Hong Leong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US' main stock benchmarks closed on a mixed note overnight as markets stayed cautious ahead of Thursday's CPI inflation data**. The Dow Jones fell 0.4% while the S&P 500 managed to rebound from intraday low to close little changed (-0.08%), supported by higher real estate, communication services and healthcare stocks. Biotech shares surged after the FDA approved Biogen's Alzheimer's drug, its first such approval in nearly two decades. Shares of Biogen jumped over 38%, offering some support to the NASDAQ which managed to post a 0.5% gain.

- **Treasury yields rose modestly across the curve.** The yield on 10Y UST was 1.5bps higher at 1.57%. **Gold prices went up amid weaker USD.** Futures rose 0.4% to $1896.8/oz. Crude oil benchmarks fell 0.6% on profit taking activities at key resistance levels. Brent crude edged lower to $71.49/barrel and WTI to $$69.23/barrel. Inflation concerns continued to dominate the market as investors hope that the US' CPI report may help us to assess the Fed's timing to tighten policy. **The ECB's Governing Council Meeting and President Lagarde's press conference is also on top of investors' watch list as many look forward to any hints/signals of starting tapering discussion.**

- Data were limited. **Japan's final estimate of 1Q GDP growth came in at -1.0% q/q** this morning. A separate report showed that wage growth accelerated in April, partly on base effect. **China's trade surplus improved to $45.5bn in May** from $42.86bn a month ago. **Eurozone's Sentix investor confidence improved for the fourth month.** Key data release today is the Eurozone's final GDP estimates for the first quarter. The Eurozone's GDP had shrunk by 0.6% q/q, according to the advance report.

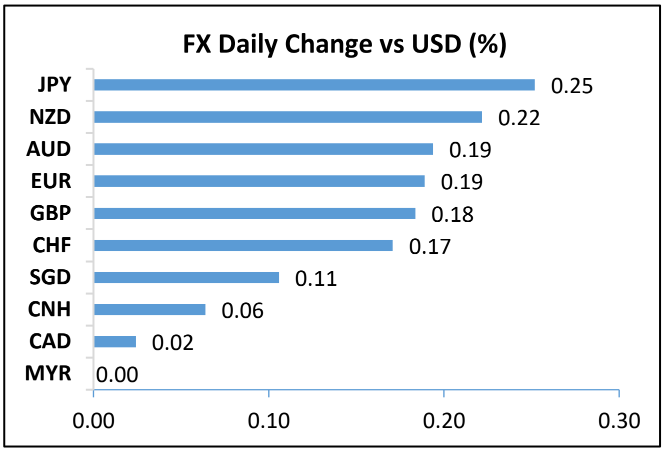
- The USD weakened a second consecutive day on Monday. DXY was down to 89.95 at close, the first time it hit below 90 since 2 June. We stay **slightly bearish of the USD** from recent momentum and developments. Focus is on inflation numbers for future near-term dollar direction.

- **USD/MYR outlook is bearish** this week, eyeing a range of 4.10-4.14. The downward momentum may however be limited by expectation of USD strength and intensifying OPR cut chatter in lieu of limited fiscal space to soften the blow from the latest round of lockdown measures in Malaysia.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,630.24	-0.36	13.15
S&P 500	4,226.52	-0.08	12.53
FTSE 100	7,077.22	0.12	9.55
Hang Seng	28,787.28	-0.45	5.71
KLCI*	1,578.45	-0.76	-3.00
STI	3,175.81	0.79	11.67
Dollar Index	89.95	-0.21	0.01
WTI oil ($/bbl)	69.23	-0.56	42.68
Brent oil ($/bbl)	71.49	-0.56	38.01
Gold (S/oz)	1,896.80	0.37	0.09
CPO (RM/tonne)*	4,270.50	5.13	12.74

**Closing for 04 June*



Source: Bloomberg

Overnight Economic Data			
EZ	↑	CN	↑
JP	→		

Up Next

Date	Events	Prior
08/06	AU NAB Business Confidence (May)	26.0
	MA Foreign Reserves (31 May)	$110.6b
	EZ GDP SA QoQ (1Q F)	-0.6%
	EZ ZEW Survey Expectations (Jun)	84.0
	US NFIB Small Business Optimism (May)	99.8
	US Trade Balance (Apr)	-$74.4b
	US JOLTS Job Openings (Apr)	8123k
09/06	AU Westpac Consumer Conf Index (Jun)	113.1
	NZ ANZ Business Confidence (Jun P)	1.8
	CN CPI YoY (May)	0.9%
	CN PPI YoY (May)	6.8%
	JP Machine Tool Orders YoY (May P)	120.8%

