HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock benchmarks fell again on Friday, closing out the week in steep losses as investors braced for volatility ahead of this week's General Election** amid deeper fear over the record rise in US coronavirus cases and fresh lockdowns in Europe. The Dow fell 0.6%, the S&P500 dropped 1.2% and NASDAQ lost 2.5% DOD; Friday's selling also culminated in US stocks' second consecutive monthly losses, reflecting months-long stimulus uncertainties and pre-election jittery. **Treasury yields advanced further especially at the longer end of the curve on the back of positive consumer spending data** and markets continued to bet on a Biden victory; overall yields rose by 0.6 to nearly 6bps; 10Y UST yield picked up 5bps to 0.874%.

- **Gold futures rebounded by 0.6% to $1879.9/oz amid mixed dollar performance.** The DXY edged up slightly to 94.04 (+0.09%), its highest level in a month. This came as the USD strengthened against EUR and CHF but weakened against GBP. JPY and CAD were little changed. **Oil prices extended declines;** WTI fell 1.1% and Brent lost 0.5%, wrapping up the week with more than 10% losses on the back of demand concerns. Both benchmarks continue to drop further this morning as markets opened.

- Most data releases were positive on Friday as US consumer spending, **Eurozone and Hong Kong GDP growth beat expectations while China's PMIs indicate that recovery is on track. Over the weekend, the UK government re-imposed a nationwide lockdown that is expected to last for at-least a month.** In the week ahead, aside from the US elections, major central banks namely the Fed, BOE and RBA as well as BNM are announcing their latest monetary policy decisions while key economic data include US ISM indexes as well as the closely-watched NFP job report.

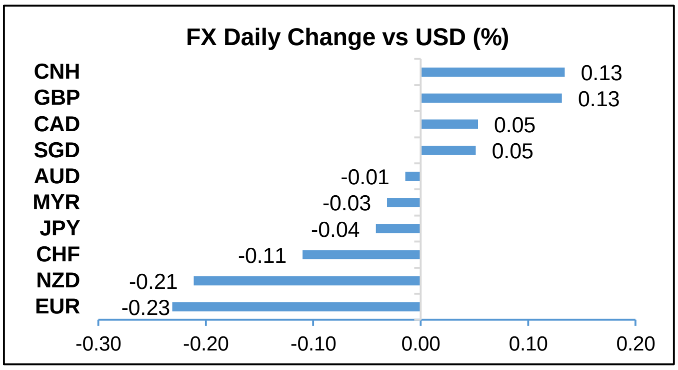
- DXY stayed in a narrow band of 93.651-94.077 on Friday, overall gaining 0.09%. A significant week lies ahead, which will likely heighten volatility. We are **bullish** near-term and see significant event risk related (election, stimulus) volatility. ISM, FOMC as well as non-farm payrolls data will likely be the data focus for the week ahead.

- USD/MYR closed on a flat note on Friday at 4.1560 ahead of the weekend. We remain **slightly bullish on USDMYR**. Increasing chatters of possibility of an OPR cut tomorrow just ahead of the national budget tabling, coupled with cautiousness surrounding the US general election are expected to keep MYR under pressure, potentially breaking the 4.17 handle.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,501.60	-0.59	-7.14
S&P 500	3,269.96	-1.21	1.21
FTSE 100	5,577.27	-0.08	-26.05
Hang Seng	24,107.42	-1.95	-14.48
KLCI	1,466.89	-1.89	-7.67
STI	2,423.84	-1.10	-24.79
Dollar Index	94.04	0.09	-2.44
WTI oil ($/bbl)	35.79	-1.05	-41.39
Brent oil ($/bbl)	37.46	-0.50	-42.52
Gold (S/oz)	1,879.90	0.64	23.43
CPO (RM/tonne)	3,243.50	0.00	7.21

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	→
China	↑	Hong Kong	↑
Australia	↑		

