

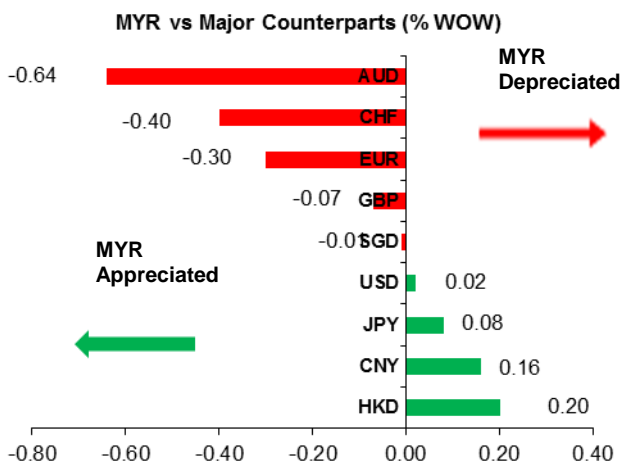
Global Markets Research

Weekly Market Highlights

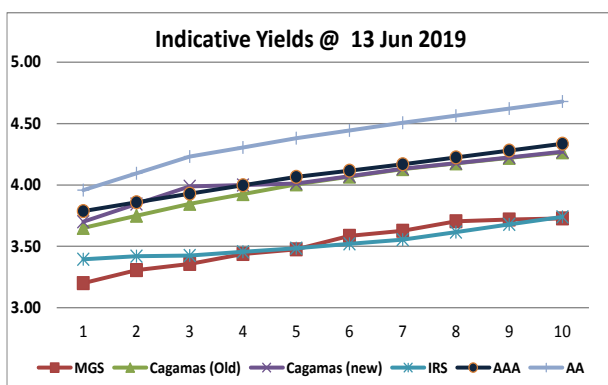
Weekly Performance

	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 rose modestly this week as investors turned cautious ahead of next week's FOMC meeting. Trade uncertainties took a backseat given a lack of concrete development over the now stalling US-China trade negotiations as markets can only wait and see whether President Xi is meeting President Trump at the upcoming 28-29 June G20 Summit in Japan. Focus shifted to the Federal Reserve's increasing likelihood to cut rate multiple times this year after last Friday's poor nonfarm payrolls. Crude oil prices were volatile over the week over concerns on slower global demand and subsequently attacks on two oil tankers near Oman sea. On the data front, softer US CPI, PPI and the fall in import prices reaffirmed muted inflationary environment and reinforce potentials of Fed's easing bias. UK and Eurozone industrial output fell. China exports rose but imports plunged.
- Investors buckle up for three central bank meetings next week. The Fed is expected to release its new economic projections and the highly anticipated dot plot. Many expect the Fed to signal its easing intention next week before delivering a cut in late July. Futures are pricing in four rate cuts by the end of 2020. The BOE likely leaves bank rate unchanged despite recently hawkish remarks by a few officials. Similarly BOJ will keep its ultraloose monetary policy intact. Key data next week include flash Markit PMIs for US, Eurozone and Japan. Official data are Eurozone trade data and HICP inflation, UK CPI. Japan trade report and CPI and New Zealand GDP. RBA will also release its June meeting minutes.

Forex

- MYR weakened marginally by 0.02% WOW to 4.1650 against a broadly stronger USD as markets retraces previous week's losses as euphoria over Fed rate cut expectations die down and global growth concerns and trade tensions start to weigh on MYR again. MYR likely to remain neutral between 4.15-4.18 while we await further directional cues externally.
- USD ended stronger against the G10s except for the JPY on safe haven demand and lower UST yields with the USD index settling at 97.013. Technical picture turns slightly bullish as the index crosses through the Ichimoku cloud bottom. Over the medium term, the USD picture remains bearish with a dovish Fed and perceived less dovish ECB. We look towards further Fed guidance next week during the FOMC for further direction.

