

Global Markets Research

Daily Market Highlights

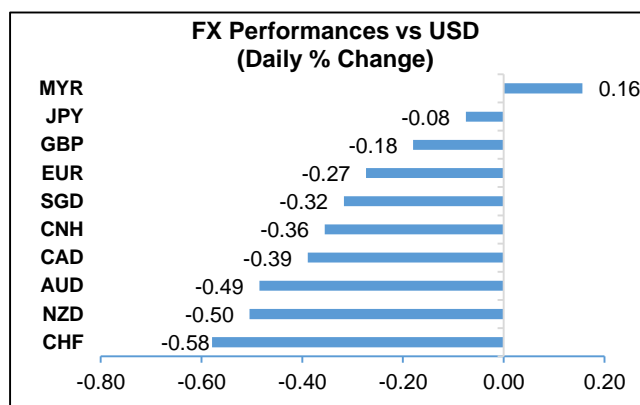
Key Takeaways

- US stocks lost momentum again on Thursday after the Labour Department reported another 2.4mil claims in US unemployment benefits last week that brought the total new claims in nine weeks to more than 38mil while rising US-China tension added to investor jittery.** China is expected to impose new national security law on Hong Kong that risks spurring major domestic protests during a pandemic; President Donald Trump vowed to react strongly to the move. Losses in major indexes were modest on daily basis and they are still on track to finish the week on a positive note thanks to the boost earlier this week- the Dow Jones fell 0.4% DOD, the S&P500 was 0.8% lower and NASDAQ suffered a larger fall of nearly 1.0%. Ten of the eleven S&P sectors ended in the red. This followed the earlier declines in major European and Asian equity benchmarks amid a general retreat in global risk appetite despite PMI data suggested easing in economic downturn in the Eurozone and UK.
- Meanwhile, the 10Y UST yield was little changed, finishing 1bp lower at 0.67%; **gold price plunged 1.2% DOD to \$1727/ounce amid profit taking and crude oils were slightly higher-** Brent was up 0.9% DOD to \$36.06/barrel and WTI rose 1.3% to \$33.92/barrel. **Futures tied to key Asian equity index projects a lower opening for Asian stocks later this morning.**
- Other than initial jobless claims, **flash Markit PMIs point to slower contraction of economic activity in the US, Eurozone and UK** while Japan manufacturing activity continued to slump. US existing home sales dropped nearly 18% last month thanks to lower listing and social distancing orders. **Japan's key inflation gauge fell 0.2% YOY, its first decline in more than three years.** Meanwhile, **attention will likely be on the Bank of Japan, after setting up an emergency meeting today.** There may be some moves of its monetary policy settings or on its central banks targets (such as the 2% inflation target). However, BOJ may more likely introduce some measures to support funding for businesses. Bloomberg reported plans to support companies via commercial banks and other financial institutions, differing from US Federal Reserve's actions.
- USD rebounded on Thursday after closing to lows seen on 15 April and 1 May. DXY rebounded to close at 99.37, after touching 99 levels in recent days. The USD gain was helped by losses particularly from CHF, NZD and AUD. **We are slightly bearish on the USD on a 1-week basis,** given bearish momentum. Technical support of 98.78 (1 May low) will likely be watched.
- USDMYR finished slightly weaker (-0.16%) at 4.3455 amid mixed sentiment and a general lack of driver ahead of US jobless claims data on Thursday. **Outlook for MYR remains neutral and slightly bearish** as market may sell the ringgit in favour of the safer dollar ahead of a long weekend with US-China tension posing a major downside risk to the local unit.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	24,474.12	-0.41	-14.24
S&P 500	2,948.51	-0.78	-8.74
FTSE 100	6,015.25	-0.86	-20.25
Hang Seng	24,280.03	-0.49	-13.87
KLCI	1,452.11	1.18	-8.60
STI	2,555.34	-0.26	-20.71
Dollar Index	99.37	0.2	3.1
WTI oil (\$/bbl)	33.92	1.28	-44.04
Brent oil (\$/bbl)	36.06	0.87	-45.24
Gold (\$/oz)	1,727.00	-1.21	13.86
CPO (RM/tonne)	2,182.00	-0.25	-27.88