Up Next

Date	Event	Prior
02/11	VN Markit Vietnam PMI Mfg (Oct)	52.2
	MA Markit Malaysia PMI Mfg (Oct)	49.0
	JN Jibun Bank Japan PMI Mfg (Oct F)	47.7
	CH Caixin China PMI Mfg (Oct)	53
	HK Retail Sales Value YoY (Sep)	-13.1%
	EC Markit Eurozone Manufacturing PMI	53.7
	UK Markit UK PMI Manufacturing SA (Oct	54.1
	US Markit US Manufacturing PMI (Oct F)	53.2
	US ISM Manufacturing (Oct)	55.4
	US Construction Spending MoM (Sep)	1.4%
03/11	AU RBA Cash Rate Target (03 Nov)	0.25%
	MA BNM Overnight Policy Rate (03 Nov)	1.75%
	SI Purchasing Managers Index (Oct)	50.3
	US Factory Orders (Sep)	0.7%
	US Durable Goods Orders (Sep F)	0.4%
	US Cap Goods Orders Nondef Ex Air (Sep	2.1%

Source: Bloomberg

Macroeconomics

- ***US consumer spending growth picked up in September:***
  - The latest Personal Outlay Report shows that personal spending, a key gauge of consumer spending in the US rose 1.4% MOM in September (Aug: +1.0%). Analysts were expecting a smaller increase of 1.0% MOM. The latest print marks spending's fifth consecutive month of growth since the economy reopened in May, offering comfort that consumer spending is still holding up despite slower job growth and expiry of stimulus aid.
  - This was supported by personal income growth which also beat expectation at 0.9% MOM (Aug: -2.5%).
  - The gain in core PCE price index, the Fed's main inflation gauge fell short of expectation at 1.4% YOY (Aug: +1.3%), highlighting subdued price pressure.
  - The University of Michigan Consumer Sentiment Index rose slightly to 81.8 in October (Sep: 80.4), indicating little change in consumer confidence ahead of the election.
  - The MNI Chicago PMI slipped to 61.1 in October (Sep: 62.4), adding to a series of mixed regional PMI readings.

- ***Eurozone 3Q GDP rebounded; jobless rate unchanged:***
  - Preliminary 3Q GDP growth came in at 12.7% QOQ, a sharp rebound from the 11.8% record contraction in 2Q. Consensus forecast was at a more modest pace of 9.6% growth. This translates to a smaller 4.3% YOY decline (2Q: -14.8%). The rebound is likely to be one-off in 3Q, with the recovery prospect looking grimmer in 4Q as the new wave of virus led to fresh lockdowns in Europe.
  - The HICP inflation rate was 0.2% MOM in October (Sep: +0.1%); the annual rate remained unchanged at -0.3% YOY (Sep: -0.3%) while the core inflation rate was also steady at 0.2% YOY (Sep: +0.2%), reaffirming the absence of price pressure.
  - Meanwhile, unemployment rate stayed at 8.3% in September (Aug: 8.3%), highlight Europe's more robust job protection scheme that has thus far prevented a jump in jobless rate.

- ***PMI shows China on track for recovery:***
  - The official NBS PMI for the manufacturing sector was little changed at 51.4 in October (Sep: 51.5).
  - The services PMI edged up to 56.2 in October (Sep: 55.9), reflecting robust expansion. Both readings are consistent with views that China economy continues to recover amid well-contained Covid-19 situation.

- ***Hong Kong GDP beat estimate:*** Advance estimate shows that Hong Kong GDP growth surprised on the upside with a 3.0% QOQ rebound in the third quarter (2Q: -0.1%). Consensus forecast stood at a mere 0.7% QOQ growth. YOY, GDP recorded a smaller contraction of 3.4% YOY (2Q: -9.0% YOY). This was supported by the recovery in goods exports, reflecting higher demand from Mainland China as well as the smaller fall in household spending.

- ***Australia manufacturing PMI back to expansion level:*** The AiG Performance of Manufacturing Index jumped to 56.3 in October, from 46.7 in September to indicate the manufacturing sector's expansionary mode. This followed after government ended the three-month lockdown of Melbourne.

