Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks closed higher on the first day of 4Q in a rather indecisive session as the Republicans and Democrats seemed far-off from agreeing to a stimulus deal** despite resumption of talks between House Speaker Pelosi and Secretary Mnuchin. Stocks swung between slight gains and losses throughout the day; the Dow closed 0.1% higher; S&P500 picked up 0.5% and NASDAQ outperformed (+1.4%). **Treasury yields were little changed overall**; 10Y UST yield was a tad lower at 0.677%. **Gold futures rebounded back above $1900/oz,** adding more than 1.0% at $1908.4/oz as **dollar weakened for the fourth session**. **Oil benchmarks plunged** on Thursday - Brent crude fell for the third session (-0.05%) to $40.93/barrel while WTI was down sharply (-3.7%) to $38.72/barrel on the back of weak demand prospect. **The European Commission said that the EU had formally begun legal action against the UK** after its lawmakers approved a controversial Internal Market Bill this week (pending approval of the House of Lords). The proposed legislation would allow ministers to unilaterally amend the country's Withdrawal Agreement with the EU.

- **Manufacturing PMI data were uneven across key economies. US initial jobless claims were steady** above 800k last week; **personal spending slowed** but construction spending gained further. **Eurozone and Japan's unemployment rates ticked higher.** New Zealand consumer confidence was little changed. **Focus turns to tonight's nonfarm payroll job data.** Consensus estimate stood at 875k gain in jobs as analysts expect job growth to slow (Aug: +1.37mil). Unemployment is expected to tick lower to 8.2% (Aug: 8.4%).

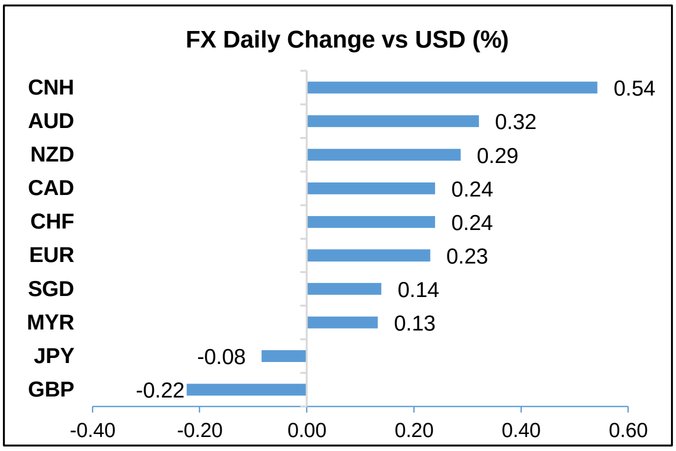
- DXY broadly weakened by almost 0.2% to 93.72 on Thursday, with only slight gains against GBP and JPY. We now turn more **bearish on the dollar** after expecting some strength, given current momentum. Still, we maintain our view that movements will stay volatile and may be unpredictable for October.

- USD/MYR closed 0.13% lower at 4.1510 on Thursday amid broad-based dollar weakness. **Daily USDMYR outlook is neutral to bearish** as USD weakness seems poised to extend to today's Asian session as risk sentiment appears to be favouring risky assets for now.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,816.90	0.13	-2.53
S&P 500	3,380.80	0.53	4.64
FTSE 100	5,879.45	0.23	-22.05
Hang Seng	23,459.05	0.79	-16.78
KLCI	1,496.77	-0.53	-5.79
STI	2,500.74	1.38	-22.41
Dollar Index	93.72	-0.17	-2.77
WTI oil ($/bbl)	38.72	-3.73	-36.59
Brent oil ($/bbl)	40.93	-0.05	-37.98
Gold (S/oz)	1,908.40	1.11	25.30
CPO (RM/tonne)	2,857.50	0.21	-5.55

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Eurozone	→
UK	↓	Japan	↓
Malaysia	↓	Vietnam	↑
New Zealand	→		

Up Next

Date	Event	Prior
02/10	AU Retail Sales MoM (Aug)	3.20%
	US Change in Nonfarm Payrolls (Sep)	1371k
	US Unemployment Rate (Sep)	8.40%
	US Average Hourly Earnings YoY (Sep)	4.70%
	US U. of Mich. Sentiment (Sep F)	--
	US Factory Orders (Aug)	6.40%
05/10	SI Markit Singapore PMI (Sep)	43.6
	JN Jibun Bank Japan PMI Services (Sep F)	45.6
	SI Retail Sales YoY (Aug)	-8.50%
	EC Markit Eurozone Services PMI (Sep F)	47.6
	EC Sentix Investor Confidence (Oct)	-8
	UK Markit/CIPS UK Services PMI (Sep F)	55.1
	EU Retail Sales MoM (Aug)	-1.30%
	US Markit US Services PMI (Sep F)	54.6
	US ISM Services Index (Sep)	56.9

