

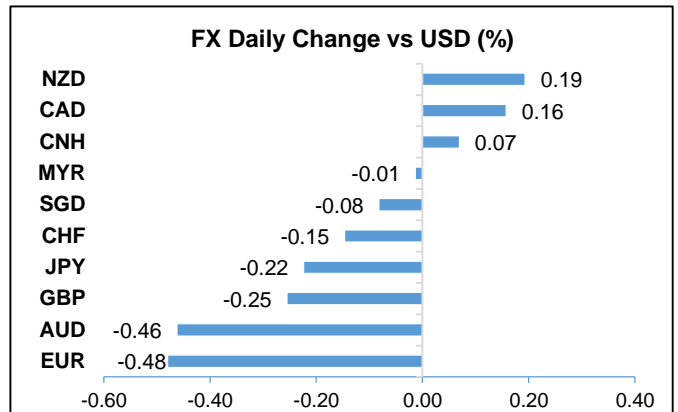
Key Takeaways

- US stocks rallied overnight fuelled by economic recovery optimism.** The S&P500 rose sharply (+1.5%) to yet another record high; NASDAQ picked up nearly 1.0% to all-time high. The Dow Jones (+1.6%) closed a tad above 29,000 for first time in more than six month, inching closer to its record high in February. Treasury yields were little changed at the shorter end - 2Y UST yield held steady at 0.133%; 10Y UST yield slipped by 2bps to 0.648%. **Gold futures lost a whopping 1.7% to \$1936.9 amid better risk sentiment and alongside stronger dollar. Crude oil prices retreated sharply** despite more than 9.0m draw in the EIA crude stockpiles; Oilprice.com reported that this was mainly **due to markets' concerns over lower refinery runs.** Brent crude dipped by 2.5% to \$44.43/barrel and WTI settled nearly 3.0% lower at \$41.51/barrel.
- Data came mostly from the US** and indicates that an economic recovery is underway. **ADP private sector disappointed** with a mere 428k gains (versus expectation of 1mil increase). **Factory orders continued to increase** for the third consecutive month, powered by transportation sector. **Mortgage applications fell 2.0%** last week. The Federal Reserve's latest **Beige Book said that economic activity is rising in most Districts.** Other than that, **Australia's GDP contracted by 7.0% QOQ in the second quarter, its largest fall on record.**
- DXY saw a second day of gains on Wednesday, as the dollar rebounded against all majors save for the NZD and CAD. DXY moved to an intraday high of 92.87, before slightly tapering gains to close the day 0.6% higher at 92.85. We think that the rebound may be temporary as USD weakness may continue after a brief reprieve. Maintain a **neutral to bearish outlook on the USD.**
- USD/MYR closed on a flat note at 4.1440 on Wednesday, below the key 4.15 level. Dollar strength overnight is likely to lead the pair to open higher and back to 4.15-4.17 in the short term. The pair is severely oversold, correction is thus very possible, hence our **neutral to slightly bearish view on the MYR.** BNM's OPR decision and FTSE Russell's WGBI decision present as event risks this month.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,100.50	1.59	1.97
S&P 500	3,580.84	1.54	10.84
FTSE 100	5,940.95	1.35	-21.23
Hang Seng	25,120.09	-0.26	-10.89
KLCI	1,537.54	1.06	-3.22
STI	2,539.94	0.05	-21.19
Dollar Index	92.85	0.55	-3.67
WTI oil (\$/bbl)	41.51	-2.92	-32.02
Brent oil (\$/bbl)	44.43	-2.52	-32.68
Gold (\$/oz)	1,936.90	-1.72	27.31
CPO (RM/tonne)	2,885.50	-0.24	-4.63

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US → Australia ↓

Up Next

Date	Event	Prior	
03/09	HK Markit Hong Kong PMI (Aug)	44.5	
	JP Jibun Bank Japan PMI Services (Aug F)	45.0	
	SG Markit Singapore PMI (Aug)	45.6	
	AU Trade Balance (Jul)	A\$8202m	
	CN Caixin China PMI Services (Aug)	54.1	
	EU Markit Eurozone Services PMI (Aug F)	50.1	
	UK Markit/CIPS UK Services PMI (Aug F)	60.1	
	EU Retail Sales MoM (Jul)	5.70%	
	US Trade Balance (Jul)	-\$50.7b	
	US Initial Jobless Claims (29/08)	1006k	
	US Markit US Services PMI (Aug F)	54.8	
	US ISM Services Index (Aug)	58.1	
	04/09	AU Retail Sales MoM (Jul)	2.70%
		SG Retail Sales YoY (Jul)	-27.80%
MA Foreign Reserves (28/08)		\$104.3b	
US Average Hourly Earnings YoY (Aug)		4.80%	
US Unemployment Rate (Aug)		10.20%	
	US Change in Nonfarm Payrolls (Aug)	1763k	

