

Global Markets Research

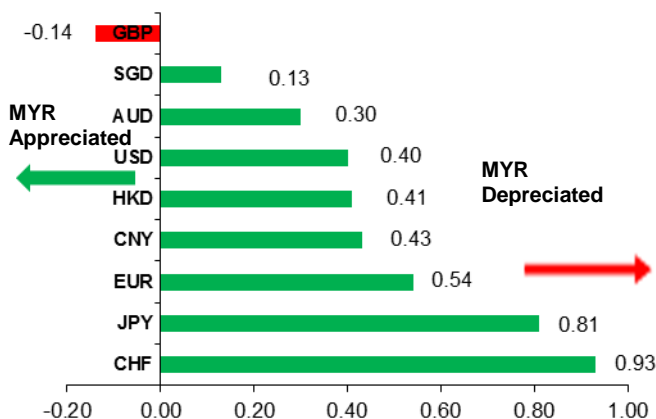
Weekly Market Highlights

Weekly Performance

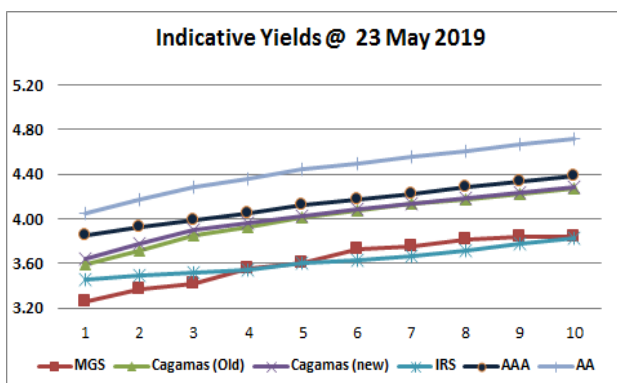
	Macro	Currency	Equity	10-y Govt Bond Yields
US	↓	↔	↓	↓
EU	↓	↑	↓	↓
UK	↓	↓	↓	↓
Japan	↔	↑	↑	↓
Malaysia	↔	↓	↑	↑
China	↔	↓	↓	↑
Hong Kong	↑	↑	↓	↔
Singapore	↑	↓	↓	↑

Weekly MYR Performance

MYR vs Major Counterparts (% WOW)



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- Faltering risk sentiments sent global markets into a bout of sell-offs on Thursday as US-China trade tension sent investors retreated from stocks and fled to perceived safe havens. Washington's abrupt move to blacklist Huawei created a ripple effect as Japan and the UK joined the former in shunning the Chinese tech giant. Over the week, the Dow, S&P 500 and NASDAQ each saw a loss of 1.1%, 1.3% and 2.4%. Energy shares fell victim to the overnight collapses in crude oil prices as WTI and Brent wiped out 5-6% on Thursday. European key benchmarks slid by around 2%-3% in general while the Asian markets continue to trade in the reds this morning. Investors largely shrugged off FOMC meeting minutes and ECB minutes revealed a somehow shaky confidence over the Eurozone growth recovery prospects.
- Data were generally weak as observed in the weaker-than-expected flash Markit PMI readings for the US, Eurozone and Japan. Eurozone consumer confidence improved slightly but remained weak. Notably, the German IFO Business Climate Index fell again this month. Data in Japan were rather mixed but generally point to subdued growth prospect. Key releases next week include US first quarter GDP growth and the Personal Outlay report, the European Commission Economic Sentiment Indicator, China NBS PMIs and industrial profits.

Forex

- MYR weakened 0.40% WOW to 4.1933 against a broadly stronger USD against EM on continued trade tensions. Pair is just shy of 4.2000 target resistance level and previous November 2018 high. US continuing to harass Chinese technology company likely to hamper trade talks and hopes for an immediate deal is unlikely which will continue to weigh on MYR and general risk sentiment.
- USD ended stronger against 4 G10s with the USD index settling flat WOW at 97.856. Technical picture remains bullish as trade tensions continue to weigh. There was a healthy pullback to current levels from YTD highs of 98.371 due to a missed PMI print but generally the uptrend still remains intact. USD index trading above the Ichimoku cloud top to continue to act as a support for the broad USD.