Source: Bloomberg

Macroeconomics

- ***Manufacturing recovery were still uneven across key economies:***
  - US ISM Manufacturing PMI edged lower to 55.4 in September (Aug: 56.0) as new orders growth slowed substantially while the Markit Manufacturing PMI was little changed at 53.2 (Aug: 53.1).
  - Eurozone Markit Manufacturing PMI advanced to 53.7 in September (Aug: 51.7).
  - UK CIPS/Markit Manufacturing PMI retreated to 54.1 in September (Aug: 55.2).
  - Japan Jibun Bank Markit Manufacturing PMI picked up a little to 47.7 in September (Aug: 47.2), its 17th month at sub-50 level.
  - Malaysia Markit Manufacturing PMI slipped to 49.0 in September (Aug: 49.3), marking its second month of contraction.
  - Vietnam Markit Manufacturing PMI rebounded to expansion level for the first time in 3 months, to 52.2 in September (Aug: 45.7), added to further signs of strong economic recovery in Vietnam.

- ***US initial jobless claims held steadily at above 800k; personal spending growth slowed; construction spending beat expectation:***
  - Initial jobless claims came in slightly lower than expected at 837k (survey: 850k) for the week ended 26 Sep (prior: +873k). The reading held above 800k for the 5th straight week, confirming that job growth has been sluggish even as the economy had reopened. Continuous claims fell to 11.77mil for the week ended 19 Sep (prior: +12.75mil), the nearly 1-million decline offered some respites.
  - Personal spending rose 1% MOM in August (Jul: +1.5%), slowing from the sharp rebound observed in May. Personal income fell 2.7% MOM (Jul: +0.5%) after the federal's jobless benefits expired at the end of July. This likely drags on consumer spending further ahead if no new stimulus bill is being passed.
  - The core PCE inflation recorded 0.3% MOM increase in August (Jul: +0.4%) which translates to a 1.6% YOY gain (Jul: +1.4%), its largest increase in five months.
  - Construction spending rose 1.4% MOM in August, two times more than analysts' estimate (+0.7%), marking its third month of back-to-back growth; the prior month growth was also revised sharply higher from +0.1% to +0.7% MOM. Gain came primarily from private residential construction spending (+3.7%) as non-residential declined for the second month. Developers are ramping up projects in response to strong housing demand as rates are at historically low.

- ***Eurozone unemployment rate at 8.1%:*** Unemployment rate in the Eurozone rose to 8.1% in August (Jul: 8.0%), marking its fifth consecutive month of climb. The rise in unemployment rate was gradual since the onset of the pandemic, the increase in unemployment has slowed for the third straight month (+251k vs +363k prior), proving the effectiveness of job protection scheme to prevent massive unemployment.

- ***Japan job market weakened further by the pandemic:***
  - Jobless rate rose for the 3rd consecutive month to 3.0% in August (Jul: +2.9%), its highest in three years as the labour market continued to be impacted by the pandemic even after the economy has reopened.
  - The separately reported job-to-applicant ratio fell to 1.04 in August (Jul: 1.08), the lowest since Jan-14, meaning that there are fewer jobs available now in the economy.

- ***New Zealand Consumer Confidence steady in September:*** The ANZ Consumer confidence was little changed at 100.0 in September (Aug: 100.2) as both current conditions and future condition indexes were steady. The survey reported that households remained very concerned over their economic futures.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR closed 0.13% lower at 4.1510 on Thursday amid broad-based dollar weakness.
- **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-Bearish Outlook over 1 Week Horizon)

- DXY broadly weakened by almost 0.2% on Thursday, with only slight gains against GBP and JPY. We now turn more bearish on the dollar after expecting some strength, given current momentum. Still, we maintain our view that movements will stay volatile and may be unpredictable for October.
- **Factors supporting**: Risk aversion, US-China relations
- **Factors against**: Volatility, positive developments from global policymakers, poor US economy, US stimulus

EUR (Neutral-to-Bullish)

- EUR/USD continued to creep up on Thursday, continuing a weekly trend despite our bearish call. Pair is stabilising around 1.1740 levels on Thursday close. We now turn more constructive on EUR despite still expecting some volatility.
- **Factors supporting**: USD weakness, Europe economic recovery
- **Factors against**: Risk aversion, Faltering fundamentals

GBP (Neutral)

- GBP/USD hit a high of 1.2978 but overall was slightly down on Thursday. We continue to expect volatility for the pound despite dollar weakness. We do not expect a return to 1.30 for now, due to domestic Covid-19 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)

- USD/JPY stayed range bound on Thursday, overall slightly higher to around 105.5 after Tokyo stock exchange was shut by a technical outrage. 106 resistance looks solid for now and we see USD/JPY trading mostly within a range of 105.3-105.8 for the week ahead.
- **Factors supporting**: New prime minister's directives, BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD's recovery continued on Thursday, hitting a high of 0.7209 after the 25 September low of 0.7006. The breach of 0.7182 has triggered a neutral-to-bullish call.
- **Factors supporting**: Resilient economy, USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bullish)

- USD/SGD is hit a low of 1.3615 on 1 October, breaking the 1.3650 support in the process. We now see some lower movements for the week ahead, with 1.36 support now in focus.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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