

Global Markets Research

Weekly Market Highlights

Weekly Performance

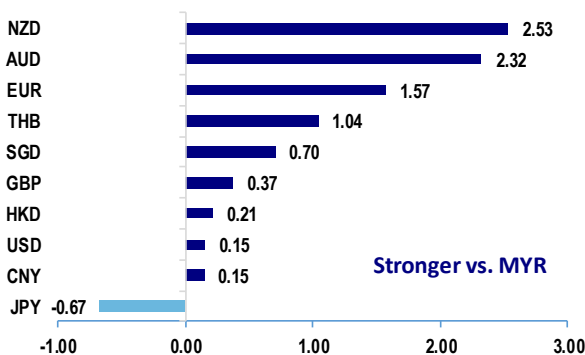
	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↓	↑	↑
EU	↔	↑	↑	↑
UK	↔	↓	↑	↑
Japan	↓	↓	↑	↑
Malaysia	↓	↓	↑	↓
China	↔	↓	↓	↓
Hong Kong	↔	↓	↑	↑
Singapore	↔	↑	↑	↓

Macroeconomics

- US stocks had a rather indecisive week, experiencing abrupt swings but thus far still hold on to gains as of Thursday. The Moderna optimism was short-lived; while risk appetites generally returned this week, investor sentiment was cautious thanks to uncertainties surrounding the reopening of US economies and growing US-China animosity. Week-to-date, the Dow Jones added 3.3% while the S&P 500 and NASDAQ both secured 3% gains. Fed minutes reassured its readiness to act more to support the economy, the PBOC and Bank Indonesia kept rates steady but the BOT cut its policy rate to a new low of 0.5%. Oil prices continued to climb for the fifth consecutive week. Brent up by 11% and WTI added 15.3% week-to-date as outlook improved for oil demand.
- Data remained largely dismal with the exception of the recovery in Markit PMIs for the US, Eurozone and UK; nonetheless they are still below 50. Inflation pulled back further in the Eurozone, UK, Japan and Malaysia. US new jobless claims had now reached 38.6mil in nine weeks following the 2.4mil new claims filed last week. Next week's releases are mostly coming from the US which include 1Q GDP, personal income & spending and the core PCE inflation. European data are limited to surveys of confidence while key Asia data are Japan's job number, and Singapore GDP on top of its 4th "budget" on Tuesday.

Weekly MYR Performance

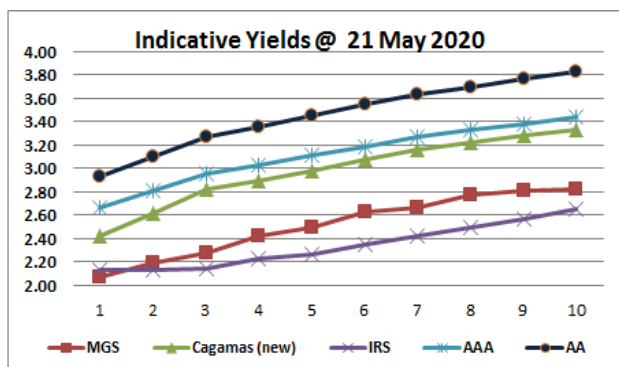
MYR vs. Major Currencies (% WOW)



Forex

- MYR:** MYR whipsawed within a narrow range of 4.3385 – 4.3725 against the USD before narrowing losses to close 0.15% weaker WOW at 4.3455 as at yesterday close, dampened by overall risk aversion as markets stayed jittery over US-China escalating tension and to a lesser extent, poor economic data and concerns over premature reopening of economic activities, not only in the US but also elsewhere. **We expect MYR to remain neutral to slightly bearish next week** amid subdued trading in a holiday shortened week, with the closure of the MYR market on Monday and Tuesday in celebration of Hari Raya festivity.
- USD:** The USD has weakened 1.1% WOW (ending Thursday 21 May). This came initially from some market optimism on a potential Covid-19 vaccine. However, risk aversion looms from US-China relations and on potential second waves of the Covid-19 outbreak. This led to a limited rebound of the USD on Thursday. US PMI remained extremely low (composite: 36.4 from 27.0) in May. Attention will likely be on initial jobless claims once again the following week. The Beige book and Fed member comments may also give interesting takeaways, after FOMC minutes this week showed some exploration of further policy options. **We are neutral to bearish on the USD over the coming week**, after the previous weakness. DXY is likely to remain within the 99.0-101.0 range for now.

