

Global Markets Research

Daily Market Highlights

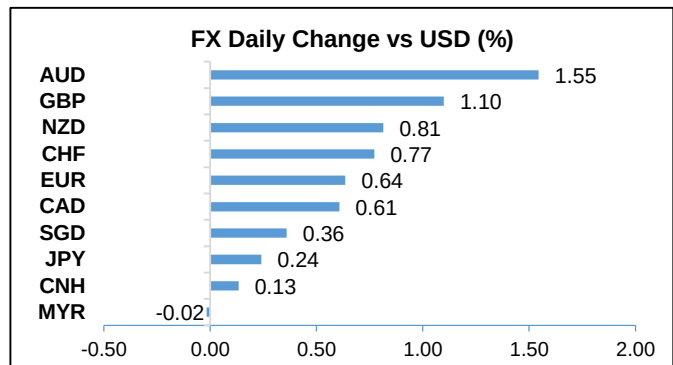
Key Takeaways

- **US stock extended rallies overnight ahead of election results.** The Dow Jones added nearly 555pts or 2.1% while the S&P500 and NASDAQ each gained 1.8% and 1.9%. **US treasuries yields gained along the curve by 1-7bps** as investors exited bonds for stocks. 10Y UST yield climbed further (+5.6bps) to near-0.9%, its highest level since June and was its highest closing since March. **Gold futures continued its bullish run**, rallying by nearly 1.0% back above \$1900/oz as the dollar came under selling pressure. **Crude oils recovered** for the second session; Brent crude rose by 3.1% to \$40.17/barrel while WTI added 3.6% to \$38.15/barrel.
- The RBA cut cash rate by 15bps to 0.10% as widely expected and expanded QE to include purchases of longer-dated bonds. It said it would not raise cash rate for the next three years. BNM meanwhile kept OPR unchanged at 1.75% and its neutral statement suggests no plans for further cut near term. On the data front, US factory orders rose for the fifth consecutive month, Singapore PMI edged up while New Zealand unemployment rate rose sharply.
- The DXY shed 0.77% to 93.40, snapping a four-day winning streak as the dollar weakened across the board on elections day. All G10 currencies strengthened against the greenback of which AUD and GBP gained by more than 1.0%. We are **bullish USD** near-term and see significant event risk related (election, stimulus) volatility. Immediate resistance at 94.742, with support at 93. ISM, FOMC as well as non-farm payrolls data will likely be the data focus for the remaining of the week.
- USD/MYR remained steady, again closing Tuesday's session on a flat note (+0.02%) at 4.1580. This came as BNM maintained OPR at record low of 1.75%. The weakness in USD overnight poses downside risk to our slightly bullish outlook on **USD/MYR**; the pair may thus turn **bearish** today, catching up with overall market's movements. For now, the focus turns to US elections' outcomes and the tabling of budget 2021 on Friday.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,480.03	2.06	-3.71
S&P 500	3,369.02	1.78	4.28
FTSE 100	5,786.77	2.33	-23.28
Hang Seng	24,939.73	1.96	-11.53
KLCI	1,461.45	-0.34	-8.01
STI	2,497.22	2.21	-22.51
Dollar Index	93.40	-0.77	-3.10
WTI oil (\$/bbl)	38.15	3.64	-38.32
Brent oil (\$/bbl)	40.17	3.08	-39.14
Gold (\$/oz)	1,910.50	0.95	25.43
CPO (RM/tonne)	3,220.00	-0.92	6.43

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Singapore	↑
New Zealand	↓		

Up Next

Date	Event	Prior
04/11	HK Markit Hong Kong PMI (Oct)	47.7
	SG 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)	46.2
	UK Markit/CIPS UK Services PMI (Oct F)	52.3
	US ADP Employment Change (Oct)	749k
	US Trade Balance (Sep)	-\$67.1b
	US Markit US Services PMI (Oct F)	56.0
	US ISM Services Index (Oct)	57.8
05/11	NZ ANZ Business Confidence (Nov P)	-15.7
	AU Trade Balance (Sep)	A\$2643m
	JP Jibun Bank Japan PMI Services (Oct F)	46.6
	SG Retail Sales YoY (Sep)	-5.70%
	UK Markit/CIPS UK Construction PMI (Oct)	56.8
	EC Retail Sales MoM (Sep)	4.40%

