HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US main stock benchmarks ended on mixed note overnight as the sell-off in tech shares weighed on overall markets**. The Dow Jones powered on with a small 0.9% gain; the S&P500 fell slightly by 0.1% while NASDAQ extended losses to shed 1.4%. Stocks in Europe and Asia had generally gone up earlier in response to recent vaccine news. Meanwhile, **US President Donald Trump still refuses to concede the election** although President-elect Joe Biden has moved ahead by announcing transition teams.

- **Treasury yields continued to edge up across the curve by 1 to 3.6bps as investors continued to sell US government bonds**. The auction of $41b worth of 10-year notes also attracted softer demand. Yield on 10Y UST added 3.6bps to 0.96%. **The bond markets will be closed on Wednesday** for US Veterans Day. Gold futures recouped parts of the huge losses made in the previous session; futures rose 1.2% to $1876.4/oz after having lost nearly 5% prior. Oil prices climbed further- Brent crude rose 2.9% to $43.61/barrel while WTI gained 2.7% to $41.36/barrel. Futures point to steady openings in Asia stock markets; **investors are watching the annual Single's Day sales bonanza in China** (where consumers spend billions every year) to gauge the post-pandemic downturn Chinese consumer spending.

- Looking at economic data, US NFIB Small Business Sentiment Index was unchanged while Germany's ZEW Investor Expectation Indexes for both Germany and the broader Eurozone plunged. **UK unemployment rate went up to 4.8%.** China CPI and PPI inflation both retreated. Australia business and consumer confidence improved.

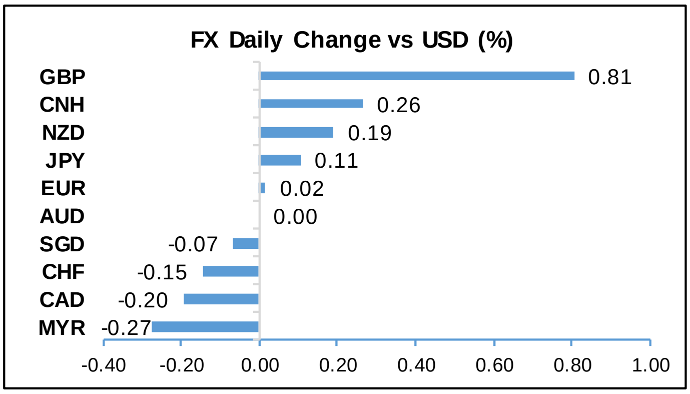
- **DXY was stable on Tuesday as the dust settled after the US election.** DXY hovered around 92.7 levels amid mixed USD performances without much breakthrough. The sterling strengthened sharply on renewed Brexit hope while the CAD and CHF weakened modestly against the greenback; JPY, EUR and AUD were flat. We have a bearish bias on the dollar this week as uncertainty dissipates. Low of 92.13 eyed before immediate support around 91.7, with a rebound likely to test 93.5 resistance. US CPI key to watch this week.

- **USD/MYR rebounded modestly by 0.3% to 4.1200 on Tuesday after having hit below 4.11 in the previous session**. Daily outlook is neutral to bearish as markets could be stabilising after the recent sharp moves and ahead of Friday's Malaysia 3Q GDP report. Having said that, MYR could still benefit from the improved sentiment, broad-based USD weakness as well as recovering oil prices. The RSI indicator is yet to breach its undersold level despite recent sharp move, suggesting that there is still room for USD/MYR to go down further with 4.1000 being a key support level.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,420.92	0.90	3.09
S&P 500	3,545.53	-0.14	9.74
FTSE 100	6,296.85	1.79	-16.51
Hang Seng	26,301.48	1.10	-6.70
KLCI	1,575.07	3.33	-0.86
STI	2,705.00	3.67	-16.07
Dollar Index	92.73	0.01	-3.80
WTI oil ($/bbl)	41.80	3.75	-32.26
Brent oil ($/bbl)	43.94	3.63	-33.29
Gold (S/oz)	1,876.00	1.16	23.17
CPO (RM/tonne)	3,380.00	-1.49	11.72

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data			
US	➔	Eurozone	↓
UK	↓	China	↓
Australia	↑		

Up Next

Date	Event	Prior
11/11	NZ RBNZ Official Cash Rate (11 Nov)	0.25%
	UK Industrial Production MoM (Sep)	0.3%
	US MBA Mortgage Applications (06 Nov)	3.8%
12/11	JP Core Machine Orders MoM (Sep)	0.2%
	UK RICS House Price Balance (Oct)	61%
	UK Monthly GDP (MoM) (Sep)	2.1%
	UK Industrial Production YoY (Sep)	-6.4%
	UK Visible Trade Balance GBP/Mn (Sep)	-£9010m
	UK GDP QoQ (3Q P)	-19.8%
	EU Industrial Production SA MoM (Sep)	0.7%
	EU Industrial Production WDA YoY (Sep)	-7.0%
	US Initial Jobless Claims (07 Nov)	751k

Source: Bloomberg

Macroeconomics

- ***US small business optimism index unchanged:*** The NFIB Small Business Optimism Index was unchanged at an eight-month high of 104 in October (Sep: 104), pointing to steady sentiment among US small firm owners. 27% of owners (a drop from last month's 32%) expected better economy although 11% (an increase from 8% prior) saw higher sales ahead.