Indicative Yields



Please see important disclosure at the end of the report

Fixed Income

- The week under review saw US Treasuries close weaker as the Fed reduces its daily pace of UST's by \$1.0b every two(2) weeks with next week's amount slated to be ~\$5.0b. **Overall yields ended mostly between 2-10bps higher.** The 2Y benchmark; reflective of interest rate predictions edged 2bps up to 0.17% whilst the much-watched 10Y (which traded within a 0.62%-0.73% range; closed 5bps higher instead at 0.67%. The Treasury's \$20b auction of newly-issued 20Y bonds since was awarded at 1.22% on a solid BTC ratio of 2.53x. The cumulative initial unemployment insurance hit ~38.6m in the last two(2) months. Meanwhile simmering US-China trade tensions are threatening to prolong the economic slump due to COVID-19 virus pandemic. Meanwhile the Fed has purchased \$1.8b of Corporate Bond ETF's which are part of an emergency lending programme aimed at supporting corporate debt markets during the virus pandemic. Expect muted and range-bound trading in view of the long Memorial weekend ahead.
- Local govies saw robust activity compared to prior week's holiday-shortened week with **overall benchmark MGS yields closing 2-18bps lower WOW** as the curve bull-flattened extending up to 10Y tenures. The GII curve however was little changed with most benchmark yields either unchanged or slightly higher instead. Overall interest was mainly seen in off-the-run 20-21's, 28's, 29's and 10Y MGS/GII bonds. The 5Y MGS 6/24 declined 5bps at 2.49% whilst the 10Y benchmark MGS 8/29 rallied by 10bps to close at 2.82%. Weekly volume spiked to RM23.2b versus prior week's RM16.1b whilst GII bond trades increased to form ~ 37% of overall trades. Expect investors to remain slightly cautious the coming week with the long Raya holidays next week possibly seeing less participation an muted interest .

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Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Monetary Policy	Currency
US	↓	↓	↓	↓
EU	↓	↓	↓	↑
UK	↓	↓	↓	↑
Japan	↓	↓	↓	↑
Australia	↓	↓	↓	↑
China	↓	↓	↓	↑
Malaysia	↓	↓	↓	↑
Thailand	↓	↓	↓	↑
Indonesia	↓	↓	↓	↑
Singapore	↓	↓	↓	↑

