Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks retreated overnight, mainly weighed down by the selling of tech shares while energy shares gained in tandem with higher oil prices.** The Dow edged 0.2% lower and the S&P 500 shed 0.3%. NASDAQ lost 0.4%. Stocks were modestly down in Europe and mixed in Asia. **Rising Covid cases across Asia, including in Singapore, Taiwan, Malaysia, and Thailand gave rise to worry that economic recovery may be delayed.** US treasuries yields rose slightly across the curve by 0.6 to 4.1bps amid a lack of market driver. The yield on the benchmark 10Y UST rose 2bps to 1.65%. Following last week's CPI report which showed that inflation rose 4.2% y/y in April in the US, **concerns over surging inflation continued to lurk around with markets now anticipating the latest Fed's minutes to offer some guidance,** although the Fed has remained consistent over its accommodative policy stance.

- **The USD saw mixed performances** against its G10 counterparts. CAD, GBP and JPY rose modestly while NZD and CHF were down. EUR and AUD were little changed. **Gold prices rose for the third session** as the dollar weakened. Futures gained 1.6% to $1867.6/oz. Crude oil benchmarks picked up more than 1.0% despite rising Covid concerns in Asia. Brent crude closed at $69.46/barrel while WTI at $66.27/barrel. **Futures indicate that Asian stocks look set for a muted opening this morning as markets brace for RBA minutes and Eurozone GDP, UK job data and US housing starts later today.**

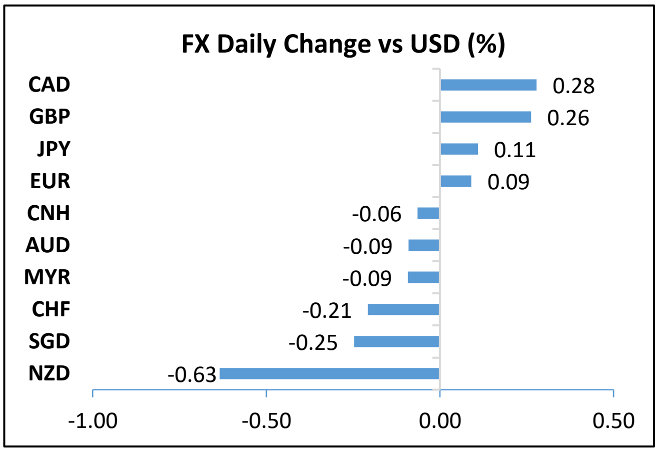
- **Data out of the US was rather steady.** The New York Fed's Empire State Manufacturing Index slipped a little but remained at a high level in May, pointing to solid manufacturing expansion. The NAHB Housing Market Index was stable at 83 in May. **Japan's 1Q GDP contracted 1.3% q/q while machine tools orders fell** 3.1% m/m in April; **China's latest economic indicators showed that the previously strong pace of growth has moderated in April.**

- Overall, the dollar slightly weakened, although performances was mixed. DXY was down by 0.17% to a close of 90.16. We still see some **range movements**, within 90.00 to 91.40. The data focus is on FOMC meeting minutes and Markit PMIs for May, after retail sales and industrial production data.

- USD/MYR traded as high as 4.1370 on Monday before pulling back to close at 4.1290, recording a daily increase of less than 0.1%. We are **neutral** on the pair following mixed greenback performance; the lack of market driver and the anticipation for the Fed's minutes may also limit movements; restricting the pair within 4.10-4.14. 4.14 remains a strong resistance to overcome.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,327.79	-0.16	12.16
S&P 500	4,163.29	-0.25	10.84
FTSE 100	7,032.85	-0.15	8.86
Hang Seng	28,194.09	0.59	3.54
KLCI	1,583.46	0.06	-2.69
STI	3,079.69	0.81	8.29
Dollar Index	90.16	-0.17	0.25
WTI oil ($/bbl)	66.27	1.38	36.58
Brent oil ($/bbl)	69.46	1.09	34.09
Gold (S/oz)	1,867.60	1.60	-1.50
CPO (RM/tonne)	4,787.50	0.00	26.39



Source: Bloomberg

Overnight Economic Data

US	➔	Japan	↓
China	➔		

Up Next

Date	Events	Prior
18/05	JP GDP SA QoQ (1Q P)	2.8%
	AU RBA Minutes of May Policy Meeting	
	UK ILO Unemployment Rate 3Mths (Mar)	4.9%
	UK Employment Change 3M/3M (Mar)	-73k
	EZ GDP SA QoQ (1Q P)	-0.6%
	US Building Permits MoM (Apr)	2.3%
	US Housing Starts MoM (Apr)	19.4%
19/05	AU Westpac Consumer Conf Index (May)	118.8
	AU Wage Price Index YoY (1Q)	1.4%
	JP Industrial Production MoM (Mar F)	2.2%
	UK CPI YoY (Apr)	0.7%
	EZ CPI YoY (Apr F)	1.3%
	US MBA Mortgage Applications (14 May)	2.1%

