

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

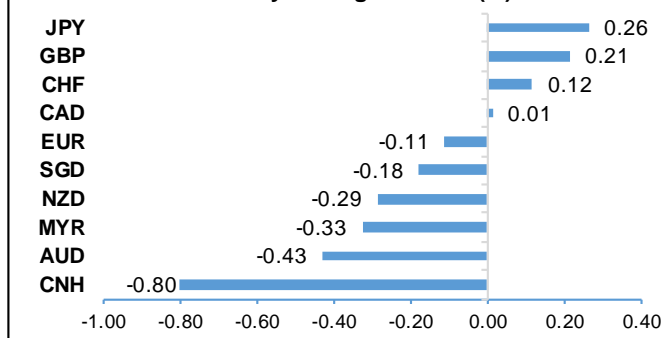
- US stocks extended sharp gains on Monday, boosted by rally in tech stocks.** The Dow Jones added 250pts or 0.9%, the S&P500 rose 1.6% and NASDAQ surged by 2.6%. The info tech and communication services shares led the gains among the eleven S&P 500 sectors. Apple and Amazon's shares outperformed with 6.4% and 4.8% gains. The bond market was closed for Columbus' Day. Gold futures rose for the third session by 0.2% to \$1922.5/oz while the dollar was mixed.
- Oil prices retreated further as supply disruption eased.** Brent crude shed 2.6% to \$41/72/barrel and WTI lost 2.9% to \$39.43/barrel. The White House said that President Trump tested negative for Covid-19 and is no longer infectious. Stimulus optimism has also waned in the US as both Republicans and Democrats are against Trump's new \$1.8trillion offer. Attention also went to Amy Coney Barrett's Supreme Court confirmation hearing.
- Elsewhere, BOJ governor Kuroda said that the central bank would not hesitate to take additional measures to support the economy, adding that the BOJ hasn't run out of policy tools. **He said that April-June period was the trough for Japanese economy which has picked up since then.** On the local front, **the Federal Government re-imposed a two-week Conditional MCO on four states and territories** (Sabah, Selangor, Kuala Lumpur and Putrajaya) in Malaysia in a bid to stem the new virus outbreak. Data were limited on Monday. Malaysia IPI rose 0.3% YOY in August. New Zealand retail card spending rebounded. Key data today are UK job report and China trade data.
- In the FX market, DXY stayed range bound just above 93** on Monday, having mixed performances against various currencies. JPY, GBP and CHF strengthened while AUD, NZD and EUR weakened against the greenback. 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.
- USD/MYR rebounded by 0.3% to 4.1480 on Monday** as MYR weakened alongside its Asian peers; we stick to our neutral to slightly bearish bias outlook for USD/MYR as the broader dollar remained pressured amid mixed market signals. Having said that, the new virus outbreak in Malaysia and the newly announced CMCO on certain states pose a downside risk to the local unit.

#### Market Snapshots

	Last Price	DoD%	YTD%
Dow Jones Ind.	28,837.52	0.88	1.05
S&P 500	3,534.22	1.64	9.39
FTSE 100	6,001.38	-0.25	-20.43
Hang Seng	24,649.68	2.20	-12.56
KLCI	1,518.43	-0.78	-4.43
STI	2,552.42	0.77	-20.80
Dollar Index	93.07	0.01	-3.45
WTI oil (\$/bbl)	39.43	-2.88	-35.42
Brent oil (\$/bbl)	41.72	-2.64	-36.79
Gold (\$/oz)	1,922.50	0.16	26.18
CPO (RM/tonne)	3,006.00	0.70	-0.64

Source: Bloomberg

#### FX Daily Change vs USD (%)



Source: Bloomberg

#### Overnight Economic Data

New Zealand ↑ Malaysia ↑

#### Up Next

Date	Event	Prior
13/10	UK Jobless Claims Change (Sep)	73.7k
	UK Average Weekly Earnings 3M/YoY	-1.0%
	UK UNLO Unemployment Rate 3Mths (Aug)	4.1%
	UK Employment Change 3M/3M (Aug)	-12.0k
	EU ZEW Survey Expectations (Oct)	73.9
	US NFIB Small Business Optimism (Sep)	100.2
	US CPI YoY (Sep)	1.3%
	CN Exports YoY (Sep)	9.5%
	CN Imports YoY (Sep)	-2.1%
	14/10	AU Westpac Consumer Conf Index (Oct)
JP Industrial Production MoM (Aug F)		1.7%
EU Industrial Production SA MoM (Aug)		4.1%
US MBA Mortgage Applications (09 Oct)		--
	US PPI Final Demand YoY (Sep)	-0.2%

Source: Bloomberg

## Macroeconomics

- **Minute IPI gain in August signals fragility of current recovery:**
  - Industrial production saw back to back gain for the first time since the pandemic outbreak, inching up by 0.3% YOY in August (Jul: +1.2% YOY). Growth was primarily supported by continuous albeit softer growth in manufacturing, while extended declines in mining and electricity output for the 6th straight month continued to exert a drag. MOM, IPI fell again by 1.2% MOM (Jul: +1.2%), signalling activities were losing steam after the initial boost from economy reopening.
  - We maintain our cautious view calling for increased vigilance given that August economic indicators appear to have lost steam again. Wholesale & retail trade remained contractionary while labour market prospects stayed weak. This would likely suggest the recovery in 3Q may still be lethargic despite the improvement from 2Q trough.
  - The renewed spike in new daily Covid-19 cases would invariably further derail the recovery momentum in 4Q. We foresee downside risks to our full year GDP growth projection of -4.9% given that recent localized lockdown would inevitably affect consumer spending even though key economic sectors remained open
- **New Zealand retail card spending rebounded in Sep:** New Zealand retail card spending rose 5.4% MOM in September (Aug: -8.9%), following previous month's decline, offering some positive news that consumer spending is still recovering.

## Forex

### MYR (Neutral-to-Slightly-Bullish)

- USD/MYR rebounded by 0.3% to 4.1480 on Monday as MYR weakened alongside its Asian peers; we stick to our neutral to slightly bearish bias outlook for USD/MYR as the broader dollar remained pressured amid mixed market signals.
- **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 stayed range bound just above 93 on Monday, having mixed performances against various currencies. 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 relations
- **Factors against:** Volatility, positive developments from global policymakers, poor US economy, US stimulus

### EUR (Neutral-to-Bullish)

- EUR/USD stayed range bound around 1.1800-1.1820, after the recovery since 25 September. We maintain the view of a modest recovery and eye the 1.185 levels seen mid-September.
- **Factors supporting:** USD weakness, Europe economic recovery
- **Factors against:** Risk aversion, Faltering fundamentals

### GBP (Neutral)

- GBP/USD extended 1-month highs on Monday, touching a high of 1.3083 in the process. At current levels above 1.3, 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 moved further lower to around 105.4 levels after hitting the 106 big figure on 8 October. We stay bearish on the JPY for now and see USD/JPY staying around 106 levels during periods of positive market moods.
- **Factors supporting:** New prime minister's directives, BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

### AUD (Neutral-to-Bullish)

- AUD/USD has faded a little since the 0.7243 high on 10 October; Pair fell sharply to 0.7183 at last look on Wednesday open. For now, a bullish run may see levels stretch to 0.73 but a correction may turn attention to 0.71.
- **Factors supporting:** Resilient economy, USD weakness
- **Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections, China-Australia relations

### SGD (Neutral-to-Bullish)

- USD/SGD headed higher on Tuesday open towards 1.36 (last at 1.3586) after a bid tone on Monday. Pair has reversed after the low of 1.3527 on 9 October. Still, any positive MAS signals 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

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