Source: Bloomberg

Macroeconomics

• **RBA cut cash rate to record low 0.1%, expanded QE by AUD100b**

- RBA reduced its cash rate by 15bps from 0.25% to 0.10% as widely expected; it also lowered the 3-year yield target to 0.1%. Notably it announced new AUD100b quantitative easing (QE) program to include purchase of 5- to 10-year government bonds over the next six months.
- RBA acknowledged that the global economy has been recovering from the initial virus outbreak, with the recovery most advanced in China. Output however remained well below pre-pandemic levels and new outbreaks pose downside risk to outlook especially in Europe.
- Australia's economic recovery is underway and a positive GDP is expected in 3Q. GDP growth is expected to be around 6% over the year to June 2021 and 4% in 2022. The unemployment rate projection was revised lower although it is expected to remain high; unemployment rate is expected to peak at "a little below 8%" (previous projection: 10%). Unemployment rate is forecast to be around 6% at the end of 2022. Subdued increase in wages and prices are expected to keep inflation down; underlying inflation is projected to be at 1% in 2021 and 1.5% in 2022.
- It reiterated its readiness to act as necessary and said that the cash rate would not be increased for at least three years. RBA continues to eye an inflation target of within 2-3% range.

• **BNM maintained OPR:**

- BNM maintained the Overnight Policy Rate (OPR) at a record low of 1.75% for a second consecutive meeting today, wrapping up the year with a cumulative 125bps reduction to revitalize growth. This was against our expectation for a cut but in line with market expectation for a pause.
- BNM highlighted that economic activities improved significantly in 3Q but acknowledged that the recent resurgence of Covid-19 cases and reintroduction of movement restriction measures could derail the recovery momentum in 4Q. Nonetheless, it remained confident that full year 2020 growth will still fall within its earlier expected range of -3.5% to -5.5%, and that economic activity is expected to improve further going into 2021.
- It expects recovery to be uneven across sectors and slow improvement in the labour market remains a concern.
- The MPC reaffirmed that the stance of monetary policy is "appropriate and accommodative"; the gradual move away from dovishness offers hint that further policy easing is not on the drawing board near term.
- We therefore believe BNM could leave OPR unchanged at the current level of 1.75% through next year, barring significant reescalation of the pandemic which could pose further downside risks to growth.

- **US factory orders rose for fifth month:** US headline factory orders rose 1.1% MOM in September (Aug: +0.6%), marking its fifth consecutive months of gain. The reading was slightly better than expectation of a 1.0% growth. Orders of durable goods rose 1.9% MOM (unchanged from advance estimate) after the modest 0.4% gain in Aug. Core capital orders, a key gauge for business spending picked up 1% MOM (Aug: +2.4%) .

Forex

MYR (Neutral to Bullish)

- USD/MYR remained steady, again closing Tuesday's session on a flat note (+0.02%) at 4.1580. This came as BNM maintained OPR at record low of 1.75%. The weakness in USD overnight poses downside risk to our slightly bullish outlook on USD/MYR; the pair may thus weaken today, catching up with overall market's movements. For now, the focus turns to US elections' outcomes and the tabling of budget 2021 on Friday.
- **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 came off on Tuesday on US election day, down from 94 to an intraday low of 93.29. We are bullish near-term and see significant event risk related (election, stimulus) volatility. Immediate resistance at 94.742, with support at 93. 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 hit a high of 1.1740 on Tuesday but soon tapered off to 1.1715 on close. Pair started Wednesday on a bid tone on US election attention. 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 surged to an intraday high of 1.3079, overall getting a 1.1% gain on Tuesday. Pair started Wednesday on a bid tone. Despite this we stay less bullish. Covid-19 related closures will likely continue to pressure the pound. Bank of England's policy decision on 5 November may shape GBP movements.
- **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 slightly came off on Tuesday, down 0.22% to close at 104.49. We are **neutral-to-bullish** on 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 surged from risk on markets on Tuesday, up by 1.55% alongside a high of 0.7175. 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 came off slightly on Tuesday, down 0.36% to close around the 1.36 big figure. 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

- ***New Zealand economy shed jobs in 3Q:***
 - New Zealand employment fell more than expected by 0.8% QOQ in the third quarter (2Q: -0.3%). Unemployment rate also rose sharply to 5.3% in the same period (2Q: 4.0%).
 - The absence of tourists and the three-week lockdown of its largest city Auckland continued to weigh on the recovery of the economy and hence the job market despite well-contained virus outbreak.
- ***Singapore PMI improved slightly in October:*** Singapore official Purchasing Manager Index edged up slightly to 50.5 in October (Sep: 50.3). The sub Electronic Index went up a little to 51.0 (Sep: 50.9). This reflects improvement in new orders as well as exports, concurrent with the climb in industrial production in recent months.

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