The Week in Review

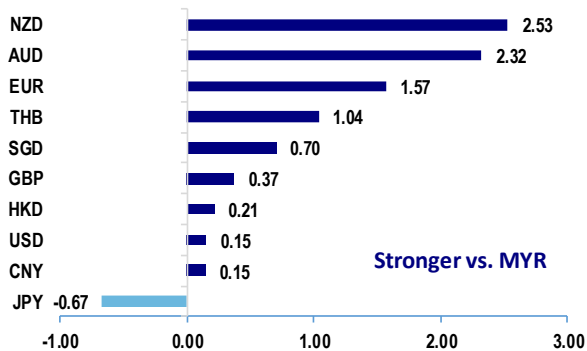
- US stocks had a rather indecisive week, experiencing abrupt swings but thus far still hold on to gains as of Thursday. Stocks had gotten a fresh boost at the start of the week after Moderna, a biotech company said that its preliminary vaccine trial on humans appeared to be positive. The optimism was short-lived as scientists, analysts, and media alike began to question the validity of the result given the trial's small sample size. Week-to-date, the Dow Jones has added nearly 790pts or 3.3% while the S&P 500 and NASDAQ both secured 3% gains. While risk appetites generally returned this week, investor sentiment was cautious thanks to uncertainties surrounding the reopening of US economies and growing US-China animosity. The Federal Reserve minutes revealed officials' discussion on adopting a clearer forward guidance on interest rate trajectory and provided reassurance that the central bank is ready to act more to support the economy. Other than that, the People's Bank of China kept its 1-year loan prime rate steady at 2.85% and the Bank of Thailand cut its policy rate to a new low of 0.5%, its third cut reduction this year as Covid-19 crippled its once prosperous tourism sector. Oil prices continued to climb for the fifth consecutive week-Brent up by 11% and WTI added 15.3% week-to-date as outlook improved for oil demand.
- Data remained largely dismal with the exception of the recovery in Markit PMIs for the US, Eurozone and UK; nonetheless, these PMIs are still well below the 50 neutral threshold. Inflation pulled back further across the globe - CPI growth eased to below 1% in the Eurozone and UK and turned negative in Japan and Malaysia. US new jobless claims had now reached 38.6mil in nine weeks following the 2.4mil new claims filed last week. Housing data were mixed – May data were encouraging as homebuilder sentiment improved and mortgage applications to purchase homes continued to rise. April housing starts, building permits and existing home sales unsurprisingly faltered. Sentiment appeared to have recovered albeit still poor in Europe judging from the slightly higher consumer confidence and the sharp recovery in Germany ZEW index for expectations. UK jobless claims spiked by more than 850k in April, a record jump. Japan exports fell for the 17th successive month and by an enormous 21.9% YOY. New Zealand Services PMI slumped to an all-time low and card spending nearly halved in April; For the entire first quarter, retail sales dropped 0.7%.

The Week Ahead

- Next week's releases are mostly coming from the US- the second reading of 1Q GDP is due in the middle of the week; the first estimate had come in at an annualized 4.8% QOQ contraction. Other than this, a slew of regional manufacturing PMIs, housing data alongside consumer confidence, durable goods orders and advance goods trade balance will keep us busy throughout the week which is to be wrapped up with the release of the personal outlay report; markets and economists alike set their eyes on the April personal income and personal spending indicators as well as the core PCE price index, the Fed's preferred measure of inflation. The Fed will also published its latest Beige Book.
- Data are limited elsewhere, with European Commission Economic Confidence index and HICP inflation in the Eurozone; GfK Consumer Confidence, Llyod Business Barometer and Nationwide House Prices in the UK. Japan's job data and Hong Kong's trade numbers as well as Singapore GDP, are on Asian market's radar. New Zealand trade report and business and consumer confidence indexes are on the watch list. Vietnam will also publish its key economic data for the month inclusive of CPI, exports, industrial production and retail sales.

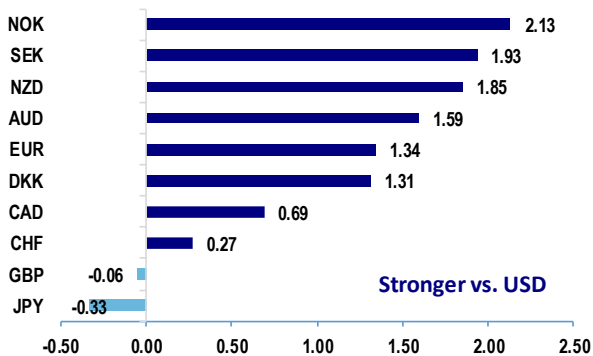
Forex

MYR vs. Major Currencies (% WOW)



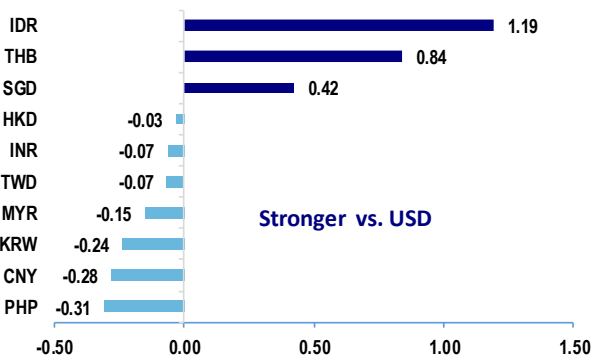
Source: Bloomberg

USD vs. G10 Currencies (% WOW)