Fixed Income

- For the week under review, US Treasuries ended stronger with the curve bull-flattening amid safe-haven bids due to worries over the impact of US-China trade barriers and also weaker US Markit US manufacturing PMI data. Overall benchmark yields ended between 4-9bps lower. The 2Y benchmark; reflective of interest rate predictions closed 4bps lower at a 1-year low of 2.15% levels whereas the much-watched 10Y traded within a wider range of 2.32-2.43%; rallying 7bps lower at 2.32%. The US-China trade conflict and cracks in the global economy are herding investors to the safest parts of financial markets, pushing yields to multiyear lows and strengthening bets that the Fed will cut interest rates in 2019. Bond traders meanwhile are pricing in more than 30bps of Fed cuts by year-end, with options activity suggesting some hedging against a half-point easing as officials' next move.
- Local govies were range-bound with overall benchmark yields mixed between -2 to +2bps compared to prior week's levels as institutional investors generally turned net buyers on safe-haven bids due to the looming impact arising from US-China trade barriers. Interest was mainly centred in off-the-run 19's, 24-25's and also benchmark 10Y, 15Y bonds. Total weekly volume plunged from prior week's RM15.1b to RM6.3b due to the holiday-shortened week arising from Wesak and Nuzul Quran events with GII bond trades dropped to form 26% of overall trades. The 5Y MGS 4/23 closed almost unchanged at 3.59% whilst and the 10Y benchmark MGS 8/29 (which traded within a narrow 3.80-3.82% band); ended 2bps higher at 3.83% despite Thursday's decent auction/tender which notched a BTC ratio of 1.84x and averaged 3.836%. Expect market to range sideways for the coming week.

