Global Markets Research

Daily Market Highlights

Key Takeaways

- **Stocks sold-off in the US overnight, taking cue from the earlier drop in European and Asian equities** as risk-off sentiment took hold of global markets **amid renewed concerns of a potential lockdown in Europe as well as remote possibility of new US stimulus.** The Dow Jones lost nearly 510pts or 1.8% DOD while the broader S&P500 index was down by 1.2%. NASDAQ fell only 0.1%; tech was the sole gainer among 11 S&P500 sectors. Stoxx Europe 600 plunged by more than 3.0%; FTSE 100 tanked 4.4% as virus cases climbed in Europe. Retreating risk sentiment and doubts on economic recovery pushed longer end US treasury yields lower, flattening the curves. 10Y UST yield fell 3bps to 0.67%; 30Y yield was down by 4bps to 1.42%.

- Gold futures fell 2.6% to $1902.1/oz as the dollar strengthened markedly. **Oil prices also took a huge beating in a risk-off environment;** Brent crude tanked by nearly 4.0% to $41.44/barrel; US benchmark WTI lost 4.4% to $39.31/barrel. **Stock futures pointed to lower openings in Asian markets; focus was on Jerome Powell and Steven Mnuchin's testimony before Senate (Powell reiterated that the US economy faces a long and uncertain recovery), development on Tik Tok deal and potential UK lockdown.** Economic data are scant.

- **On the data front, latest releases painted a gloomy growth picture.** US Chicago Fed National Activity suggest slower growth; Hong Kong CPI was down by 0.4% and New Zealand credit card spending fell in August.

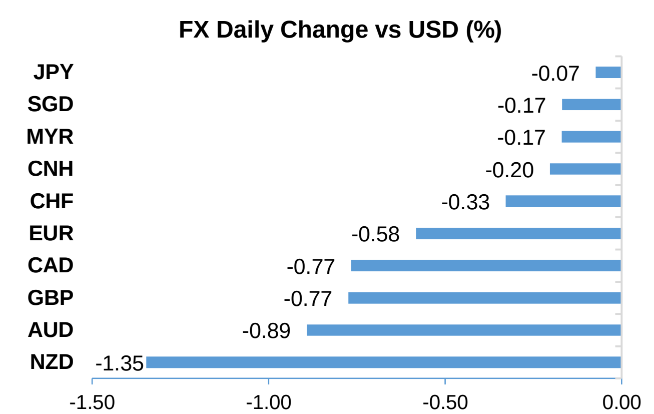
- On the FX front, USD strengthened against nearly all currencies; JPY was little changed; the dollar index jumped 0.79% to 93.66. This comes as Fed's Powell says that the US economy faces a long and uncertain recovery. Concerns on Covid-19 and economic stimulus supported **dollar strength** and we expect further volatility.

- USD/MYR rose 0.17% DOD to close at 4.1225 on Monday. The jump in USD overnight is expected to pave the way for a **bullish USDMYR** today as retreating risk sentiment likely continue to favour the dollar. We continue to expect a range of 4.10-4.15 for the week with FTSE Russell announcement posing some event risks on the local unit.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,147.70	-1.84	-4.87
S&P 500	3,281.06	-1.16	1.56
FTSE 100	5,804.29	-3.38	-23.04
Hang Seng	23,950.69	-2.06	-15.04
KLCI	1,499.43	-0.48	-5.62
STI	2,485.71	-0.48	-22.87
Dollar Index	93.66	0.79	-2.84
WTI oil ($/bbl)	39.31	-4.38	-35.62
Brent oil ($/bbl)	41.44	-3.96	-37.21
Gold (S/oz)	1,902.10	-2.62	25.41
CPO (RM/tonne)	3,058.00	1.59	1.07

