

Global Markets Research

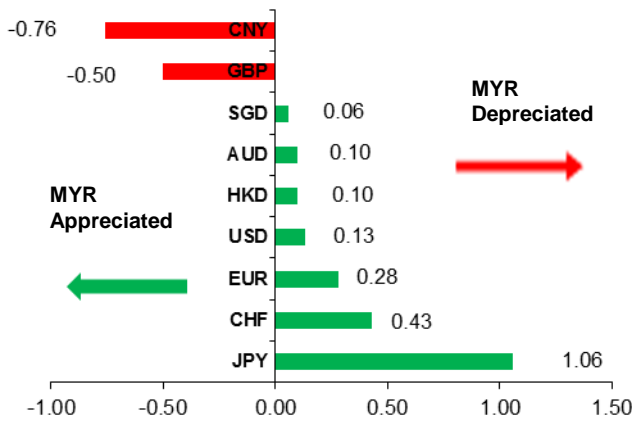
Weekly Market Highlights

Weekly Performance

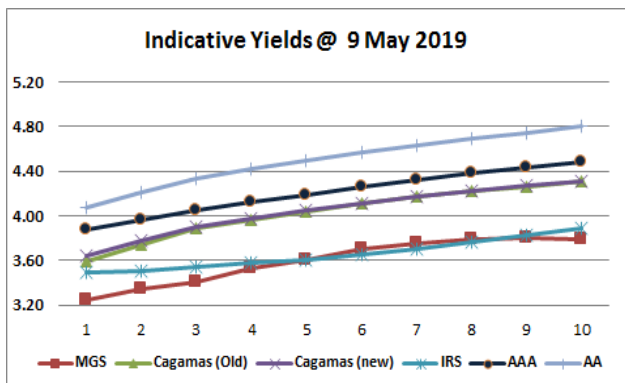
	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↓	↓	↓
EU	↑	↑	↑	↓
UK	↔	↓	↓	↓
Japan	↔	↑	↓	↑
Malaysia	↑	↓	↓	↓
China	↔	↓	↓	↓
Hong Kong	↔	↓	↓	↔
Singapore	↔	↓	↓	↓

Weekly MYR Performance

MYR vs Major Counterparts (% WOW)



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- Global markets were roiled this week as Trump unexpectedly reignited trade tension with China as he threatened to hike tariffs on \$200b Chinese goods on Friday in what appeared to be a bid to quicken the ongoing trade negotiations with China. The move took markets by surprise as investors had been reassured for weeks that talks were progressing well with both sides seemingly getting closer to a deal. News came in at noon today that the tariff hike from 10% to 25% has taken effect as there was no reaction from the Trump Administration to reverse the increase thus far. Crude oil prices fell this week largely on trade tension and mixed crude inventory data from EIA and API. The RBA defied expectations as it held its cash rate steady at 1.5% while the RBNZ delivered a cut in its official cash rate, as expected and turned less sanguine on domestic growth. Closer to home, Bank of Thailand left its key rates unchanged while BNM and BSP cut rates by 25bps.
- Key data next week include US retail sales and industrial production, Eurozone second 1Q GDP reading, industrial production, trade data and inflation as well as the ZEW confidence index. March job report is the UK's key highlight. In Asia, Hong Kong, Singapore and Malaysia are slated to publish respective 1Q GDP reports while China National Bureau of Statistic will report its monthly key indicators namely industrial production, retail sales and fixed asset investment.

Forex

- MYR weakened 0.13% WOW to 4.1525 against a broadly stronger USD against EM on trade tensions and break of technical resistance level of 4.1500. Pair is likely heading to 4.2000 now, the next resistance level and previous November 2018 high. US's move to hike tariffs on Chinese goods likely to further sour trade talks and hopes for an immediate deal is unlikely which will weigh on MYR and general risk sentiment.
- USD ended mixed against the G10s with the USD index settling at lower at 97.373. Technical picture remains bullish with a slew of worries such as trade tensions coming back into focus. Yield differential will likely support overall USD now as major central banks besides the Fed refocuses on subdued inflation, thanks to external factors like ongoing trade talks.

