HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **European shares largely traded lower on Monday amid light volume as the US' markets were shut for holidays.** The Pan-European STOXX Europe slipped 0.5%. Meanwhile, Asian benchmarks recorded mixed performances - the Nikkei 225 lost nearly 1.0% while Hang Seng was little changed. Nonetheless, **stocks mostly wrapped up May with gains, as investors focused on the recovery story particularly in the West, despite surging inflation concerns.** The bond markets were also closed in the US and UK. In Europe, German bond yields barely changed.

- Meanwhile, **the gold market retained its bullish sentiment** with spot price hovering at above $1900/oz level; the bullion has rallied for the past two months, **notching its second monthly gain of 7.8% as the dollar weakened.** Brent crude snapped six-day winning streak to close 0.5% lower at $69.32/barrel, ahead of the OPEC+'s meeting. The global benchmark finished May on a positive note (+3.1% m/m). US stock futures were seen slightly lower this morning after the Memorial Day weekend, implying at a muted start to this week. **Asian futures also pointed a little lower** as of writing ahead of a packed economic calendar day. **The RBA is expected to announce its latest decision while a series of manufacturing PMI data are in the data docket.**

- **Malaysia announced a PEMERKASA+ assistance package totalling RM40bn** to assist those affected by the lockdown starting today. This marked the 8th in a series of relief and stimulus packages during this pandemic, **bringing the total to RM380bn (~27% of GDP) todate. The 3-pronged approach mirrors those of previous relief measures,** includes cash handouts, loan moratorium, micro credit and grants, albeit at a smaller scale compared to previously. **The RM5.0bn fiscal injection should offer some relief on funding concerns but is expected to add another 0.3ppt to the 6.0% budget deficit/ GDP target set by the government earlier.**

- Economic data were limited on Monday to China's NBS PMI data. The **China manufacturing gauge retreated but the non-manufacturing PMI improved in May.** Apart from that, New Zealand's business confidence turned weaker at the end of May compared to earlier of the month, weighed by inflation concerns.

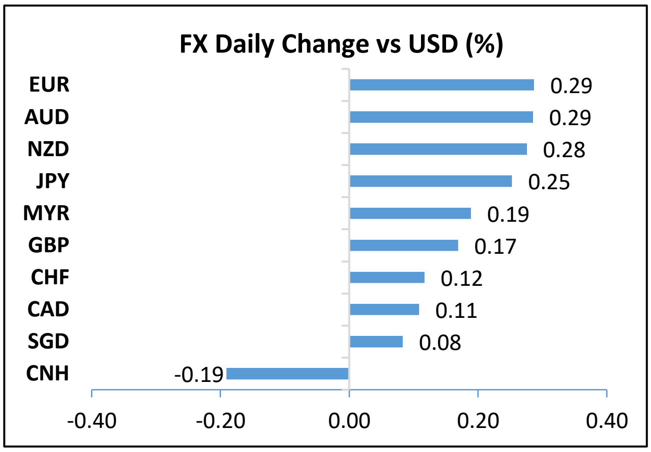
- The USD broadly weakened against most major currencies on Monday, with the CNH being an exception. DXY was down by 0.22%, ensuring that it dipped below 90 once more to close at 89.83. Market focus is on inflationary pressures. We see **slight weaknesses on the USD** for the coming week. Week ahead focus shifts to ISM and non-farm payrolls, after previously disappointing figures on the latter.

- USD/MYR closed 0.2% lower at 4.1250 on Monday, as the ringgit strengthened alongside most Asian currencies with investors shrugging off the newly announced lockdown in Malaysia. The pair managed to post a 0.9% monthly gain in May, recovering partially the loss incurred in April. The Prime Minister announced a RM40b assistance package last night, ahead of today's two-week lockdown. We expect USD/MYR to trade on a **neutral** note today, but eyeing a range of 4.11- 4.15 this week, with 4.1500 remaining a key resistance.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.*	34,529.45	0.19	12.82
S&P 500*	4,204.11	0.08	11.93
FTSE 100*	7,022.61	0.04	8.70
Hang Seng	29,151.80	0.09	7.05
KLCI	1,583.55	-0.68	-2.68
STI	3,164.28	-0.45	11.27
Dollar Index	89.83	-0.22	-0.12
WTI oil ($/bbl)*	66.32	-0.79	36.69
Brent oil ($/bbl)	69.32	-0.45	33.82
Gold (S/oz)*	1,902.50	0.36	0.71
CPO (RM/tonne)	4,300.00	1.33	13.52

