Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks sold off overnight as the recent record surge in daily coronavirus cases prompted a number of US states to impose stricter measures.** New US cases have stayed above 100k for the eighth consecutive day, adding to concerns that this would disrupt the ongoing economic recovery should more states follow suit by tightening social distancing measures. New cases in the UK hit an all-time high of above 33k despite a nationwide lockdown while other key European economies continued to report very high daily new infections as well ranging from 20k-58k. **The Dow Jones and S&P 500 lost more than 1.0% while NASDAQ fell 0.7%.** The sell-off was broad-based across sectors.

- **US treasuries rebounded as risk-off sentiment boosted renewed demand for safer US government bonds;** overall yields fell by 0.4 to 10.6bps. The yield on 10Y benchmark UST retreated by 9.4bps to 0.882%. **Gold futures gained** 0.63% to $1873.3/oz as stocks and bond yields pulled back while **the dollar saw mixed performances.** JPY, CHF and EUR strengthened modestly against USD while GBP, AUD, NZD and CAD weakened. This left the dollar index a tad lower below 93.0. **Oil prices gave away some recent gains** - Brent crude shed 1.23% to $43.26/barrel and WTI was down by 0.8% to $41.12/barrel.

- Latest economic data point reaffirmed concerns for slower economic growth. **US initial jobless claims fell the most in five weeks** but claims for extended benefits continued to rise. CPI inflation retreated. **UK 3Q GDP rebounded by 15.5% QOQ** but other indicators point to slower growth ahead. Eurozone industrial production fell for the first time in five months. New Zealand manufacturing PMI retreated.

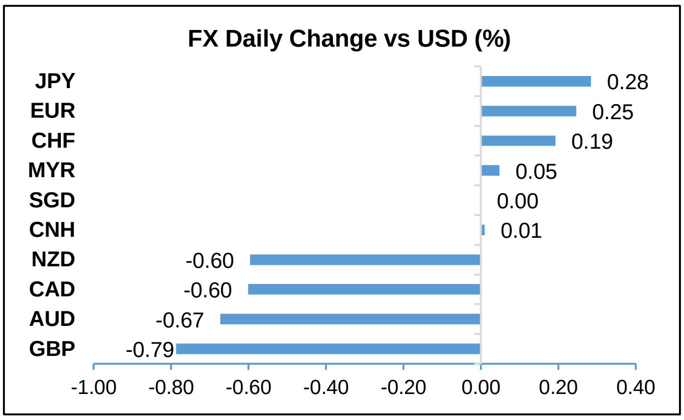
- DXY stayed within a narrow range of 92.78-93.14 on Thursday, overall down 0.08%. In our view, there has been some stability after some prior market optimism. Fed chief warned on Thursday the Covid-19 outbreak in the US. We see limited downsides for now but no change to our **neutral to bearish** outlook on the USD. Low of 92.13 eyed before immediate support around 91.70, with a rebound likely to test 93.50 resistance.

- USD/MYR was little changed (-0.05%) at 4.1305 on Thursday as market stabilised. Daily outlook is neutral as we expect little movement in the MYR market ahead of today's Malaysia 3Q GDP report, scheduled for a noon release. Consensus forecast stood at -4.0% YOY versus our house view of -5.7%, which we expect some upside surprises given the strong QOQ rebound seen in high frequency data.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,080.17	-1.08	1.90
S&P 500	3,537.01	-1.00	9.48
FTSE 100	6,338.94	-0.68	-15.96
Hang Seng	26,169.38	-0.22	-7.17
KLCI	1,590.78	1.32	0.13
STI	2,711.90	-0.05	-15.85
Dollar Index	92.97	-0.08	-3.55
WTI oil ($/bbl)	41.12	-0.80	-32.66
Brent oil ($/bbl)	43.26	-1.23	-41.44
Gold (S/oz)	1,873.30	0.63	18.92
CPO (RM/tonne)	3,435.00	0.63	13.53

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	UK	↑
Eurozone	↓	New Zealand	↓

Up Next

Date	Event	Prior
13/11	MA GDP YoY (3Q)	-17.1%
	HK GDP YoY (3Q F)	-3.4%
	EU Trade Balance SA (Sep)	21.9b
	EU GDP SA QoQ (3Q P)	12.7%
	US PPI Final Demand YoY (Oct)	0.4%
	US U. of Mich. Sentiment (Nov P)	81.8
16/11	NZ Performance Services Index (Oct)	50.3
	JP GDP SA QoQ (3Q P)	-7.90%
	UK Rightmove House Prices YoY (Nov)	5.50%
	CN Industrial Production YoY (Oct)	6.90%
	CN Retail Sales YoY (Oct)	3.30%
	CN Fixed Assets Ex Rural YTD YoY (Oct)	0.80%
	JP Industrial Production MoM (Sep F)	4.00%
	US Empire Manufacturing (Nov)	10.5

Source: Bloomberg

HongLeong Bank

Macroeconomics

- ***US jobless claims fell last week:***
  - Initial jobless claims fell by 48k to 709k for the week ended 7 Nov (prior: 757k) after holding steadily for two consecutive weeks. This was the highest weekly decline recorded in five weeks, offering some positive signs that jobs are returning despite surging infections.
  - Continuous claims fell by 436k to 6.8mil as of 30 Oct (prior: 7.2mil) as more jobless Americans exhausted the generally 26-week program. The number of individuals receiving extended benefits (after the exhaustion of regular benefits) from the Pandemic Emergency Unemployment Compensation program continued to increase.