Fixed Income

- For the week under review, US Treasuries ended stronger with the curve maintaining the flattening-stance out to 10Y despite a slate of IG issuances (including IBM's pricing requirements) and worries on US-China trade development. Overall benchmark yields ended between 8-10bps lower. The 2Y benchmark; reflective of interest rate predictions rallied 8bps lower at 2.26% levels whereas the much-watched 10Y traded within a wider range of 2.44-2.54%; ending 10bps sharply lower instead at 2.44%. Meanwhile the mixed job report last Friday and Fed Chair Powell's move to tame down rate-cut speculation with his discussion on "transitory" inflation may cause cash bond trading activity to be muted with less liquidity. Expect futures volumes to run high as market remains nervous on unresolved US-China trade talks with Trump imposing 25% tariffs on about \$200b of Chinese goods effective today that might ignite retaliatory moves.
- Local govies rallied following BNM MPC's 25bps OPR cut; a decision in line with our house view; succumbing however the past two (2) days due to profit-taking. Overall benchmark yields closed between 1-6bps lower with main activity in off-the-run 19-21's, 23-26s and also benchmark 5-10Y bonds. Total weekly volume spiked from prior week's RM11.9b to RM25.7b with GII bond trades maintained at 38% of overall trades. The 5Y MGS 4/23 edged 2bps at 3.59% whereas the 10Y benchmark MGS 8/29 traded within a narrow 3.76-3.79% band; inching 1bps lower at 3.80%. Nevertheless markets may be resilient following the rate cut and abundant domestic liquidity. The latest foreign holdings of MYR govies fell 4.2% to RM162.3b whilst overall MYR bonds saw a steeper 5.2% drop to RM180.1b due to earlier concerns on purported portfolio adjustments by the Norwegian wealth fund and FTSE Russell indices.

