

Global Markets Research

Daily Market Highlights

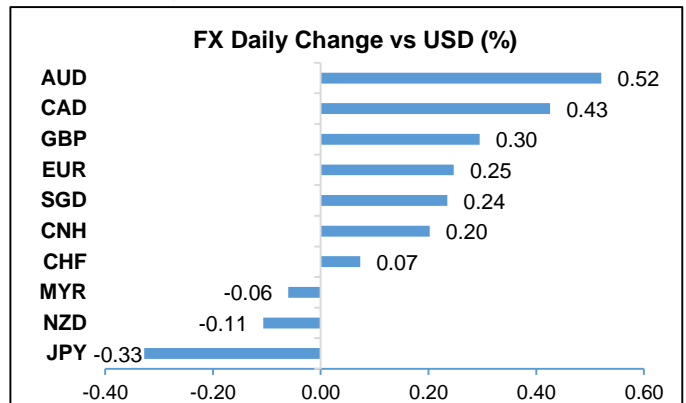
Key Takeaways

- US stocks rebounded overnight as Trump appeared to have softened his hard line stance towards providing pandemic stimulus.** This came after House Democrats represented by Speaker Nancy Pelosi appeared open to an airline relief bill proposed by the White House. The Dow Jones added more than 500pts or 1.9%, the S&P500 gained 1.7% and NASDAQ picked up 1.9% as well. **Treasury yields rose 0-5bps overall after the Fed published its meeting minutes that indicates no change to its asset purchases;** 10Y UST yield was up by 5.2bps to 0.787%. Gold futures fell for the third session by 0.9% to \$1883.6/oz despite weaker dollar. **Oil prices reversed some recent gains,** Brent crude shed 1.5% to \$41.99/barrel; WTI was down by 1.8% to \$39.95/barrel.
- The Fed minutes showed some division among officials over communicating its new forward guidance of allowing inflation to exceed 2%. The ECB President Lagarde said in an interview that the bank is prepared to add fresh stimulus which includes cutting the deposit facility rate (now at -0.5%) further below 0%.**
- Data were scanty.** US mortgage applications rebounded due to rise in refinancing activity; Hong Kong PMI still at sub-50 and Malaysia foreign reserves picked up to \$105b. **Attentions turn to the first Vice Presidential debate between Senator Kamala Harris and VP Mike Pence. Key data today is US initial jobless claims,** consensus continued to expect first-time claims to hover at 800k.
- DXY came off from 93.90 levels to 93.63 at close, after Trump signalled a more compromising tone on US stimulus. The JPY weakened while AUD, CAD, EUR and GBP strengthened against USD. We maintain our view that movements will stay volatile and may be unpredictable for October. **USD outlook is neutral to bearish for now.**
- USD/MYR held steadily on Wednesday at 4.1560. Daily outlook for **USDMYR is neutral to slightly bearish** in response to a reversal in USD strength overnight. This is in line with our weekly outlook of a 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.	28,303.46	1.91	-0.82
S&P 500	3,419.45	1.74	5.84
FTSE 100	5,946.25	-0.06	-21.16
Hang Seng	24,242.86	1.09	-14.00
KLCI	1,489.56	-1.32	-6.24
STI	2,538.36	0.36	-21.24
Dollar Index	93.63	-0.06	-2.86
WTI oil (\$/bbl)	39.95	-1.77	-34.57
Brent oil (\$/bbl)	41.99	-1.55	-36.38
Gold (\$/oz)	1,883.60	-0.92	23.67
CPO (RM/tonne)	2,906.00	1.61	-3.95

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Hong Kong	↑
Malaysia	↑		

Up Next

Date	Event	Prior
08/10	UK RICS House Price Balance (Sep)	44%
	CH Caixin China PMI Services (Sep)	54.0
	US Initial Jobless Claims (03 Oct)	837k
09/10	JN Household Spending YoY (Aug)	-7.60%
	JN Labor Cash Earnings YoY (Aug)	-1.30%
	AU Home Loans Value MoM (Aug)	8.90%
	UK Industrial Production MoM (Aug)	5.20%
	UK Visible Trade Balance GBP/Mn (Aug)	-£8635m

Source: Bloomberg

Macroeconomics

- Federal Reserve reaffirmed dovish stance, said outlook still uncertain:** The Federal Reserve published its meeting minutes overnight. The record disclosed that Fed officials observed that incoming data indicated that economic activity was “recovering faster than expected” from its depressed level in 2Q, but “the recovery was viewed as unevenly distributed across industries”. Overall business activity remained well below pre-pandemic levels. The labour market was “a long way from being fully recovered”. On inflation, consumer prices have risen more quickly than expected but the overall impact of the pandemic was still disinflationary. Overall the uncertainty surrounding the economic outlook was “very elevated”. On monetary policy, officials reaffirmed commitment to using the Fed’s full range of tools to support the US economy. Officials discussed extensively and were rather divided about offering its new forward guidance to market that said it vowed to keep interest rates near zero until inflation is on track to moderately exceed its 2% target for a period of time. Some participants prefer a stronger statement that rate would be kept near zero until inflation had moved above 2% for some time.
- US mortgage applications rose last week:** Mortgage applications in the US rose 4.6% for the week ended 2 Oct (prior: -4.8%). This reflects gain in refinancing applications as purchases applications fell despite broad-based decline in borrowing costs.
- Hong Kong economic activity remained in contraction:** Hong Kong Markit PMI rose to 47.7 in September, from 44.0 in August, the highest level in three months. The PMI however remained below 50, indicating a further deterioration in the health of the private sector. The recent relaxation of social distancing rules was insufficient to lift overall activity.
- Malaysia foreign reserves rose in September:** The international reserves of BNM rose to \$105.0bn as at 30 September 2020 (prior: \$104.8bn) The reserves position is sufficient to finance 8.4 months of retained imports and is 1.1 times total short-term external debt.

Forex

MYR (Neutral to slightly bullish)

- USD/MYR held steadily on Wednesday at 4.1560. Daily outlook for the pair is neutral to slightly bearish in response to a broad-based reversal in USD strength overnight following a rebound in risk sentiments.
- 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 came off from 93.9 levels to 93.63 at close, after Trump signalled a more compromising tone on US stimulus. 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 Wednesday after a sharp dip, although still below the 1.18 highs on 6 October. Pair opened Thursday around 1.1770. Volatility is likely to continue.
- Factors supporting:** USD weakness, Europe economic recovery
- Factors against:** Risk aversion, Faltering fundamentals

GBP (Neutral)

- GBP/USD inched up above 1.29 on Wednesday, despite remaining below 1.30 highs a day earlier. We still see volatility ahead with 1.2820 as support, and 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-to-Bearish)

- USD/JPY moved higher on Wednesday, now at a one-month high after breaking 106. We initiate a slightly bearish, but volatile, view of JPY.
- Factors supporting:** New prime minister’s directives, BOJ policy, USD weakness
- Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD recovered close to 0.7150 levels after starting Wednesday around 0.71. Range will be 0.71-0.72 near-term.
- 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 came off to levels a day earlier around 1.36, as sentiments recovered. Focus is on 14 October MAS decision, where MAS is likely to keep its exchange rate policy unchanged. This is going to slightly support SGD in our view.
- Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- Factors against:** Risk aversion, trade war, US-China

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