20 November, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks closed higher overnight,** rebounding from recent losses, **powered by rally in energy and tech shares.** The Dow and S&P500 rose modestly by 0.2% and 0.4% while NASDAQ added 0.9%. **Vaccine news still dominates headlines in general but questions focus on distribution.** President Trump still refuses to concede and makes way for smooth transition. **Republicans and Democrats at Capitol Hill are expected to restart stimulus talks**. Treasury yields fell 1.2 to 5.5bps across the curve on higher-than-expected initial jobless claims alongside concerns over the surging virus during Thanksgiving holidays. The US continued to report more than 100k daily new confirmed Covid-19 cases and holiday travelling risks boosting the number. 10Y UST yield was 4.1bps lower at 0.829%.

- Gold futures extended losses by 0.7% to $1861.50/oz as the dollar saw mixed performances. The EUR strengthened modestly while NZD and AUD weakened; JPY, CAD, CHF and GBP were flat. The dollar index was again almost unchanged at 92.33. Oil prices were down. Crude Brent crude slipped 0.3% to $44.2/barrel and WTI snapped winning streak (-0.2%) to settle at $41.74/barrel. **Bank Indonesia cut its benchmark 7-day reverse repo rate by 25bps to a record low of 3.75%,** its first reduction in four months; The Philippine's Banko Sentral Ng Pilipinas (**BSP) also delivered a surprise 25bps cut** to its overnight reverse repo rate to a new low of 2.00%.

- US data were mixed as **initial jobless claims rose for the first time in five weeks** that signals slower job growth; existing home sales beat expectation to record a solid growth. Regional manufacturing gauge point to slower expansion. **UK consumer confidence turned gloomier. Japan core CPI fell sharply. Australia reported upbeat job data.**

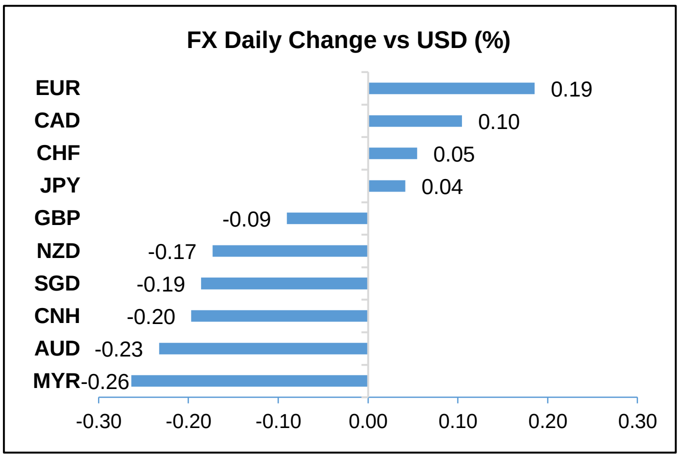
- DXY continued its bearish volatile move on Thursday but largely within the 92.0 handle. Despite the higher move to 92.72 in Asian session, the Dollar Index failed to hold on to its gains, and was down slightly to 92.29 at close. The USD traded mixed against the majors. Renewed stimulus talk will unlikely have a significant bearing on the USD overall bearishness in the near term in our view, hence no change to our **neutral-to-bearish** for the week ahead, more for EM than G10 FX. However, post-US election risks and Covid-19 still remain. Low of 92.13 eyed before immediate support around 91.70, with a rebound likely to test 93.50 resistance.

- USD/MYR snapped five-day losing streak on Thursday, rebounding by 0.26% to 4.0980. We are **neutral** on the pair as markets are weighing multiple headlines and cautious sentiment is likely to benefit the USD today ahead of the weekend, potentially sending the pair back above 4.10.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,483.23	0.15	3.31
S&P 500	3,581.87	0.39	10.87
FTSE 100	6,334.35	-0.80	-16.02
Hang Seng	26,356.97	-0.71	-6.50
KLCI	1,583.68	-1.31	-0.32
STI	2,777.00	-0.42	-13.83
Dollar Index	92.29	-0.02	-4.25
WTI oil ($/bbl)	41.74	-0.19	-31.64
Brent oil ($/bbl)	44.20	-0.32	-33.03
Gold (S/oz)	1,861.50	-0.66	22.20
CPO (RM/tonne)	3,502.50	-0.33	15.77

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	UK	↓
Japan	↓	Australia	↑

Up Next

Date	Event	Prior
20/11	JP Jibun Bank Japan PMI Mfg (Nov P)	48.7
	JP Jibun Bank Japan PMI Services (Nov P)	47.7
	NZ Credit Card Spending MoM (Oct)	1.0%
	MA Foreign Reserves (13 Nov)	$104.6b
	UK Retail Sales Inc Auto Fuel MoM (Oct)	1.5%
	HK CPI Composite YoY (Oct)	-2.2%
	EU Consumer Confidence (Nov A)	-15.5
23/11	SG CPI YoY (Oct)	0.0%
	EU Markit Eurozone Manufacturing PMI	54.8
	EU Markit Eurozone Services PMI (Nov P)	46.9
	UK Markit UK PMI Manufacturing SA (Nov	53.7
	UK Markit/CIPS UK Services PMI (Nov P)	51.4
	US Chicago Fed Nat Activity Index (Oct)	0.27
	US Markit US Manufacturing PMI (Nov P)	53.4
	US Markit US Services PMI (Nov P)	56.9