Source: Bloomberg

Macroeconomics

Eurozone's investor confidence rose for the fourth month:

- The Sentix Investor Confidence Index rose to 28.1 in June, from 21.0 prior, reflecting investors' rising confidence for the Eurozone's outlook. The index has increased for four consecutive months now since March, as the acceleration in vaccination rate coupled with the gradual reopening of the region's services industry offered investors more optimism.

Japan's first quarter GDP contracted less than initially estimated:

- Japan's GDP contracted 1.0% q/q in the first quarter (4Q20: +2.8%) according to a final estimate, revised up from the first reading of -1.3% q/q. This reflects falls in private consumption (-1.5% q/q), business spending (-1.2% q/q). Net exports contributed negatively, subtracting 0.2ppts from the headline.
- The economic contraction came as Japan faced the third Covid wave from November last year all the way to February. It is still in the midst of containing the fourth Covid now, ahead of the Summer Olympics.

Japan's wages rose in April:

- Labour cash earnings rose 1.6% y/y in April, from the upwardly revised 0.6% gain in March, reflecting low base effect. Earnings started to fall in April last year as the country was put in the first pandemic State of Emergency.
- Month-on-month, cash earnings were down by 1.3% but mainly because of the fall in bonus payments. Both base pay (+1.1% m/m) and overtime (+3.6%) rose in April, a good sign of higher business activity.

China's trade surplus improved in May:

- China's trade figures largely came within our expectations in May. Trade surplus improved to $45.5bn from $42.86bn a month ago. Trade surplus with the US widened to $31.8bn (Apr: $28.1b).
- Export growth was 27.9% y/y (Apr: 32.3%), supported by demand from the US. Imports expanded 51.1% y/y (Apr: 43.1%). The result showed healthy demand for intermediate goods and consumer goods. Growth from the US (40.5% y/y), Japan (33.6% y/y), EU (57.7% y/y) all benefited from base effects.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR outlook is bearish this week, eyeing a range of 4.10-4.14. The downward momentum may however be limited by expectation of USD strength and intensifying OPR cut chatter in lieu of limited fiscal space to soften the blow from the latest round of lockdown measures in Malaysia.

USD (Neutral-to-Bearish)

- The USD weakened a second consecutive day on Monday. DXY was down to 89.95 at close, the first time it hit below 90 since 2 June. We stay slightly bearish of the USD from recent momentum and developments. Focus is on inflation numbers for future near-term dollar direction.

EUR (Neutral-to-Bullish)

- EUR/USD gained 0.19% on Monday's session, after touching a high of 1.2202. We anticipate modest gains, and now watch a range of 1.2104 to 1.2254. Focus shifts to ECB policy decision on 10 June, where markets will likely anticipate any changes in rhetoric after recently improved economic trends.

GBP (Neutral-to-Bullish)

- GBP/USD was slightly up on the previous session, following up on a second consecutive day of gains. Pair closed at 1.4183. Focus is on whether the UK opens up further on 21 June. Watch resistance at 1.4237 and support at 1.4000.

JPY (Neutral-to-Bullish)

- USD/JPY was down a second consecutive session from dollar weakness. Pair closed at 109.25 after the previous 109.52. We are slightly bearish on USD/JPY due to current momentum, although recent Covid-19 trends and economic fundamentals may limit yen strength. We place support at 108.90 and resistance at 110.97.

AUD (Neutral-to-Bullish)

- AUD/USD consolidated its gains, rising by another 0.19% and closing at 0.7754. A break of the prior resistance now shifts attention to 0.7800. Support is at 0.7700.

SGD (Neutral-to-Bullish)

- USD/SGD continued to grind downwards to a close of 1.3231. Covid-19 cases in Singapore continue to be relatively contained, supporting some SGD resilience for now. The move shifts attention to a 1.3189 support, while resistance is at 1.3280.

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

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