Global Markets Research

Daily Market Highlights

Key Takeaways

- **Democratic nominee and former Vice President Joe Biden was declared winner of the US presidential election on Sunday,** become the first person to defeat an incumbent president since 1992. **US stocks held steady on Friday** as vote counting remained underway. The Dow Jones fell slightly by 0.2% while the broader S&P500 and NASDAQ were both little changed. Nonetheless, the benchmarks managed to wrap up the week with the largest rise since April, clinching 6.8 to 9.0% weekly gains. **Futures rose this morning as stocks are expected to extend gains to this week on a Biden victory.**

- On Friday, **treasury yields rose** by 0.8 to 7.6bps across the curve **amid positive sentiment deriving from better job data and projected Biden victory. Gold futures extended modest gains** on Friday (+0.25%) to $1951.7/oz, bringing the weekly gain to a whopping 3.8%. This comes as **the dollar continued to weaken for the fourth consecutive day**; DXY shed another 0.32% on Friday to 92.23 and lost 1.90% for the week. **Oil prices tumbled** on Friday on surging virus cases - Brent crude fell by 3.62% to $39.45/barrel and WTI settled 4.25% lower at $37.14/barrel- offsetting earlier week's gains. Both benchmarks closed on positive notes (+3.8% to +5.3%) after a volatile trading week.

- On Friday, **Malaysia's Finance Minister proposed an enormous RM322.5b budget for 2021 that represents 21% of GDP** in a bid to reinvigorate growth via fiscal stimulus with focus on safeguarding income and livelihood of the rakyat, ensuring business continuity and economic resilience. **Budget deficit is expected to stay elevated at RM84.8bn or 5.4% of GDP in 2021** (2020: RM86.5bn; 6.0% of GDP) as the economy rebounds, with **growth projected at 6.5-7.5% in 2021** (2020: -4.5%). This is **a tad more bullish than our projection of -4.9% and +6.0% to +6.5% for this and next year.** *(Please refer our separate report for more details)*

- **The US economy added 638k jobs in October while unemployment rate fell sharply to 6.9%, from 7.9%. China exports growth accelerated** to 11.4% YOY in October while imports growth retreated. Malaysia foreign reserves slipped to $104.6b as of 30 October due to a stronger US dollar.

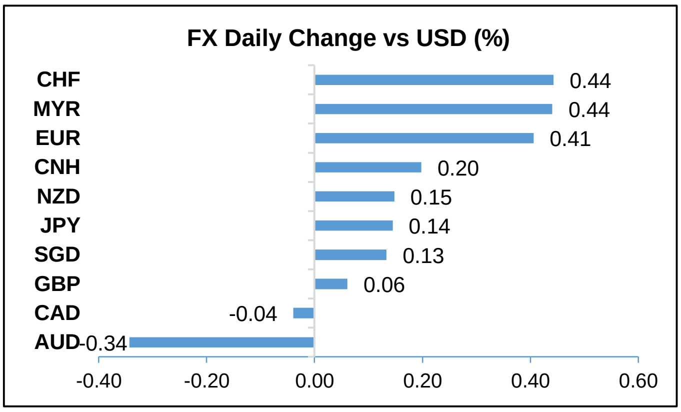
- DXY gapped lower on Monday after a trend weaker past few days, on a projected Biden victory in the US election. Although things are far from clear, we have a **bearish bias on the dollar** this week as uncertainty dissipates. Immediate support around 91.7 before tests of 90, with a rebound likely to test 93.5 resistance. CPI key to watch this week.

- USD/MYR slipped further by 0.44% to 4.1295 on Friday amid broad-based dollar weakness, closing out the week with a 0.6% loss. Daily **USDMYR outlook is bearish** as we expect more down moves for the broad USD after Biden won the US presidency over the weekend. President Trump has not delivered a concession speech and has vowed to contest the outcomes at courts, but pundits suggest this is unlikely to alter the result.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,323.40	-0.24	-0.75
S&P 500	3,509.44	-0.03	8.63
FTSE 100	5,910.02	0.07	-21.64
Hang Seng	25,712.97	0.07	-8.79
KLCI	1,519.64	1.21	-4.35
STI	2,578.68	-0.38	-19.99
Dollar Index	92.23	-0.32	-4.32
WTI oil ($/bbl)	37.14	-4.25	-39.17
Brent oil ($/bbl)	39.45	-3.62	-40.23
Gold (S/oz)	1,951.70	0.25	28.14
CPO (RM/tonne)	3,380.00	0.43	11.72

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	China	→
Malaysia	↓		

Up Next

Date	Event	Prior
09/11	MA Industrial Production YoY (Sep)	0.3%
	JP Leading Index CI (Sep P)	88.4
	EU Sentix Investor Confidence (Nov)	-8.3
10/11	NZ Card Spending Total MoM (Oct)	4.8%
	AU NAB Business Confidence (Oct)	-4.0
	AU Home Loans Value MoM (Sep)	12.6%
	CN PPI YoY (Oct)	-2.1%
	CN CPI YoY (Oct)	1.7%
	UK Jobless Claims Change (Oct)	28.1k
	UK ILO Unemployment Rate 3Mths (Sep)	4.5%
	UK Employment Change 3M/3M (Sep)	-153k
	EU ZEW Survey Expectations (Nov)	52.3
	US NFIB Small Business Optimism (Oct)	104.0

