Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended week on a positive note** as investors eyed a potential stimulus deal at Capitol Hill, although Democratic, Republican leaders as well as **the White House failed to meet a self-imposed Friday deadline on the stimulus.** Amid these uncertainties, President Trump signed two executive orders banning Chinese-owned Tik Tok 45 days from Friday should a deal to sell its US assets to an American company do not go through within this time frame. Other than that, US nonfarm payroll data were better than expected. On Friday, the Dow Jones rose 0.2% and ended the week 3.8% higher. The S&P500 was little changed DOD but finished the week with 2.5%. NASDAQ retreated from its record high (-0.9% DOD), but nonetheless rose 2.5% WOW.

- **Treasury yields climbed 1-4 bps along the curve,** 10Y UST yield rose nearly 3bps to 0.56%. **Profit taking led to a pull-back in gold prices** - futures fell 2% DOD to $2010.10/ounce, spot gold fell 1.4% to $2035.55/ounce. **This week, market will continue to monitor the development of US stimulus talk as well as China-US tension.** Over the weekend, **Trump had signed four new executive orders after talks at Capitol Hill fell through, which include an order to provide as much as $400 in unemployment benefits and a payroll tax holiday.** The data calendar this week is full of GDP reports for the UK, Hong Kong, Singapore and Malaysia. China's monthly indicators are also on the watch list this week. The RBNZ is expected to keep its official cash rate at 0.25%.

- **It was largely positive on the data front.** The US economy added nearly 1.8mil jobs in July and unemployment rate fell to 10.2%. China's July exports surprised on the upside, recording a 7.2% YOY growth. Malaysia industrial production fell by a mere 0.4% YOY in June, better than expected and spell upside risks to our projection for 2Q GDP.

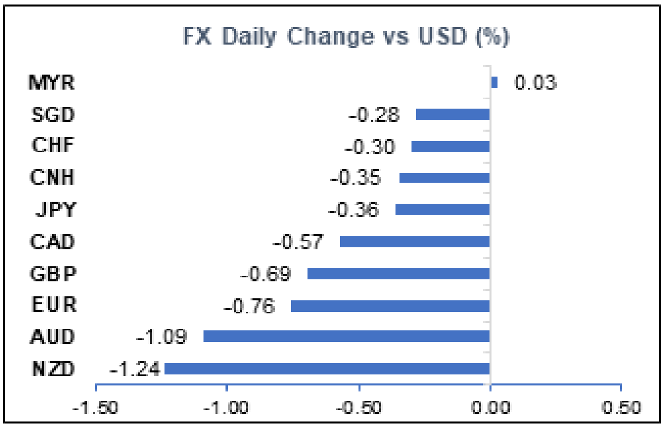
- USD advanced on Friday following the release of upbeat US job data, The dollar index rebounded with a 0.70% DOD gain to 93.44. All G10 currencies weakened against the greenback. NZD, AUD were the biggest losers. A shift in global sentiment could rejuvenate the dollar further and reverse recent FX movements. We are **neutral on the USD** today, expecting further consolidation from recent losses.

- USD/MYR experienced another quiet session on Friday, closing 0.03% firmer DOD at 4.1880. The pair is oversold following recent gains but further consolidation in the USD will likely keep it in rangebound mode, limiting any upside. We are **neutral on USDMYR** today.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,433.48	0.17	-3.87
S&P 500	3,351.28	0.06	3.73
FTSE 100	6,032.18	0.09	-20.02
Hang Seng	24,531.62	-1.60	-12.98
KLCI	1,578.14	-0.66	-0.67
STI	2,545.51	-0.53	-21.02
Dollar Index	93.44	0.70	-3.06
WTI oil ($/bbl)	41.22	-1.74	-32.49
Brent oil ($/bbl)	44.40	-1.53	-32.29
Gold (S/oz)	2,010.10	-2.02	33.04
CPO (RM/tonne)	2,861.50	0.51	-5.42

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	China	→
Malaysia	↑		

Up Next

Date	Event	Prior
10/08	NZ ANZ Business Confidence (Aug P)	-31.8
	CN PPI YoY (Jul)	-3.0%
	CN CPI YoY (Jul)	2.5%
	EU Sentix Investor Confidence (Aug)	-18.2
11/08	NZ Card Spending Retail MoM (Jul)	16.30%
	SG GDP YoY (2Q F)	-12.60%
	AU NAB Business Confidence (Jul)	1
	UK Jobless Claims Change (Jul)	-28.1k
	UK Average Weekly Earnings 3M/YoY (Jun)	-0.30%
	UK ILO Unemployment Rate 3Mths (Jun)	3.90%
	UK Employment Change 3M/3M (Jun)	-125k
	EU ZEW Survey Expectations (Aug)	59.6
	US NFIB Small Business Optimism (Jul)	100.6
	US PPI Final Demand MoM (Jul)	-0.20%