Source: Bloomberg

USD vs Asian Currencies (% WOW)



Source: Bloomberg

Review and Outlook

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- EUR:** EUR/USD strengthened 1.34% WOW, after weeks of subdued activity. The pair reached a high of 1.1018 before tapering down. PMI has rebounded alongside other economies (composite: 30.5 from 13.6) in May but remains much below normal numbers. Next week's focus will likely be on CPI numbers. **We are neutral to bearish on EUR/USD in the coming week**. Pair likely to stay mostly within 1.08-1.10. We see some scope for EUR/USD to dip below 50-day MA of 1.0886 on risk aversion.
- GBP:** GBP/USD's resurgence earlier the week faded, leading to a modest 0.06% loss WOW. This meant that GBP underperformed relative to other G10 currencies, with a low of 1.2076 on 18 May. GBP was weighed down by continued Covid-19 cases in the UK as well as heightened policy uncertainty (regarding Covid-19 policies and Brexit). **We are neutral to bearish in GBP/USD in the coming week**, as economic fundamentals remain weak. PMI figures showed slight rebound and extremely low numbers (composite: 28.9 from 13.9) in May. Risk aversion also does not favour the GBP in our view.
- JPY:** USD/JPY surged on recent market optimism before paring back gains. Overall, JPY weakened 0.33% WOW against the USD. USD/JPY touched a high of 108.09 on 19 May. Still, the pair mostly stayed within the 107-108 range for the week. Bank of Japan announced a special program worth JPY 75trn to support businesses on 22 May. This comes as 1Q data confirmed a recession, while inflation dipped further into the red. Next week's data focus is on labour market, industrial production and retail sales. **We are neutral to bearish on JPY on the week ahead**, mainly from current momentum. Markets may still turn risk off in the coming week and reverse the current momentum on JPY.
- AUD:** AUD resurgence has continued, alongside that of the NZD. The AUD has climbed 1.59% WOW against the greenback. This has been on recovering fundamentals and sentiments. Positioning has stayed favourable for the AUD. However, some correction has started to take place on profit taking, after a high of 0.6616 on 20 May. **We are neutral to bearish on the AUD for the coming week**. Momentum is for a stronger AUD at the moment. AUD/USD may correct later on after being at stretched level, partly from depressed commodity markets. We see a sustainable AUD/USD level at around 0.6300.
- SGD:** USD/SGD has strengthened and outperformed other emerging Asia currencies in the recent week. SGD experienced a 0.42% WOW gain vs. the USD, to a low of 1.4121 on 20 May. This comes as Singapore announced plans to gradually lift circuit breaker measures against the Covid-19 pandemic, starting from 2 June. Besides, economic data was resilient, with a 9.7% YOY expansion in NODX in April. For upcoming data, we expect positive industrial production growth and muted inflation. **We are neutral to bullish on SGD in the week ahead**, as USD/SGD may look towards the 1.4100 level. However, concerns on US-China tensions and Covid-19 outbreak may derail the recent recovery.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.0941	55.2990	1.0751	1.0997	1.0871	1.0965	1.1014	Negative
GBPUSD	1.2214	42.6300	1.2093	1.2580	1.2371	1.2624	1.2666	Negative
USDJPY	107.6100	52.8700	106.1700	107.9500	107.2500	108.4300	108.3200	Negative
USDCNY	7.1201	59.8440	7.0607	7.1206	7.0816	7.0184	7.0364	Positive
USDSGD	1.4194	50.5910	1.4096	1.4248	1.4192	1.4001	1.3842	Positive
AUDUSD	0.6547	58.5170	0.6380	0.6599	0.6444	0.6495	0.6661	Negative
NZDUSD	0.6110	54.7220	0.5960	0.6173	0.6050	0.6220	0.6322	Negative
USDMYR	4.3595	55.0300	4.3040	4.3822	4.3455	4.2382	4.2063	Positive
EURMYR	4.7696	58.9890	4.6496	4.7812	4.7229	4.6514	4.6360	Neutral
GBPMYR	5.3250	45.9700	5.2717	5.4352	5.3755	5.3597	5.3150	Neutral
JPYMYR	4.0514	51.8310	4.0230	4.0854	4.0461	3.9105	3.8887	Positive
CHFMYR	4.4894	53.7890	4.4247	4.5080	4.4777	4.3832	4.3008	Positive
SGDMYR	3.0714	56.9770	3.0404	3.0829	3.0609	3.0321	3.0385	Neutral
AUDMYR	2.8544	63.6130	2.7478	2.8706	2.7880	2.7593	2.8016	Negative
NZDMYR	2.6636	58.5400	2.5831	2.6715	2.6251	2.6433	2.6602	Negative