Fixed Income

- UST advanced WOW amid continuous flight to safety bids amid re-escalation of global growth concern stemming from longstanding trade tension. Despite the brief respite in early week following news on a US-Mexico immigration deal that helped avert higher trade tariffs being slapped on Mexican goods, intensified growth fear and fast rising odds of a Fed rate cut continued to unnerve investors. The curve shifted lower by 1-4bps WOW with the front end 2-year note yields falling 4bps to 1.84% as at yesterday's close. The 10-year bond yields fell a more modest 2bps to 2.09% while the long bond 30-year shed just 1bp to 2.60%. The curve steepened for a 2nd straight week with the 2/10 spread inching up by 2bps to 26bps, very much muted compared to the 9bps spike last week. This week's debt sale comprising US\$38bn 3-year notes, US\$24bn 10-year notes, and reopening of US\$16bn 30-year bonds were all met with healthy demand with BTCs at 2.62x, 2.49x, 2.32x (prior 2.48x, 2.17x, 2.20x). FOMC meeting will take center stage next week. While no change in Fed fund rate is expected, markets will be scrutinizing the Fed rhetoric for clues on the next policy move. Futures implied probability of a July rate cut now stands at 84% at time of writing.
- Local govies came under some pressure this week with the curve marginally higher as 10-year MGS yields added 3bps to 3.73% while the short end 3-year note yields rose a mere 1bp WOW to close at 3.37% yesterday. Trading momentum in local govies recovered from last week's holiday-shortened slump, to RM20.8bn (prior RM14.8bn), with GII trade forming 40% of overall trade in the local govies space, a slight increase from 38% a week ago. This week's new issuance of 5Y MGS 6/24 was well-received, attracting a solid BTC of 2.49x at an average yield of 3.478%, higher compared to the issuance in November last year at 2.32x and 3.874%. Expect demand for local govies to stay supported next week as markets await for more cues from next week's FOMC meeting.

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Macroeconomics

6-month Macro Outlook

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

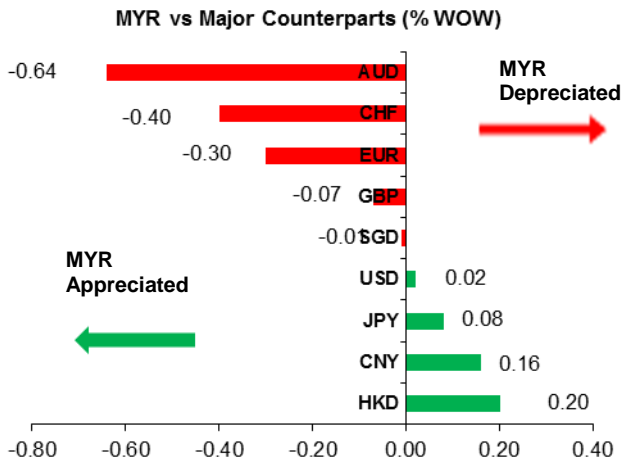
The Week in Review

- US stocks rose modestly this week as investors turned cautious ahead of next week's FOMC meeting. Trade uncertainties took a backseat given a lack of concrete development over the now stalling US-China trade negotiations as markets can only wait and see whether President Xi is meeting President Trump at the upcoming 28-29 June G20 Summit in Japan. Focus shifted to the Federal Reserve's increasing likelihood to cut rate multiple times this year after last Friday's poor nonfarm payrolls. The week thus far see the Dow adding 0.55%, S&P 500 rising a tinier 0.3% while NASDAQ slipping by 1.6%. European and Asian major benchmarks also ended higher. Hong Kong citizens took to the street to protest a controversial Chinese extradition bill. Volatility in crude oil prices was this week's market mover as concerns over global demand weighed down on prices, a subsequent attack on two oil tankers near Oman led prices to recover slightly. Crude futures lost about 3.1% as of Thursday.
- On the data front, softer US CPI, PPI and the fall in import prices reaffirmed muted inflationary environment and reinforced the case of Fed's easing bias. Initial jobless claims rose to a five-week high, signalling cooling job growth. Eurozone industrial production slipped for the second month, investor confidence deteriorated. China CPI accelerated as food prices spiked, PPI eased further. UK industrial output fell, jobless rate was unchanged although hiring slowed. China exports unexpectedly rose but imports plunged by more than expected. Australia unemployment rate steadied at 5.2% as workforce expanded. Participation rate was the highest ever recorded. Malaysia industrial output rose 4.0% YOY in April, the fastest pace in six month but is likely unsustainable in the wake of external headwinds.