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Macroeconomics

6-month Macro Outlook

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

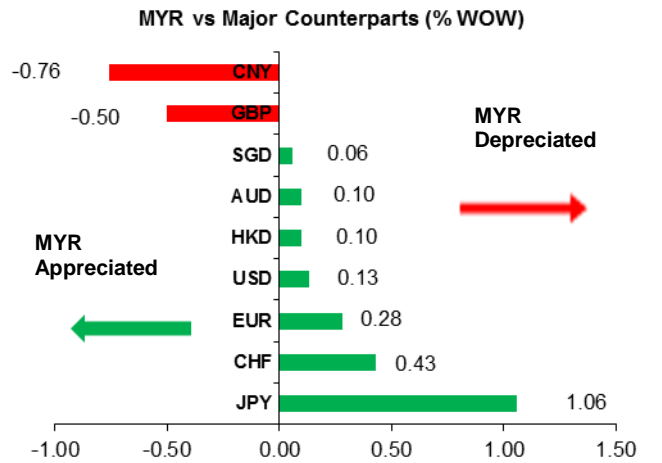
The Week in Review

- Global markets were roiled this week as President Trump unexpectedly reignited trade tension with China as he threatened to hike tariffs on \$200b Chinese goods on Friday in what appeared to be a bid to quicken the ongoing trade negotiations with China. The move took markets by surprise as investors had been reassured for weeks that talks were progressing well with both sides seemingly getting closer to a deal. Key US benchmarks saw major reversal this week as investors retreated from stocks to safe havens. The Dow, S&P 500 and NASDAQ each falling by 2.6%, 2.5% and 3.1% on Thursday compared to Friday's closings. European and Asian markets took a major blow as well. Major benchmarks from STOXX 50 to DAX and CAC 40 lost 2-4% in Europe while Hang Seng erased 5.9% over the week and the Shanghai Composite Index erased 7.4% versus last Tuesday's closing. Crude oil prices fell this week largely on trade tension and mixed crude inventory data from EIA and API.
- News came in at noon today that the tariff hike from 10% to 25% has taken effect as there was no reaction from the Trump Administration to reverse the increase thus far. All eyes are still on the ongoing negotiation taking place in Washington as China Vice Premier Liu He seeks to avoid a dangerously unfavourable outcome which could lead to a full blown trade war with the US and reversed much of the progress made in the Sino-American trade relation in recent months.
- Central bank actions were in the limelight at this side of the world. The RBA defied expectations as it held its cash rate steady at 1.5%, adopting a wait-and-see approach and said it will pay close attention in the development in the labour market. RBNZ delivered a cut in its official cash rate, and turned less sanguine on domestic growth. Closer to home, Bank of Thailand left its key rates unchanged while BNM cut OPR by 25bps and its policy tone returned to neutral in our view. BSP also joined the rate cut bandwagon in reducing its benchmark rate by 25bps.
- Data are scanty this week. US overall trade deficit widened in March as imports rebounded but its trade gap with China narrowed. Producer prices steadied at 2.2% YOY in April pointing to subdued inflation. Initial jobless claims fell by 2k to 228k last week. Eurozone Sentix Investor Confidence Index jumped in May on upbeat first quarter GDP growth. Japan manufacturing PMI climbed back above 50.0 to indicate growth in the manufacturing sector. Wages fell for the third running months and this time by a larger margin of 1.9% YOY, but household spending rose to 8-month high suggesting that Japanese are spending ahead of October's sales tax hike. China exports unexpectedly fell while imports rose for the first time in five months. The surge in food prices drove CPI higher to 2.5% while prices at factories have also recovered.

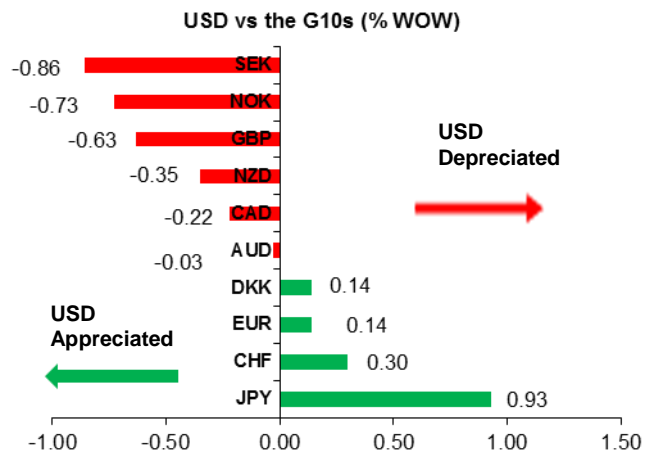
The Week Ahead

- Data calendar is modestly packed next week. First tiered data in the US are limited to retail sales and industrial production. Retail sales growth is likely to pull back in April from the larger gain in March. We reckon that manufacturing production will likely fall again in April taking cue from 3.5pts drop in the ISM production sub-index which would continue to serve as a drag on overall industrial production. Other key data of the week include the NFIB Small Business Optimism Index, import price index, housing data such as NAHB Housing Market Index, housing start and building permits as well as the first batch of regional manufacturing surveys namely the Empire State Manufacturing Index and Philadelphia Fed Business Outlook.
- It will be a busier week for the Eurozone with the release of second reading of first quarter GDP, industrial production, trade data, HICP inflation and ZEW investors confidence index. March job report is the UK's key highlight followed by the CBI Trend Total Orders Index, a gauge of UK manufacturing sentiments.
- Data flow are lighter in Asia but most of the releases carry major weight. Hong Kong, Singapore and Malaysia are slated to publish respective 1Q GDP while China will report its monthly key indicators namely industrial production, retail sales and fixed asset investment. Data bag in Japan are mostly second tiered, comprising of leading index, economic watcher survey, machine tools orders and producer prices. Down under, first quarter wage price index and April job report are the major highlight alongside the business confidence and consumer index.

