4 September, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- US main benchmarks tanked overnight, led by the sell-off in tech shares as investors dumped major tech stocks. The tech-heavy NASDAQ fell the most by nearly 5.0%; the S&P 500 pulled back sharply from its record high to lost 3.5% while the Dow closed 2.8% lower. Treasury yields were little changed across the curve, lower by 0.6 to 1.4bps. The yield on 10Y Treasury note was 1.3bps lower at 0.635%. Gold futures fell for the second session by 0.4% to $1930.2/oz. Crude oil prices extended decline. Brent crude lost 0.8% to $44.07/barrel and WTI settled 0.3% lower at $41.37/barrel.

- **Services PMI data indicates uneven recovery across the global services industry.** The readings are more solid in the US, UK and China but lost momentum in Eurozone and Japan. The private economy PMI for both Hong Kong and Singapore also retreated. **US initial jobless claims fell below 1mil at 881k last week, better than expected.** Its trade deficit widened to largest in 12 years. Eurozone retail sales growth retreated from recent sharp gains. Australia trade surplus narrowed.

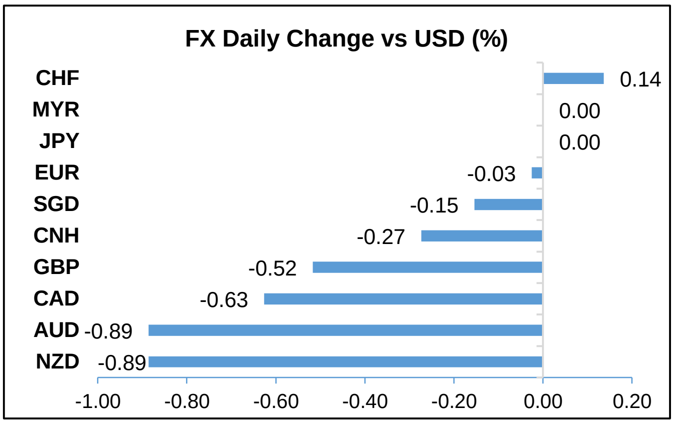
- DXY consolidated on Thursday, with a high of 93.068. As US stocks sold off, DXY weakened slightly and is now hovering around the 92.8 level. Expect the USD to remain largely **neutral to bearish** in the next one week.

- USD/MYR closed unchanged at 4.1440 on Thursday, hitting as low as 4.1340 intraday. This defied our earlier expectation for USD/MYR to rebound after a recently stronger greenback. The pair' is expected to stay **neutral,** as movement is likely to remain limited today ahead of tonight's nonfarm payroll data. Nonetheless the pair is severely oversold, correction is thus possible. BNM's OPR decision and FTSE Russell's WGBI decision also present as event risks this month.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,292.73	-2.78	-0.86
S&P 500	3,455.06	-3.51	6.94
FTSE 100	5,850.86	-1.52	-22.43
Hang Seng	25,007.60	-0.45	-11.29
KLCI	1,515.40	-1.44	-4.62
STI	2,531.79	-0.32	-21.44
Dollar Index	92.74	-0.12	-3.79
WTI oil ($/bbl)	41.37	-0.34	-32.25
Brent oil ($/bbl)	44.07	-0.81	-33.23
Gold (S/oz)	1,930.20	-0.35	26.69
CPO (RM/tonne)	2,886.50	-0.10	-4.59

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Eurozone	↓
UK	↑	Japan	↓
China	→	Hong Kong	↓
Singapore	↓	Australia	↓

Up Next

Date	Event	Prior
04/09	AU Retail Sales MoM (Jul)	2.7%
	SG Retail Sales YoY (Jul)	-27.8%
	MA Foreign Reserves (28/08)	$104.3b
	US Average Hourly Earnings YoY (Aug)	4.8%
	US Unemployment Rate (Aug)	10.2%
	US Change in Nonfarm Payrolls (Aug)	1763k
07/09	EC Sentix Investor Confidence (Sep)	-13.4
	CH Exports YoY (Aug)	7.2%
	CH Imports YoY (Aug)	-1.4%