Trader's Comment:

Risk sentiments improved despite the heightening of US-China trade tension as the market is optimistic on the recovery post lockdown. DXY weaken while the 10-year treasury remain unchanged.

EUR consolidate after failed to maintain above 1.10 resistance level and GBP dropped below 1.21 on the negative rate talk but quickly recovered. Commodity currencies strengthened alongside the higher commodity and oil. USDJPY stuck below 108 after BOJ stand pat during the emergency monetary meeting on Friday.

US market will be closed on coming Monday in observance of the Memorial Day holiday. As no major central bank meeting scheduled, and market already immune to the sub-par job data, expect the trade war development to determine the market direction.

Locally, the Govies generally firmer with the MGS benchmark yields trading 2-6bps lower. MYR traded sideways within 4.3400-4.3740 range. Expect dollar to recover some ground and low market activity around the long Raya holiday week. Will go with the similar range of 4.3300-4.3800 for the coming week.

Technical Charts

USDMYR



Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



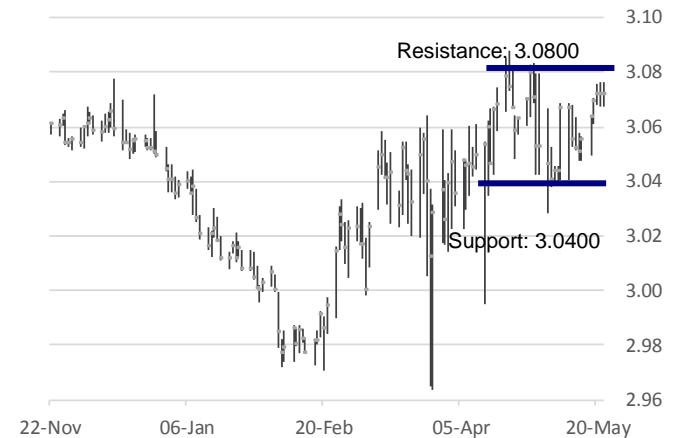
Source: Bloomberg

AUDMYR



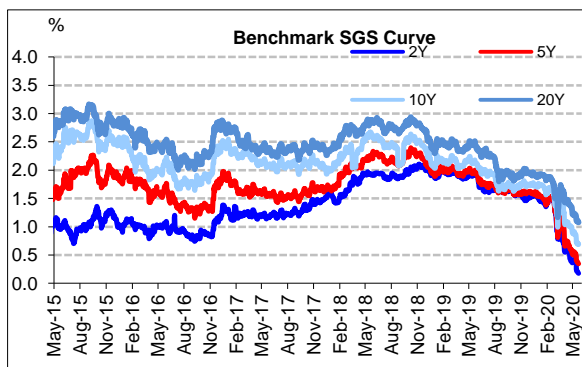
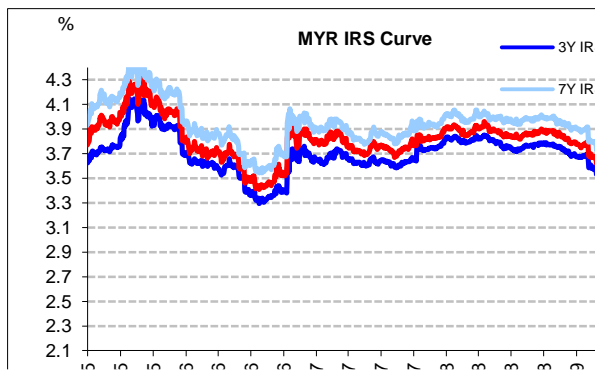
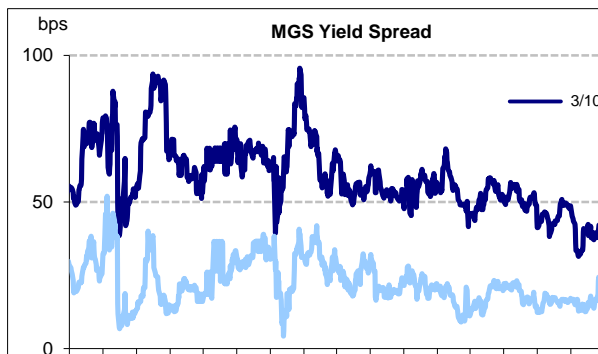
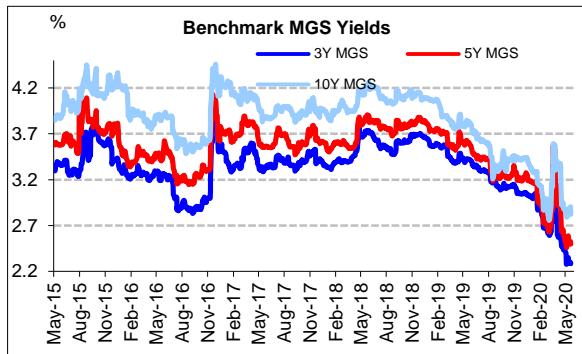
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

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- Local govies saw robust activity compared to prior week's holiday-shortened week with **overall benchmark MGS yields closing 2-18bps lower WOW** as the curve bull-flattened extending up to 10Y tenures. The GII curve however was little changed with most benchmark yields either unchanged or slightly higher instead. Overall interest was mainly seen in off-the-run 20-21's, 28's, 29's and 10Y MGS/GII bonds. The 5Y MGS 6/24 declined 5bps at 2.49% whilst the 10Y benchmark MGS 8/29 rallied by 10bps to close at 2.82%. Weekly volume spiked to RM23.2b versus prior week's RM16.1b whilst GII bond trades increased to form ~ 37% of overall trades. Expect investors to remain slightly cautious the coming week with the long Raya holidays next week possibly seeing less participation and muted interest.
