Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks fell overnight,** retracing recent gains after **Trump ordered officials to stop negotiating a stimulus bill** with the Democrats. Trump accused House Speaker Nancy Pelosi of "not negotiating in good faith", **adding that he seeks to pass a major stimulus bills after the November election.** This came after Fed Chair Jerome Powell had pleaded Congress for another round of stimulus in a Tuesday speech. The Dow Jones fell 1.3% DOD, the S&P500 lost 1.4% and NASDAQ was down by 1.6% amid the reversal of sentiment. **Treasury yields fell by 1-5bps overall** (saves for the 2Y USY yield which was little changed); 10Y UST yield retreated by 5bps to 0.735%.

- Gold futures fell for the second session by 0.6% to $1901.1/oz as the dollar strengthened slightly. Oil prices extended gains overnight amid supply disruption in Norway and the US gulf coast. Brent crude rallied by 3.3% to $42.65/barrel; WTI added 3.7% to $40.67/barrel. Earlier, the **RBA had kept its cash rate unchanged** ahead of the government's budget announcement. **PM Scott Morrison's conservative government has unveiled AUD300b worth of stimulus that includes AUD12.8b personal tax cut and AUD5.2b job programs to boost the economy. Futures indicate that Asian stocks are set to open lower later today, tracking the overnight losses in US equities.**

- Data were limited on Tuesday. **US August trade deficit widened to the highest since 2006**; Australia trade surplus narrowed in August and services PMI weakened further in September.

- DXY gained 0.2% to 93.686 as the dollar strengthened against major currencies except JPY, after risk aversion returned. No change to our **neutral to bearish view on the USD** even though we maintain our view that movements will stay volatile and may be unpredictable for October.

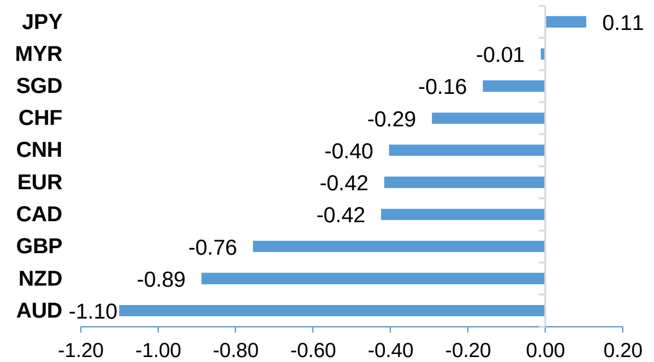
- USD/MYR ended little changed on Tuesday at 4.1535. **Daily USDMYR outlook turns bullish** as the gain in USD overnight is expected to extend to today's Asian session amid a reversal in sentiment, thus posing downside risk to our neutral to slightly bullish view on MYR this week; nonetheless the pair is still likely to stay within the range of 4.1300-4.1800.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,772.76	-1.34	-2.68
S&P 500	3,360.95	-1.40	4.03
FTSE 100	5,949.94	0.12	-21.11
Hang Seng	23,980.65	0.90	-14.93
KLCI	1,509.47	-0.20	-4.99
STI	2,529.26	0.48	-21.52
Dollar Index	93.69	0.19	-2.80
WTI oil ($/bbl)	40.67	3.70	-33.39
Brent oil ($/bbl)	42.65	3.29	-35.38
Gold (S/oz)	1,901.10	-0.60	23.11
CPO (RM/tonne)	2,860.00	0.67	-5.47

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↓	Australia	↓

Up Next

Date	Event	Prior
07/10	HK Markit Hong Kong PMI (Sep)	44.0
	MA Foreign Reserves (30 Sep)	$104.8b
	US MBA Mortgage Applications (02 Oct)	-4.8%
08/10	US FOMC Meeting Minutes (16 Sep)	--
	UK RICS House Price Balance (Sep)	44%
	CH Caixin China PMI Services (Sep)	54.0
	US Initial Jobless Claims (03 Oct)	837k

Source: Bloomberg

Macroeconomics

- ***US trade deficit surge to highest since 2006:*** US trade deficit widened to $67.1 in August (Jul: -$63.4b), its largest gap since 2006 as the import growth outweighed gains in exports. Exports rose 2.2% MOM in August (Jul: +8.3%), compared to the 3.2% growth in imports (Jul: +10.9%). The goods trade deficit with China however narrowed to $26.4b (Jul: -$28.4b).

- ***RBA maintained cash rate and monetary policy; reaffirmed dovish policy stance:***
  - RBA kept cash rate and 3-year yield target unchanged at 0.25% and reaffirmed strongly its monetary policy stance. It said that global economic recovery is uneven; recovery is most advanced in China and globally, inflation is still low and below central banks' targets.
  - The Australia dollar remains "just a little below its peak of the past couple of years", acknowledging the recent strength in the AUD.
  - The national recovery is likely to be bumpy and uneven and "it will be some time before the level of output returns to its end 2019 level". RBA also said that unemployment and underemployment are likely to remain high for an extended period. Wage and inflation pressures remain very subdued.
  - It said that the Bank's policy package is working as expected and views "addressing the high rate of unemployment as an important national priority". It will maintain highly accommodative policy settings as long as is required and will not increase the cash rate target until progress is being made towards full employment and inflation returns sustainably within the 2–3% target band. It continues to consider how additional monetary easing could support jobs as the economy opens up further.

- ***Australia services PMI fell in Sep; trade surplus narrowed in Aug:***
  - The Performance of Services PMI fell sharply to 36.2 in September (Aug: 42.5) amid poorer sales and new orders, reaffirming the struggle of the services sector to recover.
  - In a separate report, trade surplus narrowed to AUD2.64b in August (Jul: AUD4.65b). This reflects fall in exports (-4% MOM vs -3% prior) and the unexpected growth in imports (+2% vs +6% prior). Exports to China were little changed MOM, while exports to Japan and Korea recorded growth.

Forex

MYR (Bearish)

- USD/MYR held steadily on Tuesday at 4.1535. Daily outlook turns bullish as the gain in USD overnight is expected to extend to today's Asian session amid a reversal in sentiment**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 climbed by almost 0.2% on Tuesday, to 93.8 levels, from 93.4, after risk aversion returned. 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 fell on news that US stimulus is not going through, down to 1.1740 after an intraday high of 1.1808. We 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 weakened overnight to sub-1.29 levels from an intraday high of 1.3007, as risk aversion returns. We see 1.2820 as an immediate support, with resistance c.1.3000.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY stayed horizontal moving around 105.70 on Tuesday. We see USD/JPY trading mostly within a range of 105.0-105.8.
- **Factors supporting**: New prime minister's directives, BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD dipped sharply to 0.7109 on Wednesday open after staying above 0.7160 for most of the week. A return of risk aversion now possibly turns attention towards the 0.7000 big figure.
- **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 traded in a bid tone late on Tuesday after risk aversion returned. Pair moved above 1.36 big figure and hit an intraday high of 1.3636. The pair started Wednesday looking lower and recovering from the previous rebound.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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