- ***US inflation retreated:***
  - CPI was flat on a monthly basis in October (Sep: +0.2%), the slowest in five months, reflecting sharp retreat in energy, apparels and transportation. This translates to a smaller 1.2% YOY growth (Sep: +1.4%).
  - Core CPI was also unchanged MOM (Sep: +0.2%) and rose 1.6% YOY (Sep: +1.7%).

- ***UK GDP rebounded by 15.5% in 3Q:***
  - Preliminary reading shows that UK real GDP posted 15.5% QOQ growth in the third quarter, rebounding from the 19.8% contraction in 2Q at the onset of the coronavirus pandemic. This roughly matched consensus estimate of 15.8% QOQ growth and also translates to a 9.6% YOY contraction.
  - A separate release shows that industrial production growth fell short of expectation at 0.5% MOM in September (Aug: +0.3%). Analysts were expecting a more robust growth of 1%.
  - Construction and services also recorded softer growth- construction output rose 2.9% MOM gain (Aug: +3.8%) while the services sector gained 1.0% MOM growth (Aug: +2.4%) - as recovery momentum slowed. Outlook is expected to be bleaker in 4Q as the country went into the second nationwide lockdown in November.
  - On the external front, goods trade deficit widened to £9.25b in September, from £6.83b in August, thanks to a surge in imports (+10.2% MOM). Exports growth was smaller at 3.3% MOM.

- ***Eurozone industrial production fell in September***: Industrial production in the euro area fell 0.4% MOM in September (Aug: +0.6%), its first decline in five months since the economy reopened in May. The latest print was a disappointing read given that analysts had been forecasting for a 0.6% MOM growth. YOY, output was still 6.8% lower (Aug: -6.7%), compared to the same month last year. Output is likely to be disrupted further heading into 4Q as new coronavirus wave triggered fresh lockdowns in key Eurozone economy.

- ***New Zealand manufacturing growth retreated:*** The BusinessNZ Manufacturing PMI fell to 51.7 in October, from 54.0 in September, reflecting slower growth in the manufacturing sector. This is the PMI's fifth month of above-50 print but BNZ said that the latest reading serves as a reminder to "not too carried away with the sense of recovery".

Forex

MYR (Neutral)

- USD/MYR was little changed (-0.05%) at 4.1305 on Thursday as market stabilised. Daily outlook is neutral as we expect little movement in the MYR market ahead of today's Malaysia 3Q GDP report, scheduled for a noon release. Consensus forecast stood at -4.0% YOY versus our forecast of -5.7%.
- **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 stayed within a narrow range of 92.78-93.14 on Thursday, overall down 0.08%. In our view, there has been some stability after some prior market optimism. Fed chief warned on Thursday the Covid-19 outbreak in the US. We see limited downsides for now. Low of 92.13 eyed before immediate support around 91.70, with a rebound likely to test 93.50 resistance.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus

EUR (Neutral-to-Bullish)

- EUR/USD recovered a little after some downsides earlier this week. Pair touched an intraday high of 1.1823, closing at 1.1806. ECB Chief Lagarde sounded some caution on the current Covid-19 pandemic. We see some limited potential for a rebound, despite event risks and poor fundamentals weighing on the EUR near-term. We watch 1.17 support and 1.19 resistance for now.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD was down a second consecutive day, despite EUR resilience. GBP was 0.79% weaker compared to the USD on Thursday. This comes as monthly UK data show some weaknesses, despite an expected 3Q rebound. After stronger GBP earlier this week, we see the pound at elevated levels and we may see correction from Brexit risks.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral-to-Bullish)

- USD/JPY moved in a horizontal fashion on Thursday, with a downward creep. Pair was within a 105.07-105.48 range, ending the day on 105.13 with a slight 0.28% gain vs. USD. Some return on market concerns are supporting the yen for now. We eye 105 support before a move to 104.5, from risk aversion. Also keep an eye on 105.68 (11 Nov high) for resistance.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD came off on Thursday, weighed down by risk aversion. Pair was down 0.67%, hitting a low of 0.7224 in the process. Support is close to 0.7160 with recent developments biased on the downside. Resistance at 0.7340 (high on 9 Nov), when the mood improves again.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD benefitted from CNH resilience, staying stable on Thursday. Pair continues to hover around the 1.35 big figure in the process. This comes as Singapore looks to attract tech talent in Singapore and explore moves to reopen further. We stay constructive on the SGD, anticipating slight strength after recent rally. 1.3410 is the next support if immediate support of around 1.346 is broken.
- **Factors supporting**: Economic recovery, CNH strength
- **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