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↓	Hong Kong	↓
New Zealand	↓		

Up Next

Date	Event	Prior
22/09	EU Consumer Confidence (Sep A)	-14.7
	US Existing Home Sales MoM (Aug)	24.7%
	US Richmond Fed Manufact. Index (Sep)	18.0
23/09	JP Jibun Bank Japan PMI Mfg (Sep P)	47.2
	JP Jibun Bank Japan PMI Services (Sep P)	45
	NZ RBNZ Official Cash Rate (23 Sep)	0.25%
	MA CPI YoY (Aug)	-1.30%
	SG CPI YoY (Aug)	-0.40%
	MA Foreign Reserves (15 Sep)	$104.4b
	EU Markit Eurozone Manufacturing PMI	51.7
	EU Markit Eurozone Services PMI (Sep P)	50.5
	UK Markit UK PMI Manufacturing SA (Sep	55.2
	UK Markit/CIPS UK Services PMI (Sep P)	58.8
	US MBA Mortgage Applications (18 Sep)	-2.5%
	US FHFA House Price Index MoM (Jul)	0.90%
	US Markit US Manufacturing PMI (Sep P)	53.1
	US Markit US Services PMI (Sep P)	55

Source: Bloomberg

Macroeconomics

- ***US Chicago Fed National Activity Index indicates slower US growth:*** The Chicago Fed National Activity Index fell to 0.79 in August, from 2.54 in July, led by further moderation in the growth of production-related indicators. This suggests slower, but "still above-average" growth in the US according to Chicago Fed. Production and employment related indicators contributed positively to the headline index but sales, orders & inventory as well as personal consumption & housing category were negative contributor.

- ***Hong Kong CPI fell slightly in Aug:*** Consumer price index fell 0.4% YOY in August (Jul: -2.3%), marking its second month of decline (albeit smaller than analysts' expectation of -1.9%). CPI saw a sharper drop in July thanks to the government's one-time housing subsidy. Housing cost has risen slightly again in August (+0.6%) and this help offset the further decline in prices of food (away from home), clothing & footwear, durable goods, as well as utilities. Underlying CPI which took out the effect of government's one-off relief measures was only 0.1% YOY higher (Jul: +0.2%), indicating that prices pressure was largely muted.

- ***New Zealand credit card spending fell in Aug:*** Credit card spending in New Zealand fell 5.8% MOM in August (Jul: +2.2%), its first monthly decline in four months since the economy reopened. Credit card expenditure has risen in May, June and July as the post-lockdown pent-up demand made up for the record drop in the Mar-Apr period. August's fall suggests that spending has lost momentum despite well-contained virus in the country and economic activity has returned to normality. Credit card spending is 11.9% lower compared to the same month last year, extending its YOY losses to a six-month streak and spelled challenges to growth outlook going forward.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR rose 0.17% DOD to close at 4.1225 on Monday. The jump in USD overnight should push the pair higher today as retreating risk sentiment likely continue to favour the dollar.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, US-China relations, domestic politics, imposition of second lockdown

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

- DXY surged on Monday, rising 0.79% for the day. This comes as Fed's Powell says that the US economy faces a long and uncertain recovery. Concerns on Covid-19 and economic stimulus supported dollar strength and we expect further volatility.
- **Factors supporting**: Risk aversion, US-China relations
- **Factors against**: Volatility, positive developments from global policymakers, poor US economy, US stimulus

EUR (Neutral)

- EUR/USD dipped by one big figure on Monday, reaching a low of 1.1732 before a slight recovery. Pair is consolidating around 1.1765. We stay neutral within a 1.1750-1.1900 range.
- **Factors supporting**: USD weakness, Europe economic recovery
- **Factors against**: Risk aversion, Faltering fundamentals

GBP (Neutral-to-Bearish)

- GBP/USD almost reached the low on 11 September, falling to 1.2776 before a slight rebound. This came after it was as high as 1.30 the Friday before. GBP will be vulnerable to risk-off moods due to Brexit vulnerability.
- **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 corrected after reaching a MTD low of 104. Pair rebounded sharply back up towards 104.70 levels at the time of writing. Further risk aversion could trigger some further downward shifts.
- **Factors supporting**: New prime minister's directives, BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD dipped from above 0.73 levels to a low of 0.7199 on Tuesday. We turn slightly bearish now on AUD on possible risk off mood that can bring a further correction to a 0.70-0.72 range.
- **Factors supporting**: Resilient economy, USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral)

- USD/SGD reached a MTD low of 1.3543 on positive Asia mood, but soon pulled back sharply to around 1.3626 levels thereafter. Pair is now brought upwards by risk aversion. After looking constructive, SGD may turn more vulnerable from global shifts. We remove our slightly bullish call on the SGD due to current developments.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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