

Global Markets Research

Daily Market Highlights

Key Takeaways

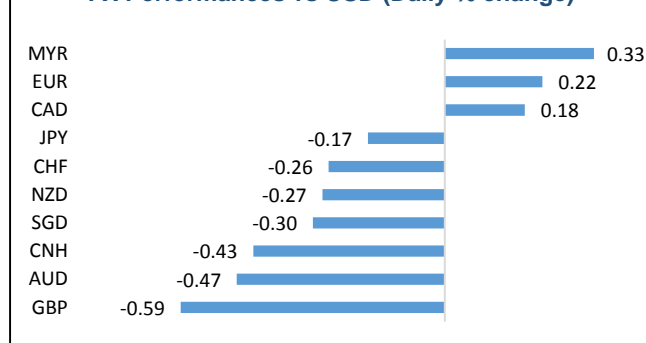
- US stocks gained further overnight, fueled by optimism surrounding the reopening of the economy**, despite the fact that US Covid-19 death tolls have now topped 100,000 in the US. The Dow Jones added another 553pts or 2.2% DOD and climbed above 25,000; the S&P 500 rose 1.5% to above 3,000 and NASDAQ was up by 0.8%; Gains were broad-based across all eleven S&P 500 sectors, led by financials (+4.3%) and industrials (+3.3%). On the same day, stocks had also picked up steam in Europe earlier although ended on a mixed note in Asia.
- 10Y treasury yield fell 2bps to 0.68% and gold price was flat at \$1709.47/ounce. **Crude oil benchmarks eased around 4.0-4.5% as Russia was said to be considering to ease its production cut starting in July** or in other words, raise production back to pre-OPEC+ agreement this year. Brent crude settled at \$34.74/barrel and WTI at \$32.81/barrel. The dollar regained some footing after weakening against major peers the day before- the dollar index rose modestly by 0.2% to 99.06. Tension is still mounting over the China-Hong Kong autonomy issue. US Secretary of State Mike Pompeo said that Hong Kong has lost its autonomy under China which is expected to approve a security law on the Special Administrative Region (SAR).
- The Fed fourth Beige Book for 2020 reported that economic activity declined in all districts**, reflecting disruptions associated with the COVID-19 pandemic. US mortgage applications rose 2.6% last week as states reopened. The Richmond Fed Manufacturing Index rebounded from record low of -53 to -27 in May.
- The USD has been on a weakening trend since mid-May. On 27 May, USD consolidated after weakening against major peers the day before. DXY eventually rose by 0.2% to 99.06. However, **the USD still looks to move on a weaker trend in the coming days**. We turn neutral-to-bearish on the USD on a one-week basis. Risk sentiments continue to improve as the worst of the pandemic is perceived to be over. The USD has broadly shrugged off concerns on US-China relations.
- USDMYR** closed 0.33% lower at 4.3480 on Wednesday as USD was weaker during the Asian session. Nonetheless the pair **is expected to trend slightly higher today** as USD regained some ground overnight thanks to cautious sentiment surrounding rising US-China tension. The US has yet to make an official response to China's new security law on Hong Kong.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	25,548.27	2.21	-10.48
S&P 500	3,036.13	1.48	-6.02
FTSE 100	6,144.25	1.26	-18.54
Hang Seng	23,301.36	-0.36	-17.34
KLCI	1,451.73	1.04	-8.62
STI	2,519.48	-0.43	-21.82
Dollar Index	99.06	0.2	2.6
WTI oil (\$/bbl)	32.81	-4.48	-46.27
Brent oil (\$/bbl)	34.74	-3.95	-48.55
Gold (\$/oz)	1,709.47	-0.06	12.73
CPO (RM/tonne)	2,212.50	0.59	-26.87

Source: Bloomberg

FX Performances vs USD (Daily % change)



Source: Bloomberg

Overnight Economic Data

US →

Up Next

Date	Event	Prior
28/05	US GDP Annualized QoQ (1Q S)	-4.80%
	US Durable Goods Orders (Apr P)	-14.70%
	US Initial Jobless Claims (23 May)	2438k
	US Pending Home Sales MoM (Apr)	-20.80%
	US Kansas City Fed Manf. Activity (May)	-30
	EU Economic Confidence (May)	67
29/05	NZ ANZ Business Confidence (May F)	-45.6
	US Advance Goods Trade Balance (Apr)	-\$64.2b
	US Core PCE Price Index YoY (Apr)	1.7%
	US MNI Chicago PMI (May)	35.4
	US U. of Mich. Sentiment (May F)	73.7
	EU CPI Estimate YoY (May)	0.40%
	JP Jobless Rate (Apr)	2.50%
	JP Retail Sales YoY (Apr)	-4.60%
	JP Industrial Production YoY (Apr P)	-5.2%
	NZ ANZ Consumer Confidence Index (May)	84.8

