8 September, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US markets were closed for Labour Day holiday**. Stocks rose in Europe. The pan-European STOXX Europe 600 rose 1.8% DOD. France's CAC 40 and Germany's DAX closed 1.8% and 2% higher respectively. The FTSE 100 rallied 2.4% despite rising fear of a no-deal Brexit. Earlier, stocks fell in Japan, Hong Kong and China. Gold futures rose slightly (+0.1%) to $1928.50 this morning as market reopened (Market was closed on Monday). **Brent crude fell for the fourth session by 1.5% to $42.01/barrel as Saudi Arabia cut its official selling prices that signals fragile recovery.**

- On the data front, **Eurozone Sentix Investor Confidence Index rose** to -8 in September, a sign of less pessimistic outlook among investors. **Japan data worsened** - GDP revised lower, household spending and wages continued to fall. **China trade surplus narrowed slightly in August, but surplus with the US widened.**

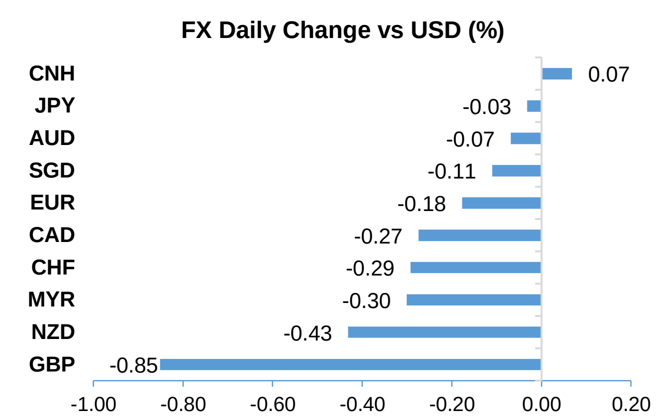
- The USD continued its upward trend over the past week and strengthened against major currencies. GBP was the biggest loser, followed by the NZD. EUR weakened slightly by 0.2% and JPY was flat, resulting in a flat dollar index at 92.719. **USD outlook remains neutral to bearish** in our view as we view the recent recovery as transitory.

- USD/MYR recovered by 0.3% to 4.1600 on Monday as dollar strength gathered momentum. We are still expecting an eventual and gradual **reversal in the pair from recent down move**, but the upside could be limited in anticipation of BNM's OPR decision. We are calling for a 25bps cut. A pause however 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	5,937.40	2.39	-21.28
Hang Seng	24,589.65	-0.43	-12.77
KLCI	1,516.38	0.03	-4.56
STI	2,511.21	0.06	-22.08
Dollar Index	92.72	0.00	-3.81
WTI oil ($/bbl)	39.77	-3.87	-34.87
Brent oil ($/bbl)	42.01	-1.52	-36.35
Gold (S/oz)	1,926.20	-0.21	26.70
CPO (RM/tonne)	2,916.50	-0.83	-3.60

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

Eurozone	↑	Japan	↓
China	→		

Up Next

Date	Event	Prior
08/09	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
10/09	AU Westpac Consumer Conf Index (Sep)	79.5
	NZ ANZ Business Confidence (Sep P)	--
	CH PPI YoY (Aug)	-2.40%
	CH CPI YoY (Aug)	2.70%
	AU Home Loans Value MoM (Jul)	6.20%
	US MBA Mortgage Applications (38231)	--

Source: Bloomberg

HongLeong Bank

Macroeconomics

- ***Eurozone Investors less pessimistic in September:*** The Sentix Investor Confidence Index improved to -8 in September, from -13.4 in August. The headline index has now residing in negative territory for the sixth consecutive month, but September's higher reading signalled less pessimistic sentiment among investors. This was driven by better expectation gauge (20.8); current situation index also increased albeit still at -33.

- ***Japan data continued to worsen:***
  - The final reading for 2Q GDP growth was revised downward from -7.8% to -7.9% QOQ. The annualized fall was revised from -27.8% to -28.1% QOQ, the worst on record.
  - Household spending for July fell 7.6% YOY (Jun: -1.2%), its tenth consecutive month of decline since October last year, underlining the challenge for consumption to recover.
  - Labour cash earnings, a key gauge of wage growth fell for the fourth consecutive month by 1.3% YOY in July (Jun: -2%) as overtime's pay-out continued to record double digit decline for the fourth month. The fall in overtime's payment is a sign of weak corporate activity.

- ***China's trade surplus faded slightly in August:***
  - China's trade surplus pulled back to USD 58.93bn from USD 62.33bn a month ago. Trade with the US grew by double digits for a second consecutive month (16.1% YOY), different from official rhetoric. Trade surplus with the US widened to USD 34.24bn from USD 32.46bn a month ago.
  - This was supported by exports growth, up 9.5% YOY. Base effects inflated this figure. Exports had been supported by electronics and medical products. Exports to US (+20% YOY), UK (37.6%), ASEAN (12.9%), Russia (17.5%) were strong. Drags came from EU (-6.5%).
  - Imports contracted 2.1% YOY from a 1.4% fall a month ago. Raw materials import volumes fell in August. YTD demand is weak for coal, refined oil products, copper and natural gas. Imports from Australia fell 26.2% YOY while imports from US rose 1.8% YOY. This is better than double digit falls in Mar-May but easing from double digit expansion in June. The result confirms our view that net exports will remain modestly supportive of GDP growth in 3Q.

Forex

MYR (Neutral)

- USD/MYR recovered by 0.3% to 4.1600 on Monday as dollar strength gathered momentum.
- **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 climbed on Monday, now above 93 big figure. This continued a upward trend over the past week
- **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 dipped slightly on Monday, crawling along the way. This brought pair close to the 1.18 big figure.
- **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 underperformed and dropped by almost 0.9% from Brexit news. This has brought the pair around 1.316.1.317. At the time of writing, the pair is consolidative.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY crawled upwards on Monday, now close to 106.30 level. Overall, the pair was mostly stable against the USD, more resilient compared to other G10 peers. This comes as Japan 2Q GDP was revised downwards.
- **Factors supporting**: New prime minister's directives, BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral)

- AUD/USD crawled down but was mostly range bound around 0.728. Pair remains horizontal moving above the 4 September low of 0.7222.
- **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 edged up on Monday but failed to reach the high on 1.3689 on 4 September. Pair steadying around 1.367 level on Tuesday open.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my