Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock rallied overnight just ahead of election day**; the Dow Jones added 423 pts or 1.6%; the S&P500 rose 1.2% and NASDAQ recorded smaller increase of 0.4%. Gains were led by the energy and material sectors that surged more than 3% DOD alongside the rebound in oil prices. Treasury yields were little changed at the front end but fell by 1 to 4bps on the longer end. **10Y UST yield was down by 2.4bps to 0.85%.**

- Gold futures extended gain by adding 0.9% to $1896.3/oz amid mixed USD performance. **The dollar index was virtually unchanged at 94.06.** The greenback strengthened against modestly against the JPY, GBP and CHF but weakened against the commodity currencies i.e. CAD, AUD and NZD as **oil prices snapped three-day losing streak with a strong rebound.** Brent crude was seen advancing by 4.6% to $39.18/barrel; US benchmark WTI also rallied by 3.6% to $37.09/barrel. **The RBA is expected to cut its cash rate from 0.25% to 0.10% today while on the local front, the view on BNM's OPR decision is rather mixed. We are expecting a 25bps insurance cut in view of heightened downside risk to growth.**

- On the data front, **manufacturing PMIs continued to reflect the uneven performances across major economies;** US ISM Index in particular surged to more than 2-year high on the back of strong new orders. Eurozone and UK still recorded growth but new lockdowns are expected to weigh on the index this month. Japan's PMI remained at sub-50 level. China Caixin PMI picked up while Vietnam and Malaysia PMIs retreated.

- DXY was range bound and slightly rose on Monday. We are **bullish USD** near-term and see significant event risk related (election, stimulus) volatility. Immediate resistance at 94.742, with support at 93.0. ISM, FOMC as well as non-farm payrolls data will likely be the data focus for the week ahead.

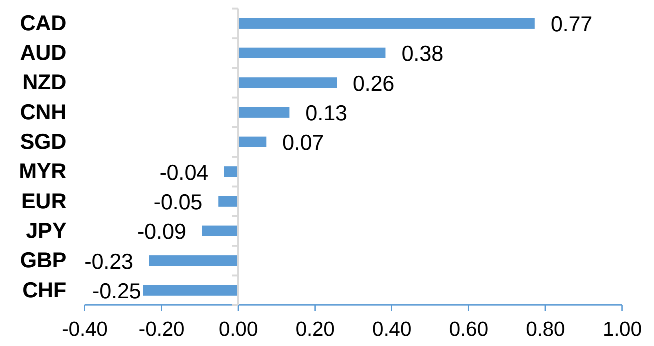
- USD/MYR was little changed at 4.1575 on Monday as the MYR market is awaiting BNM OPR decision. We look towards BNM's statement at 3pm for further guidance. For now, we remain **slightly bullish on USD/MYR** this week ahead of the tabling of the 2021 Budget coupled with cautiousness surrounding the US general election which are expected to keep MYR under pressure, potentially breaking the 4.17 handle.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,925.05	1.60	-5.65
S&P 500	3,310.24	1.23	2.46
FTSE 100	5,654.97	1.39	-25.02
Hang Seng	24,460.01	1.46	-13.23
KLCI	1,466.46	-0.03	-7.70
STI	2,443.13	0.80	-24.19
Dollar Index	94.06	0.02	-2.42
WTI oil ($/bbl)	37.09	3.63	-39.72
Brent oil ($/bbl)	39.18	4.59	-40.64
Gold (S/oz)	1,896.50	0.88	24.52
CPO (RM/tonne)	3,250.00	0.20	7.42

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data			
US	→	Eurozone	↑
UK	↓	Japan	↑
Hong Kong	↓	China	↑
Vietnam	↓	Malaysia	↓

