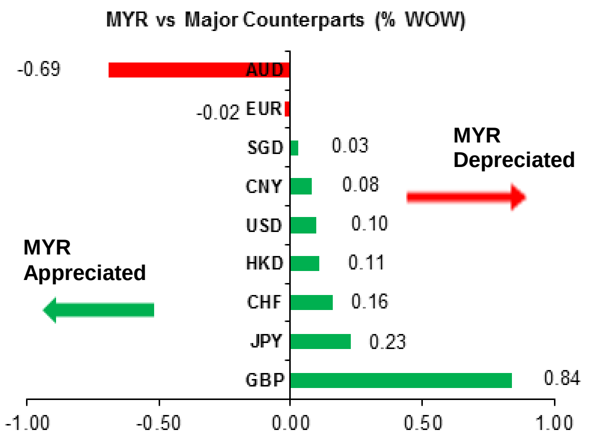
Global Markets Research

Weekly Market Highlights

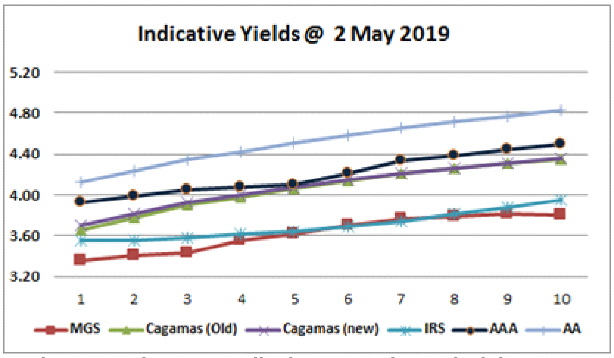
Weekly Performance

	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↑	↓	↓
EU	↔	↓	↓	↓
UK	↔	↑	↓	↓
Japan	↑	↑	↑	↓
Malaysia	↑	↓	↑	↑
China	↓	↓	↓	↑
Hong Kong	↔	↔	↑	↔
Singapore	↔	↓	↑	↑

Weekly MYR Performance



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- US stocks fell this week after the Fed held interest rate steady and falling crude oil prices weighed on energy shares. Spotlight was on the Fed as it reiterated its patience stance on monetary policy outlook. Fed chair Jerome Powell said that the Fed did not see any strong case for a rate cut or rate hike and that transitory factors were in play for the slower inflation in recent months, dampening hope that the central bank would deliver a rate cut later this year. In the UK, the BOE maintained its bank rate steady at 0.75% but sent a rather mixed message in our view, as it revised upwards its growth forecast but cut its inflation outlook. Crude oil plunged on supply glut concerns as US crude stockpiles rose and Saudi Arabia pledged to boost productions as the US ended its sanction waiver program for countries importing oil from Iran on Thursday.
- Data are lighter next week, highlights are US CPI and trade report, Eurozone Sentix Investor Confidence and retail sales, UK 1Q GDP growth and industrial production, China trade report, CPI and PPI. The RBA is expected to cut its cash rate by 25bps while the RBNZ is also likely to cut its official cash rate by 25bps. At home, we are expecting BNM to cut the OPR by 25bps.

Forex

- MYR weakened 0.10% WOW to 4.1380 against a stronger USD in general in the aftermath of the FOMC as the Fed remains non-committal to a rate cut as speculated by markets by downplaying the recent inflationary data as being 'transitional'. We are likely to continue to see continued USD strength as yield divergence is coming into focus following the Fed standing pat alongside weaker risk appetite in local equities and bonds.
- USD gained against 7 G10s with the USD index settling at 97.832. Technical picture remains bullish with a slew of worries such as trade tensions coming back into focus. Lending strength to the broad USD as well is a global crude oil supply glut which is weighing on global prices as falling crude prices continue to erode risk sentiment in equities led by falling oil stocks.

