Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks plunged on the first day of the week amid stimulus talk uncertainty ahead of the General Election**. A spoke person said that House Speaker Pelosi and Secretary Mnuchin continued to "narrow their differences" on the aid package. Pelosi had over the weekend, given the White House a 48-hour deadline to come to an agreement. The Dow Jones shed 410pts or 1.4% DOD; the S&P500 lost 1.6% and NASDAQ was down by 1.7% on Monday. This came after **stocks fell in Europe but ended on mixed note in Asia Pacific.**

- **Treasury yields rose 0.2 to 3.1bps overall as investors monitored the stimulus talks.** 10Y UST yield picked up 2.3bps to 0.77%. Gold futures rose slightly by 0.3% to $1906.4/oz as the dollar weakened. **Oil prices fell for the third consecutive sessions** as OPEC+ held meeting and amid concerns over demand outlook given that a new wave of Covid-19 has triggered stricter containment measures in Europe. Brent crude fell 0.7% to $42.62/barrel while WTI was down slightly by 0.1% to $40.83/barrel.

- **On the data front, US NAHB Housing Market Index edged up to a fresh record,** signaling upbeat homebuilding sentiment. **China 3Q GDP growth picked up less than expected at 4.9% YOY** while other economic indicators continued to recover. **The RBA is publishing its latest meeting minutes today and market is looking for clues regarding future monetary easing** especially after RBA Governor Lowe said in a speech last week that the central bank could cut rate further to 0.1%. Elsewhere, the **PBOC is expected to maintain its 1-year loan prime rate at 3.85%.**

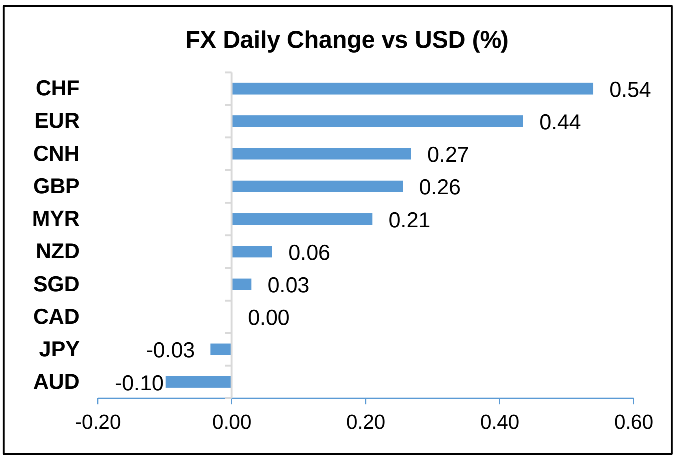
- The dollar index slipped by 0.27% to 93.43. CHF, EUR and GBP strengthened against the USD while AUD weakened marginally; JPY and CAD were flat. We expect USD to stay **neutral** this week amid continuous cautiousness ahead of the US general election.

- USD/MYR closed 0.21% lower at 4.1418 on Monday. We remain **neutral on USD/MYR** this week, expecting the pair to trade at circa 4.14-4.15; within a potentially wide range of 4.13-4.17 given that USD is subject to volatility ahead of the US election (3 Nov) which is just around the corner.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,195.42	-1.44	-1.20
S&P 500	3,426.92	-1.63	6.07
FTSE 100	5,884.65	-0.59	-21.98
Hang Seng	24,542.26	0.64	-12.94
KLCI	1,518.11	0.95	-4.45
STI	2,543.57	0.42	-21.08
Dollar Index	93.43	-0.27	-3.07
WTI oil ($/bbl)	40.83	-0.12	-33.13
Brent oil ($/bbl)	42.62	-0.72	-35.42
Gold (S/oz)	1,906.40	0.29	25.17
CPO (RM/tonne)	2,995.00	-0.94	-1.01

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	China	↑

Up Next

Date	Event	Prior
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%
21/10	AU Westpac Leading Index MoM (Sep)	0.48%
	NZ Credit Card Spending MoM (Sep)	-5.80%
	MA CPI YoY (Sep)	-1.40%
	UK CPI YoY (Sep)	0.20%
	US MBA Mortgage Applications (16 Oct)	-0.7%