Source: Bloomberg



Source: Bloomberg

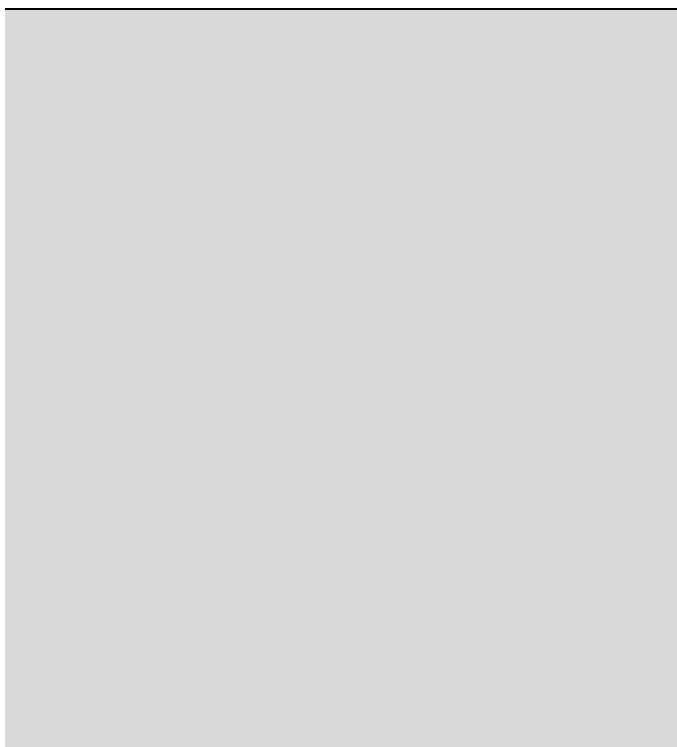
Overnight Economic Data

US	→ Eurozone	↑
UK	↑ Japan	↓
New Zealand	↓	

Up Next

Date	Event	Prior
21/05	MA Foreign Reserves (15 May)	--
	UK Retail Sales Inc Auto Fuel MoM (Apr)	-5.1%
26/05	US Chicago Fed Nat Activity Index (Apr)	-4.19
	US FHFA House Price Index MoM (Mar)	0.70%
	US S&P CoreLogic CS 20-City YoY (Mar)	3.47%
	US Consumer Confidence (May)	86.9
	US New Home Sales MoM (Apr)	-15.40%
	US Dallas Fed Manf. Activity (May)	-73.7
	JN All Industry Activity Index MoM (Mar)	-0.60%
	JN Machine Tool Orders YoY (Apr F)	--
	SI Industrial Production YoY (Apr)	16.50%
	SI CPI YoY (Apr)	0.00%
	NZ Trade Balance NZD (Apr)	672m

