

Global Markets Research

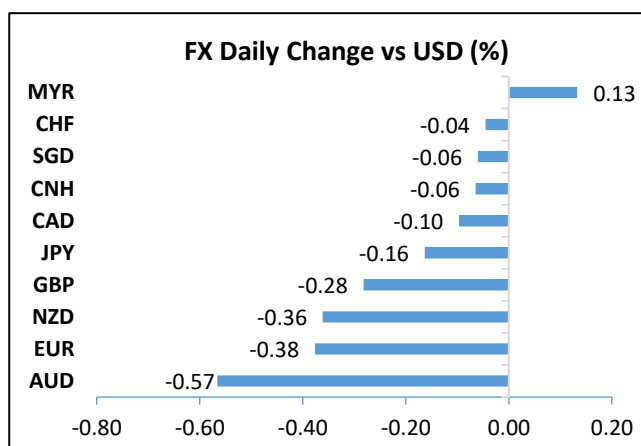
Daily Market Highlights

Key Takeaways

- US stock benchmarks ended on a mixed note on Friday as investors ditched tech stocks and opted for cyclical shares.** The overall dampening market sentiment came alongside another selloff in cryptocurrencies after **the Chinese government's vow to crackdown on bitcoin mining and trading spurred regulatory concerns.** Investors bought financials, industrials and energy shares, after the Markit PMIs pointed to bright economic prospects. The moves weighed on the S&P 500 (-0.1% d/d) and NASDAQ (-0.5% d/d) and helped push the Dow (+0.4% d/d) higher. After a volatile trading week dominated by inflation concerns, the Dow (-0.5% w/w) and S&P 500 (-0.4% w/w) closed lower while the NASDAQ (+0.3% w/w) managed to post a modest gain.
- US treasury yields traded mixed on Friday and ended the session little changed** as markets shrugged off the US' strong PMI readings. The yield on the benchmark 10Y UST was flat at 1.62% on Friday and 1bp w/w lower compared to the previous Friday's closing. **Gold futures consolidated recent gains** on Friday and closed 0.3% lower at \$1876.7/oz. The bullion rallied throughout the week on the back of weaker USD, notching its third successive weekly gain of 2.1% w/w. **Crude oil prices recovered partially on Friday** after three straight selloffs as the **possible lifting of US sanctions on Iran may ramp up the global crude supply.** Brent crude and WTI both jumped over 2.0% d/d to \$66.44/barrel and \$63.58/barrel respectively, but posted weekly losses of 2.7-3.3%. Futures pointed to muted openings in Asia as the week kicked off.
- The flash Markit PMI readings showed upbeat economic activity growth in the US, Eurozone and UK in May** while Japan's PMIs weakened after the government reimposed restrictions. Existing home sales in the US fell for the third straight month by 2.7% m/m. Consumer sentiment in the Eurozone turned less negative. The UK's retail sales recorded a post lockdown jump of 9.2% m/m. Malaysia's CPI inflation surged to 4.7% y/y, skewed by base effect of oil.
- DXY was up by 0.23% to a close of 90.02, after prior movements below 90 over the course of the last week. This was caused by some rebounds in Asian currencies. PMIs turned stronger for May (manufacturing: 61.5 from 60.5, services: 70.1 from 64.7). For the DXY, we look for further moves **downwards** below 90 for the next few sessions. For the week ahead, initial jobless claims, PCE and U. of Michigan sentiment are the main datasets we track.
- USD/MYR finished Friday's session 0.1% lower at 4.1405 but scored yet its third consecutive weekly gain (+0.4%). The overall retreat in risk sentiments and heightening concerns over surging infection cases could have weighed on the MYR, outweighing USD weaknesses. We are **neutral to bearish on MYR** outlook in the week ahead, eyeing a range of 4.13-4.17 (prior: 4.1225-4.1475).

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,207.84	0.36	11.77
S&P 500	4,155.86	-0.08	10.64
FTSE 100	7,018.05	-0.02	8.63
Hang Seng	28,458.44	0.03	4.51
KLCI	1,562.17	-0.83	-4.00
STI	3,117.89	0.26	9.64
Dollar Index	90.02	0.23	0.10
WTI oil (\$/bbl)	63.58	2.47	31.29
Brent oil (\$/bbl)	66.44	2.04	28.61
Gold (\$/oz)	1,876.70	-0.28	-0.68
CPO (RM/tonne)	4,605.00	-1.63	21.57



Source: Bloomberg

Overnight Economic Data

US	→	EZ	↕
UK	↑	JP	↓
MA	↑		

Up Next

Date	Events	Prior
24/05	SG CPI YoY (Apr)	1.30%
	US Chicago Fed Nat Activity Index (Apr)	1.71
25/05	SG GDP YoY (1Q F)	0.20%
	SG Industrial Production YoY (Apr)	7.60%
	JP Machine Tool Orders YoY (Apr F)	120.80%
	US FHFA House Price Index MoM (Mar)	0.90%
	US S&P CoreLogic CS 20-City YoY NSA	11.94%
	US New Home Sales MoM (Apr)	20.70%
	US Conf. Board Consumer Confidence	121.7
	US Richmond Fed Manufact. Index (May)	17

Source: Bloomberg

Macroeconomics

Preliminary PMIs painted upbeat economic prospects for US, Eurozone and UK; Japan's services sector contracted amid renewed restrictions:

