

Global Markets Research

Daily Market Highlights

Key Takeaways

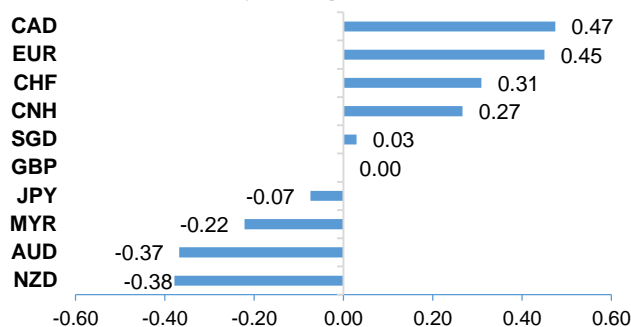
- US stocks rebounded on Tuesday as some renewed hope for US stimulus emerged.** According to the Wall Street Journal, House Speaker Nancy Pelosi said that the White House needs to reach a deal with the Democrats by the end of Tuesday if the government wants to pass another pandemic aid bill ahead of Nov 3 election. **The White House's offer has now gone up to \$1.88 trillion while Pelosi is reported to be pushing for \$2.2 trillion.** The Dow added 113pts or 0.4%, the S&P500 rose 0.5% while NASDAQ picked up 0.3%. Gains were broad-based across all sectors, saves for a small decline in consumer staples.
- Treasury yields were flat at the shorter end of the curve while the longer end picked up by 2-3bps.** 10Y UST yield closed at 0.786%. Gold futures edged up for the second session, by 0.2% to \$1910.4/oz as the USD saw mixed performances against major currencies; **Oil prices rebounded** from recent losses; Brent crude added 1.3% to \$43.16/barrel; WTI gained 1.5% to \$41.46/barrel. Data were scanty. **US housing starts and building permits both increased in September** as developers rushed to meet a robust housing demand. Earlier, **the RBA's meeting minutes signaled additional easing as soon as November**, pressuring the AUD.
- The dollar index fell by 0.39% to 93.07, marking its third back-to-back daily decline. AUD and NZD weakened against the dollar after the release of the RBA's dovish meeting minutes. CAD, EUR and CHF strengthened while JPY and GBP were flat. We are still **neutral on USD** and 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.
- USD/MYR retraced Monday's losses; adding 0.22% back to 4.1510 on Tuesday; We remain **neutral on USD/MYR**, 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 amid stimulus talks uncertainties and ahead of the US election (3 Nov) which is just around the corner.

Market Snapshots

| | Last Price | DoD % | YTD % |
|--------------------|------------|-------|--------|
| Dow Jones Ind. | 28,308.79 | 0.40 | -0.80 |
| S&P 500 | 3,443.12 | 0.47 | 6.57 |
| FTSE 100 | 5,889.22 | 0.08 | -21.92 |
| Hang Seng | 24,569.54 | 0.11 | -12.84 |
| KLCI | 1,510.97 | -0.47 | -4.90 |
| STI | 2,528.64 | -0.59 | -21.54 |
| Dollar Index | 93.07 | -0.39 | -3.45 |
| WTI oil (\$/bbl) | 41.46 | 1.54 | -32.10 |
| Brent oil (\$/bbl) | 43.16 | 1.27 | -34.61 |
| Gold (\$/oz) | 1,910.40 | 0.21 | 25.43 |
| CPO (RM/tonne) | 2,935.00 | -2.18 | -2.99 |

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US 

Up Next

| Date | Event | Prior |
|---|---------------------------------------|---|
| 21/10 | NZ Credit Card Spending MoM (Sep) | -5.8% |
| | MA CPI YoY (Sep) | -1.4% |
| | UK CPI YoY (Sep) | 0.2% |
| | US MBA Mortgage Applications (16 Oct) | -0.7% |
| | 22/10 | US U.S. Federal Reserve Releases Beige Book |
| 22/10 | AU NAB Business Confidence (3Q) | -15.0 |
| | MA Foreign Reserves (15 Oct) | \$105.0b |
| | HK CPI Composite YoY (Sep) | -0.40% |
| | US Initial Jobless Claims (17 Oct) | 898k |
| | US Leading Index (Sep) | 1.2% |
| | EU Consumer Confidence (Oct A) | -13.9 |
| | US Existing Home Sales MoM (Sep) | 2.4% |
| US Kansas City Fed Manf. Activity (Oct) | 11.0 | |

Source: Bloomberg

Macroeconomics

- **US homebuilding activity rose in September to meet robust housing demand:**
 - Housing starts rose 1.9% MOM in September (Aug: -6.7%) to a seasonally adjusted annual rate of 1.42mil units. This is below analysts' expectation of a bigger 3.5% growth.
 - Building permits meanwhile beat expectation with 5.2% MOM gain (Aug: -0.5%) to a seasonally adjusted annual rate of 1.55mil units. Analysts initially expected permits to increase only 3%.
 - The rebound in both housing starts and building permits confirmed the robust homebuilding activity in the US as construction companies continued to raise supply to meet the post-lockdown housing demand that is in large part driven by low interest rates.
- **RBA minutes indicate further monetary easing:** The RBA's latest meeting minutes disclosed that policy makers discussed the options of "reducing the targets for the cash rate and the 3-year yield towards zero, without going negative, and buying government bonds further along the yield curve". Members also discussed the implications monetary policy abroad and their implications on the AUD. As the economy opens up, members considered it reasonable to expect that further monetary easing would gain more traction. Further easing would help reduce financial stability risks by strengthening the economy and private sector balance sheets. On the nature of its forward guidance, RBA decided to place more weight on "actual" inflation, meaning not forecast before making decision on raising the cash rate in the future. "Addressing the high rate of unemployment" was also stated as an important national priority.

Forex

MYR (Neutral)

- USD/MYR retraced Monday's losses; adding 0.22% back to 4.1510 on Tuesday; We remain neutral on USD/MYR, 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 amid stimulus talks uncertainties and 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 weakened on Tuesday, down to just above 93. 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 headed higher, helped by dollar weakness. Pair reached an intraday high of 1.1841 before a slight retreat. Going forward, we see a wide range of 1.1650-1.1840. Another break of 1.1840 will likely shift attention to 1.19. 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)

- GBP/USD stayed relatively range bound around 1.2940 on Tuesday. 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 reached a high of 105.75 on Tuesday, but came off thereafter to sub-105.50 levels. 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 touched a low of 0.7021 on Tuesday, although now opening Wednesday around 0.7060 levels. This can be partly attributed to 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, Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bullish)

- USD/SGD continued a downward trend seen since 15 October, although only modestly moving lower to 1.3560 on Wednesday open. The recent trend may see a slowly strengthening SGD moving towards 1.35 big figure. Immediate resistance at 1.3624 high on 15 October
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China relations

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