Source: Bloomberg



Macroeconomics

- **Flash Markit PMIs across key economies rebounded in May**, indicating easing in current economic downturn but remained at dismal levels.
 - US Markit US Manufacturing PMI rose to 39.8 in May (Apr: 36.1) and Services PMI picked up to 36.9 (Apr: 26.7).
 - Eurozone Markit Manufacturing PMI climbed up to 39.5 in May (Apr: 33.4) and the Services PMI bounced up to 28.7 (Apr: 12.0).
 - UK Markit Manufacturing PMI climbed to 40.6 (Apr: 32.6) and services PMI edged up to 27.8 (Apr: 13.4).
 - Japan Jibun Bank Manufacturing PMI slid further to 38.4 in May, its lowest level since Mar-09 from 41.9 in April; the Services PMI was slightly higher at 25.3, up from the trough of 21.5.
- **Initial jobless claims topped 38mil in nine weeks**: Initial jobless claims in the US came in at 2.438mil for the week ended 15 May, following a downwardly revised 2.687mil addition in the previous week (from 2.981mil). This put the total number of Americans filing for first-time unemployment benefits at a whopping 38.6mil in nine weeks, highlighting the severe blow dealt by social distancing rules on the US labour market. Other data remained poor as well, the Philadelphia Fed Manufacturing Index recovered a little to -43.1 in May, from -56.6 in April, but still a dismal reading.
- **US existing home sales dropped nearly 18%**: Sales of existing homes in the US plunged by 17.8% MOM to a seasonally adjusted rate of 4.33mil in April (the lowest since Jul-10), from 5.27mil in March. This was also the largest MOM drop since Jul-10 (-22.5%) in the immediate wake to the Global Financial Crisis. April's dismal sales were a result of states' move to contain Covid-19 outbreak and also a fall in inventory (-19.7% compared to a year ago).
- **Japan inflation lost steam; eyes on BOJ**: Japan headline consumer price index rose a mere 0.1% YOY in April (Mar: +0.4%) according to the Statistic Bureau of Japan. The closely watched CPI ex-fresh food, the BOJ's preferred measure of inflation fell for the first time in more than three years by 0.2% YOY, following the 0.4% increase in March. The jump in fresh food prices (+6.7%) was offset by the fall in cost of energy (-4.7%), transportations & communications (-1.2%) and education (-10%). Note that gigantic drop was attributed to free preschool since Oct-19. Inflation in Japan has been consistently low and even before the Covid-19 pandemic; in fact the last time CPI-ex fresh food hit 1% growth was in Oct-18. The BOJ appeared to have put less emphasis on its 2% price target recently, leading some speculations that the central bank might do away with the objective altogether. The possibility is low given that Governor Kuroda had continued to defend the 2% target in a remark just last week. Markets are looking forward to the BOJ meeting today.
- **New Zealand credit card spending halved in Apr; 1Q retail sales faltered**: Credit card spending in New Zealand nearly halved in April compared to the same month last year, a direct impact of the Covid-19 pandemic lockdown rules that had inhibited spending in the country. According to RBNZ data, credit card fell drastically by 41.3% MOM in April, following a 9.7% decline in March. The magnitude of decline was even bigger compared to April last year, where spending fell 49.4% YOY (Mar: -9.4%). In a separate release this morning by StatNZ, retail sales volume fell 0.7% QOQ in the first quarter, its largest fall in eight years, following a flat 4Q. StatNZ said that spending on vehicles, eating out, and accommodation away from home fell sharply.

Forex

MYR (Neutral to Slightly Bearish)

- USDMYR finished slightly weaker (-0.16%) at 4.3455 amid mixed sentiment and a general lack of driver ahead of US jobless claims data on Thursday.
- Outlook for MYR remains neutral and slightly bearish as market may sell the ringgit in favour of the safer dollar ahead of a long weekend with US-China tension posing a major downside risk to the local unit.

USD (Neutral-to-Bearish)

- USD rebounded on Thursday after closing to lows seen on 15 April and 1 May. DXY rebounded to close at 99.37, after touching 99 levels in recent days. The USD gain was helped by losses particularly from CHF, NZD and AUD.
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EUR (Neutral-to-Bullish)

- EUR/USD hit a high on 1.1008 on 21 May, after seeing a bid tone since 15 May. However, pair came off on some profit taking and was down to around 1.0950 ranges.
- 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 stayed on consolidation mode, a trend seen since 19 May. BOE Governor Bailey said on 20 May that it is keeping its lower bound policy rates under review, hinting at possibly easing further.
- 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 does not favour 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. JPY has since strengthened slightly but is staying on consolidation mode around the 107.40-107.80 range.
- We do not expect significant weaknesses on the JPY at current levels. 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 came off a month-to-date high of 0.6616 on 20 May. Pair continues to stay elevated above the 0.6550 levels on 21 May.
- Momentum is for a stronger AUD at the moment. AUD/USD may correct later on 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 has been on a downtrend since 18 May, reaching a low of 1.4121 on 20 May. However, pair has corrected on Thursday, slightly up by 0.32% to 1.4170 levels.
- 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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