- The US' Markit Manufacturing PMI rose to 61.5 in May (Apr: 60.5) while the services PMI shot up to 70.1 (Apr: 64.7) as the lower Covid-19 cases nationwide and the easing of restrictions spurred further increase in economic activity.
- The Eurozone's Markit Manufacturing PMI stayed elevated at 62.8 in May (Apr: 62.9), pointing to still solid manufacturing expansion. The services PMI jumped to 55.1 in May (Apr: 50.5) to indicate a sharp gain in services activity amid strengthening demand and outlook.
- The UK's Markit Manufacturing PMI soared to 66.1 in May (Apr: 60.9) and the services gauge was slightly higher at 61.8 (Apr: 61.0). Both depicted the strong expansion in activity as the country keeps up with its reopening plan with the pandemic now stabilising and vaccination rates continuing to go up.
- Japan's manufacturing PMI came in slightly lower at 52.5 in May (Apr: 53.6), but still at a reasonably healthy level that indicates expansion. The services PMI fell deeper in the contractionary area, to 45.7 in May (Apr: 49.5) amid renewed movement restrictions.

US' existing home sales fell for third consecutive month:

- Existing homes in the US fell 2.7% m/m in April, compared to the expected 1.0% gain. The disappointing reading marked the sales of previously owned homes' third straight decline since February. The constraint in sales reflected high demand and limited supply which drove up prices. This, alongside the recent increase in rates have made owning a house less appealing, holding back potential buyers.

Eurozone's consumer confidence improved in May:

- The preliminary reading of the European Commission's consumer confidence index edged up to -5.1 in May, from -8.1 prior, marking its fourth successive improvement since February. Consumers continued to expect brighter economic prospects, supported by vaccine optimism.

Sharp rise in UK's retail sales:

- Retail sales in the UK jumped 9.2% m/m in April, compared to the expected 4.5% growth. This followed the 5.1% gain in the previous month, marking its third consecutive growth. On a yearly basis, retail sales were 42.4% y/y higher compared to April last year when the country first went into lockdown to combat the pandemic.
- Sales of textile, clothing & footwear saw a whopping 69.4% jump as consumers shopped for new outfits in anticipation for lives after lockdown. Sales of household goods and fuels also rose over 10% m/m. Online sales maintained a rather steady growth at 1%.

Malaysia reported highest CPI gain since 2017:

- Headline Consumer Price Index (CPI) jumped to 4.7% y/y in April, more than doubled from the 1.7% y/y increase in March, due primarily to the low base effect of oil last April. This fastest gain in four years came in just a tad above our expectation but slightly below market consensus of 4.9%.
- Core CPI sustained a 0.7% y/y increase for the 6th consecutive month in April, and inflation rose just a mere 0.1% on a month-on-month basis, reaffirming the case of benign underlying price pressure in the system and should further temper ongoing concerns of inflationary risk.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR finished Friday's session 0.1% lower at 4.1405 but scored yet its third consecutive weekly gain (+0.4%). The overall retreat in risk sentiments and heightening concerns over surging infection cases could have weighed on the MYR, outweighing USD weaknesses. We are neutral to bearish MYR outlook in the week ahead, eyeing a range of 4.13-4.17 (prior: 4.1225-4.1475).

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

- DXY was up by 0.23% to a close of 90.02, after prior movements below 90 over the course of the last week. This was caused by some rebounds in Asian currencies. PMIs turned stronger for May (manufacturing: 61.5 from 60.5, services: 70.1 from 64.7). For the DXY, we look for further moves downwards below 90 for the next few sessions. For the week ahead, initial jobless claims, PCE and U. of Michigan sentiment are the main datasets we track.

EUR (Neutral-to-Bullish)

- EUR/USD pulled back by 0.38% to a close of 1.2182 after prior rallies. Eurozone's PMIs were also stronger in May compared to April. We look for further upsides for the coming week. Upside momentum stayed high despite levels looking elevated. Resistance at 1.2349 while support at 1.2040. Eurozone releases confidence indexes over the coming period.

GBP (Neutral-to-Bullish)

- GBP/USD retreated partially from Thursday's rally, now back to a close of 1.4150. This came amid strong PMIs for the UK in May, improving from April's numbers. For the week ahead, we look for further bids in the pair. Momentum is still upwardly biased at elevated levels. Resistance at 1.4237 while support lies at 1.4000.

JPY (Neutral)

- USD/JPY rebounded by 0.17% as the dollar strengthened, with pair closing at 108.96 on Friday. We see range movements for the pair over the coming week, within a range of 108.00 to 109.80. Momentum looks subdued as Covid-19 cases are elevated. Week ahead data includes jobless rate and leading index.

AUD (Neutral)

- AUD/USD fell back a significant 0.57% to a close of 0.7732 on Friday. Despite the pullback, we think that the pair may move mostly horizontally for the coming sessions, examining a range of 0.7660 to 0.7820. Momentum is low at evenly balanced levels. Risk sentiments regarding commodity prices and inflation may shape the pair's movements.

SGD (Neutral)

- USD/SGD stayed relatively within a narrow range of 1.3292 to 1.3328 on Friday's session, lacking momentum either way. For the week ahead, we anticipate further horizontal movements (around 1.3280 to 1.3380) along a similar range. Singapore's data releases (April CPI and industrial production, final 1Q GDP) over the coming week may be looking at the rear mirror.

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