Source: Bloomberg

Macroeconomics

- ***US initial jobless claims higher than expected; existing home sales beat estimates:***
  - US Initial Jobless Claims unexpectedly rose for the first time in five weeks to 742k for the week ended 14 November (prior: 711k revised), again suggesting that job growth has slowed. Consensus had been expecting new claims to remain little changed at 700k.
  - Continuous claims fell to 6.4mil as of 7 Nov (prior: 6.8mil), extending its current downtrend as unemployed Americans gradually exhaust their 26-week benefit program. The number of claims for the extended pandemic benefits meanwhile rose further to near 4.38mil as of 30 Oct (prior: 4.14mil), a clear sign that many were still unable to obtain jobs.
  - The Philadelphia Fed Business Outlook index fell to 26.3 in November (Oct: 32.3) while the Kansas City Fed Manufacturing Index was lower at 11 in the same month (Oct: 13), signalling slower manufacturing growth.
  - The Conference Board Leading Index rose 0.7% MOM in October (Sep: 0.7%) as higher stock prices, improvement in job data, ISM new orders, consumer goods orders are expected to drive growth in the US.
  - Existing home sales picked up for the fifth straight month by 4.3% MOM in October (Sep: +9.9% revised), beating consensus expectation for a 1.1% decline. Sales hit an annualised rate of 6.85mil units, the highest level since 2005; the latest print joined a series of upbeat housing data to paint a picture of robust US housing market.

- ***UK consumer confidence turned gloomier:*** The GfK Consumer Confidence Index fell to -33 in November (Oct: -31), reflecting gloomier sentiment among UK consumer. The latest print was the index's lowest level in six months as the surge in Covid-19 cases led UK government to impose a new national lockdown.

- ***Sharper fall in Japan's core CPI:*** Deflation in the US deepened further in Japan as the CPI ex-fresh food, the BOJ's main gauge of inflation fell 0.7% YOY in October (Sep: -0.3%). This was core inflation's steepest decline recorded since the first quarter of 2011, reflecting the impact of the pandemic on Japan's already subdued prices.

- ***Australia reported upbeat job numbers:*** Australia added more jobs than expected in October. Headline new employment numbers totaled 178.8k in October (Sep: -29.5k). This reflects gain in both the full-time (+97k) and part-time (+82k) segments. Unemployment rate rose to 7.0% (Sep: 6.9%) as participation rate went up (65.8% vs 64.8%) which indicates the return of workers into the workforce

Forex

MYR (Neutral)

- USD/MYR snapped five-day losing streak on Thursday, rebounding by 0.26% to 4.0980. We are neutral on the pair as markets are weighing multiple headlines and cautious sentiment is likely to benefit the USD today ahead of the weekend, potentially sending the pair back above 4.10.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, domestic politics, second lockdown.

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

- DXY continued its bearish volatile move on Thursday but largely within the 92.0 handle. Despite the higher move to 92.72 in Asian session, the Dollar Index failed to hold on to its gains, and was down slightly to 92.29 at close. The USD traded mixed against the majors. Renewed stimulus talk will unlikely have a significant bearing on the USD overall bearishness in the near term in our view, hence no change to our **neutral-to-bearish** for the week ahead, more for EM than G10 FX. However, post-US election risks and Covid-19 still remain. Low of 92.13 eyed before immediate support around 91.70, with a rebound likely to test 93.50 resistance.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD led gains (+0.19%) on Thursday to close at 1.1875, just a tad shy of its intraday high. Momentum remained weak overall despite a weaker USD. Event risks and poor fundamentals may cap upside on the EUR near-term. Resistance at 9 November high of 1.1920.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD weakened for the first time in five days, registering a minor 0.09% lose to 1.3261. The sterling traded mixed against the majors. We remain **neutral** on the GBP, expecting a rangetrading mode between the 1.30-1.33 handles. Brexit negotiations remain slow as the deadline of a trade deal nears (transition period ends 31st December).
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral-to-slightly bullish)

- USD/JPY has been declining steadily over the past week, but was seen registering a milder drop of 0.04% to 103.76 at close. We continue to stay **neutral to slightly bullish** on the JPY after the break below 104.00, heading towards the 103.30-103.50 range. Momentum has turned negative, which could be reinforced by further USD weakness.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD saw another day of volatile trading on Thursday. Aussie was one of the worst performing currencies yesterday, weakening 0.23% DOD to 0.7288 at close, back below the 0.73 handle again. We maintain a range of 0.7100-0.7350 for now, supported by risk sentiments. Trade tensions between Australia and China may weigh against further gains above 0.74. However, dollar weakness should provide ample support.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD took a turn and climbed higher, up 0.19% DOD to 1.3447 as at Thursday's close. We are **neutral-to-bullish** on the SGD for the following week, with resistance at 1.3500 and 1.3410 the support barrier.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

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