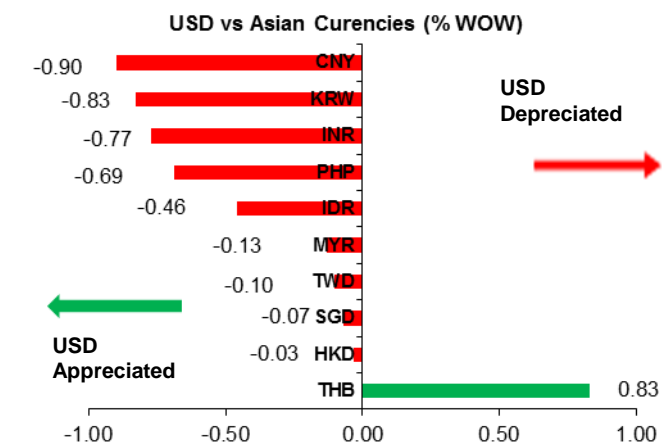
Forex



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Review and Outlook

- MYR:** MYR weakened 0.13% WOW to 4.1525 against a broadly stronger USD against EM on trade tensions and break of technical resistance level of 4.1500. Pair is likely heading to 4.2000 now, the next resistance level and previous November 2018 high. US to hike tariffs on Chinese goods likely to further sour trade talks and hopes for an immediate deal is unlikely which will weigh on MYR and general risk sentiment.
- USD:** USD ended mixed against the G10s with the USD index settling lower at 97.373. Technical picture remains bullish with a slew of worries such as trade tensions coming back into focus. Yield differential will likely support overall USD now as major central banks besides the Fed refocuses on subdued inflation, thanks to external factors like ongoing trade talks.
- EUR:** EUR gained 0.14% WOW to 1.1215 helped by Trump comments that there might be a trade deal after receiving a letter from Premier Xi which sparked some hope for a deal. Pair is still trading below the Ichimoku cloud bottom of 1.1259 which will continue to act as a resistance and will likely continue lower once current optimism fades.
- GBP:** GBP lost 0.63% WOW to 1.3014 against USD in a steady drop throughout the week before finally paring back some due to Trump comments. GBP is likely to be heavily influenced by ongoing cross party talks and any sign of the talks not going anywhere will lead to GBP trading lower very fast. 1.28-1.32 likely to contain the broader move for now as the pair remains headline driven.
- JPY:** JPY strengthened 0.93% WOW to 109.74 as Japan returns from Golden Week holidays just to come face to face with renewed trade tensions. Safe haven demand picked up the pace as the pair continued to take cues from falling equities and falling UST yields. Next support comes in at 109.00 with the resistance now at 110.58. A close above this is required to negate current bearish momentum.
- AUD:** AUD ended 0.03% weaker WOW to 0.6989 against the USD in a rather ding dong fashion as AUD seems to be consolidating in a broad range post the RBA move. Renewed tensions and increased tariffs likely to have an adverse effect to AUD strength as AUD remains extremely sensitive to the health of Chinese economy. The immediate support is at 0.6950 while a break of 0.7050 is needed to negate downside momentum.
- SGD:** SGD ended 0.07% weaker WOW against the USD at 1.3641 and ended mixed against the G10s. USDSGD outlook remains bullish as the broader USD is likely to continue register gains due to yields differential and equity weakness in Asia as a result of continuing trade tensions.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1231	51.5810	1.1123	1.1305	1.1224	1.1321	1.1402	Neutral
GBPUSD	1.3018	47.9350	1.2874	1.3151	1.3036	1.3007	1.2958	Negative
USDJPY	109.9700	31.9750	109.8500	112.8600	111.4000	110.5500	111.4800	Neutral
USDCNY	6.8030	67.4940	6.6703	6.8080	6.7307	6.7586	6.8208	Positive
USDSGD	1.3625	58.2310	1.3523	1.3670	1.3578	1.3567	1.3652	Neutral
AUDUSD	0.7011	41.7960	0.6925	0.7202	0.7083	0.7108	0.7160	Neutral
NZDUSD	0.6605	38.8560	0.6547	0.6758	0.6687	0.6770	0.6720	Neutral
USDMYR	4.1535	73.7700	4.1135	4.1586	4.1210	4.1101	4.1233	Positive
EURMYR	4.6650	61.4030	4.6037	4.6805	4.6278	4.6545	4.7085	Neutral
GBPMYR	5.4071	55.6160	5.3241	5.4429	5.3737	5.3368	5.3478	Negative
JPYMYR	3.7768	71.6690	3.6477	3.7794	3.7011	3.7134	3.6982	Negative
CHFMYR	4.0907	57.4830	4.0371	4.1161	4.0834	4.1118	4.1454	Neutral
SGDMYR	3.0483	61.0280	3.0288	3.0588	3.0362	3.0280	3.0211	Positive
AUDMYR	2.9118	48.3960	2.8761	2.9766	2.9217	2.9224	2.9594	Neutral
NZDMYR	2.7436	44.0610	2.7180	2.7925	2.7600	2.7839	2.7735	Neutral