Source: Bloomberg

Macroeconomics

- Fed Beige Book reported grim picture of pandemic-stricken economy:** The Federal Reserve's fourth Beige Book for 2020 reported that economic activity declined in all districts, reflecting disruptions associated with the COVID-19 pandemic. The fall in consumer spending was "especially severe in the leisure and hospitality sector, with very little activity at travel and tourism businesses". There was also sharp drop in manufacturing activity. Construction activity fell as well. A large number of retail tenants had deferred or missed rent payments and there was a strong demand for Paycheck Protection Program (PPP) loans. Agricultural conditions worsened. Employment fell in all districts while pricing pressures varied; weak demand weighed on selling prices as observed in discounting for apparel, hotel rooms and airfare.
- Mortgage applications increased as states reopened:** Mortgage applications in the US rebounded by 2.7% in the week ended 22 May, reversing the 2.6% decline in the prior week. This reflects the 9% increase in the number of applications (gauged by the Purchase Index) to make home purchases, suggesting that the housing market is recovering further as various states reopened. This is the Purchase Index's sixth consecutive weekly increase. Refinancing Index meanwhile was flat, recording a mere week-on-week 0.2%.
- US Richmond Fed Manufacturing Index rebounded:** The Richmond Fed's Fifth District Survey reported that its headline composite index rose from a record low of -53 in April to -27 in May, still at its lowest level since 2009, indicating that manufacturing remained soft in May. In line with general trend elsewhere, the index for local business conditions remained negative, but participants of the survey expected conditions to improve in the next six months.

Forex

MYR (Slightly Bearish)

- USD/MYR closed 0.33% lower at 4.3480 on Wednesday as USD was weaker during the Asian session.
- Nonetheless the pair is expected to rebound slightly today as USD regained some ground overnight thanks to cautious sentiment surrounding rising US-China tension. The US has yet to make an official response to China's new security law on Hong Kong.

USD (Neutral-to-Bearish)

- The USD has been on a weakening trend since mid-May. On 27 May, USD consolidated after weakening against major peers the day before. DXY eventually rose by 0.2% to 99.06. However, the USD still looks to move on a weaker trend in the coming days.
- We turn neutral-to-bearish on the USD on a one-week basis. Risk sentiments continue to improve as the worst of the pandemic is perceived to be over. The USD has broadly shrugged off concerns on US-China relations.

EUR (Neutral-to-Bullish)

- EUR/USD has broken the previous range of 1.0800-1.1000 that has persisted for the most of April and May. Pair reached a high of 1.1031 on 27 May and look to have some momentum up.
- As economic fundamentals look to improve as Eurozone economies reopen cautiously from the Covid-19 pandemic, EUR/USD may gradually strengthen, although we do not see much sustainability above 1.1100.

GBP (Neutral)

- GBP has reverted and consolidated back below 1.2300 after reaching a fortnightly high of 1.2363 on 26 May. This came as GBP steadily moved from the low of 1.2076 on 18 May.
- There may be some near-term potential for GBP to catch up after prior underperformance. Still, we remain comparatively pessimistic regarding the GBP thereafter. Covid-19, Brexit and risk aversion does not favour GBP in our view.

JPY (Neutral-to-Bearish)

- USD/JPY has been on a modest upward trend since 6 May, as risk sentiments gradually recovered. After a brief correction on 26 May, pair moved closer to MTD high of 108.09 (19 May).
- We turn slightly bearish on the JPY due to market optimism. US-China relations may pose some market concerns that may cap gains above 108.00.

AUD (Neutral-to-Bullish)

- AUD/USD surged above 20 May's 0.6616 to a high of 0.6680 on 27 May. Despite some consolidation since, pair continues to stay at elevated levels, benefitting from risk on mood.
- AUD/USD is likely to be one of the primary beneficiaries of risk on mood in markets. Commodity markets outlook is also recovering. However, concerns on US-China may cause AUD to weaken in the coming months.

SGD (Neutral)

- USD/SGD has stayed within the band of 1.4121-1.4279 since mid-May. This can be attributed to swings in risk sentiments and some reassurance from fiscal support. Lately, USD/SGD has lately consolidated near the 1.4200 level on some concerns of US-China relations.
- There remains a lack of impetus to move SGD away from current ranges. The SGD may still be vulnerable and underperform in current trends. Losses may be capped on resilient fundamentals.

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