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Fixed Income

- For the week under review, US Treasuries ended stronger save for the front-end with the curve reversing to a flattening-mode instead. This followed the Fed Chair Powell's comments that "transitory" factors are restraining inflation; dampening traders rate cut bets. Overall benchmark yields ended mostly mixed-to-lower between -4 to +2bps. The 2Y benchmark; reflective of interest rate predictions rose 2bps at 2.35% levels whereas the much-watched 10Y traded within a narrow range of 2.50-2.54%; ending 3bps lower instead at 2.50%. Meanwhile this week saw a slew of data that included better than expected personal spending data whilst the FOMC stayed pat with the Federal Funds Rate @ 2.25-2.50%. Separately, foreign official accounts continue to offload UST holdings, dumping more than $15.8 billion of U.S. government-debt securities in the period ending 24th April.
- Local govvies saw activity slide during a "quiet" week following recent reports of purported bond allocation changes by the Norwegian wealth fund and FTSE Russel indices. Overall benchmark yields closed mostly mixed-to-higher between -1 to +3bps with main activity in off-the-run 19-20's, 27's, 33's and also benchmark 3Y,5Y along with 10Y GII bonds. Overall volume dropped from prior week's RM16.5b to RM11.9b due to lack of catalysts, mild net-selling activities and the mid-week break. GII bond trades dropped to form 38% of overall trades. The 5Y MGS 4/23 edged 1bps lower at 3.61% whereas the much-watched 10Y benchmark MGS 8/29 traded within a narrow 3.76-3.80% band; ending 3bps higher at 3.80%. The auction reopening of 7Y MGS 7/26 saw a muted BTC ratio of only 1.51x. Nevertheless the prospects of a rate cut and abundant domestic liquidity may provide support

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Contents

Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Interest Rate	Currency
US	↓	↔	↔	↔
EU	↓	↔	↔	↑
UK	↓	↔	↔	↑
Japan	↓	↔	↔	↑
Australia	↓	↔	↓	↔
China	↓	↔	↔	↔
Malaysia	↓	↔	↓	↔
Thailand	↓	↔	↔	↔
Indonesia	↓	↔	↔	↔
Singapore	↓	↔	↔	↔

The Week in Review

- US stocks fell this week after the Fed held interest rate steady and falling crude oil prices weighed on energy shares. The S&P500 ended its running streak of setting multiple highs, losing 0.76% compared to last Friday. The Dow and NASDAQ each fell 0.89% and1.35% as of Thursday. Spotlight was on the Fed as it kept fed funds rate unchanged as widely expected and reiterated its patience stance on monetary policy outlook. Most notably, Fed chair Jerome Powell said that the Fed did not see any strong case for a rate cut or rate hike and that transitory factors were at play for the slower inflation in recent months, dampening hope that the central bank would deliver a rate cut later this year leading traders to trim their bets on a Fed rate cut in December this year. In the UK, the BOE maintained its bank rate steady at 0.75% but sent a rather mixed message in our view, as it revised upwards its growth forecast but cut its inflation outlook. Governor Mark Carney also mentioned that the pace of rate hike might accelerate if the UK could manage a smooth Brexit transition but the risk of a “no deal” Brexit remained at this point. Crude oil plunged around 2% on supply glut concerns as US crude stockpiles rose and Saudi Arabia pledged to boost productions as the US ended its sanction waiver program for countries importing oil from Iran on Thursday.

- US data were generally mixed throughout the week. Consumer spending spiked MOM 0.9% in March as Americans splurged on big ticket items, pointing to a firm consumer confidence. The core PCE price index, the Fed’s preferred inflation gauge rose a mere 1.6% YOY in the same month confirming a muted inflation environment. The ISM Manufacturing Index fell 2.5pts in April and construction spending also fell in March. Factory orders rose for the first time in three months. ADP payroll beat expectations but initial jobless claims were flat.

