

Global Markets Research

Daily Market Highlights

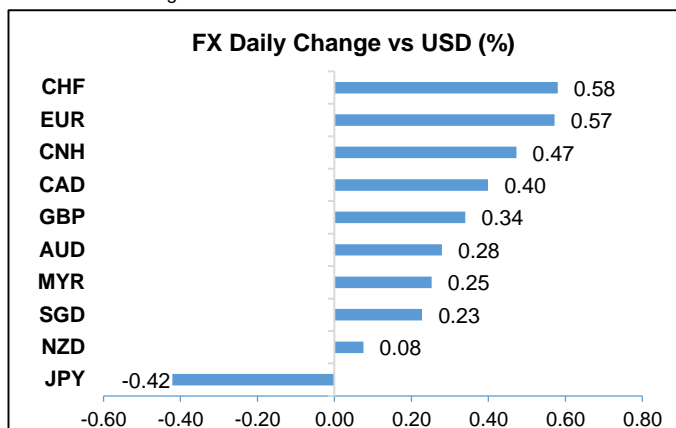
Key Takeaways

- **Wall Street stocks rallied on Monday on improving Trump's health, stimulus optimism as well as upbeat US ISM data.** The Dow added 466pts or 1.7%; the S&P500 gained 1.8% and NASDAQ picked up by 2.3%; tech and healthcare shared led the gains. This followed after equity markets worldwide had closed higher earlier amid a general improvement in risk sentiment. **Treasury yields rose sharply especially on the longer end as investors exited safe havens assets;** yields rose by 2-10bps overall along the curve; 10Y UST yield edged up by 8bps to 0.78%. **Gold futures picked up modestly** by 0.7% to \$1912.5/oz amid a weaker greenback.
- **Oil prices more than reversed Friday's losses, again thanks to upbeat sentiment;** Brent crude surged by 5.1% to \$41.29/barrel while WTI added a whopping 5.9% to \$39.22/barrel. Trump announced via Twitter this morning that he is leaving the hospital. In the meantime, his press secretary Kayleigh McEnany is the latest among the President's close circle to have tested positive for Covid-19.
- On the data front, **services PMIs reflects stronger recovery momentum in the US and slower growth in the UK and Eurozone. Japan's services activity continued to contract.** Eurozone investor confidence was little changed according to the Sentix Investor Confidence Index; meanwhile retail sales rebounded from the recent decline. Singapore retail sales improved but still posted losses. **Data are limited to Australia and US trade reports today. The RBA is expected to keep cash rate steady at 0.25% today**
- DXY shed 0.4% to 93.47. Major currencies strengthened against the dollar, save for the JPY which tends to weaken during a risk-on market. No change to our **neutral to bearish view on the USD** and would like to reiterate that movements will stay volatile and may be unpredictable for October.
- USD/MYR started the week on a weak note, closing 0.25% lower at 4.1530. We remain **neutral to slightly bullish on MYR** this week, eyeing a range of probably 4.1300-4.1800, on expectation of protracted USD weakness. Technically, bullish momentum in USDMYR is softening suggesting the pair may retreat further.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,148.64	1.68	-1.37
S&P 500	3,408.63	1.80	5.50
FTSE 100	5,942.94	0.69	-21.21
Hang Seng	23,767.78	1.32	-15.69
KLCI	1,512.43	0.81	-4.80
STI	2,517.23	0.85	-21.89
Dollar Index	93.47	-0.40	-3.03
WTI oil (\$/bbl)	39.22	5.86	-35.77
Brent oil (\$/bbl)	41.29	5.14	-37.44
Gold (\$/oz)	1,912.50	0.65	25.57
CPO (RM/tonne)	2,841.00	-2.51	-6.10

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↓
UK	↓	Japan	↓
Singapore	↑		

Up Next

Date	Event	Prior
06/10	AU Trade Balance (Aug)	A\$4607m
	AU Exports MoM (Aug)	-4%
	AU RBA Cash Rate Target (06 Oct)	0.25%
07/10	US Trade Balance (Aug)	-\$63.6b
	AU AiG Perf of Services Index (Sep)	42.5
	HK Markit Hong Kong PMI (Sep)	44
	MA Foreign Reserves (30 Sep)	\$104.8b
	US MBA Mortgage Applications (02 Oct)	--

