.3
WTI oil (\$/bbl)	32.50	2.14	-46.77
Brent oil (\$/bbl)	34.65	-0.46	-47.65
Gold (\$/oz)	1,745.05	0.72	15.04
CPO (RM/tonne)	2,140.50	2.71	-29.25

Source: Bloomberg

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



Source: Bloomberg

#### Overnight Economic Data

US	↓ Eurozone	↑
UK	↓ Japan	↓

#### Up Next

Date	Event	Prior
20/05	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%
21/05	CH 1-Year Loan Prime Rate (20 May)	3.85%
	US FOMC Meeting Minutes (29 Apr)	--
	US Philadelphia Fed Index (May)	-56.6
	US Initial Jobless Claims (16 May)	--
	US Markit US Manufacturing PMI (May P)	36.1
	US Markit US Services PMI (May P)	26.7
	US Leading Index (Apr)	-6.7%
	US Existing Home Sales MoM (Apr)	-8.5%
	UK Markit UK PMI Manufacturing (May P)	32.6
	UK Markit/CIPS UK Services PMI (May P)	13.4
	JP Exports YoY (Apr)	-11.70%
	JP Jibun Bank Japan PMI Mfg (May P)	41.9
	JP Jibun Bank Japan PMI Services (May P)	--
	NZ Credit Card Spending MoM (Apr)	-9.1%

Source: Bloomberg

## Macroeconomics

- Record fall in US housing starts:** Housing starts plummeted by a record 30.2% MOM to a seasonally adjusted annual pace of 891k in April, the lowest level since 2015, again a direct consequence of states' social distancing orders to stop the spread of Covid-19. Housing starts had dropped 18.6% MOM in March at the beginning of the pandemic. Building permits meanwhile fell 20.8% MOM (Mar: -5.7%) to an annual rate of 1074k, also a five-year low and the drop was the steepest since Jul 08 during the Global Financial Crisis.
- German investors turned optimistic over outlook:** The Germany ZEW Economic Sentiment Index recovered sharply from 28.2 in April to 51 in May, signifying a more optimistic expectation for economic outlook, albeit the current situation index continued to fall deeper (and slightly) from -91.5 to -93.5. The same expectation gauge for the Eurozone also rose from 25.2 to 46 in May, suggesting German investors' improved perception over a broad recovery in the euro area as the reopenings of economies are underway across member states.
- UK jobless claims jumped by more than 850k in April:** The number of people claiming unemployment benefit shot up by a record 856.5k in April, underscoring the severe impact of Covid-19 pandemic on the UK labour market and the economy as a whole. This follows months of relative steadiness in the new jobless claims number, normally holding below 30k monthly. March's new jobless claims had been at a mere 12.1k. The UK government had imposed nationwide lockdown on 23 March. Meanwhile, unemployment rate fell to 3.9% in the three months to March (three months to April: 4.0%), without taking into account the full impact of the lockdown. In the same period, the headline average hourly earnings rose 2.4%, slowing from 2.8% YOY. The base pay (excluding bonus) also grew slower at 2.7% YOY rate, from 2.9% YOY.
- Japan industrial production saw largest fall in 5 months:** Japan industrial production fell 3.7% MOM in March, unchanged from the preliminary reading. This followed a 0.3% decline in February, and marked its steepest drop since October last year (-4%) when typhoon disrupted manufacturing activity. The worst is yet to come as the Japanese government only imposed nationwide lockdown in mid-April. On an annual basis, industrial production contracted by 5.2%, its sixth straight month of decline following a 5.7% fall in February. On a separate note, private-sector machinery orders, excluding volatile items for ships and electric power companies or "core machine orders" fell by 0.4% in March, following a 2.4% decline; this is likely to extend into April as businesses halted business spending.
- Australia RBA did not offer surprise:** The RBA released the minutes of its 5 May meeting during which it had left its cash rate unchanged at 0.25%, a widely expected move. Members focused on the deep economic contraction arising from measures to contain the spread of Covid-19. On the domestic front, they noted that "economic contraction of such speed and magnitude would be unprecedented" in the 60-year history of Australia's GDP. The central bank expected output to fall by around 10% in 1H2020 and by around 6% for 2020 as a whole. This is followed by a bounce-back of 6% in 2021. Members agreed that RBA's policy package was working broadly as expected. It had scaled back the size and frequency of bond purchases but was prepared to scale up these purchases again if necessary.

## Forex

### MYR (Neutral)

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### USD (Neutral)

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- We are neutral on the USD on a 1-week basis. Uncertainty regarding US-China relations may cloud improving market sentiments on Covid-19 vaccine. President Trump has threatened to permanently freeze funding for the World Health Organisation. His demands for the WHO to demonstrate independence from China puts the US on a collision course with China.

### EUR (Neutral-to-Bullish)

- EUR/USD stayed elevated compared to previous days, reaching a high of 1.0976 before retreating slightly below.
- 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-Bullish)

- GBP continues to rebound on the back of USD weakness. GBP/USD returned to last week's levels of above-1.2200, and was last seen consolidating its gains, after pessimism led to a low of 1.2087 on 18 May.
- We see some near-term potential for GBP to catch up after prior underperformance. Still, we remain comparatively pessimistic regarding the GBP thereafter. 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)

- JPY has weakened on improvements in risk sentiments. USD/JPY reached a month-to-date high of 108.09 on 19 May.
- However, we do not expect significant further weaknesses on the JPY. Policy differentials between Fed and BOJ still favour slight JPY strength. Besides, US-China relations may pose some market concerns. Our End-June forecast is 107.

### AUD (Neutral-to-Bullish)

- AUD/USD surged to a month-to-date high of 0.6585 on Tuesday before some profit taking led to a retreat.
- 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-Bullish)

- USD/SGD was seen dipping lower on Tuesday, as Singapore announces plans to end circuit breaker. Pair reached a low of 1.4139 before some risk aversion led to a rebound. This came as the SGD outlook improved in recent days over recovering fundamentals.
- 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.

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