

Global Markets Research

Daily Market Highlights

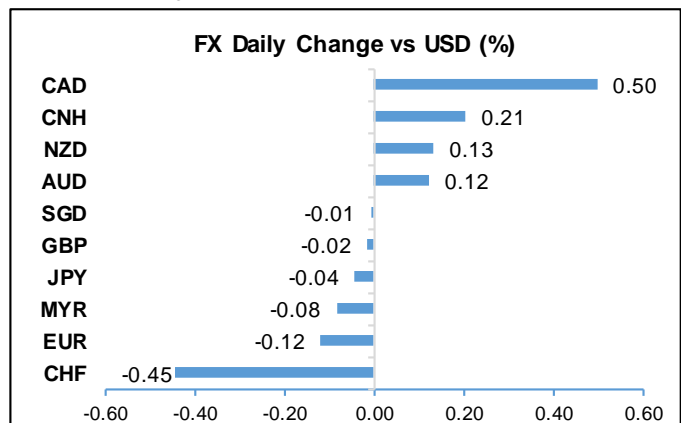
Key Takeaways

- **US stocks plunged on Friday as the selling pressure surrounding tech shares intensified and pulled down markets;** The Dow Jones fell 0.6%, the S&P lost 0.8% and NASDAQ was down by 1.3% DOD, bringing all the main indexes to close the week in the reds. Treasury yields climbed in response to positive nonfarm job data and ahead of this week's auction of \$35b 10Y notes. Yields rose 1.6- 11bps, the curve steepened. 10Y UST yield picked up 8bps to 0.72%. Gold futures slipped for the third session (-0.2%) to \$1926.2/oz. Crude oil prices extended decline by more than 3% Brent crude settled at \$42.66/barrel and WTI closed below \$40 at \$39.77/barrel.
- **On Friday, US nonfarm job report showed that the economy added 1.37mil jobs in August** while unemployment rate fell to 8.4% in the same month. Singapore retail sales rose further by 27.4% MOM in July. Malaysia foreign reserves edged up to \$104.4b. Australia retail sales gained 3.2% MOM in July. Key data today are Eurozone Sentix Investor Confidence Index and China trade report.
- **DXY hit a high of 93.238 on Friday but retreated swiftly.** Pair was overall mostly within a range of 92.7-92.8. Overall dollar was roughly flat, albeit affected by some market volatility. We expect some dovish bias ahead, with mixed performances.
- **USD/MYR closed on a flat note on Friday at 4.1475. MYR strengthened 0.4% WOW against USD last week and was the best performing Asian currency,** benefitting from a combo of USD weakness and demand for the local unit. The momentum in USD/MYR remains negative despite being in oversold position for some time. While we expect an eventual reversal in the pair from recent down move, we see room for USD/MYR to test 4.12-4.13 next week. BNM OPR decision will be a key event risk where a pause may further reinforce MYR bulls

Market Snapshots

| | Last Price | DoD % | YTD % |
|---------------------------|------------|-------|--------|
| Dow Jones Ind. | 28,133.31 | -0.56 | -1.42 |
| S&P 500 | 3,426.96 | -0.81 | 6.07 |
| FTSE 100 | 5,799.08 | -0.88 | -23.11 |
| Hang Seng | 24,695.45 | -1.25 | -12.40 |
| KLCI | 1,515.86 | 0.03 | -4.59 |
| STI | 2,509.64 | -0.87 | -22.13 |
| Dollar Index | 92.72 | -0.02 | -3.68 |
| WTI oil (\$/bbl) | 39.77 | -3.87 | -34.87 |
| Brent oil (\$/bbl) | 42.66 | -3.20 | -36.88 |
| Gold (\$/oz) | 1,926.20 | -0.21 | 26.91 |
| CPO (RM/tonne) | 2,936.50 | 1.73 | -2.94 |

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

| | | | |
|----------|---|-----------|---|
| US | ↑ | Singapore | ↑ |
| Malaysia | ↑ | Australia | ↑ |

