

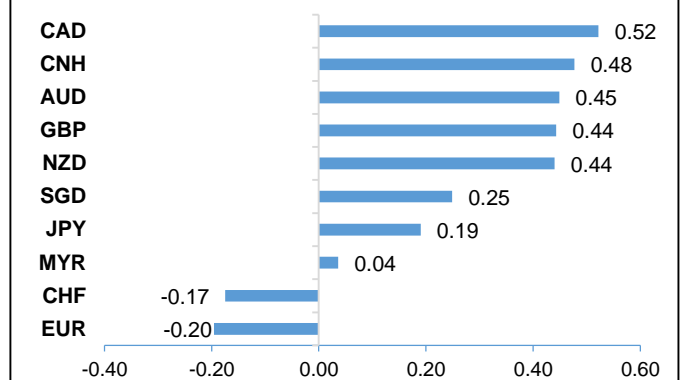
**Global Markets Research**
**Daily Market Highlights**
**Key Takeaways**

- US stocks closed higher overnight, wrapping up the third quarter with gains** as the stock markets continue to recover from the trough in March. On Wednesday, the Dow added more than 320pts or 1.2%, the S&P500 and NASDAQ also recorded solid gains of 0.8 and 0.7% each. For the quarter, the Dow climbed by 7.6%, the S&P500 added 8.5% and NASDAQ outperformed with an 11% QOQ gain. **Treasury yields advanced overnight as risk sentiments improved.** Overall yields rose 0-4bps along the curve; 10Y UST yield picked up 3.4bps to 0.684%.
- Gold futures** snapped two-day winning streak, **edging down** by 0.4% to \$1887.5/oz amid **steady USD**. **Oil benchmarks were mixed** - Brent fell slightly (-0.2%) to \$40.95/barrel while WTI rallied by 2.4% to \$40.22/barrel after the **EIA reported unexpectedly large draw of nearly 2mil barrels in US crude oil inventory**; expectation was for a 1.6mil barrels build-up.
- US data were positive** - the ADP payroll beat expectation at +749k, MNI Chicago PMI surge above 60 and pending home sales were also better than expected. The latest 2Q GDP growth estimate was revised to -31.4% QOQ. Elsewhere, **UK final GDP growth for 2Q was slightly better at -19.8% QOQ**. **Japan BOJ Tankan Survey pointed to bleak outlook; China PMI improved in Sep**; Hong Kong retail sales continued to fall. Down under, Australia PMI slipped further below 50 and New Zealand confidence improved. **Data calendar today mainly consists of PMI data; US initial jobless claims, personal income & spending** as well as construction spending are also in the pipeline.
- The dollar index held steadily at 93.886. The greenback saw mixed performance against its major rivals; CAD, AUD, GBP and NZD strengthened more than 0.4% while EUR and CHF weakened slightly. We still see increased volatility possibly leading to some dollar strength, despite recent **risks to our near-term bullish USD view**.
- USD/MYR was little changed at 4.1565 at the end of Wednesday's session alongside its Asian peers which recorded minor changes as well. **Daily outlook is neutral**, weekly outlook is neutral-to-bullish on the ground of sustained USD strength but sentiment appears to be favouring risky assets for now. Nonetheless overnight's market movement suggests that the greenback could reverse its recent weakness.

**Market Snapshots**

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,781.70	1.20	-2.65
S&P 500	3,363.00	0.83	4.09
FTSE 100	5,866.10	-0.53	-22.23
Hang Seng	23,459.05	0.79	-16.78
KLCI	1,504.82	0.06	-5.28
STI	2,466.62	-0.20	-23.46
Dollar Index	93.89	-0.01	-2.60
WTI oil (\$/bbl)	40.22	2.37	-34.13
Brent oil (\$/bbl)	40.95	-0.19	-35.91
Gold (\$/oz)	1,887.50	-0.36	23.70
CPO (RM/tonne)	2,911.00	-0.26	-3.78

Source: Bloomberg

**FX Daily Change vs USD (%)**


Source: Bloomberg

**Overnight Economic Data**

US	↑	UK	→
Japan	↓	Hong Kong	↓
Australia	↓	New Zealand	↑

**Up Next**

Date	Event	Prior
01/10	VN Markit Vietnam PMI Mfg (Sep)	45.7
	MA Markit Malaysia PMI Mfg (Sep)	49.3
	JP Jibun Bank Japan PMI Mfg (Sep F)	47.3
	EU Markit Eurozone Manufacturing PMI	53.7
	UK Markit UK PMI Manufacturing SA (Sep)	54.3
	EU Unemployment Rate (Aug)	7.9%
	US Personal Income (Aug)	0.4%
	US Personal Spending (Aug)	1.9%
	US PCE Core Deflator YoY (Aug)	1.3%
	US Initial Jobless Claims (26 Sep)	870k
	US Markit US Manufacturing PMI (Sep F)	53.5
	US Construction Spending MoM (Aug)	0.1%
	US ISM Manufacturing (Sep)	56.0
	02/10	NZ ANZ Consumer Confidence Index
JP Jobless Rate (Aug)		2.90%
JP Job-To-Applicant Ratio (Aug)		1.08

