Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks** failed to hold on to Wednesday's rebound, **closing sharply lower on Thursday as the sell-off of tech shares resumed.** The Dow Jones erased 406pts or 1.5%; the S&P500 lost 1.8%, led by sharp losses in the tech sector; NASDAQ was down by 2.0%. Treasury yields fell 1-4bps after markets were done with the last government auction of the week. 10Y UST yield fell 2bps to 0.68%. Gold futures closed higher (+0.5%) at $1956/oz on Thursday but was seen trading lower by 0.6% this morning. Crude oil prices retreated, reversing prior session's gain on surprised build-up in inventories. Brent crude fell 1.8% to $40.06/barrel and US benchmark WTI settled nearly 2.0% lower at $37.3/barrel.

- On Thursday, **the ECB kept its key interest rates unchanged and maintained all its pandemic stimulus program. Earlier, BNM had also announced no-change in the OPR. The less dovish BNM rhetoric suggests a rate cut in November is not imminent but the reiteration of downside risks offered clues of preparedness to cut again should condition warrants.** Data were limited to US initial jobless claims which came in at 884k last week; US PPI inflation rose 0.3%MOM. New Zealand manufacturing PMI retreated sharply but still above 50.

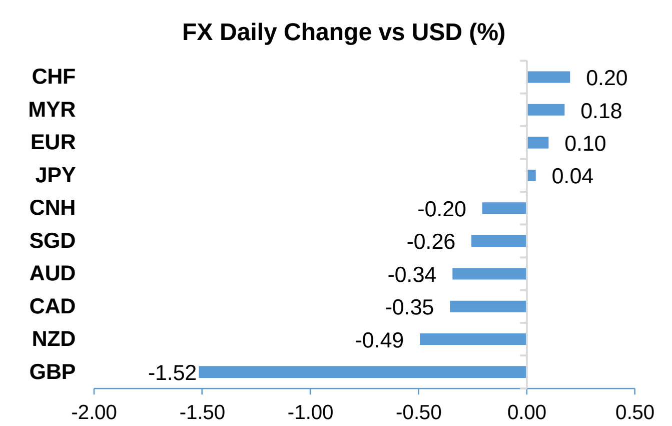
- DXY was up once again on Thursday after a dip to a 92.70 low. DXY returned above 93.00 and was last consolidating around 93.40. Some US stock market jitters reaffirms the upside bias for now. No change to our **neutral to bullish outlook on the USD** over a one week horizon.

- USD/MYR closed 0.18% lower at 4.1635 on Thursday after BNM kept OPR unchanged at 1.75% which had led MYR to firm up. The pair's **daily outlook is neutral to slightly bearish** as we maintain view that a pause in easing by the central bank would lead to a temporary resurgence in the local unit, but the upside in MYR is likely limited when the weekend approaches and as risk sentiment generally turn cautious.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,534.58	-1.45	-3.52
S&P 500	3,339.19	-1.76	3.36
FTSE 100	6,003.32	-0.16	-20.41
Hang Seng	24,313.54	-0.64	-13.75
KLCI	1,490.12	-0.44	-6.21
STI	2,492.09	-0.29	-22.67
Dollar Index	93.34	0.09	-3.17
WTI oil ($/bbl)	37.30	-1.97	-38.91
Brent oil ($/bbl)	40.06	-1.79	-39.30
Gold (S/oz)	1,956.00	0.47	27.70
CPO (RM/tonne)	2,899.00	-0.65	-4.18

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	➔	New Zealand	↓

Up Next

Date	Event	Prior
11/09	MA Industrial Production YoY (Jul)	-0.40%
	UK Monthly GDP (MoM) (Jul)	8.70%
	UK Industrial Production MoM (Jul)	9.30%
	UK Manufacturing Production MoM (Jul)	11.00%
	UK Visible Trade Balance GBP/Mn (Jul)	-£5116m
	US CPI YoY (Aug)	1.00%
14/09	NZ Performance Services Index (Aug)	54.3
	JN Industrial Production YoY (Jul F)	--
	EU Industrial Production SA MoM (Jul)	9.10%

Source: Bloomberg

Macroeconomics

- ***ECB kept monetary policy unchanged; said it would monitor euro appreciation:*** The ECB kept its key interest rates unchanged and maintained its €1,350b PEPP pandemic stimulus program (at least until June 2021) unchanged, reconfirming its accommodative monetary policy stance. Net purchases under the separate APP program will continue at monthly pace of €20b, together with the additional €120b envelope until end of 2020. ECB reiterated that it stand ready to adjust all of its instruments, as appropriate. It says incoming data suggest a strong rebound in activity (manufacturing continued to improve but momentum in services has slowed). The balance of risks to the euro area growth outlook remains on the downside. Inflation is likely to remain negative over the coming months owing to weak demand, lower wage pressures and the appreciation of the EUR. In the post-meeting press conference, ECB chief Christine Lagarde said that the ECB did discuss extensively the recent appreciation of the euro but stressed repeatedly that the central bank does not target exchange rate; it said it will monitor the matter carefully.