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Macroeconomics

6-month Macro Outlook

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

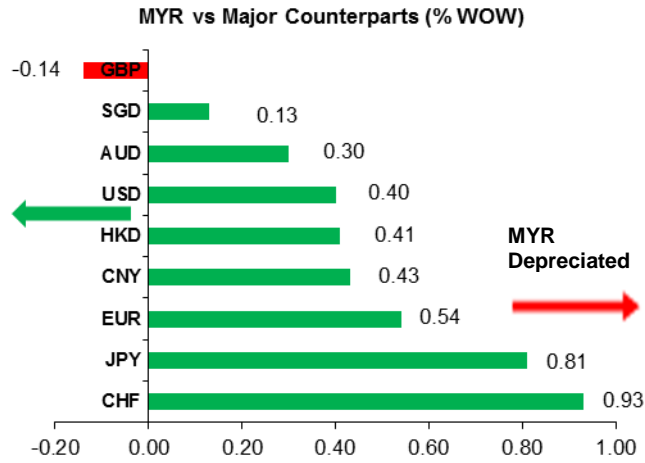
The Week in Review

- Faltering risk sentiments sent global markets into a bout of sell-offs on Thursday as US-China trade tension sent investors retreated from stocks and fled to perceived safe havens. The more than one-year long US-China trade spat has now escalated beyond goods trades and now targeting national corporates interests instead. Washington's abrupt move to blacklist Huawei created a ripple effect as Japan and the UK joined the former in shunning the Chinese tech giant. This latest flare-up in an already fragile relation suggests the unlikely resumption of any trade talks in the short term which had come into a halt following the Trump Administration to hike tariffs on Chinese goods on 10th May. Over the week, the Dow, S&P 500 and NASDAQ each saw a loss of 1.1%, 1.3% and 2.4%. Energy shares fell victim to the overnight collapses in crude oil prices as WTI and Brent wiped out 5-6% on Thursday, effectively reversing last two months' steady gains. European key benchmarks slid by around 2%-3% in general while the Asian markets continue to trade in the reds this morning. Investors largely shrugged off FOMC meeting minutes as the Fed stayed committed to a patient monetary policy stance. ECB minutes meanwhile revealed a somehow shaky confidence over the Eurozone growth recovery prospects.
- Data were generally weak as observed in the weaker-than-expected flash Markit PMI readings for the US, Eurozone and Japan as well as the fall in the UK CBI Trend Order Survey Index, raising concerns over the prospect of manufacturing sectors across developed economies amidst slower growth in the international trades. US housing data disappointed as existing home sales unexpected slipped for the second month while new home sales fell more than expected. Eurozone consumer confidence improved slightly but remained weak. Notably, the German IFO Business Climate Index fell again this month, pointing to deteriorating business sentiments in the bloc's largest economy. Data in Japan were rather mixed but generally point to subdued growth prospect. The second reading of 1Q GDP growth was revised from 0.4% to 0.5% QOQ, industrial production fell for the second month and by an even larger margin and exports fell for the fifth month. Inflation however picked up pace amidst higher fuel cost and core machinery orders, a gauge of capex rose more than expected. Elsewhere, Singapore 1Q GDP was revised downwards to 1.2% YOY as the city-state struggled to grow amidst slower domestic and foreign demand. New Zealand exports rose on higher Chinese demand for beef and lamb amidst a cut in domestic pork supply.

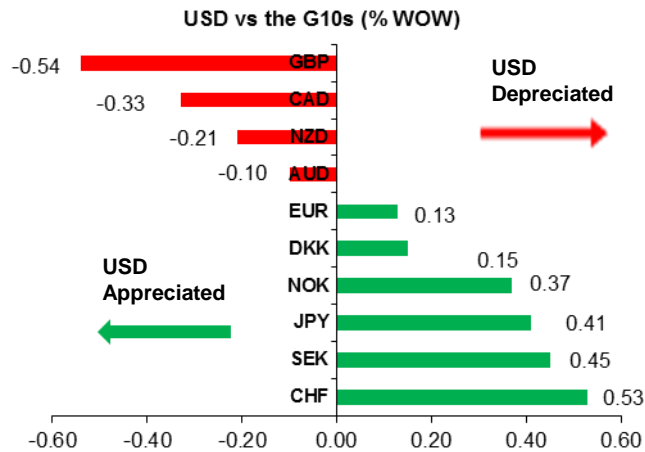
The Week Ahead

- The week ahead will bring multiple top-tiered data from the US, with the second reading of first quarter GDP growth and the Personal Outlay report (emcompassing personal spending, personal income and core PCE price index) being the key highlights of the week. Before that, data mostly come from the housing market namely the FHFA House Price Index and S&P Core Logic 20-City House prices index and pending homesales. Regional manufacturing surveys released next week include the Dallas Fed Manf. Activity, Richmond Fed Manufact. Index and MNI Chicago PMI. Other key data throughout the week are the wholesale, retail inventories, advanced good trades balance as well as Conference Board Consumer Index and University of Michigan Sentiment Index.
- Data releases are relatively scanty in Europe and Asia- The European Commission Economic Sentiment Indicator is the only major release for the Eurozone whereas in the UK, the GfK Consumer Confidence and Lloyds Business Barometer, Nationwide House Price Index and mortgage approval numbers are on the deck. In Asia, China NBS will be releasing its industrial profit data followed by the much-watched official manufacturing and non manufacturing index. Trade data and retail sales are due in Hong Kong. Down under, we will watch out for the ANZ Business Confidence as well as its Consumer Confidence Index. Vietnam will also publish its key economic indicators next week. There will be no major releases for Australia, Singapore and Malaysia.