Trader's Comment:

Main trading theme for the week is development in trade war between the US and China, as Trump's threat to lift tariffs on \$200 billion of Chinese goods from 10% to 25% sent risk assets into reverse. Trump also planned to impose new sanction on Iran. The 10-year US Treasury yields traded slightly lower to around 2.46%.

If trade talks were to fail further, risk off flow will definitely follow, not only due to the immediate cost impact to the US customers, and also due to the heightened cold war between US and China. It will somehow curb investment plans, and disrupt the supply chain which then impact global growth in the second half of 2019.

RBA surprised the market by maintaining its rates at 1.50% when most of economists expect a rate cut to 1.25%, although RBA's statement emphasized that there are many downside risks since its last communique last month. Unless the labor conditions grow weaker, or else RBA would unlikely to cut rate regardless of its weak price pressure.

Furthermore, RBNZ cut its OCR by 25 basis points from 1.75% to 1.50%, which then sent the kiwi tumbling down from 0.6600 to 0.6525 during early Asian hours.

Locally, Monetary Policy Committee of BNM cut overnight policy rate from 3.25% to 3.00% as expected. USDMYR continued to trade within a tight range of 4.1455- 4.1535 as the rate cut has been priced in. Local government bonds has recovered relatively quickly from FTSE Russel's announcement that it may drop Malaysian debt from its index. Expect the pair to trade at the higher range of 4.1400-4.1800 if the risk off sentiment were to continue.