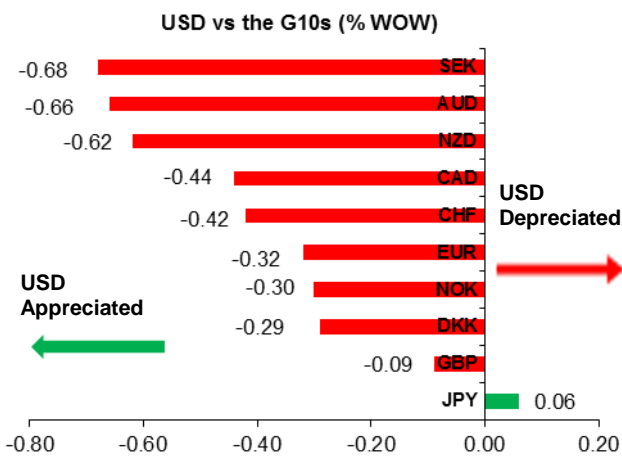
The Week Ahead

- Investors buckle up for three central bank meetings next week with the two-day FOMC meeting (18-19 June) taking on center stage where the Federal Reserve is set to release its new economic projections alongside the much anticipated dot plots for the fed funds rate. The impact of trade uncertainties on growth outlook had been gnawing at global central banks for long (especially those of export-led countries) but not so much on the Fed considering the fact that during the early stage of the trade dispute, the US economy was at a rock solid state with phenomenal job growth and near 2% inflation. It seems though reality has begun to set in for the Fed now that the trade fight has extended well beyond one year and is one marked by occasional fallouts. Fed officials' obvious shift to dovish tones with Fed Chair Powell's mention of "trade tension" together with poor US job data and the stubbornly low inflation have convinced markets that the Fed will finally cut rate this year. The base scenario for many was that the Fed would signal its easing intention next week before delivering a cut in late July. In fact, markets seem certain that the Fed will cut rates multiple times this year with futures now implying two cuts in 2019 and another two in 2020.
- The Bank of England meets on Thursday and is expected to leave bank rate unchanged. Brexit uncertainties remained the key driver for the BOE to stay put but a number of BOE officials had recently warned that markets are underpricing the number of rate hikes implying that the central bank might potentially raise rate to keep inflation in check in the medium term despite slower growth outlook. The Bank of Japan will also announce its policy decision earlier on the same day and is likely to keep its ultraloose monetary policy intact.
- On the data front, the US economic calendar is relatively light with this week. Key releases are the flash Markit PMIs, regional manufacturing indexes namely New York Fed Empire State Manufacturing and Philly Fed Manufacturing Index as well as housing data such as NAHB housing index, housing starts, building permits and existing homesales. Eurozone data include trade report, HICP inflation, ZEW investors index, consumer confidence and flash Markit PMIs. UK ONS will publish inflation figures and retail sales. Japan data bag meanwhile consists of trade report, inflation, all industry activity index and flash Nikkei PMI. Elsewhere, NODX is due in Singapore while highlights down under include RBA June meeting and New Zealand first quarter GDP.