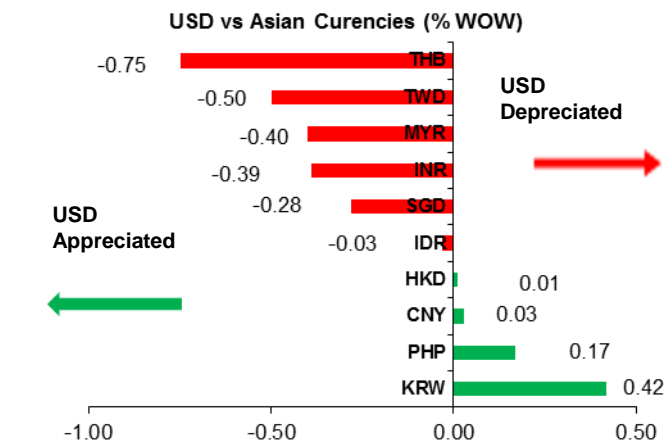
Forex



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Review and Outlook

- MYR:** MYR weakened 0.40% WOW to 4.1933 against a broadly stronger USD against EM on continued trade tensions. Pair is just shy of 4.2000 target resistance level and previous November 2018 high. US continuing to harass Chinese technology company likely to hamper trade talks and hopes for an immediate deal is unlikely which will continue to weigh on MYR and general risk sentiment.
- USD:** USD ended stronger against 4 G10s with the USD index settling flat WOW at 97.856. Technical picture remains bullish as trade tensions continue to weigh. There was a healthy pullback to current levels from YTD highs of 98.371 due to a missed PMI print but generally the trend still remains intact. USD index trading above the Ichimoku cloud top to continue to act as a support for the broad USD.
- EUR:** EUR gained 0.13% WOW to 1.1181 helped by the missed US CPI print. EUR was trading near YTD lows of 1.1107 before bouncing higher to close 1.1181, erasing the weeks losses. Move is likely capped by 1.1212 Ichimoku cloud bottom and various moving averages circa 1.1200 level.
- GBP:** GBP lost 0.54% WOW to 1.2657 against USD in a steady drop throughout the week as the political bickering continues in Parliament over Brexit. PM May's Brexit plan has been continuously faced with difficulties with leadership challenges being the latest issue. GBP likely to weaken further to 1.2480 levels should the Brexit saga continues to drag on without a resolution in sight in the short term.
- JPY:** JPY strengthened 0.41% WOW to 109.61 as equities continue to sink on global economic growth worries and continued trade tensions as investors continue to seek safe haven in JPY and CHF. 110.70 and 111.05 continues to act as a strong resistance for the pair with 109.00 now the short term support. Failure of 109.00 opens up 108.00 and below which was not seen since January early this year.
- AUD:** AUD ended 0.10% weaker WOW to 0.6901 in a steady trend lower towards 0.6800 in expectation of a June RBA rate cut. Short term resistance 0.6912 seems to be holding for now with stronger resistance still sitting at 0.6950 and 0.6960.
- SGD:** SGD ended 0.28% weaker WOW against the USD at 1.3804 and ended weaker against 8 G10s as USD continues to strengthen against EM as risk appetite continues to sour. USDSGD outlook remains bullish as the broader USD is likely to continue to register gains due to yields differential and equity weakness in Asia due to continuing trade tensions.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1181	46.0250	1.1146	1.1233	1.1202	1.1298	1.1388	Negative
GBPUSD	1.2661	26.1370	1.2579	1.3227	1.2929	1.3015	1.2956	Negative
USDJPY	109.6200	37.5050	108.8900	111.7600	110.8600	110.5600	111.4200	Neutral
USDCNY	6.9118	78.0210	6.6857	6.9756	6.7904	6.7673	6.8280	Positive
USDSGD	1.3800	75.2090	1.3542	1.3830	1.3648	1.3575	1.3653	Positive
AUDUSD	0.6885	34.0410	0.6839	0.7076	0.7010	0.7094	0.7139	Negative
NZDUSD	0.6517	34.4380	0.6473	0.6682	0.6613	0.6752	0.6715	Negative
USDMYR	4.1912	77.7400	4.1161	4.1960	4.1456	4.1100	4.1281	Positive
EURMYR	4.6862	63.5770	4.5985	4.7013	4.6506	4.6479	4.7059	Negative
GBPMYR	5.3067	37.4690	5.2853	5.4563	5.3743	5.3421	5.3489	Negative
JPYMYR	3.8233	74.0570	3.6691	3.8540	3.7379	3.7205	3.7054	Neutral
CHFMYR	4.1753	74.5150	4.0306	4.1853	4.0981	4.0998	4.1540	Neutral
SGDMYR	3.0373	47.9110	3.0297	3.0530	3.0429	3.0275	3.0238	Positive
AUDMYR	2.8859	41.8700	2.8743	2.9243	2.9167	2.9140	2.9548	Negative
NZDMYR	2.7312	41.5750	2.7198	2.7589	2.7511	2.7750	2.7726	Negative

