

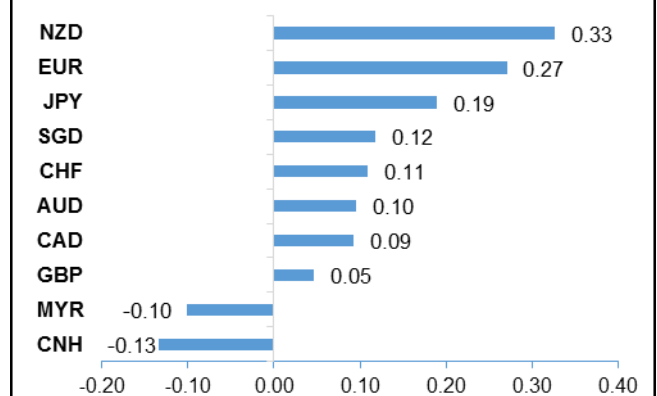
Key Takeaways

- Risk aversion amid renewed growth fear. **Global equities witnessed uniform sell-down** and ended in the red as markets turned **increasingly wary over risk to recovery amid lack of fiscal policy support and limited room on the monetary policy front**. This was highlighted by the Fed, and later echoed by the **BOE** who said it is **discussing about negative interest rates**. **BOJ** meanwhile **stood pat and sounded less pessimistic**.
- US stock indices lost between 0.5-1.3% DOD after a volatile session while European and Asian markets witnessed similar losses of around 1.0% or less by and large. **Government bonds were bidded up** as a result, driving yields down overall. 10Y UST yields edged 1bp lower to 0.69% while the 2s were little changed at 0.14%. **The UK gilts jumped on BOE headlines**, pushing the 10Y yields down by about 3bps. Gold however fell, contradictory to haven demand. The Dollar Index failed to hang on to Asia session gain, falling 0.26% to 92.97 as **the greenback weakened against the majors** – EUR gained 0.27%, JPY 0.17%. **Oil** shrugged off some weaknesses and climbed **back to a two-week high around \$43/ barrel** on news Saudi is committed in ensuring compliance to production quota by OPEC+.
- DXY started Thursday with a high of 93.592 but soon dipped significantly to 92.97 at close. This came as EUR staged a recovery. A dip below the range since 7 Sep of 92.7-93.662 may pose further downside moves. We are **neutral to bearish USD** over a one week horizon.
- MYR weakened for the first time in five days, amid a firmer USD in Asian session. USDMYR hit an intraday high of 4.1485 before pulling back to end the day weaker by only 0.10% at 4.1370. We remain **neutral on MYR** despite a weaker USD overnight, anticipating some selling pressure ahead of the weekend.

Market Snapshots

	Last Price	DoD%	YTD%
Dow Jones Ind.	27,901.98	-0.47	-2.23
S&P 500	3,357.01	-0.84	3.91
FTSE 100	6,049.92	-0.47	-19.79
Hang Seng	24,340.85	-1.56	-13.65
KLCI	1,513.07	-1.19	-4.76
STI	2,500.78	-0.17	-22.40
Dollar Index	92.97	-0.26	-3.55
WTI oil (\$/bbl)	40.97	2.02	-32.90
Brent oil (\$/bbl)	43.30	2.56	-39.89
Gold (\$/oz)	1,941.30	-1.06	24.12
CPO (RM/tonne)	2,938.50	0.00	-2.88

Source: Bloomberg

FX Daily Change vs USD (%)


Source: Bloomberg

Overnight Economic Data

US	→	Australia	↑
EU	↓	Japan	

Up Next

Date	Event	Prior
18/09	UK Retail Sales Inc Auto Fuel MoM (Aug)	3.60%
	US Leading Index (Aug)	1.40%
	US U. of Mich. Sentiment (Sep P)	--
21/09	UK Rightmove House Prices YoY (Sep)	4.60%
	CH 1-Year Loan Prime Rate (21 Sep)	3.85%
	NZ Credit Card Spending MoM (Aug)	1.80%
	HK CPI Composite YoY (Aug)	-2.30%
	US Chicago Fed Nat Activity Index (Aug)	1.18