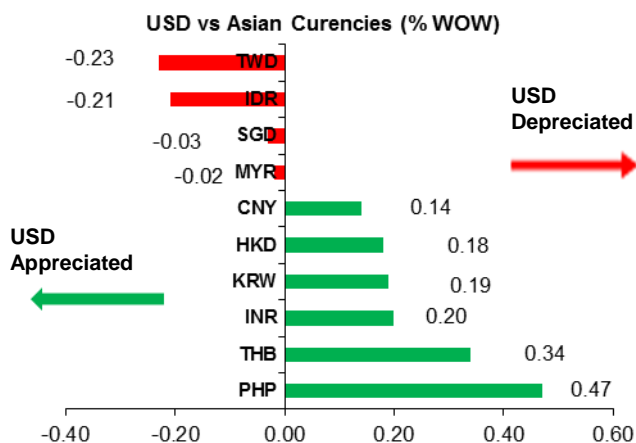
Forex



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Review and Outlook

- MYR:** MYR weakened marginally by 0.02% WOW to 4.1650 against a broadly stronger USD as markets retraces previous week's losses as euphoria over Fed rate cut expectations die down and global growth concerns and trade tensions start to weigh on MYR again. MYR likely to remain neutral between 4.15-4.18 while we await further directional cues externally.
- USD:** USD ended stronger against the G10s except for the JPY on safe haven demand and lower UST yields with the USD index settling at 97.013. Technical picture turns slightly bullish as the index crosses through the Ichimoku cloud bottom. Over the medium term, the USD picture remains bearish with a dovish Fed and perceived less dovish ECB. We look towards further Fed guidance next week during the FOMC for further direction.
- EUR:** EUR weakened 0.32% WOW to 1.1276 on a broadly stronger USD in tandem with DXY as it traded higher. A perceived less dovish ECB is likely to provide some support circa 1.1250 and 1.1200. The 1.12 handle has to hold if the uptrend is to continue.
- GBP:** GBP lost 0.09% WOW to 1.2674 against a broadly stronger USD. GBP is looking neutral to slightly bearish in the short term as market focuses on party votes on the UK leadership role. We maintain GBP bearishness in the medium term as nagging Brexit concerns continue to weigh.
- JPY:** JPY marginally gained 0.06% WOW to 108.38 as UST yields dive down on Fed rate cut expectations and on safe haven demand. Pair seems to be trading around 107.80-108.80 with a bearish bias as US yields continue to trade soft.
- AUD:** AUD ended 0.66% lower WOW at 0.6915 in a continuous drop throughout the week as euphoria over Fed rate cut dies down and trade worries alongside global growth takes back center stage in investors' minds. The pair is looking set to test 0.6850, the recent lows if down trend maintains.
- SGD:** SGD ended marginally weaker by 0.03% WOW against the USD at 1.3668 and ended stronger against 8 G10s as USD continues to strengthen in general against different paces. Short term support stands at circa 1.3620 as trade and growth worries continue to lift USD against EM in general.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1280	56.6440	1.1092	1.1353	1.1215	1.1271	1.1360	Negative
GBPUSD	1.2675	40.7520	1.2613	1.2746	1.2767	1.2982	1.2939	Negative
USDJPY	108.2800	34.7270	107.4400	110.5200	109.3000	110.5000	111.2400	Negative
USDCNY	6.9223	67.5870	6.8944	6.9269	6.8812	6.7749	6.8333	Neutral
USDSGD	1.3671	48.0900	1.3590	1.3845	1.3703	1.3594	1.3653	Positive
AUDUSD	0.6897	38.5340	0.6865	0.7004	0.6942	0.7061	0.7115	Neutral
NZDUSD	0.6538	41.7490	0.6471	0.6652	0.6566	0.6722	0.6710	Negative
USDMYR	4.1683	52.7800	4.1531	4.2007	4.1669	4.1159	4.1345	Neutral
EURMYR	4.7017	60.7090	4.6546	4.7154	4.6714	4.6434	4.7041	Negative
GBPMYR	5.2835	38.6310	5.2435	5.3787	5.3413	5.3477	5.3495	Negative
JPYMYR	3.8493	65.6250	3.7927	3.8676	3.8027	3.7272	3.7169	Positive
CHFMYR	4.1985	63.2410	4.1346	4.2232	4.1559	4.1035	4.1523	Positive
SGDMYR	3.0489	55.0570	3.0332	3.0552	3.0440	3.0289	3.0279	Neutral
AUDMYR	2.8751	37.5410	2.8706	2.9159	2.8979	2.9097	2.9479	Negative
NZDMYR	2.7254	39.6690	2.7201	2.7570	2.7404	2.7696	2.7728	Negative

