

Global Markets Research

Daily Market Highlights

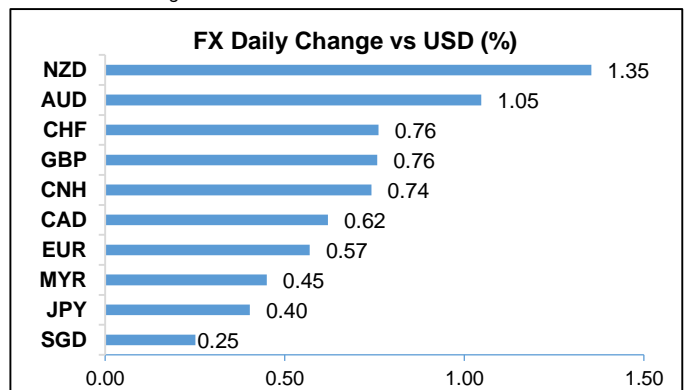
Key Takeaways

- US stocks closed Friday on a higher note, riding on some optimism that the White House and Capitol Hills could work out some new stimulus** to support the economy. President Trump had raised his stimulus offer to \$1.8trillion after ended the stimulus talk abruptly in the same week. Main US benchmarks saw modest gains of 0.6 to 1.4% on Friday, wrapping up the week at positive territories for the second consecutive week; the Dow rose 3.3% WOW as of Friday, the S&P500 added 3.8% WOW and NASDAQ rallied by 4.6% WOW. **Treasury yields remained rather steady** on Friday, posting overall changes of -1.5 to +0.3bps across the curve. For the week, 10Y UST yield was up by 7bps to 0.776% as of Friday. **Gold rallied** on Friday (+1.6%) to \$1919.5/oz as the dollar weakened sharply amid better risk sentiment.
- Oil prices retreated** from recent gains. Brent lost 1.1% to \$42.85/barrel and WTI was down by 1.4% to 40.6/barrel. The second debate between President Trump and Democratic nominee Joe Biden has been cancelled as Trump refused to participate in the virtual event. Trump's doctor said that the president is no longer a Covid transmission risk, but did not mention whether he still tested positive for the virus. **China's PBOC reduced the reserve requirement on forward yuan trading, in what seen as a move to cap the strength of the yuan. Offshore yuan weakened by 0.7% against the USD this morning.**
- On the data front, indicators showed that **UK growth has slowed quite dramatically** as nominal GDP rose slower than expected by a mere 2.1% MOM in August. Industrial production, construction output and services output growth retreated sharply. Exports of goods also registered a minor gain. **China Caixin Services PMI reflects solid recovery in China. Japan core machine orders surprised with gains; factory remained in deflation. Australia's home loan value surged in August.**
- DXY weakened on Friday amid positive mood in markets. DXY reached a low of 93.005 on Friday after hovering around 93.6 on Thursday. We maintain our view that movements will stay volatile and may be unpredictable for October. There may be a **neutral to bearish** bias on the dollar if markets stay constructive. Earnings results may also be a factor.
- USD/MYR retreated by 0.45% to 4.1345 on Friday amid broad-based USD weakness. WOW, USD/MYR lost 0.7%, its second back-to-back weekly decline. We are **neutral to slightly bearish on USD/MYR** this week. Positive momentum continues to soften, paving the way for the pair to head down to test 4.13 level.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,586.90	0.57	0.17
S&P 500	3,477.13	0.88	7.63
FTSE 100	6,016.65	0.65	-20.23
Hang Seng	24,119.13	-0.31	-14.44
KLCI	1,530.35	0.72	-3.68
STI	2,532.96	-0.40	-21.41
Dollar Index	93.06	-0.59	-3.46
WTI oil (\$/bbl)	40.60	-1.43	-33.51
Brent oil (\$/bbl)	42.85	-1.13	-35.08
Gold (\$/oz)	1,919.50	1.64	26.03
CPO (RM/tonne)	2,985.00	0.93	-1.34

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

UK	↓	Japan	↑
China	↑	Australia	↑

Up Next

Date	Event	Prior
12/10	MA Industrial Production YoY (Aug)	1.20%
13/10	NZ Card Spending Retail MoM (Sep)	-7.90%
	AU NAB Business Confidence (Sep)	-8
	UK Jobless Claims Change (Sep)	73.7k
	UK Average Weekly Earnings 3M/YoY	-1.00%
	UK ILO Unemployment Rate 3Mths (Aug)	4.10%
	UK Employment Change 3M/3M (Aug)	-12k
	EU ZEW Survey Expectations (Oct)	73.9
	US NFIB Small Business Optimism (Sep)	100.2
	US CPI YoY (Sep)	1.30%
	CN Exports YoY (Sep)	9.50%
	CN Imports YoY (Sep)	-2.10%