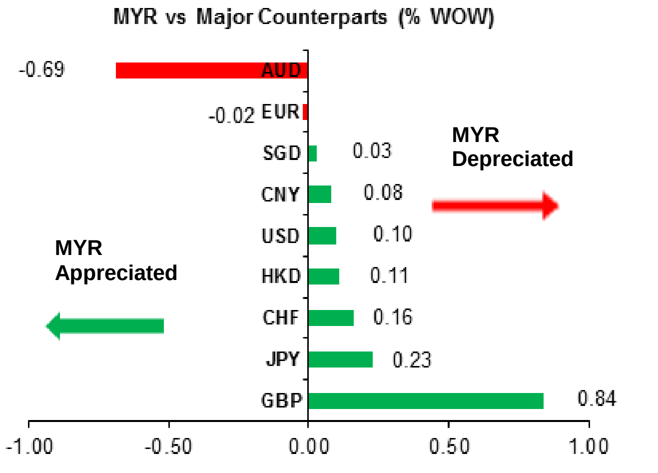
- Across the Atlantic, Eurozone GDP surprised to the upside, notching an unexpected 0.4% QOQ gain in the first quarter according to flash estimate. Manufacturing PMI however suggests that factories in the euro area remained under pressure in April, led by a downturn in Germany. Overall economic sentiments were reported to have deteriorated as well to the European Commission Economic Sentiment Indicator of which consumer confidence was also said to be dampening. In the UK, consumers remained pessimistic over Brexit but businesses appeared to be more positive. Manufacturing sector slowed as the pace of stockpiling eased. In Asia, Japan is on its annual Golden Week break. China official PMIs came in below expectations as both manufacturing and non-manufacturing PMIs recorded lower readings. New Zealand job data was a disappointment, further supported the case for RBNZ to cut its OCR next week.

The Week Ahead

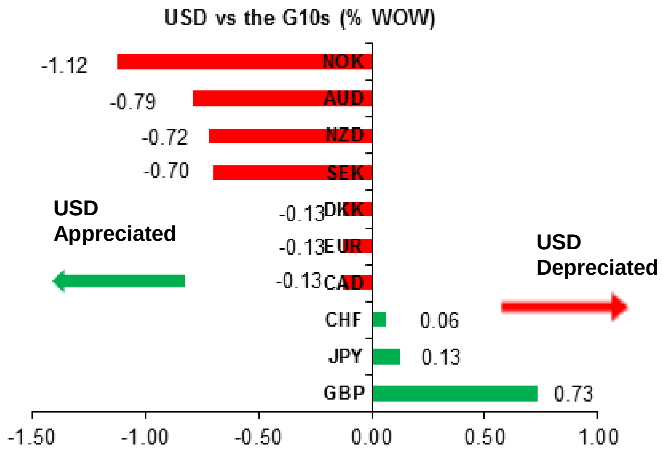
- Data are relatively light next week across major economies. In the US, top-tiered data are limited to April CPI, PPI and March trade report. In the Eurozone, Markit services PMI, Sentix Investor Confidence Index and retail sales are in the pipeline. UK ONS is slated to publish the preliminary reading of first quarter GDP growth alongside trade report and industrial production. House prices indexes namely Halifax House Price and RICS House Price Balance are also due in the same week. In Asia, the Nikkei Manufacturing PMI, machine tools orders, household spending and labour cash earnings are on our watch list. It will be a busier week for China with the release of Caixin Services PMI and the highly watched trade report and inflation numbers. Key data in Singapore is retail sales and Nikkei PMI.

- It will be a crucial week for both Australia and New Zealand as respective central banks are set to meet and announce their latest policy rate decisions. The RBA meets on Tuesday and is widely expected to cut cash rate by 25bps to 1.25% after disappointing 1Q CPI. The RBNZ is also set to deliver a cut to its official cash rate by 25bps from 1.75% to 1.5% the next day, in view of softer inflation and slower growth and especially after Wednesday unfavourable job data. In Malaysia, BNM will announce its MPC decision on Tuesday as well and we are expecting the central bank to cut OPR by 25bps to 3.0%.

Forex



Source: Bloomberg



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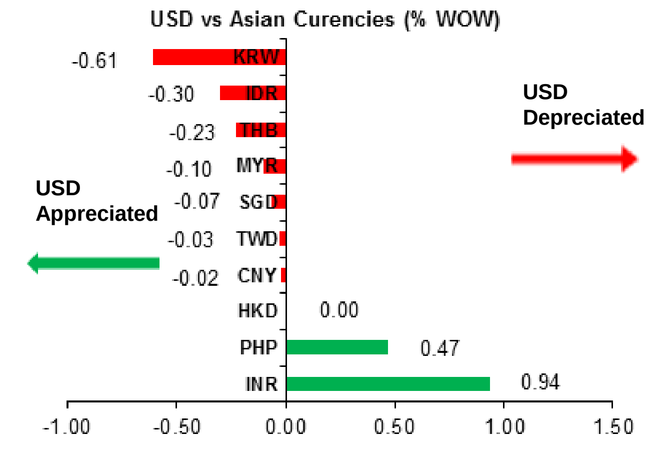