Source: Bloomberg

Macroeconomics

- **BOE exploring negative interest rates:** BOE stood pat on both rates and asset purchases at its policy meeting yesterday as expected in an unanimous vote. The key highlight of the meeting however lied in BOE's remark on discussion on the effectiveness of negative interest rates, which was not a surprise. The central bank continues to see uncertain growth outlook and longer period of unemployment. It further commented that current monetary stance is appropriate and will not tighten until there is significant progress on inflation goal, which we reckon will not happen in the foreseeable future. The sterling lost ~100pips in immediate response to the announcement.
- **No change in BOJ monetary policy as expected:** BOJ stood pat and turned less pessimistic on the economy. Monetary policy was kept unchanged with negative interest rates of -0.1% and no change in its asset purchase program. BOJ remains more accommodative than other major central banks, hence limiting its ability to ease more going forward.
- **US housing data and Philly Fed business outlook weaker; jobless claims stabilizing at the highs:**
 - Housing starts fell more than expected by 5.1% MOM in August, snapping three months of double-digit increase. July's gain was revised lower to 17.9% MOM (Jul: +22.6% MOM) while six-month average starts unit has been moderating for the 5th straight month.
 - Building permits unexpectedly fell 0.9% MOM in August (Jul: +17.9% MOM revised). Both indicators indicated risks to the recent spikes in the housing market.
 - Philly Fed business outlook moderated to 15.0 in September as expected (Aug: 17.2). The 3rd consecutive month of easing after the rebound in June spells risks to the recovery momentum ahead.
 - Initial jobless claims turned in slightly lower at 860k for the week ended 12-Sept (prior 893k revised), its lowest in six months but continue hovering at the 1.0 million mark, signalling challenges in returning to pre-pandemic levels.
- **Eurozone confirmed in deflation for the first time in four years:** August final reading of CPI confirmed that Eurozone has slipped into deflation, by falling 0.2% YOY as initially estimated in August (Jul: +0.4% YOY), amid softer prices across the board led by decline in energy prices. This is the first negative print in four years and core CPI moderated sharply from +1.2% to +0.4% YOY.
- **Japan inflation softened as expected:** Headline CPI softened to 0.2% YOY as expected in August (Jul: +0.3% YOY) while core CPI ex-food & energy fell 0.1% YOY (Jul: +0.4% YOY). Quicker gain in food (especially fresh food) was offset by declines in utilities, education & entertainment.
- **Marked improvement in Australia job market:** Employment change registered a surprise 111.0k increase in August (Jul: 119.2k revise). Unemployment rate also surprised by improving to 6.8% in August (Jul: 7.5%), its lowest in four months, with an estimated half of the job losses since the pandemic has been recovered. The latest job report echoed RBA's comment that recovery is underway in other states save for Victoria which was hit by another virus wave.

Forex

MYR (Neutral)

- MYR weakened for the first time in five days, amid a firmer USD in Asian session. USDMYR hit an intraday high of 4.1485 before pulling back to end the day weaker by only 0.10% at 4.1370. We remain neutral on MYR despite a weaker USD overnight, anticipating some selling pressure ahead of the weekend.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

USD (Neutral-to-Bearish Outlook over 1 Week Horizon)

- DXY started Thursday with a high of 93.592 but soon dipped significantly to 92.97 at close. This came as EUR staged a recovery. A dip below the range since 7 Sep of 92.7-93.662 may pose further downside moves.
- **Factors supporting:** Risk aversion, US-China relations
- **Factors against:** Volatility, positive developments from global policymakers, poor US economy, US stimulus

EUR (Neutral)

- EUR/USD rebounded back to 1.185 levels after dipping to a low of 1.1738 on Thursday. We see EUR/USD trading within a range of 1.1750-1.1900 for now.
- **Factors supporting:** USD weakness, Europe economic recovery
- **Factors against:** Risk aversion, Faltering fundamentals

GBP (Neutral-to-Bearish)

- GBP/USD stayed volatile within a narrow range on Thursday, still hovering below 1.30. The recent recovery since 11 September seems to be fading and may reverse if Brexit news are unfavourable. Bank of England was open towards cutting rates further and exploring negative rates, as markets anticipate further easing.
- **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 continued a move downwards, the trend since 14 September. Pair saw a 104.53 but is last seen steady.
- **Factors supporting:** New prime minister's directives, BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral)

- AUD/USD's registered a modest rebound on Thursday, opening just above 0.73. Since 10 September, pair has traded around 0.725-0.735 amid a modest bid tone. A move beyond the range may signal further directional momentum.
- **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 rebounded initially on Thursday to an intraday high of 1.3629. But pair reverted back to a 1.3564 low thereafter. With a Friday open close to the low, we may see further moves towards 1.355.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **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**DISCLAIMER**

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