Source: Bloomberg

Macroeconomics

- ***US added 638k jobs in October:***
  - The US economy added 638k jobs in October (Sep: +672k), better than consensus forecast of 580k, reflecting job gains in the private sector that was partly offset by job losses in government. Job gains for the previous two months were revised upwards to a net gain of 15k.
  - Job gains came primarily from the private services sector (+783k), while goods producing (+123k) and construction (+84k) also recorded solid increases. Government job losses amounted to 268k in September as 147k temporary census workers were let go.
  - Good news is unemployment rate fell sharply to 6.9%, from 7.9%, beating consensus forecast of 7.6%. This was despite higher participation rate of 61.7% (Sep: 61.4%) that indicates the expansion of the workforce.
  - A worrying sign was the surge in the number of long-term unemployed (defined as jobless for 27 weeks and above) which shot up to nearly 3.6mil (Aug: 2.4mil), the highest since Mar-14.
  - Average hourly earnings rose 4.5% YOY (Sep: +4.6%) and was flat (+0.1%) on a monthly basis. The higher wage growth compared to pre-pandemic downturn trend of circa 3% YOY reflects the absence of low-pay workers (who have lost jobs) in the calculation.

- ***China exports growth surged in October:***
  - China exports growth beat expectation at 11.4% YOY in October (Sep: +9.9%), the fastest growth since March last year; consensus forecast was lower at +9.2%. This brings the ongoing gaining streak to five-month long, as China's trade sector continued to benefit from the recovery in global demand.
  - Imports growth fell short of expectation at 4.7% YOY (Sep: +13.2%), retreating from the sharp jump in the prior month; consensus forecast was at +8.6%.
  - This left the trade surplus at $58.4b, higher than $37b in August.

- ***Malaysia foreign reserves slipped in October as dollar strengthened:*** Foreign reserves slipped to $104.6b as at 30 October (Sep: $105.2b), marking its first decline since June, thanks to stronger USD since mid-October. The reserve position is sufficient to finance 8.4 months of retained imports and is 1 time short-term external debt.

- ***Malaysia announced RM322.5b budget:***
  - The Minister of Finance tabled the 2021 budget last Friday. Allocation for 2021 was raised sharply to RM322.5b that represents 21% of GDP and was an 8.6% increase compared to the last (unrevised) budget presented by the then Pakatan Harapan government.
  - In a bid to revive growth, the development expenditure was increased by 38% to RM69b. More cash handouts, lowering of EPF contribution, withdrawal of EPF account 1 savings and extension of wage subsidy program are among the various measures were designed to boost household consumptions.
  - Budget deficit is expected to stay elevated at RM84.8bn in 2021, accounting for 5.4% of GDP.
  - The MOF expects the economy to contract 4.5% this year and rebound by 6.5-7.5% in 2021.

Forex

MYR (Bullish)

- USD/MYR slipped further by 0.44% to 4.1295 on Friday amid broad-based dollar weakness, closing out the week with a 0.6% loss. Daily outlook is bearish as we expect more down moves for the broad USD after Biden won the US presidency over the weekend. President Trump has not delivered a concession speech and has vowed to contest the outcomes at courts, but pundits suggest this is unlikely to alter the result.
- **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 gapped lower on Monday after a trend weaker past few days, on a projected Biden victory in the US election. Although things are far from clear, we have a bearish bias on the dollar this week as uncertainty dissipates. Immediate support around 91.7 before tests of 90, with a rebound likely to test 93.5 resistance. CPI key to watch this week.
- **Factors supporting**: Risk aversion
- **Factors against**: US election result, potential US stimulus

EUR (Neutral-to-Bullish)

- EUR/USD surged higher on Monday open after a similar bid tone on Friday. This comes as US election result crystallises, although the situation is still slightly cloudy. 1.19 immediate resistance before examinations of 1.20. However, event risks and poor fundamentals may weigh on the EUR near-term. For the week ahead, second reading of 3Q GDP, industrial production and ZEW survey are key data on the deck.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD rose on Monday open following on momentum past few days on US election result. BOE's dovish stance citing "unusually uncertain" outlook coupled with the pandemic risks and Brexit transition will likely continue weigh on the GBP going forward. Hence, our neutral outlook on GBP/USD. Watch resistance of 1.32 and support of 1.2850. 3Q GDP, industrial production and job data are up next.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral-to-Bullish)

- JPY outperformed as US elections turned clearer, down to a low of 103.18 on 6 November. We remain neutral-to-bullish on JPY, as event risks and market concerns will keep haven currencies like JPY supported. Keep an eye on 102.30 support.
- **Factors supporting**: BOJ policy
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD emerged with a bid tone with a high of 0.7290 on 9 November. We turn neutral-to-bullish on dollar weakness and improved risk sentiments after weeks of uncertainty. Watch 0.73 resistance before a move towards the 0.74s.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD touched a low of 1.3468 on 9 November following dollar weaknesses. Move has now turn attention towards our 4Q forecast of 1.34. A break of 1.35 will likely push the pair towards 1.3440/50, more so if USD weakens.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

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