Source: Bloomberg

Macroeconomics

- **Growth slowed in UK:**
 - UK nominal GDP registered a mere 2.1% MOM growth in August (Jul: +6.4%), well below consensus forecast of 4.6%. Growth rate has begun to pull back from the high in June (+9.1%), offering firmer signs that the recovery momentum has dissipated.
 - Industrial production rose 0.3% MOM in August, following the 5.2% surge in July. The print was also below forecast of 2.5%. YOY, industrial production is still 6.4% lower (Jul: -7.4%). Manufacturing output gained a mere 0.7% MOM (Jul: +6.9%).
 - Construction output growth retreated sharply to 3% MOM (Jul: +17.2%) and services output recorded 2.4% MOM growth (Jul: +5.9%).
 - Goods trade deficit widened to £9.01b in August (Jul: -7.87b) as import growth (+3.7%) outweighed exports growth (+0.4%).
- **China Caixin Services PMI picked up in September:** The Caixin services PMI for China rose to 54.8 in September, from 54.0 in August. The index has now stayed above 50 for sixth straight months since May when the economy reopened, indicating stronger and robust recovery in China's services sector.
- **Japan core machine orders surprised with gains; factories still in deflation:**
 - Japan core machine orders, a key gauge of business investment rose 0.2% MOM in August, better than analysts' forecast of a 1% decline. This follows after a surge in orders in the previous month. Despite the recent rebound, orders were still 15.2% YOY lower compared to the same month last year, its fifth straight month of double-digit YOY decline.
 - Produce price index fell 0.2% MOM in September (Aug: +0.1%) translating to a 0.8% YOY decline (Aug: -0.6%) as Japan's factories remained in deflation.
- **Australian home loan surged in August:** Home loans approval value beat expectation, recording a whopping 12.6% MOM growth in August, following a solid 8.8% rise in the July. This is better than consensus forecast of a modest 1.9% increase and marks its third consecutive month of gains since June. Breakdown shows that owner-occupier loans surged by 13.6% MOM (Jul: +10.7%), completely smashed analysts' expectation of a tiny 1.0% decline. Investor loan value also jumped by 9.3% MOM (Jul: +3.5%). Low interest rates in Australia as well as the pent-up demand post-lockdown appeared to have continued support the Australian housing market.

Forex

MYR (Neutral-to-Slightly-Bullish)

- USD/MYR weakened by 0.45% to 4.1345 on Friday amid broad-based USD weakness. WOW, USD/MYR lost 0.7%, its second back-to-back weekly decline.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

USD (Neutral Outlook over 1 Week Horizon)

- DXY weakened on Friday amid positive mood in markets. DXY reached a low of 93.005 on Friday after hovering around 93.6 on Thursday. We maintain our view that movements will stay volatile and may be unpredictable for October. There may be a bearish bias on the dollar if markets stay constructive. Earnings results may also be a factor.
- **Factors supporting:** Risk aversion, US-China
- **Factors against:** Volatility, positive developments from global policymakers, US stimulus

EUR (Neutral-to-Bullish)

- EUR/USD reached the highest levels in October of 1.1831 on Friday, continuing on a recovery since 25 September. We maintain the view of a modest recovery and eye the 1.1850 levels seen mid-September.
- **Factors supporting:** USD weakness, Europe economic recovery
- **Factors against:** Risk aversion, Faltering fundamentals

GBP (Neutral)

- GBP/USD reached 1-month highs on Friday, with a high of 1.3050. At current levels above 1.30, GBP/USD looks stretched and we are of the view of some consolidation for the pound ahead.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Bearish)

- USD/JPY normalised downwards a little on Friday after hitting highs of around 106 on Thursday. Pair is back downwards around 105.60. We stay bearish on the JPY for now and see USD/JPY staying around 106 levels during periods of positive market moods.
- **Factors supporting:** BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD recovered reached a high of 0.7245 on Friday, highest since 22-23 September. With a recovery in market sentiments, watch 0.73 resistance next.
- **Factors supporting:** Resilient economy, USD weakness
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bullish)

- USD/SGD reached a low of 1.3527 on Friday amid the downward trend seen since 25 September. Pair opened Monday slightly up around 1.3550 although we see more avenues for pair to touch 1.35. A positive MAS signal from the monetary policy meeting this week may strengthen SGD.
- **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

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