

Global Markets Research

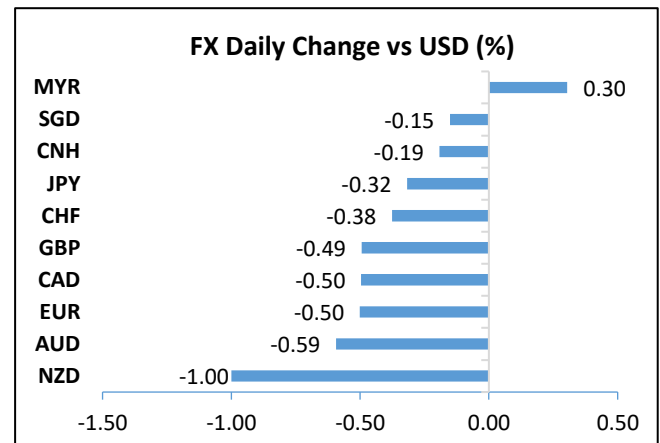
Daily Market Highlights

Key Takeaways

- US stocks ended the week on a higher note on Friday, powered by strong economic data** that led the S&P 500 to set its record closing for the second consecutive session. This came as a Federal Reserve report showed that **US household net worth rose \$5 trillion in the first quarter to an all-time high of \$136.8 trillion, thanks to gains in stocks and home prices.** While the Dow was virtually unchanged on Friday, the S&P 500 rose 0.2%, driven by financials, tech and consumer discretionary sectors. NASDAQ picked up 0.4%. On a week-on-week basis, the Dow was down by 0.8%; the S&P 500 recorded a modest 0.4% gain and NASDAQ outperformed by adding 1.9%.
- Treasury yields inched up slightly from the recent pull-backs ahead of this week's FOMC meeting.** The yield on 10Y UST rose 2bps to 1.45% on Friday, and was 10bps lower compared to the week before amid easing inflation concerns. **The greenback firmed up alongside higher yields. Gold futures slumped 0.9% to \$1877.4/oz** in Friday's session as the dollar strengthened; the bullion weakened for the second week (-0.7%). **Crude oil prices extended gains** on Friday; Brent crude picked up moderately by 0.2% to \$72.69/barrel. WTI rallied (+0.9%) to \$70.91/barrel. Both benchmarks scored their third weekly gains in a row. **The G7 Summit concluded in the UK over the weekend; apart from pledging 1 billion doses of vaccines for developing nations, the group agreed to develop a global infrastructure scheme, meant to rival China's Belt and Road Initiative.**
- In the US, consumer sentiment strengthened in early June. The UK's April nominal GDP was boosted by the reopening of the economy. **Market sentiment is expected to be shaped by the FOMC meeting (16-17 June) this week as investors are on the lookout for any signs that officials may begin discourse to tighten policy, in the form tapering its current asset purchase program as well as any change in the dot plot.** Stock futures pointed higher in Japan as stocks are set to track the positive moves in the US last Friday. Markets are closed in Hong Kong and China as well as Taiwan and Australia.
- DXY gained by 0.53% to a close of 90.56 on Friday. The USD gained against major currencies, particularly against the NZD and AUD. We look for some **slight pullbacks in USD today**, after reaching close to the top of the recent range of 89.7 to 90.7. Focus shifts to retail sales and PPI. The FOMC rate decision on 17 June will also be keenly watched.
- USD/MYR weakened 0.3% to 4.1085 on Friday, bringing its third consecutive weekly loss to 0.5%. We remain **bullish MYR**, with the next support at 4.1077, which is also the lower bound of the Bollinger Band, eyeing a weekly range of 4.09-4.13.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,479.60	0.04	12.65
S&P 500	4,247.44	0.19	13.08
FTSE 100	7,134.06	0.65	10.43
Hang Seng	28,842.13	0.36	5.92
KLCI	1,575.16	-0.30	-3.20
STI	3,157.97	-0.14	11.05
Dollar Index	90.56	0.53	0.63
WTI oil (\$/bbl)	70.91	0.88	46.15
Brent oil (\$/bbl)	72.69	0.23	40.54
Gold (\$/oz)	1,877.40	-0.89	-0.93
CPO (RM/tonne)	4,077.50	-1.08	7.64



Source: Bloomberg

Overnight Economic Data

US	↑	US	↑↓
MY	↑	NZ	↓

Up Next

Date	Events	Prior
14/06	JP Industrial Production MoM (Apr F)	2.5%
	EZ Industrial Production SA MoM (Apr)	0.1%
15/06	AU RBA Minutes of June Policy Meeting (I)	
	UK ILO Unemployment Rate 3Mths (Apr)	4.80%
	UK Employment Change 3M/3M (Apr)	84k
	EZ Trade Balance SA (Apr)	13.0b
	US Retail Sales Advance MoM (May)	0.0%
	US Empire Manufacturing (Jun)	24.3
	US PPI Final Demand YoY (May)	6.2%
	US Industrial Production MoM (May)	0.5%
	US NAHB Housing Market Index (Jun)	83

Source: Bloomberg

Macroeconomics

US' consumer sentiment rose in early June:

- The University of Michigan's consumer sentiment index rose to 86.4 in early June, from 82.9 in May, according to a preliminary report. This reflects improvement in sentiments in the middle- and upper-income households and for future economic prospects rather than current conditions. The surveyed consumers expected stronger economic growth as well as decline in unemployment although rising inflation remained a top concern.