Source: Bloomberg

Macroeconomics

- **US data show that an economic recovery remained underway:**
 - The ADP nonfarm private payroll came in at 428k in August (Jul: +212k), well below expectation of 1mil gain. The services sector added 289k jobs while the manufacturing sector saw a more modest 40k increase. The report indicates the ongoing recovery in the US labour market.
 - Headline factory orders rose 6.4% MOM in July (Jun: +6.4%), marking its third consecutive month of solid growth. Orders of durable goods rose 11.4% MOM (Jun: +7.7%), boosted by orders of transportation equipment; core capital orders, a gauge of business capex picked up 1.9% MOM (Jun: +4.3%).
 - Mortgage applications fell 2.0% for the week ended 28 Aug (prior: -6.5%); purchasing applications were flat while refinancing saw sharper decline. The average 30-year mortgage loan rate remained low at 3.08%.
 - The Federal Reserve's sixth Beige Book of 2020 reported that "economic activity increased among most Districts but gains were generally modest and activity remained well below levels prior to the COVID-19 pandemic". It pointed out slower job growth and increased hiring volatility in the services industry.
- **Australia GDP fell more than expected:** Australia's real GDP contracted 7.0% QOQ in the second quarter (1Q: -0.3%), its sharpest fall yet. This translates to a YOY decline of -6.3% (1Q: +1.6%), also a record loss. The numbers were worse than expected – consensus estimate had been expecting a decline of 6.0% QOQ and 5.1% YOY respectively. Household consumption subtracted 6.7percentage points from GDP, the largest negative contribution; investment subtracted 1.2ppt; general government spending contributed positively (+0.6ppt). Changes wise, household consumption fell by a whopping 12.1% QOQ and investment fell 4.8% QOQ. RBA had kept its cash rate steady on the prior day, opting to expand and extend its Term Funding Facility instead. It maintained a cautious outlook, highlighting the pandemic outbreak in Victoria State. Policy (both fiscal and monetary) are likely to remain loose until next year.

Forex

MYR (Neutral to slightly bearish)

- USD/MYR closed on a flat note at 4.1440 on Wednesday, below the key 4.15 level. .
- **Factors supporting:** Economic recovery
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

USD (Neutral-to-Bearish Outlook over 1 Week Horizon)

- DXY saw a second day of gains on Wednesday, as the dollar rebounded. DXY moved to an intraday high of 92.87, before tapering gains. We think that the rebound may be temporary as USD weakness may continue after a brief reprieve.
- **Factors supporting:** Risk aversion, US-China relations
- **Factors against:** Complacent markets, positive developments from global policymakers, poor US economy, US stimulus

EUR (Neutral-to-Bullish)

- EUR/USD saw a low of 1.1822 before a slight rebound to around 1.184 at close. Pair was affected by the dollar rebound, underperforming G10 FX performance
- **Factors supporting:** Solid fiscal support on confidence, recovering economy, USD weakness
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections

GBP (Neutral-to-Bullish)

- GBP/USD traded in an offered tone on Wednesday, mirroring EUR/USD's movements. Pair reached a low of 1.3284 before rebounding to above-1.33 levels at close.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY moved higher on Wednesday. Following a low of 105.59 on 1 September, pair traded at a high of 106.30 on 2 September. USD/JPY stayed close to these levels on Thursday open.
- **Factors supporting:** New prime minister's directives, BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD also underperformed other G10 currencies after reaching YTD highs in recent days. AUD/USD tapered to a low of 0.7301 before rebounding slightly to around 0.733 on Thursday open.
- **Factors supporting:** Current account, resilient economy, USD weakness
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bullish)

- USD/SGD moved on a bid tone to 1.3644 high on Wednesday, after being as low as 1.3560 on 1 September. Pair has now consolidated around 1.363 levels on Thursday's open, without much momentum either way.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.