Source: Bloomberg

Macroeconomics

- ***Uneven services PMI data across key economies:***
  - US ISM Non-manufacturing PMI retreated to 56.9 in August (Jul: 58.1), indicating an easing rate of growth; the Markit Services PMI meanwhile jumped to 55.0 in August (Jul: 50).
  - Eurozone Markit Services PMI fell sharply to 50.5 in August (Jul: 54.7), just a tad above the neutral threshold of 50.
  - UK Markit/CIPS Services PMI was revised lower to 58.8 in August (Jul: 56.5), nonetheless still represents a solid rate of expansion.
  - Japan Markit Jibun Bank Services PMI slipped to 45.0 in August (Jul: 45.4), its third straight month lingering at circa 45, pointing to the services sector ongoing struggle to return to growth.
  - China Caixin Services PMI was little changed at 54.0 in August (Jul: 54.1), painting a solid recovery picture.
  - Hong Kong Markit PMI fell to 44 in August (Jul: 44.5), confirming that the economy remains deep in a downturn.
  - Singapore's manufacturing PMI pulled back to 50.1 in August from 50.2 in July, supported by electronics. However, whole economy Markit PMI fell to 43.6, from 45.6.

- ***Better-than-expected jobless claims number; largest trade deficit in 12 years:***
  - US initial jobless claims numbered at 881k for the week ended 29 Aug (prior: 1.01mil), better than survey forecast of 950k. Continuous claims (lagged by one week) also dropped to 13.3mil (prior: 14.5mil).
  - Trade deficit widened to $63.6b in July (Jun: -$53.5b), the largest in 12 years. This reflects higher import growth (+10.9% MOM) compared to the 8.1% MOM gain in exports.

- ***Eurozone retail sales pulled back in July:*** Retail sales in the Eurozone fell 1.3% MOM in July following a robust 5.3% growth in June. This was driven by a retreat in sales of most categories (clothing, electrical goods, computers & books etc) after the recent pent-up demand drove sales higher in the past two months. Online sales fell for the second consecutive months. Sales of food, drink and tobacco were flat. Compared to July last year, retail sales were 0.4% higher (Jun: +1.3%).

- ***Australia trade surplus narrowed as exports faltered:*** Australia trade surplus narrowed to AUD4.61b in July, from June's AUD8.15b. This comes as exports fell 4% MOM (Jun: +4%), reversing the growth in previous month and imports managed to increase 7% (Jun: +1%). Exports to China, Japan and Korea all declined compared to June.

Forex

MYR (Neutral)

- USD/MYR closed unchanged at 4.1440 on Thursday, hitting as low as 4.1340 intraday.
- **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 consolidated on Thursday, with a high of 93.068. As US stocks sold off, DXY weakened slightly and is now hovering around the 92.8 level.
- **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 initially dipped to a low of 1.17890 before some recovery back to around 1.1850 levels. This came after some risk aversion in US markets. Overall pair was about flat for the day.
- **Factors supporting**: Solid fiscal support on confidence, recovering economy, USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections

GBP (Neutral)

- GBP/USD continued a second consecutive day of dips. Pair hit a low of 1.3243 on Thursday before a slight recovery. This came after a high of 1.3482 on 1 September. We turn less optimistic on GBP on current global mood.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY hit a high of 106.55 but pulled back from US market slide. Pair is now hovering around 106-106.2 consolidation after the prior bid tone.
- **Factors supporting**: New prime minister's directives, BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral)

- AUD/USD fell for a third consecutive session. Pair is now at a low of 0.7251 on Friday open after the high of 0.7414 on 1 September. As risk aversion turns, we turn neutral on AUD, expecting less upsides for now.
- **Factors supporting**: Current account, resilient economy, USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral)

- USD/SGD's bid tone continued for a third consecutive day. Pair opened Friday close to yesterday's high of 1.3663, after the low of 1.3560 on 1 September. We turn neutral on current momentum, with possibly some reversal of prior strength.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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