Up Next

| Date | Event | Prior |
|-------|---------------------------------------|---------|
| 07/09 | EU Sentix Investor Confidence (Sep) | -13.4 |
| | CN Exports YoY (Aug) | 7.2% |
| | CN Imports YoY (Aug) | -1.4% |
| 08/09 | JP Labor Cash Earnings YoY (Jul) | -2.00% |
| | JP Household Spending YoY (Jul) | -1.20% |
| | JP GDP SA QoQ (2Q F) | -7.80% |
| | AU NAB Business Confidence (Aug) | -14 |
| | EU Employment QoQ (2Q F) | -2.80% |
| | EU GDP SA QoQ (2Q F) | -12.10% |
| | US NFIB Small Business Optimism (Aug) | 98.8 |

Source: Bloomberg

Macroeconomics

- **US nonfarm payroll gains smallest in four months:**
 - The US economy added 1.37mil jobs in August, slightly above analysts' expectation for a 1.35mil gain. Job gains for the previous two months were revised downwards by 39k. The August gain was the smallest in four months ever since firms started to rehire workers in May; job gains came primarily from private services sector (+968k); services sector; manufacturing added 29k jobs and construction employments rose 16k.
 - Unemployment rate fell to 8.4% in August (Jul: 10.2%), beating expectation of 9.8%. This comes despite the higher labour participation rate (61.7% vs 61.4%). The average hourly earnings recorded a steady 4.7% YOY growth (Jul: +4.7%).
- **Outlook ahead more challenging after better-than-expected Singapore retail sales** Retail sales in Singapore improved further in July (+27.4% MOM) on resumption of normal activities. The outlook ahead will be more challenging, to return to last year's spending levels. On a YOY basis, retail sales still fell 8.5% YOY (vs. -27.7% prior). Supermarket retail sales growth is fading. Computer and telecommunications, and furniture/household equipment growing (demand after circuit breaker. Notable drags include F&B, supermarkets, and other non-necessities items. Automobile retail sales fell at a slower pace of -12.8% YOY vs. -47.8% prior. The resilient COE prices still hint at some backlogs.
- **Higher Malaysia foreign reserves:** The international reserves of Bank Negara Malaysia rose slightly to \$104.4 billion as at 28 August 2020 (prior: \$104.3b). The reserves position is sufficient to finance 8.6 months of retained imports and is 1.1 times total short-term external debt.
- **Australia retail sales rose in July:** Australia retail sales rose 3.2% MOM in July, extending from the 2.7% growth in the previous month. This was slightly below analysts' expectation of 3.3% gain. The gain was broad-based across all sectors with sales of household goods and department store goods rebounding from June's decline. This offers some comfort that the economic recovery is underway.

Forex

MYR (Neutral)

- USD/MYR closed on a flat note on Friday at 4.1475 and was the best performing Asian currency.
- **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 hit a high of 93.238 on Friday but retreated swiftly. Pair was overall mostly within a range of 92.7-92.8. Overall dollar was roughly flat, albeit affected by some market volatility. We expect some dovish bias ahead, with mixed performances.
- **Factors supporting:** Risk aversion, US-China relations, stretched low DXY levels
- **Factors against:** Complacent markets, positive developments from global policy makers, poor US economy

EUR (Neutral-to-Bullish)

- EUR/USD underperformed on Friday, down 0.12% against the dollar. Pair hit a low of 1.1781 but swiftly rebounded. Pair is last trading in a dovish tone around the 1.184 level.
- **Factors supporting:** Solid fiscal support on confidence, recovering economy
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, stretched levels.

GBP (Neutral)

- GBP/USD stayed relatively range-bound, although briefly hitting a low of 1.3176 on Friday. This comes as Brexit talks with EU resumed and PM Boris Johnson set a 15 October deadline.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY saw bid tone on Friday continuing on Monday open. Pair failed to hit the Thursday high of 106.55 on Friday, but may look to do so this week. JPY upside looks capped for now but PM appointment may swing the outlook.
- **Factors supporting:** BOJ policy, risk aversion, USD weakness
- **Factors against:** Weak fundamentals

AUD (Neutral)

- AUD/USD was overall up on Friday. However, it endured a 0.7222 low. Pair opened Friday moving horizontally around 0.7280.
- **Factors supporting:** Current account, resilient economy
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations, stretched levels

SGD (Neutral)

- USD/SGD hit a high of 1.3689 on Friday, although overall moving horizontally. Pair opened the week with a modest bid tone around 1.365 levels.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

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