Source: Bloomberg

Technical Analysis:

Review and Outlook

- **MYR**: MYR weakened 0.10% WOW to 4.1380 against a stronger USD in general in the aftermath of the FOMC as the Fed remains non-committal to a rate cut as speculated by markets by downplaying the recent inflationary data as being 'transitional'. We are likely to continue to see continued USD strength as yield divergence is coming into focus following the Fed standing pat alongside weaker risk appetite in local equities and bonds.

- **USD**: USD gained against 7 G10s with the USD index settling at 97.832. Technical picture remains bullish with a slew of worries such as trade tensions coming back into focus. Lending strength to the broad USD as well is a global crude oil supply glut which is weighing on global prices as falling crude prices continue to erode risk sentiment in equities led by falling oil stocks.

- **EUR**: EUR lost 0.13% WOW to 1.1172 against the USD and ended mixed against G10 peers. We remain bearish EUR as EURUSD could not maintain the momentum needed to break out of the downtrend past week high of 1.1265 and is likely to continue lower to test the 1.1100 level. The pair is now consolidating recent down move whilst waiting for NFP data due later.

- **GBP**: GBP closed 0.73% stronger WOW to 1.3032 against USD in a steady rise throughout the week fueled by hawkish expectations of a BOE rate hike. Even though the BOE did not hike, hawkish rhetoric and optimism of a delayed and soft Brexit kept GBP close to week highs ahead of NFP.

- **JPY**: JPY strengthened 0.13% WOW to 111.51 as mixed interests continues to push and pull the pair around recent ranges throughout the week with little conviction to go anywhere with Japan still away for Golden Week holidays. Outlook remains neutral to slightly bulish in the week ahead with the Ichimoku cloud continuing to support the pair in the near term.

- **AUD**: AUD ended 0.79% weaker WOW to 0.7000 in a steady drop throughout the week as market geared up for FOMC and NFP. AUD failed to break downside momentum by failing to reclaim 0.71 handle, managing only a 0.7070 high and is now flirting with the 0.70 handle. Failure of which, exposes 0.6825 as the next support level which was not seen since Jan 2016.

- **SGD**: SGD ended 0.07% weaker WOW aginst the USD at 1.3626 and ended mixed against the G10s. USDSGD outlook is bullish as the broader USD is likely to continue to register gains due to yields differential and expected equity weakness in Asia is likely to support the pair in the near term.

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1176	42.0880	1.1125	1.1333	1.1231	1.1329	1.1413	Negative
GBPUSD	1.3039	51.0000	1.2889	1.3135	1.3047	1.2986	1.2958	Neutral
USDJPY	111.4200	47.6870	111.0600	112.3300	111.4700	110.6500	111.5100	Neutral
USDCNY	6.7349	55.7520	6.6926	6.7416	6.7160	6.7712	6.8162	Neutral
USDSGD	1.3631	63.8980	1.3496	1.3653	1.3564	1.3571	1.3652	Positive
AUDUSD	0.6993	34.4740	0.6967	0.7230	0.7099	0.7114	0.7170	Negative
NZDUSD	0.6618	35.3290	0.6578	0.6800	0.6727	0.6779	0.6725	Neutral
USDMYR	4.1415	68.3750	4.0912	4.1558	4.1078	4.1113	4.1206	Positive
EURMYR	4.6285	50.3940	4.5894	4.6787	4.6195	4.6593	4.7103	Negative
GBPMYR	5.4000	57.7510	5.3243	5.4154	5.3646	5.3304	5.3459	Neutral
JPYMYR	3.7169	60.5770	3.6634	3.7216	3.6885	3.7099	3.6943	Positive
CHFMYR	4.0630	42.4030	4.0357	4.1250	4.0852	4.1131	4.1527	Positive
SGDMYR	3.0384	54.1940	3.0181	3.0603	3.0302	3.0279	3.0191	Neutral
AUDMYR	2.8963	40.8690	2.8839	2.9779	2.9189	2.9276	2.9615	Negative
NZDMYR	2.7411	40.7740	2.7280	2.7959	2.7685	2.7903	2.7735	Neutral

Trader's Comment:

The Fed kept its key benchmark rates unchanged and downgraded their core and overall inflation outlook. The Greenback recovered most of its losses after Powell's comments and Treasury yields climbed. The 10yr US Treasury yield trading around 2.54%.