- Corporate bonds/sukuk (including Govt-guaranteed bonds) saw solid investor interest with trades seen across the GG-AA part of the curve as yields mostly declined on strong bids. Total weekly market volume jumped 17% to ~RM3.90b versus prior week's RM3.34b. Topping the weekly volume were a mixture of credits i.e. MKD Kenchana 2/25 (GG) which rallied a whopping 102bps at 2.70% followed by MAHB perps 2114NC24 (AA2) bonds which edged 1bps at 3.98%. This was followed again by MKD Kenchana 4/23 which closed 109bps lower at 2.50%. Investor interest was seen mainly in DANAINFRA, PRASA, PTPNTN, PUTRAJAYA, PLUS, EDRA, JEP, MBSB and some unrated property-related bonds ie. ECO World ECO Capital and MAH SING bonds. The prominent new issuance for the week was DANAINFRA Bhd's (GG) 7-30Y bonds totalling RM2.8b with coupons ranging between 2.86-3.89% and also UEM Sunrise (AA3) 1Y papers amounting to RM105m at a coupon of 3.7%.
- For the week under review, SGS (govies) saw overall benchmarks continue to march lower between 4-6bps on safe-haven bids. The 2Y rallied 6bps at 0.19% levels whilst the 5Y and 10Y moved within a range of 5-7bps; as yields eventually closed 4-6bps lower at 0.35% and 0.69% respectively. Meanwhile USDSGD pair saw the lowest 1-month volatility since early March. The SGD NEER may ease to reflect the weaker overall regional outlook following concerns over the re-surfacing of US-China tensions. Surprisingly the 1-month Swap-offer rate fell to the lowest @ -0.0114; chalking negative territory for the 1st time since 2011. Hence, this translates into low benchmark money-market rates. Separately, Suntec REIT MTN Pte Ltd has successfully managed to embark on its 5Y bond issuance at 2.6%. Expect attention to turn to the announcement and details of the 15Y bond auction next week.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kimanis Power Sdn Bhd's (KPSB)	RM1,160.0 million Sukuk Programme (sukuk)	AAA/Stable/P1	Affirmed
Public Bank Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
	RM20 billion Senior MTN Programme (2013/2043)	AAA/Stable	Reaffirmed
	RM10 billion Subordinated MTN Programme (2013/2043)	AA1/Stable	Reaffirmed
	RM10 billion Additional Tier-1 Capital Securities Programme (AT-1 Programme)	AA3/Stable	Reaffirmed
	Financial institution ratings	AAA/Stable/P1	Reaffirmed
Public Islamic Bank Berhad	Senior and subordinated sukuk under the Bank's RM5 billion Sukuk Murabahah Programme (2014/2044).	AAA/Stable and AA1/Stable	Reaffirmed
	Financial institution (FI) rating	AA+/MARC-1/Stable	Affirmed
China Construction Bank (Malaysia) Berhad (CCBM)	Financial institution (FI) rating	AA+/MARC-1/Stable	Affirmed
Projek Smart Holdings Sdn Bhd	Islamic MTN Facility of up to RM330 mil in nominal value (2015/2032)	A1/from Negative to Stable	Revised