Source: Bloomberg

Macroeconomics

- **Services PMI data offered uneven signals on recovery:**
 - The US ISM Non-manufacturing Index, a key services sector gauge beat expectation at 57.8 in September (Aug: 56.9); analysts had earlier expected the index to slip lower to 56.2 on expectation that recovery momentum is losing steam. Separately, the US Markit Services PMI edged lower to 54.6 in September (Aug: 55.0).
 - Eurozone Markit Services PMI slipped to 48.0 in September (Aug: 50.5), highlighting the difficulty of the Eurozone services sector to maintain its recovery momentum.
 - UK CIPS/Markit PMI ticked lower to 56.1 in September (Aug: 58.8), retreating from recent high.
 - Japan Bank Services PMI rose to 46.9 in September (Aug: 45.0), still at contraction level.
 - Singapore Markit PMI rose to 45.1 in September (Aug: 43.6), marking its eighth month below 50 since February.
- **Eurozone Sentix investor sentiment held steadily; retail sales rebounded:**
 - The Sentix Investor Confidence Index was little changed at -8.3 in October (Sep: -8.0), its seventh month at negative levels. The steady reading indicates investors' scrutiny of the current Covid-19 situation in the euro area where cases had begun to rise again in recent weeks.
 - Retail sales rose 4.4% MOM in August (Jul: -1.8%) which translates to a 3.7% YOY growth (Jul: -0.1%). The rebound came after a brief and smaller decline recorded in July, driven by sales of food, drink, tobacco, textile, clothing, footwear, pharmaceutical goods as well as online shopping in general.
- **Singapore retail sales improved in August:** Retail sales continue to fall on a YOY basis in August, but improved to -5.7% YOY from -8.5% a month ago. Motor vehicle sales growth climbed to 12.1% YOY, from -12.8% previously. Retail sales ex-motor vehicles fell 8.4% YOY in contrast. We see increased demand for furniture and household equipment, although growth in computer and telecom equipment came off. Overall still an uneven performance and we look for further improvements in the coming quarters as the government gradually lifts Covid-19 restrictions. A major brake will likely come from consumer confidence on propensity to spend.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR started the week on a weak note, closing 0.25% lower at 4.1530.
- **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-Bearish Outlook over 1 Week Horizon)

- DXY slightly weakened by 0.35% on Monday, down towards 93.5 levels. We maintain our view that movements will stay volatile and may be unpredictable for October.
- **Factors supporting:** Risk aversion, US-China, Trump's health
- **Factors against:** Volatility, positive developments from global policymakers, poor US economy, US stimulus

EUR (Neutral-to-Bullish)

- EUR/USD rebounded on Monday close to the 1.18 big figure. This continued the recovery since 25 September low of 1.1612. We see foresee volatility while maintaining a slightly bullish view for now.
- **Factors supporting:** USD weakness, Europe economic recovery
- **Factors against:** Risk aversion, Faltering fundamentals

GBP (Neutral)

- GBP/USD rebounded on Monday, closer to 1.30 big figure on Monday close. This was despite risk aversion and upcoming showdown on Brexit and a European Union summit next week. We stay neutral on possible volatility in GBP/USD.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY rebounded on Monday to c.105.7 after a 105.0 low on 2 October. 106 resistance looks solid for now and we see USD/JPY trading mostly within a range of 105.0-105.8 for the week ahead.
- **Factors supporting:** New prime minister's directives, BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD crawled up slightly on Monday, to almost 0.72 figures. This continued the recovery since 25 September's low of 0.7006. We maintain our view but caution against some volatility. AUD/USD opened with a bid tone on Monday.
- **Factors supporting:** Resilient economy, USD weakness
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bullish)

- USD/SGD was on an offered tone on Monday, hitting the 1.36 support we highlighted previously. With MAS decision looming, we expect anchored expectations. USD/SGD may test the 1.3543 low on 21 September.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

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