Technical Charts

USDMYR



Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



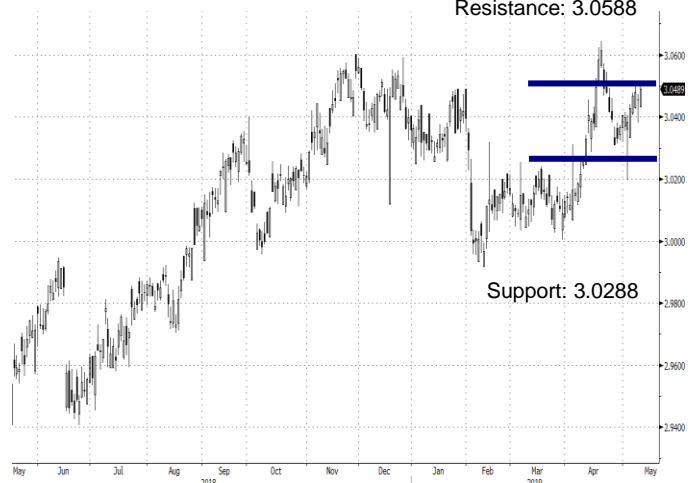
Source: Bloomberg

AUDMYR



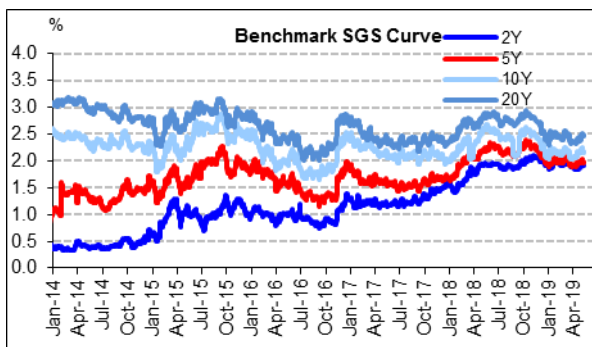
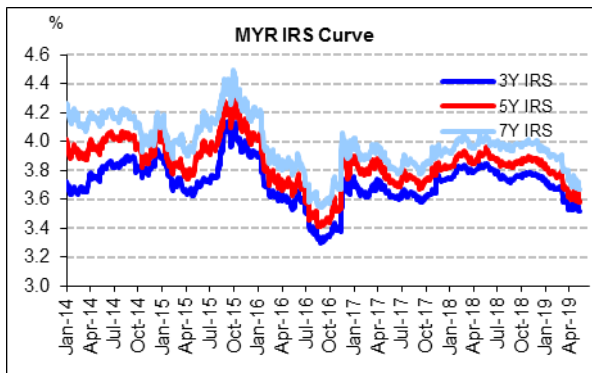
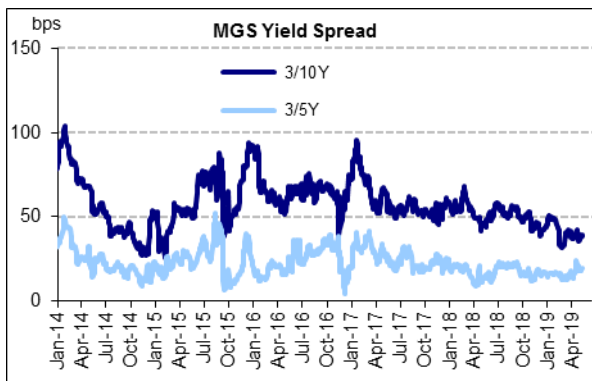
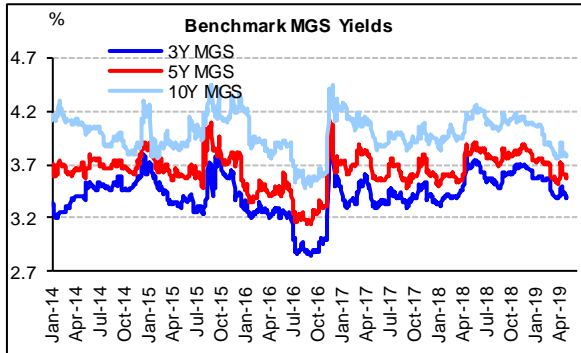
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