Source: Bloomberg

Macroeconomics

- ***Upbeat job report tampered concerns on slow job growth:*** US nonfarm payroll came in better-than-expected at 1.76mil in July, compared to 1.48mil expected. Data for the prior two months were revised upward by 17k (Jun: +4.79mil). Majority of the jobs came from the private services industry (+1.4mil), manufacturing added 26k and construction jobs rose by 20k. Unemployment rate fell to 10.2%, participation rate was slightly lower at 61.4% (Jun: 61.5%). July report offered some comfort to markets although the general view remains that job growth has slowed substantially.

- ***China exports beat expectations, driven by strong global demand:*** China exports rose 7.2% YOY in July, following a lacklustre June (+0.5%), driven by strong global demand, adding to optimism of a robust recovery in the world's second largest economy. Analysts had expected exports to fall 0.6% YOY. Exports to the US in particularly gained 12.5%; shipments to other countries like Canada, the UK, Germany as well as most of Asia saw solid growth. Imports however fell slightly by 1.4% YOY (Jun: +2.7%). Trade surplus widened to $62.33b (Jun: $46.4b).

- ***Smaller than expected decline in Malaysia IPI:*** Industrial production improved more than expected following further reopening of the economy, registering a much smaller contraction of 0.4% YOY in June (May: -21.6% YOY revised). The marked improvement, which came in better than market as well as our expectations, was spurred by a turnaround in the manufacturing sector, further supported by smaller declines in mining and electricity production. The manufacturing sector snapped three straight months of decline and grew 4.7% YOY in June (May: -22.6% YOY revised), with five out of the seven key sectors registered positive growth. While the pleasant surprises in IPI and exports spell upside risks to our 2Q GDP estimate of 12.3% YOY, we caution against sustainability of such strong momentum which was due to pent-up spending in our view. The labour market remained weak with continuous declines in the numbers of employed and wages, likely exerting downward pressure on consumer spending going forward. We will be reviewing our 2Q forecast, pending the release of other data including wholesale & retail trade and construction sector indicators

Forex

MYR (Neutral)

- USD/MYR experienced another quiet session on Friday, closing 0.03% firmer DOD at 4.1880. The pair is oversold following recent gains but further consolidation in the USD will likely keep it in rangebound mode, limiting any upside.
- **Factors supporting**: Economic recovery
- **Factors against**: Risk aversion, US-China relations, domestic politics, imposition of second lockdown

USD (Neutral Outlook over 1 Week Horizon)

- USD advanced on Friday following the release of upbeat US job data, The dollar index rebounded with a 0.70% DOD gain to 93.44. All G10 currencies weakened against the greenback. NZD, AUD were the biggest losers. A shift in global sentiment could rejuvenate the dollar further and reverse recent FX movements.
- **Factors supporting**: Risk aversion, US-China relations, stretched low DXY levels
- **Factors against**: Complacent markets, positive developments from global policymakers, poor US economy, US stimulus

EUR (Neutral)

- EUR/USD broke below the 1.18 handle following the greenback's rebound on Friday spearheaded by upbeat US data. The EUR closed 0.76% DOD weaker at 1.1787 against the USD. No change to our neutral EUR view for today.
- **Factors supporting**: Solid fiscal support on confidence, recovering economy
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, stretched levels

GBP (Neutral)

- GBP/USD weakened steadily through the day back to the 1.30 region, ended the day 0.69% lower at 1.3052, primarily driven by USD gains. GBP remains neutral today in anticipation of continuous sideway movement in the greenback.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY pushed higher again as the JPY came under pressure along with other G10s amid a resurging USD. JPY outlook remains neutral to bullish on a potential return of risk aversion.
- **Factors supporting**: BOJ policy, risk aversion, USD weakness
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bearish)

- AUD/USD lost over 1.0% on Friday to close below 0.72 levels on consolidation. Maintain a neutral to bearish view on AUD outlook due to expectation of further consolidation from recent highs and profit taking.
- **Factors supporting**: Current account, resilient economy
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations, stretched levels, RBA

SGD (Neutral-to-Bearish)

- SGD saw further weakness on Friday and traded in a very tight range as the pair submerged in consolidation mode. Expect a neutral to bearish SGD as USD looks to consolidate.
- **Factors supporting**: Fed vs. MAS policy, economic recovery
- **Factors against**: Risk aversion, trade war, US-China

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