- ***US initial jobless claims held steady; PPI inflation lost steam:***
  - Initial jobless claims came in at 884k for the week ended 5 Sep, similar as prior week's reading (also 884k). This is slightly more than consensus number as analysts had expected another 850k of Americans to apply for first-time jobless benefits. Continuous claims (lagged by one week) however rose to 13.38mil for the week ended 29 Aug (prior: 13.29mil). Jobless claims remained stubbornly high compared to its pre-pandemic levels even as the economy has reopened, suggesting that the recovery of the labour market is still a long way to go.
  - Producer prices index for final demand rose 0.3% MOM in August (Jul: +0.6%); the smaller gain reflects the fall in energy prices for the first time in four months; core PPI inflation was steady at 0.3% MOM. The annual rate of PPI inflation improved to -0.2% YOY (Jul: -0.4%), its fifth month of negative reading.

- ***New Zealand manufacturing PMI retreated in August:*** The BusinessNZ Manufacturing PMI fell sharply to 50.7 in August, from the recent high of 59 in July. The abrupt decline (albeit still above 50) reflects the impact of Auckland lockdown and as more than a third of the country moved into "alert level 3" for more than half a month. Production, new orders were still growing but at significantly weaker rate; employment remained below 50.

- ***BNM paused for the first time this year:*** BNM maintained the Overnight Policy Rate (OPR) at a record low of 1.75% today, citing continuous improvement in the global and Malaysian economy. This was against our expectation for a cut but in line with Bloomberg consensus for a pause. Judging from BNM less dovish rhetoric where the MPC considers the stance of monetary policy to be "appropriate and accommodative", we deduce that the central bank has no immediate plan for further easing this year. The central bank remains cautious nonetheless, acknowledging downside risks to growth outlook for both the world as well as the Malaysian economy, implying its readiness to act should the current fluid situation turns unfavourable.

Forex

MYR (Neutral-to-slightly-bullish)

- USD/MYR closed 0.2% lower at 4.1635 on Thursday after BNM kept OPR unchanged at 1.75% which had led MYR to firm up.
- **Factors supporting**: Economic recovery, less dovish MPC
- **Factors against**: Risk aversion, US-China relations, domestic politics, imposition of second lockdown

USD (Neutral-to-Bullish Outlook over 1 Week Horizon)

- DXY was up once again on Thursday after a dip to a 92.70 low. DXY returned above 93 and was last consolidating around 93.4. Some US stock market jitters reaffirms the upside bias for now.
- **Factors supporting**: Risk aversion, US-China relations
- **Factors against**: Complacent markets, positive developments from global policymakers, poor US economy, US stimulus

EUR (Neutral-to-Bearish)

- EUR/USD came off after hitting a high of 1.1917. Risk aversion affected the pair late US afternoon trading and returned EUR/USD back to 1.182 levels.
- **Factors supporting**: USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, faltering fundamentals

GBP (Bearish)

- GBP/USD tanked on Thursday, underperforming G10 FX. Pair was down by more than 1.5%, to 1.28 big figure after being around 1.30 a day earlier. We remain bearish on the pound on Brexit talks. EU is considering legal action over UK Prime Minister Boris Johnson's plans to breach agreement terms. There is also much uncertainty on UK's talks with the US.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY was range-bound around 106.1 on Thursday. Pair remains an outperforming G10 currency in lieu of market volatility. We stay slightly constructive.
- **Factors supporting**: New prime minister's directives, BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD weakened slightly on Thursday despite a brief high of 0.7325. Pair still remained at above 0.7250 despite the slight dip. With some market concerns, we still see some downsides to a near-term 0.72 support.
- **Factors supporting**: Resilient economy, USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bearish)

- USD/SGD hit a 1.3633 low on Thursday but soon spiked to 1.37. Pair was affected by risk aversion. At this stage, USD/SGD is trading with a downward bias, as Asia markets take stock of the US market movement.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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