Trader's Comment:

The DXY reverses the gains during the week on Friday to 97.80 level from a high of 98.30 level. Escalating trade tensions continue to add uncertainties in the market as we see major equity indexes tumble and global bond rally that drives treasury yields to the lowest level since 2017. On currency market, investors likely to focus more on Dollar weakness.

EUR/USD dropped to multi-week low during the week amid weaker economic data and concerns on weaker economic growth in the Eurozone but manage to recover to 1.1180 level as buyers concentrate on Dollar weakness. Similarly for GBP/USD, despite political pessimism and uncertainties, the pair manages to recover slightly to 1.2660 level.

USD/JPY slums to mid-109s as risk aversion and investors' flight to safety continue to dominate in the markets and give strength to JPY; stronger than expected annualized GDP also added strength to JPY.

AUD/USD weakened to near 0.6850 region during week despite stronger Australian PMIs as Reserve Bank of Australia signaled a possible rate cut in the latest release of RBA's minutes; lower interest rates make Australian dollar less attractive to yield-seeking investors. However, the pair manages to recover to near 0.6900 level at the time of writing as Dollar weakens overnight.

Locally, USDMYR strengthens further to the high of 4.1950 on Thursday as foreign buying seemed to gather strength as shown in higher trading volume. Trade tensions between China and US remains the key factor that drives the Dollar's direction in coming weeks; USDMYR expects to trade between 4.1800 and 4.2200 range for the coming week.