Source: Bloomberg

## Macroeconomics

- **US private sector added more jobs than expected; 2Q GDP growth revised slightly higher**
  - The third estimate for US 2Q GDP growth was revised slightly higher to an annualized rate of -31.4% QOQ (1Q: -5%). Compared to same quarter last year, GDP contracted by 9.0% YOY (1Q: +0.3%).
  - The US private sector added 749k jobs in September (Aug: +481k), according to the ADP private payroll report. This is better than analysts' expectation for a 649k increase. Job gains came from both services (+552k) and goods producing (+196k) sectors.
  - The MNI Chicago PMI jumped to 62.4 in September (Aug: 51.2), well above expectation of 52.0, indicating robust growth in manufacturing activity.
  - On the housing market front, growth in pending home sales beat expectation at 8.8% MOM in August (Jul: +5.9%), marking its fifth month of back-to-back increase; The index gauges real estate activity, thus the latest print is a strong sign for upbeat existing home sales in the coming month.
  - In a separate report, the MBA mortgage applications were down by 4.8% last week (prior: +6.8%), as applications continued to swing between gains and losses for more than two months.
- **UK economy contracted less than initially estimated:**
  - The final GDP growth for 2Q came in at -19.8% QOQ (1Q: -2.5%), a slightly better reading than its initial estimate of -20.4% QOQ. This translates to an annual contraction of 21.5% YOY (1Q: -2.1%), the worst on record.
  - The Nationwide House Price Index rose 0.9% MOM in September (Aug: +2.0%), offering signs that the recent surge in prices begin to taper off. YOY, the index is still 5.0% higher compared to the same month last year.
- **Japan Tankan survey indicates bleaker-than-expected recovery outlook:**
  - The BOJ released its quarterly Tankan Survey; the Large Manufacturing Index which gauges current condition rose to -27 in 3Q (2Q: -34), worse than expectation (-24); The outlook Index improved to -17 in 3Q (2Q: -27) but still at depressed level.
  - The Large Non-Manufacturing Index picked up to -12 (2Q: -17) and the outlook index for the sector edged up to -11 (2Q: -7); both are below expectation.
  - The Large All industry Capex however surprised to the upside, with a 1.4% QOQ gain (2Q: +3.2%), but still weaker compared to the usual 3Q capex growth observed in previous years.
- **China PMIs point to solid economic recovery:**
  - The official NBS Manufacturing PMI rose slightly to 51.5 in September (Aug: 51.0) and the Caixin Manufacturing PMI was little changed at 53.0 in the same month (Aug: 53.1); both indexes continued to indicate expansion of activity in China's factories.
  - The NBS Non-manufacturing PMI picked up to 55.9 in September (Aug: 55.2), a solid level, offering bright outlook on recovering services sector.
- **Hong Kong retail sales fell in August:** Retail sales registered yet another decline in August at -13.1% YOY (Jul: -23.1%), extending the current losing streak to 19-month long. The latest retail sales woes are not surprising as the downturn continues in the absence of foreign visitors as well as poor domestic demand.

## Forex

### MYR (Neutral)

- USD/MYR was little changed at 4.1565 at the end of Wednesday's session alongside its Asian peers which recorded minor changes as well.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

### USD (Neutral-to-Bullish Outlook over 1 Week Horizon)

- DXY stayed range-bound on Thursday, hovering around 94 level on average, +/- 0.2. We still see increased volatility possibly leading to some dollar strength, despite recent risks to our near-term view.
- **Factors supporting:** Risk aversion, US-China relations
- **Factors against:** Volatility, positive developments from global policymakers, poor US economy, US stimulus

### EUR (Neutral-to-Bearish)

- EUR/USD inched down slightly to around 1.1730 after the 25 September low of 1.1612 and the 1.1755 high on 30 September. We maintain a view of volatility, affected by dollar movements.
- **Factors supporting:** USD weakness, Europe economic recovery
- **Factors against:** Risk aversion, Faltering fundamentals

### GBP (Neutral-to-Bearish)

- GBP/USD inched up to 1.2930 on Thursday close after starting the day around 1.2850. We do not expect a return to 1.30 for now, due to domestic Covid outbreak. This is unless there is a breakthrough in Brexit talks, which expectations are building.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

### JPY (Neutral-to-Bullish)

- USD/JPY dipped slightly overnight to around 105.48 on open, from the 105.80 intraday high. Near-term we may still see JPY resilience compared to other G10 currencies, and a relatively solid resistance of 106.
- **Factors supporting:** New prime minister's directives, BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

### AUD (Neutral-to-Bearish)

- AUD/USD headed higher again, to around 0.7170 levels after the 25 September low of 0.7006. We maintain a view of some volatility near term, although upward momentum above 0.7182 may trigger a neutral-to-bullish call.
- **Factors supporting:** Resilient economy, USD weakness
- **Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections, China-Australia relations

### SGD (Neutral-to-Bearish)

- USD/SGD is now trading around the immediate support around 1.3650. USD/SGD may stay volatile, although downside risks are building. If 1.3650 breaks focus may turn to 1.36 big figure.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

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- ***Australia manufacturing PMI fell in September:*** The AiG Performance of Manufacturing Index fell rather sharply to 46.7 in September (Aug: 49.3), pointing to contraction in factory activity in Australia for the second month.
  - ***New Zealand Business Confidence improved in September:*** The ANZ Business Confidence Index improved substantially to -28.5 in September, from -41.8 in August, confirming that activity indicators have lifted since August. This also suggests that businesses appear relatively optimistic that the resurgence of virus would not derail economic activity as persistently tough restrictions are looking unlikely. Services sector remained under pressure whereas outlook for construction and agriculture are looking up.

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