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- Local govies rallied following BNM MPC's 25bps cut on the OPR; a decision in line with our house view; succumbing however the past two (2) days due to profit-taking. Overall benchmark yields closed between 1-6bps lower with main activity in off-the-run 19-21's, 23-26s and also benchmark 5-10Y bonds. Total weekly volume spiked from prior week's RM11.9b to RM25.7b with GII bond trades maintained at 38% of overall trades. The 5Y MGS 4/23 edged 2bps at 3.59% whereas the 10Y benchmark MGS 8/29 traded within a narrow 3.76-3.79% band; inching 1bps lower at 3.80%. Nevertheless markets may be resilient following the rate cut and abundant domestic liquidity. The latest foreign holdings of MYR govies fell 4.2% to RM162.3b whilst overall MYR bonds saw a steep 5.2% drop to RM180.1b due to earlier concerns on purported portfolio adjustments by the Norwegian wealth fund and FTSE Russel indices.
- Corporate bonds/sukuk saw secondary market traction retrace slightly WOW with interest mainly across the GG-AA part of the curve. Portfolio managers were also seen moving down the credit curve on selective papers. Total market volume ended higher at RM3.58b versus prior week's RM1.19b partly due to the mid-week break last week. AAA-rated PLUS 29 and DANAINFRA 4/26 topped the weekly volume; both closing differently i.e. 4bps lower at 4.23% and 4bps higher at 3.91% respectively compared to previous-done levels. This was followed again by PLUS 31 bonds which closed a massive 11bps lower at 4.33%. The prominent new issuance during the week involved Putrajaya Bina Sdn Bhd's RM380m AAA-rated 10-12Y bonds with coupons ranging between of 4.15-25%.
- The SGS (govies) curve shifted lower and flattened out to the 10Y instead with overall benchmark yields 1-8bps lower compared to prior week's close. The 2Y inched 1bp lower at 1.91% levels whilst the 5Y and 10Y moved within a wider range of 7-9bps; closing 7bps sharply lower at 2.01% and 2.22% respectively. Manufacturing data (based on Nikkei Singapore PMI) for April was strong compared to previous month whilst retails sales for March saw a much lesser fall compared to consensus. However, SGD forward premiums are near the narrowest in 16 months as investors fear higher U.S. tariffs on Chinese imports will hurt growth in the republic.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Al-Aqar Capital Sdn Bhd	M295 million Class A RM60 million Class B Issue 2 Sukuk Ijarah under its RM1 billion IMTN Programme.	AAA/Stable AA2/Stable	Reaffirmed

Source: RAM, MARC

Economic Calendar						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
16/05	Malaysia	GDP YOY	1Q	4.3%	4.7%	--
24/05		CPI YOY	Apr	--	0.2%	--
		Foreign Reserves	15 May	--	\$103.4b	--
14/05	US	NFIB Small Business Optimism	Apr	102.0	101.8	--
		Import Price Index MOM	Apr	0.7%	0.6%	--
15/05		MBA Mortgage Applications	10 May	--	2.7%	--
		Retail Sales Advance MOM	Apr	0.2%	1.6%	--
		Empire Manufacturing	May	8.0	10.1	--
		Industrial Production MOM	Apr	0.1%	-0.1%	--
		NAHB Housing Market Index	May	64.0	63.0	--
16/05		Initial Jobless Claims	11 May	--	228k	--
		Housing Starts MOM	Apr	7.1%	-0.3%	--
		Building Permits MOM	Apr	1.9%	-1.7%	-0.2%
		Philadelphia Fed Business Outlook	May	11.0	8.5	--
17/05		Leading Index	Apr	0.2%	0.4%	--
		U. of Mich. Sentiment	May P	97.9	97.2	--
20/05		Chicago Fed Nat Activity Index	Apr	--	-0.15	--
21/05		Existing Home Sales MOM	Apr	2.0%	-4.9%	--
22/05		MBA Mortgage Applications	17 May	--	--	--
23/05		FOMC Meeting Minutes	01 May	--	--	--
		Initial Jobless Claims	18 May	--	--	--
		Markit US Manufacturing PMI	May P	--	52.6	--
		Markit US Services PMI	May P	--	53.0	--
		New Home Sales MOM	Apr	-3.8%	4.5%	--
		Kansas City Fed Manf. Activity	May	--	5	--
24/05		Durable Goods Orders	Apr P	-1.5%	2.6%	--
		Cap Goods Orders Nondef Ex Air	Apr P	--	1.4%	--
14/05	Eurozone	Industrial Production SA MOM	Mar	-0.4%	-0.2%	--
		ZEW Survey Expectations	May	--	4.5	--
15/05		GDP SA QOQ	1Q P	0.4%	0.2%	--
16/05		Trade Balance SA	Mar	--	19.5b	--
17/05		CPI Core YOY	Apr F	1.2%	0.8%	--
		CPI YOY	Apr F	1.7%	1.4%	1.4%
21/05		Consumer Confidence	May A	--	-7.9	--
23/05		Markit Eurozone Manufacturing PMI	May P	--	47.9	--
		Markit Eurozone Services PMI	May P	--	52.8	--
14/05	UK	Average Weekly Earnings 3M/YOY	Mar	3.4%	3.5%	--
		ILO Unemployment Rate 3Mths	Mar	3.9%	3.9%	--
		Employment Change 3M/3M	Mar	138k	179k	--
19/05		CBI Trends Total Orders	May	-7.0	-5.0	--
20/05		Rightmove House Prices YOY	May	--	-0.1%	--
22/05		CPI YOY	Apr	--	1.9%	--
		CPI Core YOY	Apr	--	1.8%	--
		PPI Output NSA YOY	Apr	--	2.4%	--