Source: RAM; MARC

Date	Time	Country	Event	Period	Prior
01/06	08:30	Malaysia	Markit Malaysia PMI Mfg	May	31.3
04/06	12:00		Exports YoY	Apr	-4.7%
05/06	15:00		Foreign Reserves	May-29	--
26/05	20:30	US	Chicago Fed Nat Activity Index	Apr	-4.19
	21:00		FHFA House Price Index MoM	Mar	0.7%
	21:00		S&P CoreLogic CS 20-City YoY NSA	Mar	3.47%
	22:00		Conf. Board Consumer Confidence	May	86.9
	22:00		New Home Sales MoM	Apr	-15.4%
	22:30		Dallas Fed Manf. Activity	May	-73.7
27/05	19:00		MBA Mortgage Applications	May-22	--
	22:00		Richmond Fed Manufact. Index	May	-53
28/05	02:00		U.S. Federal Reserve Releases Beige Book		
	20:30		GDP Annualized QoQ	1Q S	-4.8%
	20:30		Durable Goods Orders	Apr P	-14.7%
	20:30		Durables Ex Transportation	Apr P	-0.4%
	20:30		Cap Goods Orders Nondef Ex Air	Apr P	-0.1%
	20:30		Initial Jobless Claims	May-23	--
	22:00		Pending Home Sales MoM	Apr	-20.8%
	23:00		Kansas City Fed Manf. Activity	May	-30
29/05	20:30		Advance Goods Trade Balance	Apr	-\$64.2b
	20:30		Personal Income	Apr	-2.0%
	20:30		Personal Spending	Apr	-7.5%
	20:30		PCE Core Deflator YoY	Apr	1.7%
	21:45		MNI Chicago PMI	May	35.4
	22:00		U. of Mich. Sentiment	May F	--
01/06	21:45		Markit US Manufacturing PMI	May F	--
	22:00		Construction Spending MoM	Apr	0.9%
	22:00		ISM Manufacturing	May	41.5
03/06	19:00		MBA Mortgage Applications	May-29	--
	20:15		ADP Employment Change	May	-20236k
	21:45		Markit US Services PMI	May F	--
	22:00		Factory Orders	Apr	-10.30%
	22:00		ISM Non-Manufacturing Index	May	41.8
	22:00		Durable Goods Orders	Apr F	--
04/06	20:30		Trade Balance	Apr	-\$44.4b
	20:30		Initial Jobless Claims	May-30	--
05/06	20:30		Change in Nonfarm Payrolls	May	-20537k
	20:30		Unemployment Rate	May	14.7%
	20:30		Average Hourly Earnings YoY	May	7.9%
	20:30		Labor Force Participation Rate	May	60.2%
28/05	17:00	Eurozone	Economic Confidence	May	67.0
	17:00		Consumer Confidence	May F	--
29/05	17:00		CPI Estimate YoY	May	0.4%
02/06	16:00		Markit Eurozone Manufacturing PMI	May F	--
03/06	17:00		PPI YoY	Apr	-2.8%