Forex

MYR (Slightly Bearish)

- USD/MYR closed on a flat note on Friday at 4.1560 ahead of the weekend. We remain slightly bullish on USDMYR. Increasing chatters of possibility of an OPR cut tomorrow just ahead of the national budget tabling, coupled with cautiousness surrounding the US general election are expected to keep MYR under pressure, potentially breaking the 4.17 handle.
- **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 in a narrow band of 93.651-94.077 on Friday, overall gaining 0.09%. A significant week lies ahead, which will likely heighten volatility. We are bullish near-term and see significant event risk related (election, stimulus) volatility. ISM, FOMC as well as non-farm payrolls data will likely be the data focus for the week ahead.
- **Factors supporting**: Risk aversion, US-China tensions
- **Factors against**: Positive developments from global policymakers, US stimulus

EUR (Neutral-to-Bearish)

- EUR/USD weakened further on Friday, continuing on the weekly trend. Pair closed at 1.1647 after a 1.1640 low. After breaching the 1.1650 support, another move will likely see 1.16 as a psychological support. Some risk aversion poses downside risks for the EUR, particularly from the Covid-19 wave in Europe.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bearish)

- GBP/USD slightly strengthened on Friday, despite closing at 1.2947 with a 1.2899 low. UK will close for 4 weeks as Covid-19 cases climb once again, pressurising the pound. Bank of England's policy decision on 5 November will likely be interesting for the GBP, particular if BOE turns more dovish.
- **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 was volatile on Friday, rebounding after an intraday low of 104.13. In the end, JPY was 0.04% weaker on Friday vs. USD. We are **neutral-to-bullish** on the JPY, mostly on event risks and market concerns. Watch 104 support. Dollar strength may bring pair towards 105 and above.
- **Factors supporting**: BOJ policy
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD hit a low of 0.6997 on Monday open after staying stable last Friday. This comes as pair stayed just above the 0.70 support level. A break away of the 0.70 support can bring AUD/USD lower towards the c.0.68 200-day MA. For the week ahead, focus is on risk sentiments and RBA. Retail sales and trade data will also be released for September.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bearish)

- USD/SGD spiked higher on Monday open to 1.3680 at the time of writing, after USD/SGD came off by 0.05% on Friday. We see heightened volatility for the SGD, given that the US election is the main global market events for the week ahead. Singapore October PMI data is likely to be relatively positive, while retail sales may see further improvements.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

- ***Mixed Japan data reflects struggling economic recovery:***
  - Retail sales was flat in September (-0.1% vs +4.6% prior) following the rebound in August, highlighting cautious consumer spending behaviour. Compared to the same month last year, retail sales were still 8.7% lower (Aug: -1.9%), marking its seventh consecutive month of YOY decline.
  - Jobless rate was unchanged at 3.0% in September (Aug: 3.0%) when analysts had expected an increase to 3.1%. The separately released job-to-applicant ratio continued to trend down to 1.03 in the same month (Aug: 1.04); both total job applicants and job offers pulled back further as the pandemic suppressed job growth.
  - Industrial production beat expectation with 4,0% MOM growth in September (Aug: +1.0%); consensus forecast was at 3.0% MOM. This marked output fourth consecutive month of gain since June and helped offsetting the concerns over the sluggish growth in the services sector. On a YOY basis, industrial production is still 9.0% lower, nonetheless a marked improvement after recording double-digit decline for five straight months.

- ***Substantial improvement in New Zealand confidence:***
  - The ANZ Business Confidence Index rose to -15.7 in October, from -28.5 in September to indicate a marked improvement of sentiment in the business community. The sub-index for business outlook picked up to the positive territory of 4.7 (Sep: -5.4). ANZ said that businesses remained upbeat and key indicators were holding up.
  - The ANZ Consumer Confidence jumped to a 10-month high of 108.7 in October (Sep: 100), reflecting the positive condition and outlook for the housing market. Consumers saw their finances improving in the year ahead (albeit still at negative level) while the indicator that gauges the willingness to spend on a major item picked up considerably.

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