24/05		Retail Sales Inc Auto Fuel MOM	Apr	--	1.1%	--
13/05	Japan	Leading Index CI	Mar P	96.3	97.1	--
		Coincident Index	Mar P	99.6	100.4	--
14/05		Eco Watchers Survey Current SA	Apr	45.7	44.8	--
		Eco Watchers Survey Outlook SA	Apr	48.0	48.6	--
15/05		Machine Tool Orders YOY	Apr P	--	-28.5%	--
16/05		PPI YOY	Apr	1.1%	1.3%	--
17/05		Nationwide Dept Sales YOY	Apr	--	0.1%	--
20/05		GDP SA QOQ	1Q P	-0.1%	0.5%	--
		Industrial Production YOY	Mar F	--	-4.6%	--
		Convenience Store Sales YOY	Apr	--	0.0%	--
		Supermarket Sales YOY	Apr	--	0.5%	--
22/05		Exports YOY	Apr	--	-2.4%	--
		Trade Balance	Apr	--	¥528.5b	¥527.8b
		Core Machine Orders MOM	Mar	--	1.8%	--
23/05		Nikkei Japan PMI Mfg	May P	--	50.2	--
		Machine Tool Orders YOY	Apr F	--	--	--
24/05		Natl CPI YOY	Apr	--	0.5%	--
		Natl CPI Ex Fresh Food YOY	Apr	--	0.8%	--
17/05	Hong Kong	GDP YOY	1Q F	0.5%	0.5%	--
23/05		CPI Composite YOY	Apr	--	2.1%	--
15/05	China	Fixed Assets Ex Rural YTD YOY	Apr	--	6.3%	--
		Industrial Production YOY	Apr	--	8.5%	--
		Retail Sales YOY	Apr	--	8.7%	--
17/05	Singapore	Non-oil Domestic Exports YOY	Apr	-5.7%	-11.7%	--
		GDP YOY	1Q F	--	1.3%	--
23/05		CPI YOY	Apr	--	0.6%	--
24/05		Industrial Production YOY	Apr	--	-4.8%	--
13/05	Australia	Home Loans MOM	Mar	-0.5%	0.8%	--
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	2.3%	2.3%	--
16/05		Employment Change	Apr	15.0K	25.7k	--
		Unemployment Rate	Apr	5.0%	5.0%	--
21/05		RBA Minutes of May Policy Meeting				
22/05		Westpac Leading Index MOM	Apr	--	0.19%	--
17/05	New Zealand	BusinessNZ Manufacturing PMI	Apr	--	51.9	--
20/05		Performance Services Index	Apr	--	52.9	--
24/05		Trade Balance NZD	Apr	--	922m	--
		Exports NZD	Apr	--	5.70b	--
25-31/05	Vietnam	Industrial Production YOY	May	--	9.3%	--
		Retail Sales YTD YOY	May	--	11.9%	--
		CPI YOY	May	--	2.93%	--
		Exports YOY	May	--	7.5%	--
		Trade Balance	May	--	-\$700m	--

Source: Bloomberg

Hong Leong Bank Berhad

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