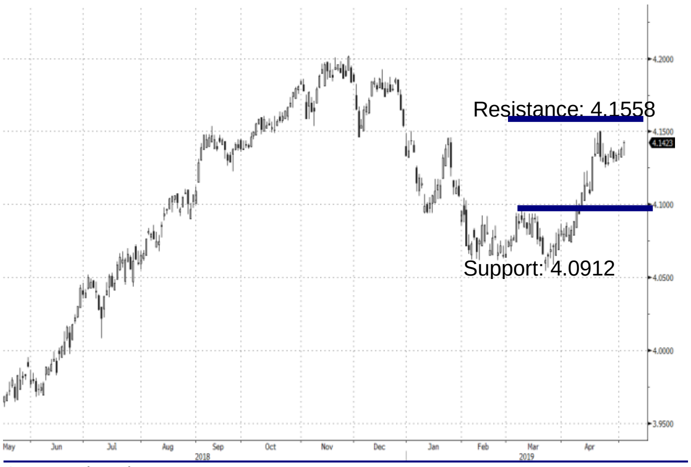
The EUR's recovery was short-lived, continues to trade on the lower band of the downward channel. GBP managed to hold on its gains post BOE, while the USDJPY stuck in a familiar range of 111-112. With lower oil price and sliding commodities, AUD, NZD, CAD all weakened.

Meanwhile, the Dollar remains supported ahead of the release of job data tonight. Next week, the Fed's speeches, RBA and RBNZ meetings will be the focus of the spotlights. China and Japan will be back from long holidays. Expect the dollar to stay on the bid tone.

Locally, lower trading volumes seen in a quiet trading week with USDMYR again hovering in a tight range of 4.1305-4.1430. The tone of BNM MPC next week may provide a better direction for the Ringgit in near term. Expect the pair to move in line with the regional peers with the trading range of 4.1200 – 4.1700.

