

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

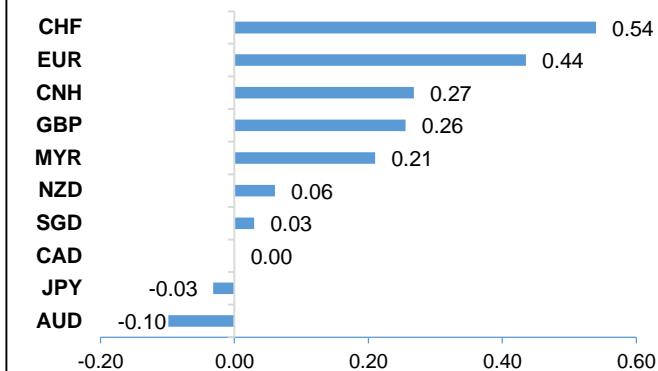
- US stocks plunged on the first day of the week amid stimulus talk uncertainty ahead of the General Election.** A spoke person said that House Speaker Pelosi and Secretary Mnuchin continued to “narrow their differences” on the aid package. Pelosi had over the weekend, given the White House a 48-hour 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 (\$/oz)       | 1,906.40   | 0.29  | 25.17  |
| CPO (RM/tonne)     | 2,995.00   | -0.94 | -1.01  |

Source: Bloomberg

#### FX Daily Change vs USD (%)



Source: Bloomberg

#### Overnight Economic Data

| US    | China  |   |
|-------|--|---|
|       | ▲  |   |
|       |  | Up Next                                     |
| Date  | Event  | Prior                                       |
| 20/10 | AU RBA Minutes of Oct. Policy Meeting<br>CN 1-Year Loan Prime Rate (20 Oct)<br>US Building Permits MoM (Sep)<br>US Housing Starts MoM (Sep)              | 3.85%<br>-0.5%<br>-5.1%                     |
| 21/10 | AU Westpac Leading Index MoM (Sep)<br>NZ Credit Card Spending MoM (Sep)<br>MA CPI YoY (Sep)<br>UK CPI YoY (Sep)<br>US MBA Mortgage Applications (16 Oct) | 0.48%<br>-5.80%<br>-1.40%<br>0.20%<br>-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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