Up Next

Date	Event	Prior
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%
04/11	NZ Employment Change QoQ (3Q)	-0.30%
	NZ Unemployment Rate (3Q)	4.00%
	HK Markit Hong Kong PMI (Oct)	47.7
	SI Markit Singapore PMI (Oct)	45.1
	CH Caixin China PMI Services (Oct)	54.8
	AU Retail Sales MoM (Sep)	-4.0%
	EC Markit Eurozone Services PMI (Oct F)	--
	UK Markit/CIPS UK Services PMI (Oct F)	--
	US ADP Employment Change (Oct)	749k
	US Trade Balance (Sep)	-$67.1b
	US Markit US Services PMI (Oct F)	--
	US ISM Services Index (Oct)	57.8

Source: Bloomberg

Macroeconomics

- ***Manufacturing PMIs continued to be mixed in October with the US registering strong factory growth:***
  - The ISM Manufacturing Index surged to 59.3 in October (Sep: 55.4), its highest reading since Sep-18, beating expectation of 56.0. Strong new orders helped propel the acceleration in factory growth ahead of winter. The Markit Manufacturing PMI was slightly up to 53.4 in the same month (Sep: 53.2).
  - Eurozone Markit Manufacturing PMI rose to 54.8 in October (Sep: 53.7) but unlikely to retain the momentum given freshly imposed lockdowns/stricter measures in Europe.
  - UK Markit/CIPS Manufacturing PMI ticked down to 53.7 in October (Sep: 54.1), pointing to easing in recovery rate; the new lockdown is expected to drag on the the sector further in November.
  - Jibun Bank Manufacturing PMI remained at sub-50 levels although up slightly to 48.7 in October, from 47.7 in the prior month
  - China Caixin Manufacturing PMI inched up to 53.6 in October (Sep: 53), consistent with views that the economy is on track to recover more.
  - Vietnam Markit Manufacturing PMI slipped to 51.8 in October (Sep: 52.2), suggesting slower rate of expansion.
  - Malaysia Markit Manufacturing PMI fell to 48.5 in October (Sep: 49), pulling back for the fourth straight month since the one-off recovery in June.

- ***US construction spending recorded smaller growth:*** Construction spending growth fell short of expectation at 0.3% MOM in September (Aug: +0.8%). Analysts had been expecting a robust growth of 1.0%. August's spending growth was also revised downwards from 1.4% to 0.8%, posing some risk of downward revision to the next 3Q GDP estimate. Nonetheless, construction spending has managed to increase for four straight months since June, mainly powered by residential construction spending (+2.7% vs +3.2% prior) amid strong housing demand.

- ***Hong Kong retail sales extended decline in September:*** Hong Kong retail sales fell 12.9% YOY in September (Aug: -13.1%), marking its 20th month of consecutive decline. The weakness in the retail sector persisted amid the absence of tourists and generally weak consumer demand on the local front. The latest GDP report also showed that household spending continued to decline n 3Q albeit at smaller rate.

Forex

MYR (Slightly Bearish)

- USD/MYR was little changed at 4.1575 on Monday as the MYR market is awaiting BNM OPR decision. We look towards BNM's statement at 3pm for further guidance. For now, we remain slightly bullish on USD/MYR this week ahead of the tabling of the 2021 Budget coupled with cautiousness surrounding the US general election which 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 was range bound and slightly rose on Monday. We are bullish near-term and see significant event risk related (election, stimulus) volatility. Immediate resistance at 94.742, with support at 93.0. 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 was slightly down for Monday, with a daily range of 1.1623-1.1656. 1.16 is a key 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 came off, reaching a low of 1.2855 before a slight rebound to 1.2917 at close. Covid-19 closures will likely continue to pressure 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 moved in a narrow range of 104.54-104.95 on Monday, slightly on a bid tone on dollar strength. We are **neutral-to-bullish** on the JPY, mostly on event risks and market concerns. Dollar strength may bring pair towards 105 and above. We watch 104.19 support.
- **Factors supporting**: BOJ policy
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD recovered by 0.38% on Monday, after hitting a low of 0.6991. Despite this, we suspect pair remains vulnerable. 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 was slightly offered on Monday, overall with a 0.07% gain vs. the USD. Pair reached a low of 1.3644. Still, 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

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