Technical Charts

USDMYR

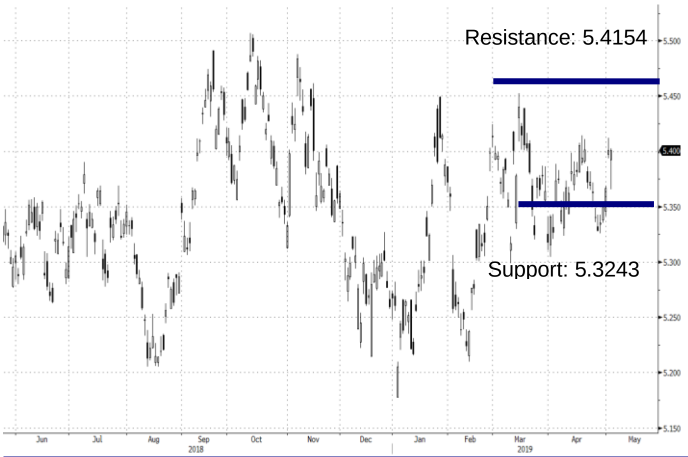


Source: Bloomberg

EURMYR

Source: Bloomberg

GBPMYR

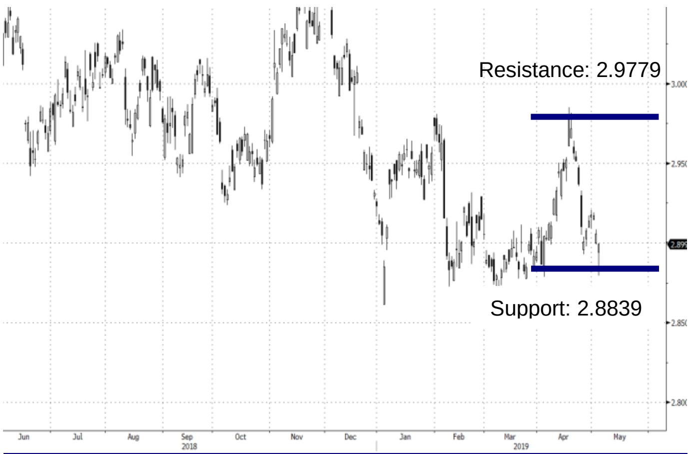


Source: Bloomberg

JPYMYR

Source: Bloomberg

AUDMYR

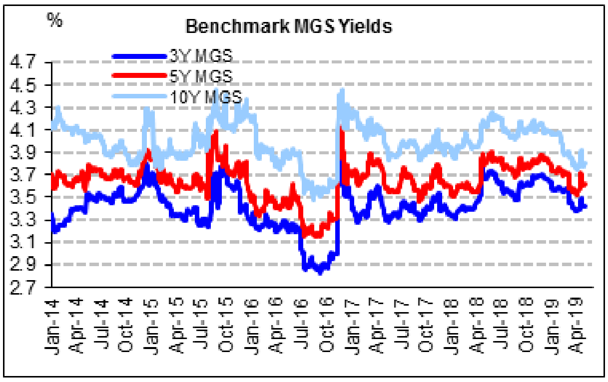


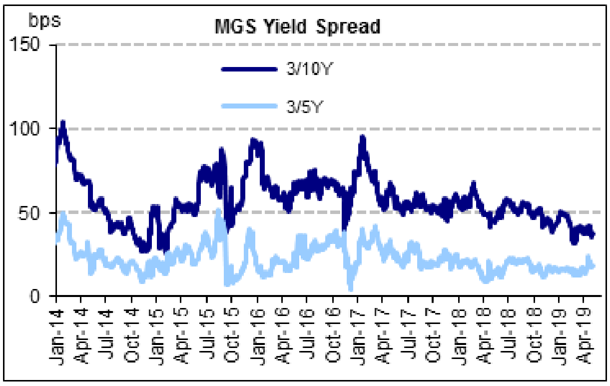
Source: Bloomberg

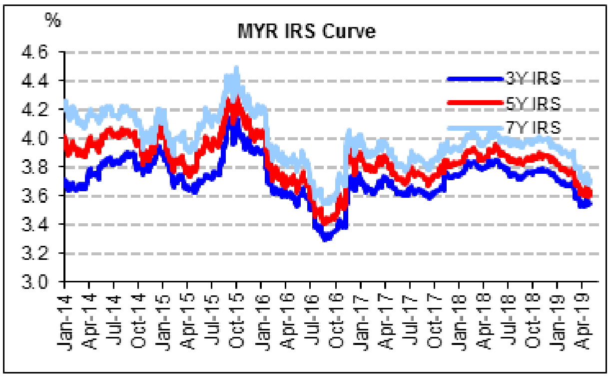
SGDMYR

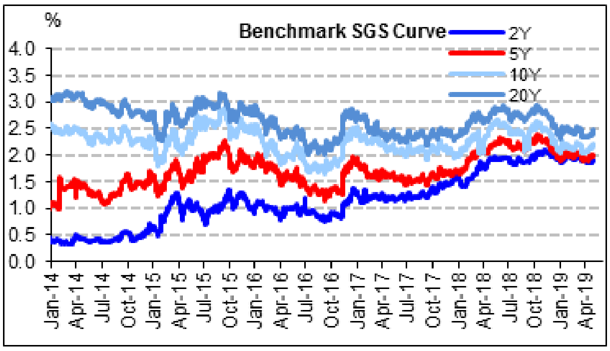
Source: Bloomberg

Fixed Income









Review & Outlook

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- Corporate bonds/sukuk saw secondary market traction retrace slightly WOW with interest mainly across the AAA-AA part of the curve followed by GG-segment. Portfolio managers were seen moving down the credit curve in search of yields amid some slight readjustment in GG bond spreads over govvies. Total market volume ended lower again at RM1.68b versus prior week's RM2.76b due to the mid-week break. AAA-rated PLUS 1/23 and PRASARANA 2/31 topped the weekly volume; closing 30bps lower at 4.02% and unchanged at 4.13% respectively compared to previous-done levels. This was followed by MAYBANK 32NC22 bonds which edged 1bps lower at 4.01%. The sole prominent new issuance during the week involved RM75m of Pavilion REIT Bond Capital Berhad's 5Y unrated bonds with a coupon of 4.85%.