Trader's Comment:

Dollar index manages to recover to 97.00 level during the week despite soft inflation data, larger than expected budget deficits and larger than expected drop in export & import prices; next week's Fed, BoJ & BoE policy meetings and release of RBA minute are key factors to watch. Investors likely to focus more on relative strength in Dollar against major currencies for the coming week.

EUR/USD retreats from high of 1.1340 level to trade at 1.1280 level as risks of US-German tensions are intensifying amidst global trade tension; technical analysis continues to point towards weakening trend for the coming week. Similarly, GPD/USD continues to struggle amidst political pessimism and uncertainties, retracting from a high of 1.2760 level to trade at 1.2670 level. Disappointing unemployment data coupled with heightened expectations of the RBA's rate cut sent AUD/USD to trade at 0.6910 level; upcoming China data will determine the direction of the pair.

Locally, USDMYR continues to trade in a lower range of 4.1550-4.1690 for the week. With falling oil demand reinforcing concerns on easing global growth, sustainability of domestic consumption will be the key. Expect USDMYR to trade between 4.1500 and 4.1900 range for the coming week with a chance of slight upward correction.

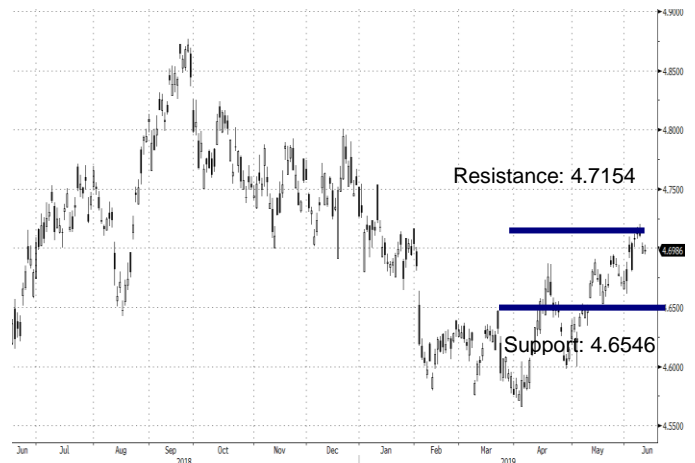
Technical Charts

USDMYR



Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



Source: Bloomberg

AUDMYR



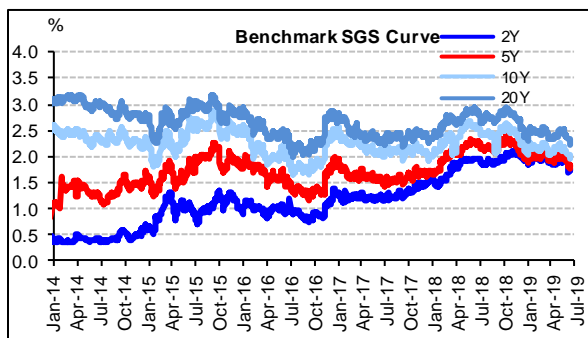
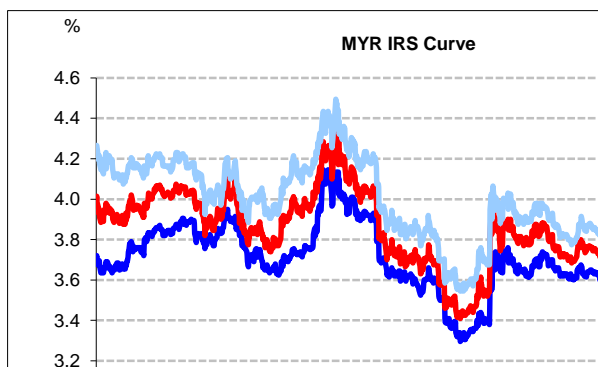
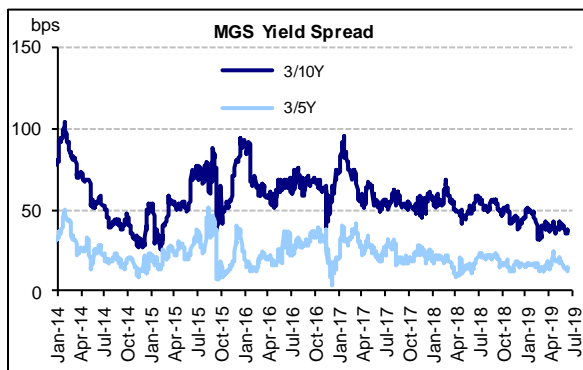
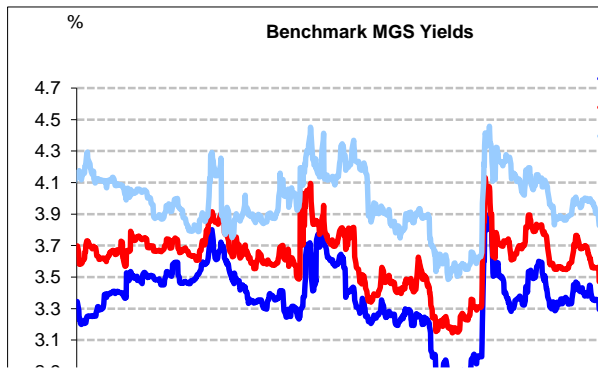
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

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- Corporate bonds/sukuk also continued to see decent secondary market interest. Total trading volume normalized after the Hari Raya festive holiday, back up to RM4.18bn, from RM1.37bn the preceding week. The GG and AA-rated segments continued to attract the most interests. DanaInfra of various tenors remained a favourite, among other GGs namely PRASA, PTPN, and LPPSA. Energy issuer EDRA saw numerous of its tranches traded actively during the week while SDB '8/19 attracted hefty trades of RM175m at 4.03-4.13%. MERCEDEZ '5/22 also made its debut at 4.01%.
