

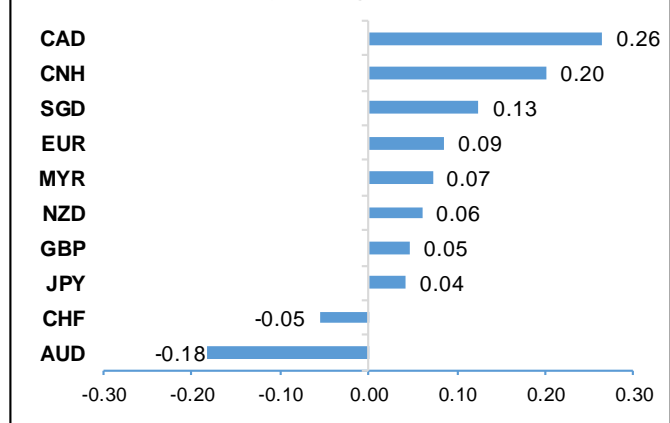
Global Markets Research
Daily Market Highlights
Key Takeaways

- US main benchmarks closed on a mixed note on Friday despite better than expected retail sales data.** The Dow Jones added 0.4% DOD; the S&P500 was flat and NASDAQ shed 0.4%. Nonetheless, on a weekly basis, all benchmarks managed to stay at positive territories thanks to the rally earlier of the week. Treasury yields remained flat overall on Friday, recording slight increases of 0.4 to 1.5bps. 10Y UST yield was up by 1.3bps to 0.746%. Gold futures slipped by 0.1% to \$1900.8/oz alongside a mixed US dollar. Oil prices retreated further on Friday; Brent crude fell 0.5% to \$42.93/barrel while WTI recorded smaller decline of 0.2% to \$40.88/barrel.
- US retail sales data beat expectation but industrial production disappointed.** Consumer sentiment also appeared to be flat. Eurozone trade continued to recover but still below pre-pandemic levels; meanwhile inflation remained subdued. **Japan exports recovered to level prior to the pandemic.** Markets would pay attention to China's 3Q GDP data as well as its key economic indicators today to gauge its recovery progress. There is also renewed US-China tension as Beijing threatened to detain US nationals in China in response to the US Justice Department's prosecution of Chinese military-affiliated scholars. In the US, House Speaker Pelosi had set a 48-hour deadline for the White House to reach a stimulus deal.
- DXY stayed relatively range bound on Friday, slightly down by 0.2% to 93.682;** most currencies traded within recent ranges against the dollar; AUD weakened a little; CAD strengthened slightly. We see a range mostly within 93.0-94.7 for now, given event risk related (election, stimulus) volatility. For the week ahead, retail sales, industrial production and Markit PMI figures will likely be key market focus on fundamentals.
- USD/MYR closed little changed (-0.07%) on Friday at 4.1505,** but wrapping up the week with a weekly gain of 0.4% mainly thanks to the rally on last Monday. Looking ahead, we turn neutral on USD/MYR this week, expecting the pair to trade at circa 4.15; within a wide range of 4.13-4.17 given that USD is subject to volatility ahead of the US election which is less than three weeks away.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,606.31	0.39	0.24
S&P 500	3,483.81	0.01	7.83
FTSE 100	5,919.58	1.49	-21.52
Hang Seng	24,386.79	0.94	-13.49
KLCI	1,503.84	-0.67	-5.35
STI	2,533.02	0.37	-21.40
Dollar Index	93.68	-0.19	-2.81
WTI oil (\$/bbl)	40.88	-0.20	-33.05
Brent oil (\$/bbl)	42.93	-0.53	-34.95
Gold (\$/oz)	1,900.80	-0.13	24.80
CPO (RM/tonne)	3,023.50	-0.79	-0.07

Source: Bloomberg

FX Daily Change vs USD (%)


Source: Bloomberg

Overnight Economic Data

US	→	Eurozone	→
UK	↑	Japan	↑
New Zealand	↑		

Up Next

Date	Event	Prior
19/10	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
20/10	AU RBA Minutes of Oct. Policy Meeting	
	CN 1-Year Loan Prime Rate (20 Oct)	3.85%
	US Building Permits MoM (Sep)	-0.5%
	US Housing Starts MoM (Sep)	-5.1%

