Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equities went through a volatile session last Friday before closing the day mixed, near one-month lows.** Continuous sell offs in tech shares led the NASDAQ to end in the red while the DJIA and S&P500 eked out small gains. **The current stock market rout and volatility will likely have some more course to run** in the lead up to US election, and probably a potential turn in recovery prospects as economic indicators started to show tentative signs of plateauing.

- **Safe haven US Treasuries were better supported** reflecting signs of market jitters. UST advanced with yields falling 1-5bps across the curve. The 2Y and 10Y yields edged down a basis point each to 0.13% and 0.67% respectively. **Gold remained off the $2000 record high** seen in early August, whipsawing between $1911-2000/ oz since, and clocking in a daily loss of 0.8% on Friday at $1939/oz. **Crude oil remained weak below $40/ barrel** amid concern over gap between supply and demand dynamics. The Brent last settled 0.57% lower at $39.83/ barrel while the WTI at $37.33/ barrel.

- DXY was relatively flat on Friday, despite many currencies gaining against the USD. For DXY, JPY and GBP weakness was counterbalanced by EUR strength. The dollar rebound looks like it is losing momentum, and may revert towards trend weaknesses if risk aversion fades. For now, we **maintain a bias for some USD strength**. Central bank support this week and US/China data may support some sentiment.

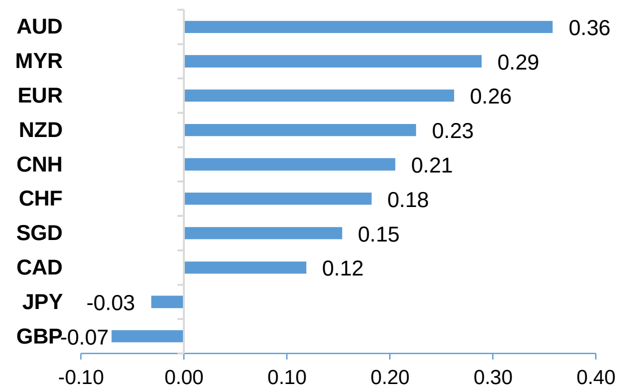
- USD/MYR steadily trended down to close lower a second straight day, by 0.29% to 4.1515 on Friday. A less dovish rhetoric from BNM which dampened expectations for further OPR cut this year helped lent support to the MYR, and as USD gains took on a more muted path. The pair's daily outlook is **neutral to slightly bearish** as we maintain view that a pause in easing by the central bank would keep the MYR supported.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,665.64	0.48	-3.06
S&P 500	3,340.97	0.05	3.41
FTSE 100	6,032.09	0.48	-20.02
Hang Seng	24,503.31	0.78	-13.08
KLCI	1,504.85	0.99	-5.28
STI	2,490.09	-0.08	-22.74
Dollar Index	93.33	0.00	-3.25
WTI oil ($/bbl)	37.33	0.08	-38.86
Brent oil ($/bbl)	39.83	-0.57	-44.79
Gold (S/oz)	1,939.50	-0.84	23.76
CPO (RM/tonne)	2,874.50	-0.85	-4.99

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑	Malaysia	↑
UK	→	New Zealand	↓

Up Next

Date	Event	Prior
14/09	JN Industrial Production YoY (Jul F)	-16.1%
	EU Industrial Production SA MoM (Jul)	9.10%
15/09	AU RBA Minutes of Sep. Policy Meeting	--
	CH Industrial Production YoY	4.80%
	CH Retail Sales YoY	-1.10%
	CH Fixed Assets Ex Rural YTD YoY	-1.60%
	UK Jobless Claims Change	94.4k
	UK Average Weekly Earnings 3M/YoY	-1.20%
	UK ILO Unemployment Rate 3Mths	3.90%
	UK Employment Change 3M/3M	-220k
	EU ZEW Survey Expectations	64
	US Empire Manufacturing	3.7
	US Import Price Index YoY	-3.30%
	US Industrial Production MoM	3.00%

Source: Bloomberg

Macroeconomics

- ***US CPI quickened YOY but moderated MOM:*** Consumer prices in the US eased off less than expected by 0.4% MOM in August, after sustaining 0.6% MOM gain the last two months. The smaller increase was evident across most categories led by energy (+0.9% vs +2.5%), offsetting the MOM rebound in food prices (+0.1% vs -0.4%). However, CPI and core CPI picked up more than expected to increase 1.3% YOY (Jul: +1.0%) and 1.7% YOY (Jul: +1.6%) respectively, driven by a spike in used car prices as consumers behaviour to avoid public commute. With the shift in the Fed policy guidance away from inflation targeting, the CPI print will have a lesser bearing on financial markets going forward.