- Contary to the norm where SGS closely tracked the UST, the SGS (govvnies) curve reversed preceding week's steepening bias and bull flattened, with the 2/10 spread narrowing by 8bps WOW to 23bps, reversing more than half of the steepening charted last week. The front end 2-year note yields settled flat WOW at 1.71% as at yesterday's close while the long end 10-year and 20-year bond yields shed 8bps and 11bps respectively to 1.95% and 2.24%, its lowest in about 1.5 years amid continuous demand for safer government bonds. We expect extended risk-off sentiments and Fed rate cut expectations to keep demand for SGS supported, suppressing yields at its lowest in over a year. Next week's FOMC meeting and the release of non-oil domestic exports from Singapore are expected to continue underpin expectations of softening growth outlook and that the world is back in easing mode.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Telekom Malaysia Berhad	RM2 billion Islamic Medium-Term Notes Programme and Islamic Commercial Papers Programme (2011/2026)	AAA/Stable/P1	Reaffirmed
	RM3 billion Islamic Medium-Term Notes Programme (2013/2033) and Islamic Commercial Papers Programme (2013/2020)	AAA/Stable/P1	Reaffirmed
	RM4 billion Islamic Medium-Term Notes Programme and Islamic Commercial Papers Programme (2018/2048)	AAA/Stable/P1	Reaffirmed
HSBC Bank Malaysia Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
	RM500 million Tier-2 Subordinated Bonds (2007/2027)	AA1/Stable	Reaffirmed
HSBC Amanah Malaysia Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
	RM3 bil Multi-Currency Sukuk Programme (2012/2032)	AAA/Stable	Reaffirmed
Notable Vision Sdn Bhd	Proposed Notes Series 2019-A, to be issued under its existing RM750 mil MTN Programme (2014/2034) (the Programme). Class A Senior MTNs Class B Junior MTNs Class C Junior MTNs	AAA/Stable	Assigned
		B2/Stable	Assigned
		C3/Stable	Assigned
Premier Auto Assets Berhad	Proposed RM90 mil Class A RM20 mil Class B Tranche 1 Medium Term Notes (MTN) (collectively, Senior MTN) under its RM1 bil Nominal Value MTN Programme)	AAA/Stable	Assigned
		AA3/Stable	Assigned