Source: Bloomberg

Macroeconomics

- ***US homebuilding sentiment rose to record high:*** The NAHB Housing Market Index surprised on the upside, picking up to a fresh record high of 85 in October, from 83 in September. Analysts had been expecting the index to stay put at 83. The index, a key gauge of homebuilding sentiment in the US has now climbed for the sixth consecutive months. This reflects extremely upbeat sentiment among the US homebuilders as record-low interest rates continued to drive strong housing demand in the country.

- ***China at the forefront of recovery:***
  - China's GDP growth improved to 4.9% YOY in 3Q (3.2% in 2Q), bringing YTD growth to 0.7%. September data metrics highlighted further recovery, bringing economic activity closer to trend levels.
  - Industrial production surged in September (6.9% YOY; 5.6% prior), compared to the whole year. This was supported by manufacturing and mining. Autos, Machineries, general equipment, and metals all saw double-digit expansions, while food production is recovering.
  - Retail sales growth figures were also the strongest YTD, expanding by 3.3% YOY (0.5% a month ago). Demand for autos, cosmetics and jewellery were strong, hinting at broad consumer spending. There were slight drags from restaurants/catering and household electronics. A fall in the surveyed jobless rate (5.4% in September, from a peak of 6.2% in February) is likely to support consumer spending ahead.
  - Meanwhile, fixed asset investment (FAI) growth improved further to 0.8% YOY YTD (-0.3% previous). This translates to an almost 10% YOY increase in September (our estimates). Property investment was also buoyant at 5.6% YOY YTD (4.6% prior).

Forex

MYR (Neutral)

- USD/MYR closed 0.21% lower at 4.1418 on Monday. We remain neutral on USD/MYR this week, expecting the pair to trade at circa 4.14-4.15; within a potentially wide range of 4.13-4.17 given that USD is subject to volatility ahead of the US election (3 Nov) which is just around the corner.
- **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 is now partially recovering after a dip to an intraday low of 93.21 on Monday. DXY was as high as 93.7 on Monday open. We see a range mostly within 93.0-94.7 for now, given event risk related (election, stimulus) volatility. US data may move the dollar if event risks fail to materialise.
- **Factors supporting**: Risk aversion, US-China tensions
- **Factors against**: Volatility, positive developments from global policymakers, US stimulus

EUR (Neutral)

- EUR/USD surged to an intraday high of 1.1794 from close to 1.1710 levels on Monday. This was helped by dollar weaknesses. Going forward, we see a wide range of 1.1650-1.1840. Pair may examine 1.18 resistance at some point if market sentiments improve. If 1.1612 support is broken, expect a move much lower. Markit PMI data will likely be keenly watched on Friday.
- **Factors supporting**: USD weakness, Europe economic recovery
- **Factors against**: Risk aversion, Faltering fundamentals

GBP (Neutral-to-Bearish)

- Although GBP/USD touched 1.30, it came off to c. 1.2950 levels thereafter, slightly up overall on Monday. We stay slightly bearish on the GBP on event risks (Brexit) and sentiments. 1.2850 a key support before turning to 1.2750. 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 traded with a bid on Tuesday open with a high of 105.60 after being more range bound around 105.40 on Monday. Some global volatility has the potential to break USD/JPY below 105. Otherwise, pair may mostly trade within 105-106 range.
- **Factors supporting**: BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD came off despite dollar weaknesses. Pair opened Tuesday with a low of 0.7046 after being as high as 0.711 on Monday. This came from dovish comments from RBA, which increased expectations of a rate cut. 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.
- **Factors supporting**: Resilient economy, USD weakness
- **Factors against**: Risk aversion, new Covid-19 wave, China-Australia relations

SGD (Neutral-to-Bearish)

- USD/SGD stayed relatively stable on Monday, mostly around 1.3570-1.3580. Pair opened Tuesday slightly up from the previous day's 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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