	17:00		Unemployment Rate	Apr	7.4%
04/06	16:00		Markit Eurozone Services PMI	May F	--
	16:00		Markit Eurozone Composite PMI	May F	--
	17:00		Retail Sales MoM	Apr	-11.2%
	19:45		ECB Deposit Facility Rate	Jun-04	-0.5%
28/05-03/06	NA	UK	Nationwide House Px NSA YoY	May	3.7%
29/05	07:01		GfK Consumer Confidence	May	--
	07:01		Lloyds Business Barometer	May	-32
01/06	16:30		Markit UK PMI Manufacturing SA	May F	--
03/06	16:30		Markit/CIPS UK Services PMI	May F	--
26/05	12:30	Japan	All Industry Activity Index MoM	Mar	-0.6%
	14:00		Machine Tool Orders YoY	Apr F	--
29/05	07:30		Jobless Rate	Apr	2.5%
	07:30		Job-To-Applicant Ratio	Apr	1.39
01/06	08:30		Jibun Bank Japan PMI Mfg	May F	--
03/06	08:30		Jibun Bank Japan PMI Services	May F	--
05/06	07:30		Household Spending YoY	Apr	-6.0%
	13:00		Leading Index Cl	Apr P	--
25/05	16:30	Hong Kong	Exports YoY	Apr	-5.8%
01/06	16:30		Retail Sales Value YoY	Apr	-42.0%

03/06	08:30		Markit Hong Kong PMI	May	36.9
27/05	09:30	China	Industrial Profits YoY	Apr	-34.9%
31/05	09:00		Manufacturing PMI	May	50.8
	09:00		Non-manufacturing PMI	May	53.2
01/06	09:45		Caixin China PMI Mfg	May	49.4
03/06	09:45		Caixin China PMI Services	May	44.4
26/05	08:00	Singapore	GDP YoY	1Q F	-2.2%
03/06	08:30		Markit Singapore PMI	May	28.1
	21:00		Purchasing Managers Index	May	44.7
05/06	13:00		Retail Sales YoY	Apr	-13.3%
01/06	06:30	Australia	AiG Perf of Mfg Index	May	35.8
02/06	12:30		RBA Cash Rate Target	Jun-02	0.25%
03/06	09:30		GDP SA QoQ	1Q	0.5%
04/06	09:30		Exports MoM	Apr	15%
	09:30		Retail Sales MoM	Apr	8.5%
05/06	06:30		AiG Perf of Services Index	May	27.1
26/05	06:45	New Zealand	Trade Balance NZD	Apr	672m
28/05	09:00		ANZ Business Confidence	May F	--
29/05	06:00		ANZ Consumer Confidence Index	May	84.8
27-31/05	NA	Vietnam	CPI YoY	May	2.93%
	NA		Exports YoY	May	-3.5%
	NA		Trade Balance	May	-\$700m
	NA		Retail Sales YTD YoY	May	-4.3%
	NA		Industrial Production YoY	May	-10.6%
01/06	08:30		Markit Vietnam PMI Mfg	May	32.7

Source: Bloomberg

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