Technical Charts

USDMYR



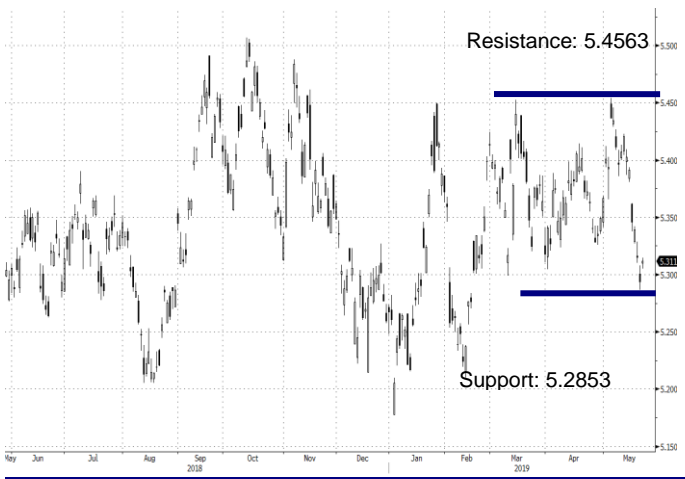
Source: Bloomberg

EURMYR



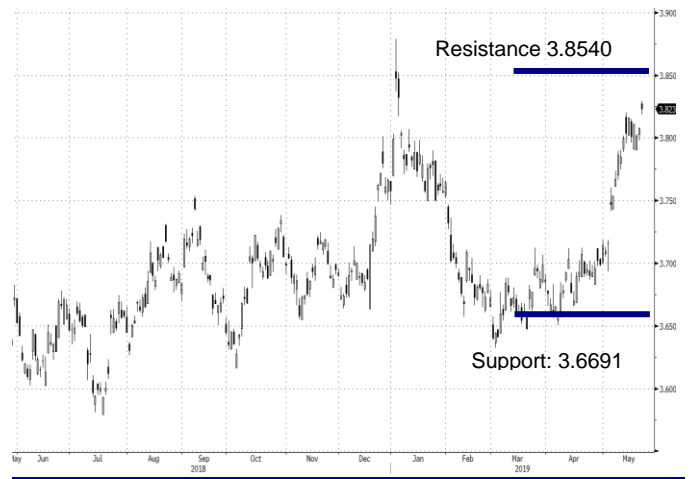
Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



Source: Bloomberg

AUDMYR



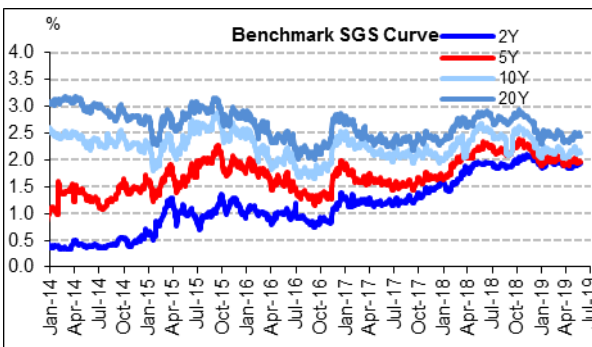
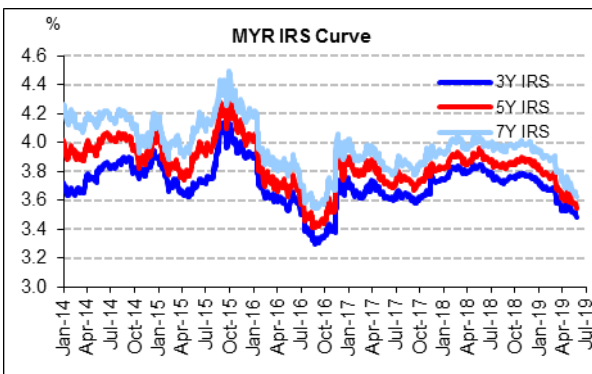
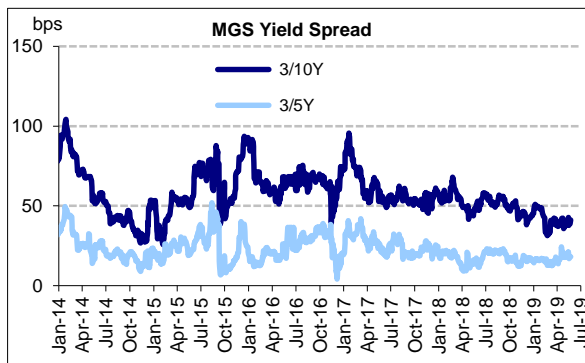
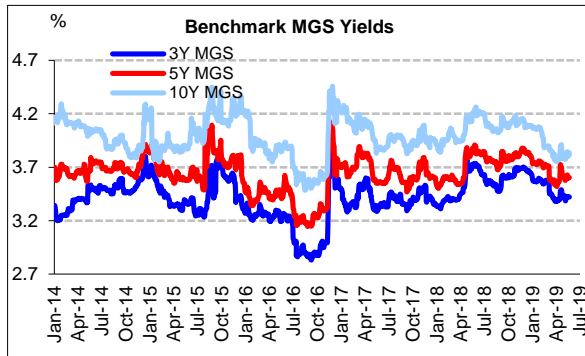
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