- ***Moderation in UK data implies bumpy recovery ahead, complicated by Brexit risks:***
  - Monthly GDP registered slower than expected gain of 6.6% MOM in July (Jun: +8.7% MOM), but the growth rate remained exceptional high reflecting continuous normalization from the April slump. All sectors witnessed more moderate gains with the exception of accommodation & food, finance & insurance, real estate, education & health.
  - Industrial production growth moderated to 5.2% MOM in July (Jun: +9.3% MOM), dragged by continuous albeit slower growth in almost all key subsectors notably manufacturing (+6.3% vs +11.0% MOM) and mining (+0.7% vs +8.4% MOM).
  - Visible trade deficit widened more than expected to £8635m in July (Jun: -£5116m), its highest in four months as the 0.9% MOM decline in exports amid a weak global demand backdrop was exacerbated by a 5.8% MOM increase in imports.

- ***New Zealand August services index plunged below 50:*** The performance services index plunged to 46.9 in August (Jul: 54.4 revised from 54.3), slipping back to contraction territory for the first time in three months amid lockdown in Auckland. The index dropped 3-12ppt across all fronts, with sales and new orders exerting the biggest drag while employment stayed contractionary for the 6th straight month, a sign of more challenges ahead.

- ***Malaysia industrial production bounced back in July:*** Industrial production increased for the first time in five months, by 1.2% YOY in July underpinned by increase in manufacturing output amid economy reopening. Electricity and mining continued to contract. While exports and production offered some signs of reliefs this month, we prefer to err on the safe side to see if the traction is sustainable going into August and September, in addition to risks from consumer and business behaviour which we believe has remained frail and lethargic. Wholesale & retail trade value while improving, remained in contraction for the fifth straight month in July (-3.5% vs -8.4% YOY). Labour market conditions improved but remained soft in July as well and we expect to see increased challenges in 4Q when the loan moratorium and some relief measures expire. No change to our full year GDP growth projection of -4.9% for now.

Forex

MYR (Neutral-to-slightly-bullish)

- USD/MYR steadily trended down to close lower a second straight day, by 0.29% to 4.1515 on Friday. A less dovish rhetoric from BNM which dampened expectations for further OPR cut this year helped lent support to the MYR, and as USD gains took on a more muted path.
- **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 relatively flat on Friday, despite many currencies gaining against the USD. For DXY, JPY and GBP weakness was counterbalanced by EUR strength. The dollar rebound looks like it is losing momentum, and may revert towards trend weaknesses if risk aversion fades. For now, we maintain a bias for some USD strength. Central bank support this week and US/China data may support some sentiment.
- **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 inched up on Friday but stayed relatively stable. Pair opening the week horizontal moving around the 1.1840 level. For now our outlook mirrors that of the USD for some near-term consolidation of the EUR before gains ahead.
- **Factors supporting**: USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, faltering fundamentals

GBP (Bearish)

- GBP/USD continued to underperform on Brexit headlines, now hovering around 1.28 big figure. Domestically, PM Johnson is facing a backlash in his parliament on his plans to break international law.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY underperformed on Friday alongside USD weakness, staying around 106.00-106.30 range. Pair may eye LDP election as a driver for this week's moves.
- **Factors supporting**: New prime minister's directives, BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD slightly rebounded on Friday and situation for the pair is likely stabilising just below the 0.73 big figure. We stay defensive and eye a rebound later on.
- **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 did not see much moves on Friday, staying within a 1.3660-1.3700 range. Pair opened Monday with a downside bias. For now, we still see limited upside bias for USD/SGD this week and watch 1.3719 high set on 9 September.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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