Services sector reopening boosted UK's GDP in April:

- The UK's nominal GDP growth came in at 2.3% m/m in April, higher than March (+2.1%) but fell short of the consensus estimate (+2.4%). The positive headline reading was mainly driven by the growth in the services sector as manufacturing, mining and constructions contributed negatively (to the index). The three-month average growth also turned positive for the first time since December, to 1.5% m/m (Mar: -1.5%),
- Industrial production fell 1.3% mm in April (Mar: +1.8%), reflecting lower output of textiles & clothing, basic pharmaceuticals, electrical, machinery and transport equipment. Overall, manufacturing output was down by 0.3% m/m after two months of growth.
- Services output growth beat expectation at 3.4% m/m (Mar: +1.9%) as the government began lifting restrictions.
- A separate international trade report meanwhile showed that the UK's goods trade deficit narrowed to £10.96b in April (Mar: -£11.71b) thanks to the 3% gain in exports, which outweighed the small 0.1% import growth. Exports to the EU and the rest of its trading destinations were up.

New Zealand's services sector growth eased in May:

- New Zealand's Performance of Services PMI retreated to 56.1 in May, from the record high of 61.2 in April. Nonetheless, this marked the PMI's third consecutive month of above-50 reading that indicates continuous expansion of services activity, which bodes well for economic growth.

Sharp jump in Malaysia's industrial production and retail trade on base effects:

- Malaysia's industrial production leapfrogged to post a hefty increase of 50.1% y/y in April, beating market consensus forecast but below ours. Growth in manufacturing production quickened by more than five folds to 68.0% y/y in April (Mar: +12.8% y/y) with astronomical readings observed in those sectors hardest hit by the pandemic last April.
- In a separate release by the Department of Statistics of Malaysia today, wholesale & retail trade registered a robust 66.2% y/y increase in April (Mar: +9.3%). Retail sales and motor vehicle sales reported phenomenal increases of 56.4% and 1551.3% y/y respectively, outshining the 50.4% y/y growth in wholesale trade.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR weakened 0.3% to 4.1085 on Friday, bringing its third consecutive weekly loss to 0.5%. We remain bullish MYR, with the next support at 4.1077, which is also the lower bound of the Bollinger Band, eyeing a weekly range of 4.09-4.13.

USD (Neutral-to-Bearish)

- DXY gained by 0.53% to a close of 90.56 on Friday. The USD gained against major currencies, particularly against the NZD and AUD. We look for some slight pullbacks today, after reaching close to the top of the recent range of 89.7 to 90.7. Focus shifts to retail sales and PPI. The FOMC rate decision on 17 June will also be keenly watched.

EUR (Neutral-to-Bullish)

- EUR/USD fell by 0.5% to close at 1.2109, the lowest level since 14 May. We look for slight recovery today after prior underperformance. Momentum on the upside has faded. Resistance at 1.2280, and support at 1.2070. Market attention will likely be on CPI, alongside trade and industrial production releases.

GBP (Neutral)

- GBP/USD pulled back to near recent lows around the 1.4100 big figure on Friday. We look for some range movements from elevated levels. Upside momentum has faded, while the pair is fairly close to the 1 June high of 1.4248 (resistance). Immediate support is at 1.4100, before 1.4000. CPI and PPI data are market focus for the week.

JPY (Neutral)

- USD/JPY was up by 0.3% on Friday's session to close at 109.66. We see the pair staying within a range of 109.20 to 110.00. A key level on the downside is the 50-day MA at 109.11. Momentum is fairly muted and slightly biased on the upside. Weekly data focus is on trade balance and CPI figures. Bank of Japan announces policy decision on 18 June.

AUD (Neutral-to-Bullish)

- AUD/USD fell by 0.6% on Friday, underperforming most G10 currency pairs. We look for modest recoveries in the AUD, watching 0.7800 resistance while support is at 0.7640. Momentum looks fairly subdued for now. Australia releases employment data on 17 June, which may shape AUD movements.

SGD (Neutral-to-Bullish)

- USD/SGD was up 0.15% to close 1.3260 the previous session, staying relatively resilient. We expect a range of 1.3190 to 1.3300 over the coming week, if in the absence of significant impetus. Momentum looks fairly subdued. Singapore has relaxed Covid-19 restrictions today and releases non-oil domestic exports this week.

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