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- Corporate bonds/sukuk saw secondary market traction slip WOW largely due to the holiday-shortened week and lower staffing levels with interest mainly across the GG and AA part of the curve as yields drifted lower on decent demand. Total market volume retraced to RM1.69b versus prior week's RM2.96b. Govt-guaranteed bonds topped the weekly volume with PASB 6/22 closing 2bps lower at 3.55% whilst the longer-end LPPSA 10/38 edged 1bps lower at 4.42%. This was followed by PASB 2/21 bonds which closed a whopping 25bps lower at 3.45%. The prominent new issuance during the week involved RHB Islamic Bank Berhad's RM500m of AA3-rated 10NC5 bonds with coupon of 4.32%.
- The SGS (govovies) curve shift slightly higher with benchmark yields a mere 2-3bps higher instead compared to prior week's close. The 2Y inched 2bps higher at 1.94% levels whilst the 5Y and 10Y however moved within a similar range of 4-5bps; closing 2-3bps higher at 1.97% and 2.15% respectively. Despite "pockets of strength" in the economy arising from the stronger-than-expected 1Q 2019 GDP of 3.8% QOQ, the manufacturing services is expected to see a slowdown due to the gloomy trade outlook on growth. Hence investors are leaning towards a possibility of an easier monetary policy by MAS this October. Meanwhile the nation's benchmark money-market rate climbed to its highest level 10 years implying a decline in inter-bank funds and bigger supply of savings bonds. Separately, MAS will sell S\$2.9b of reopened 2Y notes and S\$900m of 15Y debt on 29th May.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM, MARC

Economic Calendar						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
03/06	Malaysia	Nikkei Malaysia PMI	May	--	49.4	--
		Exports YOY	Apr	--	-0.5%	--
		Trade Balance MYR	Apr	--	14.37b	--
28/05	US	FHFA House Price Index MOM	Mar	--	0.3%	--
		S&P CoreLogic CS 20-City YOY NSA	Mar	--	3.0%	--
		Conf. Board Consumer Confidence	May	130.5	129.2	--
		Dallas Fed Manf. Activity	May	7	2	--
29/05		MBA Mortgage Applications	May-24	--	--	--
		Richmond Fed Manufact. Index	May	7	3	--
30/05		Wholesale Inventories MOM	Apr P	--	-0.1%	--
		GDP Annualized QOQ	1Q S	3.1%	3.2%	--
		Initial Jobless Claims	May-25	--	--	--
		Advance Goods Trade Balance	Apr	-\$72.5b	-\$71.4b	--
31/05		Retail Inventories MOM	Apr	--	-0.3%	--
		Pending Home Sales MOM	Apr	1.0%	3.8%	--
		Personal Income	Apr	0.3%	0.1%	--
		Personal Spending	Apr	0.2%	0.9%	--
		PCE Core Deflator YOY	Apr	1.6%	1.6%	--
		MNI Chicago PMI	May	54.0	52.6	--
		U. of Mich. Sentiment	May F	101.5	97.2	--
03/06		Markit US Manufacturing PMI	May F	--	52.6	--
		ISM Manufacturing	May	53.7	52.8	--
		Construction Spending MoM	Apr	0.5%	-0.9%	--
04/06		Factory Orders	Apr	--	1.9%	--
		Durable Goods Orders	Apr F	--	--	--
		Cap Goods Orders Nondef Ex Air	Apr F	--	--	--
05/06		MBA Mortgage Applications	May-31	--	--	--
		ADP Employment Change	May	--	275k	--
		Markit US Services PMI	May F	--	--	--
		ISM Non-Manufacturing Index	May	56.5	55.5	--
06/06		U.S. Federal Reserve Releases Beige Book				
		Trade Balance	Apr	-\$52.0b	-\$50.0b	--
		Initial Jobless Claims	Jun-01	--	--	--
07/06		Change in Nonfarm Payrolls	May	195k	263k	--
		Unemployment Rate	May	3.7%	3.6%	--
		Average Hourly Earnings YOY	May	--	3.2%	--
		Wholesale Inventories MOM	Apr F	--	--	--
		Wholesale Trade Sales MOM	Apr	--	2.3%	--
	28/05	Eurozone	Economic Confidence	May	103.5	104.0
Consumer Confidence			May F	-6.5	-7.3	--
03/06		Markit Eurozone Manufacturing PMI	May F	--	47.9	--
04/06		Unemployment Rate	Apr	--	7.7%	--
		CPI Core YOY	May A	--	1.3%	--
		CPI Estimate YOY	May	--	1.7%	--
05/06		Markit Eurozone Services PMI	May F	--	--	--