Source: RAM; MARC

Economic Calendar						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
21/06	Malaysia	Foreign Reserves	Jun-14	--	\$102.3b	--
26/06		CPI YoY	May	--	0.2%	--
17/06	US	Empire Manufacturing	Jun	12.0	17.8	--
		NAHB Housing Market Index	Jun	67.0	66.0	--
18/06		Housing Starts MOM	May	0.3%	5.7%	--
		Building Permits MOM	May	0.8%	0.6%	0.2%
19/06		MBA Mortgage Applications	Jun-14	--	26.8%	--
20/06		FOMC Rate Decision	Jun-19	2.25-2.5%	2.25-2.5%	--
		Initial Jobless Claims	Jun-15	--	--	--
		Philadelphia Fed Business Outlook	Jun	10.5	16.6	--
		Leading Index	May	0.1%	0.2%	--
21/06		Markit US Manufacturing PMI	Jun P	50.6	50.5	--
		Markit US Services PMI	Jun P	51.0	50.9	--
		Existing Home Sales MOM	May	2.1%	-0.4%	--
24/06		Chicago Fed Nat Activity Index	May	--	-0.45	--
		Dallas Fed Manf. Activity	Jun	2.0	-5.3	--
25/06		FHFA House Price Index MoM	Apr	--	0.1%	--
		S&P CoreLogic CS 20-City YoY NSA	Apr	--	2.68%	--
		Richmond Fed Manufact. Index	Jun	--	5.0	--
		New Home Sales MoM	May	1.0%	-6.9%	--
		Conf. Board Consumer Confidence	Jun	133.0	134.1	--
26/06		MBA Mortgage Applications	Jun-21	--	--	--
		Wholesale Inventories MoM	May P	--	0.8%	--
		Durable Goods Orders	May P	0.8%	-2.1%	--
		Cap Goods Orders Nondef Ex Air	May P	--	-1.0%	--
		Advance Goods Trade Balance	May	-\$72.0b	-\$72.1b	--
27/06		GDP Annualized QoQ	1Q T	3.3%	3.1%	--
		Initial Jobless Claims	Jun-22	--	--	--
		Pending Home Sales MoM	May	--	-1.5%	--
		Kansas City Fed Manf. Activity	Jun	--	4	--
28/06		Personal Income	May	--	0.5%	--
		Personal Spending	May	0.5%	0.3%	--
		PCE Core Deflator YoY	May	--	1.6%	--
		MNI Chicago PMI	Jun	--	54.2	--
		U. of Mich. Sentiment	Jun F	--	--	--
17/06	Eurozone	Labour Costs YOY	1Q	--	2.3%	--
18/06		Trade Balance SA	Apr	--	17.9b	--
		CPI Core YOY	May F	0.8%	1.3	--
		CPI YOY	May F	1.2%	1.7%	--
		ZEW Survey Expectations	Jun	--	-1.6	--
20/06		Consumer Confidence	Jun A	-6.4	-6.5	--
21/06		Markit Eurozone Manufacturing PMI	Jun P	48.0	47.7	--
		Markit Eurozone Services PMI	Jun P	53.0	52.9	--

