

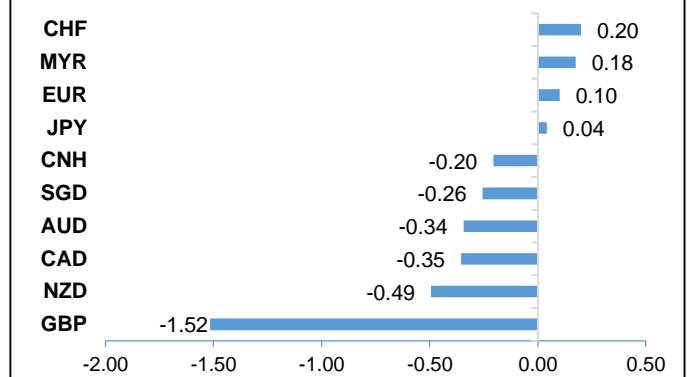
Key Takeaways

- 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 (\$/oz)	1,956.00	0.47	27.70
CPO (RM/tonne)	2,899.00	-0.65	-4.18

Source: Bloomberg

FX Daily Change vs USD (%)


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
14/09	US CPI YoY (Aug)	1.00%
	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

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.