Source: Bloomberg

Macroeconomics

- **US data offered mixed signals on economic recovery:**
 - September's retail sales beat expectations with a growth of 1.9% MOM (Aug: +0.6%), marking its fifth consecutive month of growth. Analysts' expectation had been for a 0.8% increase. The so-called retail sales for control group also picked up 1.4% MOM (Aug: -0.3%), offering some comfort that consumer spending has yet to lose steam.
 - Industrial production data disappointed, registering a decline of 0.6% MOM in September (Aug: +0.4%). This comes after four straight months of output gains; analysts were expecting a growth of 0.5%. Federal Reserve said that Sep print was still 7.1% below its pre-pandemic February level. Manufacturing was down by 0.3% MOM; utilities fell 5.6% MOM thanks to lower demand for air-conditioning.
 - The University of Michigan Consumer Sentiment Index was little changed at 81.2 in October (Sep: 80.4) as "slowing employment growth, the resurgence in covid-19 infections, and the absence of additional federal relief payments" prompted concerns about the current economic conditions.
- **Eurozone trade grew for fourth months; inflation subdued:**
 - Eurozone trade surplus widened to €21.9b in August (Jul: €19.3) as exports growth outweighed imports growth; Aug print also marked international trade's fourth consecutive months of increases. Nonetheless both exports and imports have not fully recovered to their monthly pre-pandemic levels of circa €190-200b and €170b respectively.
 - The HICP inflation recorded its first positive reading in September at +0.1% MOM (Aug: -0.4%) since June. This still translates to a YOY decline of 0.3% (Aug: -0.2%), confirming the lack of price pressure in the system.
- **UK house prices rose in October:** The Rightmove House Price Index rose by 1.1% MOM in October (Sep: +0.2%), following a small increase in the previous month. This translates to 5.5% YOY gain (Sep: +5%). Asking prices for houses continued to increase in the UK as housing demand rose despite a pandemic.
- **Japan exports recovered to near pre-pandemic level:** Japan trade surplus widened to ¥675b in September (Aug: ¥248.6b), its largest since February. Exports fell by 4.9% YOY (Aug: -14.8%) while imports registered a much larger decrease of 17.2% YOY (Aug: -20.8%). On a monthly basis, exports rose nearly 16% to ¥6.06trillion in September, its first above-¥6trillion level since March (the government had imposed nationwide lockdown in April before reopening the economy in June) offering some positive signs that exports are climbing back to pre-pandemic level.
- **New Zealand services sector rebounded:** New Zealand Performance of Services Index rose to 50.3 in September (Aug: 47.2 thanks to a recovery in sales and new orders. This is in line with the rebound in manufacturing after the lockdown in Auckland ended.

Forex

MYR (Neutral)

- USD/MYR closed little changed (-0.07%) on Friday at 4.1505, but wrapping up the week with a weekly gain of 0.4% mainly thanks to the rally on last Monday. Looking ahead, we turn neutral on USD/MYR this week, expecting the pair to trade at circa 4.15; within a wide range of 4.13-4.17 given that USD is subject to volatility ahead of the US election which is less than three weeks away.
- **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 stayed relatively range bound on Friday, slightly down. We see a range mostly within 93.0-94.7 for now, given event risk related (election, stimulus) volatility. For the week ahead, retail sales, industrial production and Markit PMI figures will likely be key market focus on fundamentals.
- **Factors supporting:** Risk aversion, US-China relations
- **Factors against:** Volatility, positive developments from global policy makers, poor US economy, US stimulus

EUR (Neutral)

- EUR/USD slightly crept up above 1.17 on Friday. Going forward, we see a wide range of 1.165-1.184. Pair may examine 1.18 resistance at some point if market sentiments improve. If 1.1612 support is broken, expect trend much lower. For the week ahead, Markit PMI data will likely be keenly watched.
- **Factors supporting:** USD weakness, Europe economic recovery
- **Factors against:** Risk aversion, Faltering fundamentals

GBP (Neutral-to-Bearish)

- After GBP/USD stayed just above 1.29 on Friday, we stay slightly bearish on the GBP on event risks (Brexit) and sentiments. 1.2850 a key support before turning to 1.275. We do not expect a return to 1.30 for now, due to domestic Covid outbreak.
- **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 remained within a relatively narrow range of 105.2-105.4 on Friday. Some global volatility has the potential to break USD/JPY below 105. Otherwise, pair may mostly trade within 105-106 range.
- **Factors supporting:** New prime minister's directives, BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD stayed around 0.7080 levels on Friday, opening the week with a bid towards 0.71. We fear some risk aversion may weaken AUD. A break away of the 0.70 support can bring AUD/USD lower towards the c.0.68 200-day MA. For the week ahead, focus is on RBA meeting minutes, which may contain little surprises.
- **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 dipped on Friday and opened Monday with a test of sub-1.3580 levels. We are slightly bearish of the SGD 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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