Source: Bloomberg

Macroeconomics

Empire State Manufacturing showed solid factory growth; housing sentiment steady in US:

- The New York Fed's Empire Manufacturing Index slipped a little to 24.3 in May, from 26.3 in April, nonetheless still at a high level which suggests that New York's factory activity continued to grow at a solid pace this month. The surging prices paid index (+8.8 pts) reflects the rising inflationary pressure while the orders and shipments continued to grow.
- The NAHB Housing Market Index was unchanged at 83 in May, indicating stable builders' sentiment in the US as low interest rates continued to support housing demand.

Japan's 1Q GDP contracted 1.3% q/q; machine orders fell in April:

- Preliminary report showed that Japan's economy contracted by 1.3% q/q in the first quarter, more than expectations for a 1.1% decline as the country still struggled to contain the Covid-19 pandemic. This comes after two consecutive months of growth in 3Q and 4Q, reflecting negative contributions from private consumption, fixed capital formation as well as net exports. Compared to the same quarter last year, GDP fell 1.9% y/y.
- Machine tools orders in Japan fell 3.1% m/m in April (Mar: +21.1%), following two months of double-digit surge. This was mainly because of the 11.1% decline in domestic orders as foreign orders stayed little changed. Due to low base from last year, when the country faced initial lockdown, the year-on-year growth was inflated to 120.8% y/y (Mar: +65.1%).

China's economic performance lacked further thrust:

- China's recent strong pace of economic recovery moderated in April, compared to March. Notably, retail sales expansion (+17.7% y/y) fell below-expectations, with underlying growth similar to 4Q-2020 levels. This compared to the 34.2% growth in March.
- Meanwhile, industrial production and fixed asset investment growth stayed relatively stable and resilient. This is likely inflated by elevated factory input prices. Industrial production increased by 9.8% y/y in April versus a 14.1% rise in March while fixed asset investments rose by 19.9% y/y YTD, from 25.6% a month ago. After the data release, China's National Statistics Bureau (NBS) said that the recovery is intact, as employment conditions stayed stable.

Forex

MYR (Neutral)

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USD (Neutral Outlook over 1 Week Horizon)

- Overall, the dollar slightly weakened, although performances was mixed. DXY was down by 0.17% to a close of 90.16. We still see some range movements, within 90.00 to 91.40. The data focus is on FOMC meeting minutes and Markit PMIs for May, after retail sales and industrial production data.

EUR (Neutral)

- EUR/USD was slightly up on Monday's session, closing at 1.2152 after a 1.2169 high. We anticipate a range of 1.1980 to 1.2200. Technical momentum displayed some upside bias but EUR/USD is now at relatively high levels. Focus is on Eurozone GDP, CPI and Markit PMIs ahead.

GBP (Neutral)

- GBP/USD was up by 0.26% to a close of 1.4134, as the economy loosened Covid-19 restrictions. A break of our previous resistance level now shifts attention to 1.4200, with support around 1.4050. Momentum is low at high levels. The UK releases CPI, PPI, retail sales and Markit PMI the coming days.

JPY (Neutral-to-Bearish)

- USD/JPY was down for the third consecutive session, to a close of 109.21. Tuesday sees a slight bid tone, as Japan released GDP numbers. This was slightly worse than market expectations, with a 1.3% q/q decrease in 1Q. We see resistance at 109.80, and support at 108.40.

AUD (Neutral-to- Bearish)

- AUD/USD inched down by 0.09% on Monday's session, closing at 0.7764. Tuesday open sees a mild bid tone towards recovery. Risk aversion may cause slight downsides ahead. Support is at 0.7650 while resistance is at 0.7840. Markets will likely focus on employment data, Markit PMIs and retail sales figures.

SGD (Neutral-to- Bearish)

- USD/SGD headed higher after two sessions of consolidation. Pair was up to a close of 1.3356, up by 0.25%. SGD remains fairly weighed down by Covid-19 outbreak. We see some stabilisation around 1.3280 to 1.3380. However, a break of the 1.3380 resistance will likely shift attention towards the 1.3400-1.3500 range.

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