

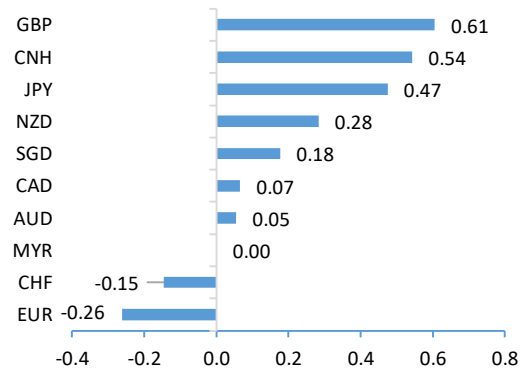
Global Markets Research
Daily Market Highlights
Key Takeaways

- Mixed market performance despite Fed pledge:** US stock markets registered cautious results on Wednesday, despite Fed keeping rates low and pledging to keep them there until 2023. Dow Jones saw modest gains as S&P 500 and NASDAQ fell. This came after most Europe bourses were in modest greens.
- US yields saw modest gains,** with the 10Y UST rising slightly by almost 2bps to close at 0.6969%. Gold stayed range bound as crude oil prices rebounded strongly by more than 4% DOD. The dollar index advanced 0.2%. USD performance was mixed with GBP and CNH seeing strong gains against the greenback. However, EUR and CHF weakened further. USD/CNH hit a 6.7424 low on 17 September, coming from around 6.85 at the start of the month.
- MYR gained on Tuesday.** USD/MYR dipped to a 4.1280 low on Tuesday on positive China developments. Malaysia markets were closed on Wednesday. We remain neutral to slightly bullish on MYR on the back of a weaker USD, improved risk sentiments, as well as support from an OPR pause by BNM.
- US Federal Reserve signals low interest rates to stay.** Fed has given a strong signal that it will maintain interest rates close to zero for at least three years (2020-2023). This is until the US gets back to maximum employment and 2% inflation. The new dot plot only sees higher interest rates in the longer term. Fed Chair Jerome Powell said that “this very strong, very powerful guidance shows both our confidence and our determination”, but mentioned “there’s no cook book”. Powell expects the recovery to slow, remaining highly uncertain.
- Singapore’s non-oil domestic exports came in stronger than expected,** registering a 7.7% YOY expansion in August after a 5.9% increase in July. This was supported by electronics, up 5.7%. Non-electronics exports (8.3% YOY) was also strong but petrochemicals fell 16.4%. NODX growth to US (14.1% YOY), China (24.5%) and EU-27 (30.2%) signalled at some broad based demand, alongside a recovering China economy.
- Continuing on the central bank theme, we watch Bank of Japan and Bank of England guidance today. Economic data from Australia, and the US may also shape markets.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,032.38	0.13	-1.77
S&P 500	3,385.49	-0.46	4.79
FTSE 100	6,078.48	-0.44	-19.41
Hang Seng	24,725.63	-0.03	-12.29
KLCI	1,531.28	1.32	-3.62
STI	2,505.15	0.78	-22.27
Dollar Index	93.21	0.18	-3.29
WTI oil (\$/bbl)	40.16	4.91	-34.23
Brent oil (\$/bbl)	42.22	4.17	-36.03
Gold (\$/oz)	1,962.00	0.20	28.71
CPO (RM/tonne)	2,911.00	1.20	-3.78

Source: Bloomberg

Daily FX Changes vs. USD (%)


Source: Bloomberg

Overnight Economic Data

 US ↓ Japan ↓
Up Next

Date	Event	Prior
17/09	AU Employment Change (Aug)	114.7k
	AU Unemployment Rate (Aug)	7.5%
	EZ CPI YoY (Aug F)	0.4%
	UK Bank of England Bank Rate (17 Sep)	0.1%
	US Building Permits MoM (Aug)	17.9%
	US Housing Starts MoM (Aug)	22.6%
18/09	US Philadelphia Fed Business Outlook	17.2
	US Initial Jobless Claims (12 Sep)	884k
	JP BOJ Policy Balance Rate (17 Sep)	-0.1%
	JP Natl CPI Ex Fresh Food YoY (Aug)	0.0%
	UK Retail Sales Inc Auto Fuel MoM (Aug)	3.6%
	US Leading Index (Aug)	1.4%
	US U. of Mich. Sentiment (Sep P)	75

Source: Bloomberg

Macroeconomics

- **US retail sales fell below expectations.** Retail sales ex auto gained 0.7% MOM, below a surveyed 1% in Bloomberg in August. This eased from a 1.3% MOM increase a month ago. This came as federal relief for Americans and small businesses dried up in August.
- **US industrial production picked up in August but was a tad weaker than expected.** A -7.7% YOY result still showed the drags on manufacturing compared to a year ago, even as there was a 0.4% MOM gain. Capacity utilisation still remain below February levels, signalling some overcapacity. Motor vehicle production dipped after strong gains prior.
- **Japan exports contracted in August:** Exports fell 14.8% YOY after a 19.2% decrease a month ago. Imports were down 20.8% YOY, continuing the trend seen a month ago (-22.3%) The trade balance improved to JPY 248bn from JPY 10.9bn a month ago, supportive of external support to GDP growth.

Forex

MYR (Neutral-to-slightly-bullish)

- USD/MYR dipped to a 4.1280 low on Tuesday on positive China developments. Malaysia markets were closed on Wednesday. We remain neutral to slightly bullish on MYR on the back of a weaker USD, 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-to-Bearish Outlook over 1 Week Horizon)

- DXY endured a volatile day, weakening to a 92.783 low before rebounding strongly to almost 93.3 from FOMC. Pair notably gained against EUR but weakened against GBP. We see some consolidation with a bias lower in the week ahead.
- **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 dipped on Wednesday despite reaching 1.1880 earlier. Post-FOMC moves helped it register a 1.1788 low. We stay neutral on the absence of momentum and expect a range of 1.175-1.190.
- **Factors supporting:** USD weakness
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, faltering fundamentals

GBP (Neutral-to-Bearish)

- GBP/USD advanced further (briefly touching 1.30), We still see some volatility as pair remains vulnerable to UK parliament developments on Brexit. The rebound gives space for a later test of the 1.2763 low on 11 September.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits

JPY (Neutral-to-Bullish)

- USD/JPY stayed in consolidation territory after slight weaknesses on Wednesday. Pair now consolidating around 105 after a 104.81 low. Limited advances below 105 may hold.
- **Factors supporting:** New prime minister's directives, BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral)

- AUD/USD's recovery continued on Wednesday but then faltered after a high of 0.7345. Pair now seeing an offered tone on Thursday open around 0.7290. We still see some range behaviour around 0.720-0.7350.
- **Factors supporting:** Resilient economy, USD weakness
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bullish)

- USD/SGD is rebounding on Thursday open to 1.36 big figure, after hitting a low of 1.3564 on Thursday. This was slightly helped by strong CNH movements. We watch for technical support of 1.3525 to hold for now.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

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