

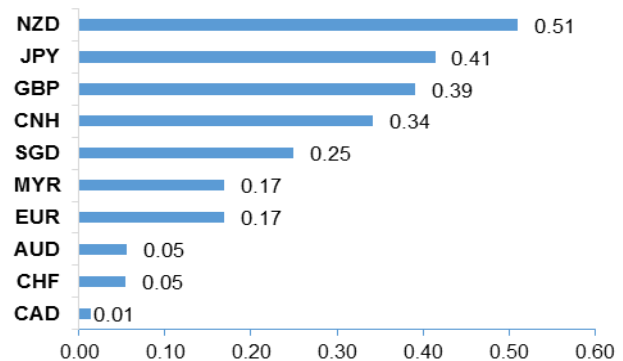
Global Markets Research
Daily Market Highlights
Key Takeaways

- Risk sentiments made a return following vaccine hopes and some M&A deals:** The three major benchmark US stock indices started the day in a bid tone and stayed firm through the trading session to settle 1.2-1.9% higher. Newsflows surrounding progress in vaccine development, as well as M&A deals surrounding Nvidia buying UK-based chip designer Arm, Oracle partnering ByteDance to operate TikTok in the US, brought some cheers to the markets. This overshadowed a **survey by NY Fed showing concerns over job losses rose a second month** in a row in August - 18% expressed concerns of losing their job over the next 12 months vs 15% back in June.
- Safe haven US Treasuries were little changed**, all moved within a basis points with the exception of the 30Y long bond that saw yields lower by 1.2bps at 1.41%. 10Y UST yields edged lower but only by less than a basis point to 0.66% while the 2s rose less than a basis points to 0.13%. **Gold however rose** despite risk on mode, likely benefitting from the low interest rate environment. **The greenback weakened** as other major currencies advanced. **Oil continued to languish below \$40/ barrel** on demand concern stemming from economic fallout from the pandemic.
- Overnight economic releases were scanty. **Industrial production showed softening growth in the Eurozone and Japan**, indicating a bumpy recovery ahead. **China data, often viewed as a prelude to the recovery momentum, will be in focus this morning.** Other key watch include RBA minutes, UK job reports and EU sentiments as well as industrial production from the US tonight as the two-day FOMC meeting begins to convene.
- DXY weakened on Monday, as USD weakened broadly against G10 and Asia currency pairs, with the exception of CAD. The move has consolidated DXY within a range of 92.70-93.66. We remove our bullish call and watch for some signals, expect a **neutral USD** for now.
- MYR strengthened for a 3rd straight day, by 0.17% to 4.1445 vs a weaker USD at yesterday's close amid a return of risk sentiments in Asian trading, which was seen spilling over to the US trading session later. We remain **neutral to slightly bullish on MYR** on the back of a weaker USD overnight, improved risk sentiments, as well as support from an OPR pause by BNM.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,993.33	1.18	-1.91
S&P 500	3,383.54	1.27	4.73
FTSE 100	6,026.25	-0.10	-20.10
Hang Seng	24,640.28	0.56	-12.59
KLCI	1,511.36	0.43	-4.87
STI	2,482.55	-0.30	-22.97
Dollar Index	93.05	-0.30	-3.46
WTI oil (\$/bbl)	37.26	-0.19	-38.98
Brent oil (\$/bbl)	39.61	-0.55	-45.02
Gold (\$/oz)	1,954.70	0.78	24.86
CPO (RM/tonne)	2,876.50	0.03	-4.92

Source: Bloomberg

FX Daily Change vs USD (%)


Source: Bloomberg

Overnight Economic Data

 EU ↓ Japan ↓
Up Next

Date	Event	Prior	
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%	
	16/09	JN Trade Balance (Aug)	¥11.6b
		JN Exports YoY (Aug)	-19.20%
AU Westpac Leading Index MoM (Aug)		0.05%	
UK CPI YoY (Aug)		1.00%	
EC Trade Balance SA (Jul)		17.1b	
US MBA Mortgage Applications (11 Sep)		--	
US Retail Sales Advance MoM (Aug)	1.20%		
US NAHB Housing Market Index (Sep)	78		

Source: Bloomberg

Macroeconomics

- **Slower growth in EU industrial production:** Industrial production continued growing albeit at a slower pace of 4.1% MOM in July (Jun: +9.5% MOM revised). YOY, the decline narrowed to 7.7%, after contracting 12.0% the preceding month. The slower MOM momentum and continuous YOY decline implied growth will remain dismal in 3Q, likely calling for more policy support sooner than later.
- **Japan industrial production and tertiary industry index reinforced dismal growth prospect:** Final reading of industrial production showed a smaller contraction of 15.5% YOY in July (Jun: -18.2%). This marked some improvement for a 2nd straight month but remained in declining mode for a good ten months now, underscoring risks to the Japanese economy. This concern was further exacerbated by the surprised decline in tertiary industry index that showed the services sector declined by 0.5% MOM in July, even though June's gain was substantially revised higher from 7.9% to 9.0%.

Forex

MYR (Neutral-to-slightly-bullish)

- MYR strengthened for a 3rd straight day, by 0.17% to 4.1445 vs a weaker USD at yesterday's close amid a return of risk sentiments in Asian trading. We remain neutral to slightly bullish on MYR on the back of a weaker USD overnight, improved risk sentiments, as well as support from an OPR pause by BNM.
- **Factors supporting:** Economic recovery, less dovish MPC
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

USD (Neutral Outlook over 1 Week Horizon)

- DXY weakened on Monday, as USD weakened broadly against G10 and Asia currency pairs, with the exception of CAD. The move has consolidated DXY within a range of 92.70-93.66. We remove our bullish call and watch for some signals for now.
- **Factors supporting:** Risk aversion, US-China relations
- **Factors against:** Complacent markets, positive developments from global policymakers, poor US economy, US stimulus

EUR (Neutral)

- EUR/USD inched up for a second day on Monday and is now trading around 1.1870. We remove our bearish call for the pair with pair now trading with a slight uptick.
- **Factors supporting:** USD weakness
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, faltering fundamentals

GBP (Neutral-to-Bearish)

- GBP/USD rebounded on USD weakness on Monday, outperforming some G10 peers. Despite this, we stay slightly bearish towards a 1.28 support.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY dipped lower on Monday on Suga winning the LDP leadership race. He is now set to be the next Prime Minister and unlikely to make significant changes to Abe's policies. Pair last trading around 105.70 after a 105.55 low.
- **Factors supporting:** New prime minister's directives, BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD stayed relatively range bound on Monday, hovering around 0.7280. Pair opened Tuesday on an offered tone, but still looking for further directional momentum.
- **Factors supporting:** Resilient economy, USD weakness
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral)

- USD/SGD dipped on Monday and we now remove our bearish bias for SGD. Pair may look for USD for direction as it consolidates around 1.3650 after a low of 1.3627 on Monday.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

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