Closings for 28 May 2021



Source: Bloomberg

Overnight Economic Data			
CN	→	NZ	↑

Up Next

Date	Events	Prior
01/06	VN, MA, JP, CN, EZ, UK, US Markit	
	AU RBA Cash Rate Target	0.1%
	UK Nationwide House Px NSA YoY (May)	7.1%
	HK Retail Sales Value YoY (Apr)	20.1%
	EZ Unemployment Rate (Apr)	8.1%
	EZ CPI Estimate YoY (May)	1.6%
	US Construction Spending MoM (Apr)	0.2%
	US ISM Manufacturing (May)	60.7
	US Dallas Fed Manf. Activity (May)	37.3
02/06	AU GDP SA QoQ (1Q)	3.1%
	AU GDP YoY (1Q)	-1.1%
	US MBA Mortgage Applications (28 May)	-4.2%
	SG Purchasing Managers Index (May)	50.9

Source: Bloomberg

Macroeconomics

China's PMI was mixed in May:

- China's manufacturing PMI retreated but non-manufacturing PMI improved in May. The composite PMI improved to 54.2 in May, from 53.8 in April. The result signals stable-to-improving economic conditions in China; gradual improvements. The manufacturing PMI pulled back to 51.0 in May from 51.1 in April. Output improved but new orders and employment fell back. Breakdowns seem to flag inventory shortages, caused by higher input and output prices.
- Non-manufacturing PMI improved to 55.2 in May from 54.9 in April, reflecting a broad-based improvement. Employment is still contractionary, but improved compared to a month ago. Despite higher new orders, export orders worsened to 47.6 from 48.1.

New Zealand's businesses hit by inflation concerns:

- The final ANZ Business Confidence Index rose to 1.8 in May, from -2 in April, but this was far from the initial estimate of 7.0. Sentiment appeared to have weakened compared to early May as cost pressures continued to build up in the economy. Firms struggled to source raw materials to keep up with demand amid an economic recovery.

Forex

MYR (Neutral)

- USD/MYR closed 0.2% lower at 4.1250 on Monday, as the ringgit strengthened alongside most Asian currencies with investors shrugging off the newly announced lockdown in Malaysia. The pair managed to post a 0.9% monthly gain in May, recovering partially the loss incurred in April. The Prime Minister announced a RM40b assistance package last night, ahead of today's two-week lockdown. The package includes among others, cash transfers and optional loan moratorium to targeted groups. We expect USD/MYR to trade on a neutral note today, but eyeing a range of 4.11- 4.15 this week, with 4.1500 remaining a key resistance.

USD (Neutral-to-Bearish Outlook over 1 Week Horizon)

- The USD broadly weakened against most major currencies on Monday, with the CNH being an exception. DXY was down by 0.22%, ensuring that it dipped below 90 once more to close at 89.83. Market focus is on inflationary pressures. We see slight weaknesses on the USD for the coming week. Week ahead focus shifts to ISM and non-farm payrolls, after previously disappointing figures on the latter.

EUR (Neutral-to-Bullish)

- EUR/USD mirrored DXY weaknesses and gained 0.29%, closing at 1.2227 in the process. We still remain slightly constructive on the EUR on positive fundamentals. Covid-19 cases continued to dip in Europe compared to other continents which are flat to rising. Hence, EUR/USD's upward momentum looks to stay high. Focus turns to the 1.23 big figure as resistance, while 1.2040 is the support. Data focus is on CPI, PPI and retail sales.

GBP (Neutral-to-Bullish)

- GBP/USD was up by 0.17% to move to an elevated 1.4212 close. Pound benefited from a weak dollar, although we flag some risks that its strength may reverse if Covid-19 cases rise again. Overall, we see modest gains, eyeing resistance at 1.4300 and support at 1.4090. Momentum is still biased on the upside.

JPY (Neutral-to-Bearish)

- USD/JPY was down by 0.25%, as the yen recovered after four consecutive sessions of weaknesses. This brought the pair to a close of 109.58, despite an intraday high of 109.94. After 110, the 31 March high of 110.97 will likely serve as a significant resistance. Support is at 108.90 for any pullback. This came after a m/m rebound in industrial production, although retail sales fell compared to the previous month.

AUD (Neutral)

- AUD/USD gained by 0.29% to a close of 0.7734. We see AUD/USD as being stable, after prior weaknesses. A major determinant remains on Covid-19 trends, where some stabilisation in cases in Victoria could support AUD. Focus turns to RBA today, GDP on 2 June and trade/retail sales on 3 June. Watch range of 0.7660 to 0.7820.

SGD (Neutral-to-Bullish)

- USD/SGD stayed relatively range-bound at 1.3207 to 1.3243, overall being 0.08% down. This came after the government announced slight tweaks on Covid-19 measures, with more testing and vaccination under way. We see slight downsides for the pair, with support at 1.3157 and resistance 1.3380, on some offer momentum. Watch Singapore PMIs for SGD drivers.

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