

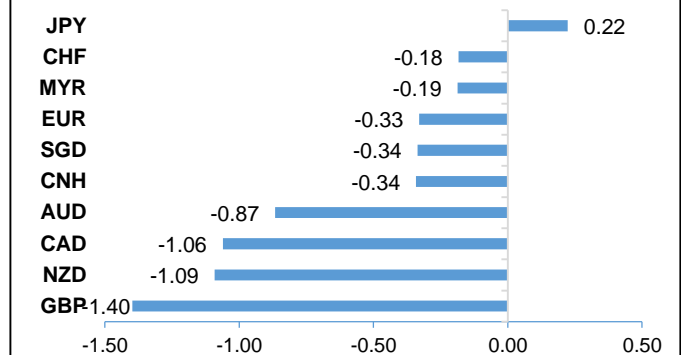
Key Takeaways

- US stocks closed sharply lower overnight as the sell-off of technology shares intensified**, sending NASDAQ to correction territory (defined as 10% lower compared to its recent record high). The Dow plunged 2.3%; the S&P500 fell 2.8% and NASDAQ lost a dramatic 4.1% in a single day. All eleven S&P500 sectors ended in the reds- tech sector lost 4.6%. **Risk aversion triggered demand for safe havens, leading treasury yields to fall**; overall yields fell by 0.2 to 5bps along the curve- 10Y UST yield was 4bps lower at 0.679% ahead of tomorrow's auction of \$35b of 10Y notes. **Gold futures rose 0.5% to \$1935.1/oz** after having fallen for the last three sessions. **Crude oil prices continued to tank after Saudi Arabia cut its official selling prices to Asia and the US, stoking concerns over faltering demand**; Brent futures lost 5.3% and closed below \$40/barrel. US benchmark deep-dived by a whopping 7.6% to \$36.76/barrel. **Stock futures are pointing to sharply lower openings in Asian markets later this morning.**
- Data remained limited and mixed on Tuesday.** US small business optimism index improved in August as firms plan to hire more workers and increase capex. **Eurozone latest GDP growth was revised higher to -11.8% QOQ (flash: -12.1%).** Australia NAB Business Confidence rose but the current situation index slipped.
- Momentum surrounding the recovery in the greenback gained further; the dollar index rose 0.8% to 93.45. The dollar strengthened against nearly all major currencies overnight saves for the JPY (+0.2%) which benefitted from the retreat in risk sentiment. We are momentarily shifting to a **slight bullishness in the USD** expecting further gains in the greenback as risk aversion sets in.
- USD/MYR rose further by 0.2% to 4.1680 amid firmer USD. The pair is expected to open higher this morning following a much stronger greenback overnight and as global risk sentiment retreated. **The pair is expected to maintain its bullish stance** today but upside could be limited in anticipation of tomorrow's BNM's OPR decision. We are calling for a 25bps cut. A pause by the central bank may temporarily lead to resurgence in MYR bulls.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,500.89	-2.25	-3.64
S&P 500	3,331.84	-2.78	3.13
FTSE 100	5,930.30	-0.12	-21.37
Hang Seng	24,624.34	0.14	-12.65
KLCI	1,519.32	0.19	-4.37
STI	2,504.76	-0.26	-22.28
Dollar Index	93.45	0.78	-3.05
WTI oil (\$/bbl)	36.76	-7.60	-39.80
Brent oil (\$/bbl)	39.78	-5.31	-39.73
Gold (\$/oz)	1,935.10	0.46	26.69
CPO (RM/tonne)	2,905.00	-0.39	-3.98

Source: Bloomberg

FX Daily Change vs USD (%)


Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↓
Australia	→		

Up Next

Date	Event	Prior
09/09	AU Westpac Consumer Conf Index (Sep)	79.5
	NZ ANZ Business Confidence (Sep P)	-41.8
	CH PPI YoY (Aug)	-2.4%
	CH CPI YoY (Aug)	2.7%
	AU Home Loans Value MoM (Jul)	6.2%
10/09	US MBA Mortgage Applications	-2.0%
	NZ Card Spending Retail MoM (Aug)	1.2%
	UK RICS House Price Balance (Aug)	12%
	JN Core Machine Orders MoM (Jul)	-7.6%
	AU Consumer Inflation Expectation (Sep)	3.3%
	MA BNM Overnight Policy Rate (40422)	1.75%
	EC ECB Deposit Facility Rate (40422)	-0.5%
	US PPI Final Demand MoM (Aug)	0.6%
	US Initial Jobless Claims (5 Sep)	881k

Source: Bloomberg

Macroeconomics

- **US small business optimism improved in August:** The NFIB Small Business Optimism Index rose to 100.2 in August, from 98.8 in August. The reading is better than analysts' expectation of 99. The improvement in sentiment is supported by firms' plan to hire workers and to increase capital spending and inventory. However other indicators suggest that wariness of a strong recovery remained- fewer businesses expected better economy and higher sales in this round of survey.
- **Eurozone GDP revised higher in latest estimate:** The Euro area economy contracted lesser than initially estimated in the second quarter as the 2Q Eurozone 2Q GDP growth was revised higher to -11.8% (flash reading: -12.1%). The economy had contracted 3.7% QOQ in the first quarter. YOY, GDP fell 14.7% (flash: -15.0%). The declines were broad-based – household spending (-12.1%), government spending (-2.6%), investment (-17.0%), exports (-18.8%). Germany economy (the bloc's largest) contracted sharply by 9.7% QOQ (1Q: -2.0%).
- **Australia business confidence shows murky outlook:** The headline NAB Business Confidence Index rose to -8 in August, from -14 in July, suggesting some manner of improvement in Australia's business sentiment. The current condition index meanwhile plunged to -6 (Jul: 0), more reflective of the state of businesses given that the lockdown of Victoria State and the city of Melbourne are hampering growth outlook.

Forex

MYR (Neutral-to-slightly-bearish)

- USD/MYR rose further by 0.2% to 4.1680 amid firmer USD. The pair is expected to open higher this morning following a much stronger greenback overnight
- **Factors supporting:** Economic recovery, less dovish MPC
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

USD (Bullish)

- Momentum surrounding the greenback gained further; the dollar index gained 0.8% to 93.45. The dollar strengthened against nearly all major currencies overnight saves for the JPY (+0.2%) which benefitted from the retreat in risk sentiment.
- **Factors supporting:** Risk aversion, US-China relations, stretched low DXY levels
- **Factors against:** Complacent markets, positive developments from global policymakers, poor US economy

EUR (Neutral-to-slightly-bearish)

- EUR/USD weakened slightly by 0.3% to close below 1.18 as dollar bulls gathered strength.
- **Factors supporting:** Solid fiscal support on confidence, recovering economy
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, stretched levels.

GBP (Bearish)

- GBP/USD was among the worst performer, faltering 1.4% as no-deal Brexit fear intensified alongside stronger dollar.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-slightly-bullish)

- USD/JPY weakened 0.2% as safe havens demand drove JPY higher.
- **Factors supporting:** BOJ policy, risk aversion, USD weakness
- **Factors against:** Weak fundamentals

AUD (Neutral-to-slightly-bearish)

- AUD/USD was down by 0.9% alongside all other major currencies as risk sentiment retreated.
- **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 rose 0.3% alongside all other currencies as risk aversion dominated market.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

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