16 October, 2020

HongLeong Bank

# Global Markets Research

# Daily Market Highlights

## Key Takeaways

- **US stocks extended losing streak overnight as investors continued to flee the equity market over uncertainty surrounding stimulus talks and poor job data**. The Dow Jones was little changed (-0.07%), while the S&P500 lost 0.2% alongside NASDAQ (-0.5%). This comes after stock markets dropped sharply in Europe as rising Covid-19 cases prompted authorities to impose new social distancing rules. Stocks also ended lower across Asia. Treasury yields were little changed along the curve (+0.0 to +1bps). 10Y UST yield remained steady at 0.732%. **Gold futures was up only slightly (+0.1%) to $1903.2/oz as the dollar strengthened**. Oil prices retreated after rallying for two consecutive sessions; Brent crude was down by 0.4% to $43.16/barrel and WTI fell 0.2%to $40.96/barrel.

- **Risk of a no-deal Brexit is getting higher** as negotiations are inching towards a crisis according to Bloomberg. Johnson is supposed to decide today whether to walk away from the talks. EU leaders urged PM Boris Johnson to make concessions. President Trump and Democratic Nominee Joe Biden set to hold separate nationally televised town-hall style events at the same time instead of a debate.

- **US initial jobless claims were higher than expected at 898k last week**, adding to signs that job growth is slow and companies are still shedding jobs. Regional Feds' manufacturing indexes were mixed but still indicate expansion of activity. Elsewhere, China CPI inflation eased on lower food prices and deflationary pressure remained at factories. Singapore NODX registered gain. Australia lost 29.5k jobs and unemployment rate ticked up. New Zealand manufacturing PMI improved. Key data today are retail sales and industrial productions which would offer us better understanding of the current state of US economic recovery.

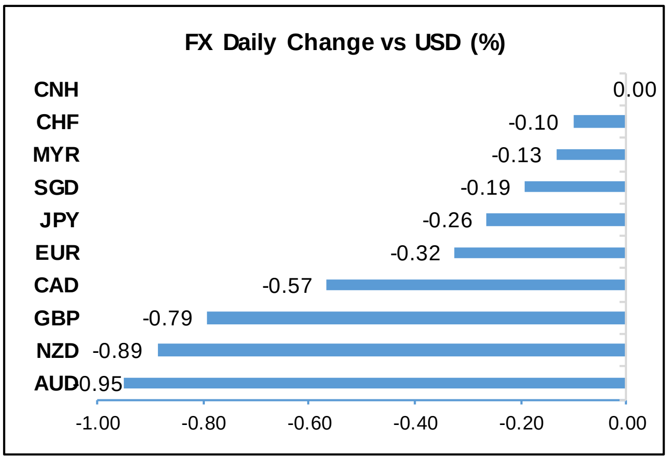
- **DXY moved higher on Thursday to an intraday high of 93.904 before a slight retreat.** The index picked up 0.5% DOD to 93.86. Major currencies weakened against the greenback, led by AUD, NZD and GBP. We maintain our view that movements will stay volatile (around 1-month range of 92.75-94.75 and may be unpredictable for October. There may be a bearish bias on the dollar if markets turn constructive. Earnings results may also be a factor

- **USD/MYR closed 0.13% higher at 4.1535 on Thursday**. Daily outlook for the pair is neutral to bullish as the dollar regained strength overnight amid poorer risk sentiment; pair is now eyeing the 4.16 level after being confined within a tight range for the past few sessions.

## Market Snapshots

| | Last Price | DoD % | YTD % |
|---|---|---|---|
| Dow Jones Ind. | 28,494.20 | -0.07 | -0.16 |
| S&P 500 | 3,483.34 | -0.15 | 7.82 |
| FTSE 100 | 5,832.52 | -1.73 | -22.67 |
| Hang Seng | 24,158.54 | -2.06 | -14.30 |
| KLCI | 1,513.95 | -0.61 | -4.71 |
| STI | 2,523.62 | -1.25 | -21.70 |
| Dollar Index | 93.86 | 0.51 | -2.63 |
| WTI oil ($/bbl) | 40.96 | -0.19 | -32.92 |
| Brent oil ($/bbl) | 43.16 | -0.37 | -34.61 |
| Gold (S/oz) | 1,903.20 | 0.10 | 24.96 |
| CPO (RM/tonne) | 3,043.00 | -0.08 | 0.58 |

*Source: Bloomberg*




*Source: Bloomberg*

### Overnight Economic Data

| | | | |
|---|---|---|---|
| US | → | China | ↓ |
| Singapore | ↑ | Australia | ↓ |
| New Zealand | ↑ | | |

## Up Next

| Date | Event | Prior |
|---|---|---|
| 16/10 | EU Trade Balance SA (Aug) | 20.3b |
| | EU CPI YoY (Sep F) | -0.2% |
| | US Retail Sales Advance MoM (Sep) | 0.6% |
| | US Industrial Production MoM (Sep) | 0.4% |
| | US U. of Mich. Sentiment (Oct P) | 80.4 |
| 19/10 | NZ Performance Services Index (Sep) | 46.9 |
| | UK Rightmove House Prices YoY (Oct) | 5.0% |
| | JP Trade Balance (Sep) | ¥248.6b |
| | JP Exports YoY (Sep) | -14.8% |
| | CN GDP YoY (3Q) | 3.2% |
| | CN Industrial Production YoY (Sep) | 5.6% |
| | CN Retail Sales YoY (Sep) | 0.5% |
| | CN Fixed Assets Ex Rural YTD YoY (Sep) | -0.3% |
| | US NAHB Housing Market Index (Oct) | 83,0 |