		PPI YOY	Apr	--	2.9%	--
		Retail Sales MOM	Apr	--	0.0%	--
06/06		GDP SA QOQ	1Q F	--	0.4%	--
		ECB Main Refinancing Rate	Jun-06	--	0.0%	--
28/05	UK	Nationwide House Px NSA YOY	May	--	0.9%	--
31/05		GfK Consumer Confidence	May	-13.0	-13.0	--
		Lloyds Business Barometer	May	--	14.0	--
		Mortgage Approvals	Apr	63.9k	62.3k	--
03/06		Markit UK PMI Manufacturing SA	May	--	53.1	--
05/06		Markit/CIPS UK Services PMI	May	--	50.4	--
07/06		Halifax House Price 3Mths/Year	May	--	5.0%	--
27/05	Japan	Leading Index CI	Mar F	--	96.3	--
		Coincident Index	Mar F	--	99.6	--
31/05		Jobless Rate	Apr	2.4%	2.5%	--
		Industrial Production YOY	Apr P	-1.5%	-4.3%	--
		Retail Sales YOY	Apr	1.0%	1.0%	--
		Housing Starts YOY	Apr	-0.9%	10.0%	--
03/06		Nikkei Japan PMI Mfg	May F	--	50.2	--
05/06		Nikkei Japan PMI Services	May	--	51.8	--
07/06		Household Spending YOY	Apr	--	2.1%	--
		Labor Cash Earnings YOY	Apr	--	-1.9%	--
		Leading Index CI	Apr P	--	--	--
		Coincident Index	Apr P	--	--	--
09-12/06		Machine Tool Orders YOY	May P	--	--	--
27/05	Hong Kong	Exports YOY	Apr	-1.3%	-1.2%	--
		Trade Balance HKD	Apr	-49.4b	-59.2b	--
31/05		Retail Sales Value YOY	Apr	-0.5%	-0.2%	--
05/06		Nikkei Hong Kong PMI	May	--	48.4	--
27/05	China	Industrial Profits YOY	Apr	--	13.9%	--
31/05		Manufacturing PMI	May	49.9	50.1	--
		Non-manufacturing PMI	May	54.3	54.3	--
03/06		Caixin China PMI Mfg	May	50.0	50.2	--
05/06		Caixin China PMI Services	May	54.4	54.5	--
03/06	Singapore	Purchasing Managers Index	May	--	50.3	--
06/06		Nikkei Singapore PMI	May	--	53.3	--
03/06	Australia	AiG Perf of Mfg Index	May	--	54.8	--
04/06		Retail Sales MOM	Apr	--	0.3%	--
		RBA Cash Rate Target	Jun-04	1.25%	1.5%	--
05/06		AiG Perf of Services Index	May	--	46.5	--
		GDP SA QOQ	1Q	--	0.2%	--
06/06		Trade Balance	Apr	--	A\$4949m	--
07/06		AiG Perf of Construction Index	May	--	42.6	--
		Home Loans MOM	Apr	--	-2.8%	--
29/05	New Zealand	ANZ Business Confidence	May	--	-37.5	--
31/05		ANZ Consumer Confidence Index	May	--	123.2	--
25-31/05	Vietnam	Industrial Production YOY	May	--	9.3%	--
		Retail Sales YTD YOY	May	--	11.9%	--

	CPI YOY	May	2.8%	2.93%	--
	Exports YOY	May	8.0%	7.5%	--
	Trade Balance	May	-\$427m	-\$700m	--
03/06	Nikkei Vietnam PMI Mfg	May	--	52.5	--

Source: Bloomberg

Hong Leong Bank Berhad

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