- The SGS (govvies) saw the curve steepen and shift higher with overall benchmark yields 4-10bps higher compared to prior week's close. The 2Y rose another 4bps at 1.92% levels whilst the 5Y and 10Y however moved within a narrow i.e. 5-7bps range; but closing 7bps sharply higher at 2.01% and 2.22% respectively; surpassing last week's highest YTD levels of 2.18%. The SGD has changed little ahead of the US non-farm payroll data out tonight as the swap rate inched slightly higher. The curve bear-steepened for the week under review with the 2Y spread versus USD rates widening from less dovish FOMC comments. In the credit space, CDL Properties Ltd has succesfully upsized and sold S$400m of 5Y bonds at a coupon of 2.958%. Issuers (excluding banks and financial firms) face S$5.1b of SGD debt due for 2019 before rising to a record S$12b in 2020.

Rating Action			
Issuer	**PDS Description**	**Rating/Outlook**	**Action**
UEM Edgenta Berhad	Islamic Commercial Papers (ICP) Islamic Medium-Term Notes (IMTN) under its Sukuk Murabahah programme of up to RM1.0 billion.	MARC-1 IS AA-IS	Affirmed

Source: RAM, MARC

Economic Calendar						
Date	**Country**	**Events**	**Reporting Period**	**Survey**	**Prior**	**Revised**
07/05	**Malaysia**	**BNM Overnight Policy Rate**	**May-07**	**3.00%**	**3.25%**	**--**
		Foreign Reserves	**Apr-30**	**--**	**$103.5b**	**--**
10/05		Industrial Production YOY	Mar	2.4%	1.7%	--
16/05		GDP YOY	1Q	--	4.7%	--
08/05	**US**	**MBA Mortgage Applications**	**May-03**	**--**	**-4.3%**	**--**
09/05		**PPI Final Demand YOY**	**Apr**	**2.3%**	**2.2%**	**--**
		Trade Balance	**Mar**	**-$51.4b**	**-$49.4b**	**--**
		Initial Jobless Claims	**May-04**	**--**	**230k**	**--**
		Wholesale Inventories MOM	**Mar F**	**--**	**0.2%**	**--**
		Wholesale Trade Sales MOM	**Mar**	**--**	**0.3%**	**--**
10/05		**CPI YOY**	**Apr**	**2.1%**	**1.9%**	**--**
14/05		NFIB Small Business Optimism	Apr	--	101.8	--
		Import Price Index MoM	Apr	--	0.6%	--
15/05		MBA Mortgage Applications	May-10	--	--	--
		Retail Sales Advance MOM	Apr	0.3%	1.6%	--
		Empire Manufacturing	May	--	10.1	--
		Industrial Production MoM	Apr	0.1%	-0.10%	--
		NAHB Housing Market Index	May	--	63	--
16/05		Initial Jobless Claims	May-11	--	--	--
		Housing Starts MOM	Apr	8.0%	-0.3%	--
		Building Permits MOM	Apr	0.5%	-1.7%	-0.2%
		Philadelphia Fed Business Outlook	May	--	8.5	--
17/05		Leading Index	Apr	--	0.4%	--
		U. of Mich. Sentiment	May P	--	97.2	--
06/05	**Eurozone**	**Markit Eurozone Services PMI**	**Apr F**	**52.5**	**53.3**	**--**
		Sentix Investor Confidence	**May**	**--**	**-0.3**	**--**
		Retail Sales MOM	**Mar**	**--**	**0.4%**	**--**
14/05		Industrial Production SA MOM	Mar	--	-0.2%	--
		ZEW Survey Expectations	May	--	4.5	--
15/05		GDP SA QOQ	1Q P	--	--	--
16/05		Trade Balance SA	Mar	--	19.5b	--
17/05		CPI Core YOY	Apr F	--	--	--
		CPI YOY	Apr F	--	1.4%	1.4%
07/05	**UK**	**Halifax House Price 3Mths/Year**	**Apr**	**--**	**2.6%**	**--**
09/05		**RICS House Price Balance**	**Apr**	**--**	**-24%**	**--**
10/05		**Visible Trade Balance GBP/Mn**	**Mar**	**-£13800m**	**-£14112m**	**--**
		Industrial Production MOM	**Mar**	**0.2%**	**0.6%**	**--**
		GDP QOQ	**1Q P**	**0.5%**	**0.2%**	**--**
14/05		Average Weekly Earnings 3M/YOY	Mar	--	3.5%	--
		ILO Unemployment Rate 3Mths	Mar	--	3.9%	--
		Employment Change 3M/3M	Mar	--	179k	--
19/05		CBI Trends Total Orders	May	--	-5.0	--
07/05	**Japan**	**Nikkei Japan PMI Services**	**Apr**	**--**	**52.0**	**--**
09/05		**Machine Tool Orders YOY**	**Apr P**	**--**	**--**	**--**
10/05		**Household Spending YOY**	**Mar**	**1.6%**	**1.7%**	**--**