*Source: Bloomberg*

# Macroeconomics

- ***US first-time jobless claims rose to highest in seven weeks:***
  - Initial jobless claims came in higher than expected at 898k for the week ended 10 Oct (prior: 845k) and is the highest in seven weeks. First-time claims numbers have been holding at circa 800k (and below 900k) for seven weeks and aren't going lower; raising concerns that job growth is getting slower and some businesses continued to shed jobs.
  - Continuous claims fell to 10.02mil for the week ended 3 Oct (prior: 11.18mil) as claimers gradually exhaust the 26-week benefit program.
  - NY Fed Empire State Manufacturing Index fell to 10.5 in Oct (Sep: 17.0) while the Philly Fed Business Outlook Index rose sharply to 32.3 in the same month (Sep: 15.0), offering mixed signals on manufacturing recovery.
  - Import price index picked 0.6% MOM in September (Aug: +0.5%), translating to 1.1% decline YOY (Aug: -1.4%).

- ***China consumer inflation eased in September; factories still in deflation:***
  - Consumer price index rose 1.7% YOY in September (Aug: +2.4%). The median forecast was for a 1.9% gain. This reflects moderating growth in food prices (+7.9% vs 11.2% prior); gain in prices of pork, Chinese consumer poultry preference eased substantially to 25.5% YOY (Aug: +52.6%). Core CPI also saw a steady 0.5% YOY increase, underscoring soft price pressure and a sign of still tepid demand.
  - Producer prices fell 2.1% YOY in the same month (Aug: -2%), more than the expected decline of 1.8%, highlighting the ongoing deflationary mode at factories.

- ***Singapore NODX rose in Sep:*** Singapore's non-oil domestic exports increased 5.9% YOY in September (Aug: +7.7%). This was supported by electronics, up 21.4% YOY. Country-wise, export growth to the EU and parts of Asia were strong. However, oil domestic exports fell by 45.4% YOY, flagging the divergent performance across various sectors.

- ***Australia job data not as bad as expected:***
  - Australia shed 29.5k jobs in September (Aug: +129.1k), fewer than analysts' expectations of 40k losses. This comes after the economy had been adding jobs for three straight months since June.
  - Full-time employments fell by 20.1k (Aug: +12.1K) while part-time jobs slipped by 9.4k (Aug: +117k).
  - Unemployment rate rose to 6.9% in September (Aug: 6.8%), participation rate also ticked lower (64.8% vs 64.9%). Consensus forecast was 7%.
  - It is important to note that September's negative print reflects job cuts in Covid-stricken Victoria while job recovery remains ongoing in other parts of the country.

- ***New Zealand manufacturing growth accelerated:*** The BusinessNZ Manufacturing PMI rose to 54.0 in September (Aug: 51.0) after lockdown ended in the country's biggest city Auckland.; this helped to lift manufacturing activity in general.

# Forex

**MYR (Neutral-to-Bearish)**

- USD/MYR closed 0.13% higher at 4.1535 on Thursday. Daily outlook for the pair is neutral to bullish as the dollar regained strength overnight amid poorer risk sentiment; pair is now eyeing the 4.16 level after being confined within a tight range for the past few sessions.
- **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 moved higher on Thursday to an intraday high of 93.904 before a slight retreat. We maintain our view that movements will stay volatile (around 1-month range of 92.75-94.75 and may be unpredictable for October. There may be a bearish bias on the dollar if markets turn 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)**

- EUR/USD dipped to an intraday low of 1.1689 before a slight rebound to 1.17 levels. This was affected by market pessimism from US stimulus impasse. A break of 1.17 may turn attention to 1.16, although we believe that EUR can range around 1.170-1.185 if the situation does not worsen.
- **Factors supporting**: USD weakness, Europe economic recovery
- **Factors against**: Risk aversion, Faltering fundamentals

**GBP (Neutral-to-Bearish)**

- GBP/USD weakened to the 1.29 big figure. Pair remains less upbeat after a 1-month high of 1.3083 on 12 October. We maintain the view of some consolidation for the pound ahead, with a slight downside risk bias.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

**JPY (Neutral-to-Bearish)**

- USD/JPY headed upwards again after a pullback on 14 October to a low of 105.04. Pair reached an intraday high around 105.45, despite a slight retreat. We expect range-trading of around 105-106 for now from volatility.
- **Factors supporting**: New prime minister's directives, BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

**AUD (Neutral-to-Bearish)**

- AUD/USD dipped on Thursday to an intraday low of 0.7056 before a slight recovery closer to 0.71. A break of the 0.71 big figure showed further vulnerability to 0.70, and we turn slightly bearish.
- **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 climbed above 1.362 on risk aversion on Thursday, after the low of 1.3527 on 10 October. Pair started Friday around the 1.36 big figure. We turn slightly bearish with 2-week high of 1.3642 forming immediate resistance for now.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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