- ***German investor confidence plunged in November:*** The Germany ZEW Expectation Index for Eurozone growth outlook fell sharply to 32.8 in November, from 52.3 in October. The same index for Germany alone also dropped to 39 (Oct: 56.1) as investor confidence saw a huge dip over recovery prospect for the country as well as the for the broader euro area following the resurgence of Covid-19 in the continent.

- ***UK unemployment rate surged; worst yet to come:***
  - The UK economy shed 164k jobs in the period of Jul-September (3 months to Aug: -153k). The unemployment rate rose to 4.8% in the same period, from 4.5% prior, its highest level since August 2016.
  - On a positive note, jobless claims fell 29.8k in October alone (Sep: -40.2k) while September number was also revised upwards (from gains to loss).
  - We suspect that the worst data are yet to come given that the original job retention scheme expired in October and was replaced by a less generous policy, not to mention the fact that the UK went into a second nationwide lockdown in November.

- ***China consumer inflation eased; factory deflation went on:***
  - CPI inflation fell short of expectation, coming at a mere 0.5% YOY in October (Sep: +1.7%), the slowest pace since 2009 thanks to a much smaller gain in food prices (+2.2% vs 7.9%). This comes after pork prices fell for the first time in 19 months after the African Swine flu wiped out a large population of the country's swine herd, sending prices skyrocketing last year.
  - Producer prices index continued to fall steadily by 2.1% YOY in October (Sep: -2.1%), highlighting the manufacturing sector's current struggle with deflation that is hurting profits.
  - Slowing CPI and continuous PPI deflation could be putting pressure on the PBOC to introduce further easing.

- ***Australia confidence improved after lockdown ended:***
  - Australia NAB Business Confidence Index jumped to 5 in October (Sep: -4), its highest level since May-19, reflecting buoyant business sentiment after the government ended the lockdown in Melbourne.
  - Consumer sentiment continued to improve as well as the Westpac Consumer Confidence Index rose to 107.7 in November (Oct: 105.0), marking its third straight month of gains.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR rebounded modestly by 0.3% to 4.1200 on Tuesday after having hit below 4.11 in the previous session. Daily outlook is neutral to bearish as markets could be stabilising after the recent sharp moves and ahead of Friday's Malaysia 3Q GDP report. Having said that, MYR could still benefit from the improved sentiment, broad-based USD weakness as well as recovering oil prices. The RSI indicator is yet to breach its undersold level despite recent sharp move, suggesting that there is still room for USD/MYR to go down further with 4.1000 being a key support level.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, domestic politics, second lockdown.

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

- DXY was stable on Tuesday as the dust settled after the US election. DXY hovered around 92.7 levels without much breakthrough. We have a bearish bias on the dollar this week as uncertainty dissipates. Low of 92.13 eyed before immediate support around 91.7, 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 was stuck in a narrow range on Tuesday, with an intraday range of about 1.178-1.184. This comes as Italy sees need of up to EUR 10bn a month to cover the lockdown aid, according to Bloomberg. Pair has lacked momentum despite dollar weakness. We see some upsides, despite event risks and poor fundamentals weighing on the EUR near-term. Watch 1.19 resistance for now.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD outperformed on Tuesday and surged to a high of 1.3278 before a slight taper down. Pair was as low as 1.2855 on 2 November but was helped by improvements in risk sentiments and hopes of vaccine. There may have been some repricing of risks of negative BOE rates from a vaccine breakthrough. These may continue to support GBP near-term and we watch for resistance around 1.335. Still, GBP is at elevated levels and we may see correction from Brexit risks. 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 was relatively stable on Tuesday, despite hitting a low of 104.82. Pair subsequently rebounded to around 105.3 at close. Risk sentiments not helping yen for now. Keep an eye on 106.11 (7 Nov high) for resistance. Event risks and market concerns may strengthen the JPY later on.
- **Factors supporting**: BOJ policy
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD is roughly consolidating after recent gains, hitting a high of 0.7340 in the process. Another 0.73 resistance breakthrough may turn attention to 0.7414. This comes as RBNZ delayed the start of increases in bank capital buffers to cushion against Covid-19 recession.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD stayed in a narrow range alongside limited dollar moves. We stay constructive on the SGD, anticipating slight strength after recent rally. Low of 1.3410 the barrier to break if immediate support of around 1.346 is broken.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

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