27/06		Economic Confidence	Jun	--	105.1	--
		Consumer Confidence	Jun F	--	-6.5	--
28/06		CPI Core YoY	Jun A	--	0.8%	--
		CPI Estimate YoY	Jun	--	1.2%	--
17/06	UK	Rightmove House Prices YOY	Jun	--	0.1%	--
19/06		CPI YOY	May	2.0%	2.1%	--
		PPI Output NSA YOY	May	2.0%	2.1%	--
		CBI Trends Total Orders	Jun	-12.0	-10.0	--
20/06		Retail Sales Inc Auto Fuel MOM	May	-0.8%	0.0%	--
		Bank of England Bank Rate	Jun-20	0.75%	0.75%	--
28/06		GfK Consumer Confidence	Jun	--	-10.0	--
		Lloyds Business Barometer	Jun	--	10.0	--
		GDP QoQ	1Q F	--	0.5%	--
		Nationwide House Px NSA YoY	Jun	--	0.6%	--
19/06	Japan	Trade Balance	May	¥1206.0b	¥60.4b	--
		Exports YOY	May	-8.4%	-2.4%	--
20/06		All Industry Activity Index MOM	Apr	0.7%	-0.4%	--
		Machine Tool Orders YOY	May F	--	-27.3%	--
		BOJ Policy Balance Rate	Jun-20	--	-0.1%	--
21/06		Natl CPI YOY	May	0.7%	0.9%	--
		Natl CPI Ex Fresh Food YOY	May	0.8%	0.9%	--
		Nikkei Japan PMI Mfg	Jun P	--	49.8	--
24/06		Leading Index CI	Apr F	--	95.5	--
		Coincident Index	Apr F	--	101.9	--
27/06		Retail Sales YoY	May	--	0.5%	--
28/06		Jobless Rate	May	--	2.4%	--
		Job-To-Applicant Ratio	May	--	1.63	--
		Industrial Production YoY	May P	--	--	--
		Housing Starts YoY	May	--	-5.7%	--
21/06	Hong Kong	CPI Composite YoY	May	2.8%	2.9%	--
26/06		Exports YoY	May	--	-2.6%	--
		Trade Balance HKD	May	--	-35.1b	--
27/06	China	Industrial Profits YoY	May	--	-3.7%	--
30/06		Manufacturing PMI	Jun	--	49.4	--
		Non-manufacturing PMI	Jun	--	54.3	--
17/06	Singapore	Non-oil Domestic Exports YOY	May	-19.4%	-10.0%	--
24/06		CPI YoY	May	0.7%	0.8%	--
26/06		Industrial Production YoY	May	--	0.1%	--
18/06	Australia	RBA Minutes of June Policy Meeting				
19/06		Westpac Leading Index MOM	May	--	-0.09%	--
17/06	New Zealand	Performance Services Index	May	--	51.8	--
20/06		GDP SA QOQ	1Q	0.6%	0.6%	--
25/06		Trade Balance NZD	May	--	433m	--
		Exports NZD	May	--	5.55b	--
26/06		RBNZ Official Cash Rate	Jun-26	--	1.5%	--

27/06		ANZ Business Confidence	Jun	--	-32	--
28/06		ANZ Consumer Confidence Index	Jun	--	119.3	--
25-30/06	Vietnam	Industrial Production YoY	Jun	--	10.0%	--
		Retail Sales YTD YoY	Jun	--	11.6%	--
		Trade Balance	Jun	--	-\$1300m	--
		GDP YoY	2Q	--	6.79%	--
		CPI YoY	Jun	--	2.88%	--
		Exports YoY	Jun	--	7.5%	--

Source: Bloomberg

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