		Labor Cash Earnings YOY	**Mar**	**-0.5%**	**-0.8%**	**-0.7%**
13/05		Leading Index CI	Mar P	--	97.1	--
		Coincident Index	Mar P	--	100.4	--
14/05		Eco Watchers Survey Current SA	Apr	--	44.8	--
		Eco Watchers Survey Outlook SA	Apr	--	48.6	--
15/05		Machine Tool Orders YOY	Apr P	--	-28.5%	--
16/05		PPI YOY	Apr	--	1.3%	--
17/05		Nationwide Dept Sales YOY	Apr	--	0.1%	--
06/05	**Hong Kong**	**Nikkei Hong Kong PMI**	**Apr**	**--**	**48.0**	**--**
17/05		GDP YOY	1QF	--	1.2%	--
06/05	**China**	**Caixin China PMI Services**	**Apr**	**54.2**	**54.4**	**--**
08/05		**Trade Balance**	**Apr**	**$33.20b**	**$32.64b**	**--**
		Exports YOY	**Apr**	**2.8%**	**14.2%**	**--**
		Imports YOY	**Apr**	**-1.9%**	**-7.6%**	**--**
09/05		**CPI YOY**	**Apr**	**2.5%**	**2.3%**	**--**
		PPI YOY	**Apr**	**0.6%**	**0.4%**	**--**
15/05		Fixed Assets Ex Rural YTD YOY	Apr	6.3%	6.3%	--
		Industrial Production YOY	Apr	--	8.5%	--
		Retail Sales YOY	Apr	8.5%	8.7%	--
06/05	**Singapore**	**Nikkei Singapore PMI**	**Apr**	**--**	**51.8**	**--**
10/05		**Retail Sales YOY**	**Mar**	**--**	**-10.0%**	**--**
17/05		Non-oil Domestic Exports YOY	Apr	--	-11.70%	--
		GDP YOY	1Q F	--	1.30%	--
07/05	**Australia**	**AiG Perf of Construction Index**	**Apr**	**--**	**45.6**	**--**
		Trade Balance	**Mar**	**A$4490m**	**A$4801m**	**--**
		Retail Sales MOM	**Mar**	**0.2%**	**0.8%**	**--**
		RBA Cash Rate Target	**May-07**	**1.25%**	**1.5%**	**--**
10/05		**RBA Statement on Monetary Policy**				
13/05		Home Loans MOM	Mar	--	0.80%	--
14/05		NAB Business Conditions	Apr	--	7.0	--
		NAB Business Confidence	Apr	--	0.0	--
15/05		Westpac Consumer Conf Index	May	--	100.7	--
		Wage Price Index YOY	1Q	--	2.30%	--
16/05		Employment Change	Apr	--	25.7k	--
		Unemployment Rate	Apr	--	5.0%	--
08/05	**New Zealand**	**RBNZ Official Cash Rate**	**May-08**	**1.50%**	**1.75%**	**--**
17/05		BusinessNZ Manufacturing PMI	Apr	--	51.9	--

Source: Bloomberg

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