Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks closed lower on Wednesday as** stimulus negotiations continued in Washington with **both Democrats and White House effectively missing the Tuesday stimulus deadline** imposed by House Speaker Nancy Pelosi. Both sides were also said to be open to possibility of passing the aid package after the election. The Dow Jones fell 0.4%, the S&P500 was down slightly by 0.2% and NASDAQ lost 0.3%. Most sectors ended in the red except for consumer staples and communication services, supported by the rallies of Facebook, Google and Twitter.

- In the bond market, **the yield curve steepened** as treasury yields rose at the longer end of the curve, hitting multi-month highs amid stimulus uncertainty; yield on **benchmark 10Y UST broke the 0.80% handle for the first time since June**, settling at 0.823% (+3.7bps) while yield on 30Y UST rose to 1.635% (+4.4bps). **Gold futures gained more momentum** (+0.7%) to $1924.6/oz **as the dollar weakened further.** The resumption of Brexit talks meanwhile helped boost the sterling following days of uncertainty. **Oil prices plunged by more than 3.0% as US EIA reported a build-up of 1.9mil barrels in US gasoline stocks;** both Brent and WTI benchmarks fell sharply to settle at $41.73 and $40.03/barrel respectively. **Focus turns to the final presidential debate** between President Donald Trump and Democratic Nominee Joe Biden today.

- On the data front, US mortgage application rose slightly last week but applications to buy new homes declined for fourth straight weeks; **the Fed's Beige Book reported continued growth in the US.** UK CPI inflation saw modest recovery. Australia leading index signals recovery is underway while New Zealand credit card spending also increased. **Malaysia remained in transitory deflation.**

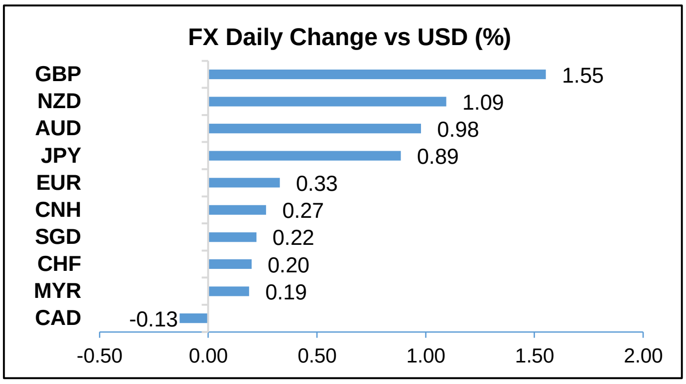
- The DXY slipped by 0.49% to below 93 as the dollar weakened against its key rivals except for CAD. USD was pressured by GBP gains which rallied by more than 1.5%, alongside NZD and AUD. After the break of the 93 support, we see some momentum for **further weaknesses in the USD**, especially if markets turn more optimistic. Event risk related (election, stimulus) cam trigger some volatility.

- USD/MYR closed 0.19% lower at 4.1430 on Wednesday; the weakness in USD persisted and is posing downside risk to our neutral outlook on USD/MYR this week. We turn **slightly bearish on USD/MYR** today as the dollar is likely to remain under pressure, likely breaking below 4.14.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,210.82	-0.35	-1.15
S&P 500	3,435.56	-0.22	6.34
FTSE 100	5,776.50	-1.91	-23.41
Hang Seng	24,754.42	0.75	-12.19
KLCI	1,492.40	-1.23	-6.07
STI	2,525.61	-0.12	-21.63
Dollar Index	92.61	-0.49	-3.92
WTI oil ($/bbl)	40.03	-3.45	-34.77
Brent oil ($/bbl)	41.73	-3.31	-36.77
Gold (S/oz)	1,924.60	0.74	26.36
CPO (RM/tonne)	2,956.00	0.80	-2.30

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	UK	↑
Australia	↑	New Zealand	↑
Malaysia	↓		

Up Next

Date	Event	Prior
22/10	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
23/10	NZ CPI YoY (3Q)	1.50%
	UK GfK Consumer Confidence (Oct)	-25
	JP Natl CPI Ex Fresh Food YoY (Sep)	-0.40%
	JP Jibun Bank Japan PMI Mfg (Oct P)	47.7
	JP Jibun Bank Japan PMI Services (Oct P)	46.9
	SG CPI YoY (Sep)	-0.40%
	UK Retail Sales Inc Auto Fuel MoM (Sep)	0.80%
	EU Markit Eurozone Manufacturing PMI	53.7
	EU Markit Eurozone Services PMI (Oct P)	48
	UK Markit UK PMI Manufacturing SA (Oct	54.1
	UK Markit/CIPS UK Services PMI (Oct P)	56.1
	US Markit US Manufacturing PMI (Oct P)	53.2
	US Markit US Services PMI (Oct P)	54.6

Source: Bloomberg

Macroeconomics

- ***US Fed Beige Book reported continued growth; mortgages to buy house fell for fourth week:***
  - The Federal Reserve's penultimate Beige Book of the year reported that economic activity continued to increase in all US Fed Districts; pace of growth were "slight to modest" in most Districts. Manufacturing, banking, residential sectors were growing but there was a "levelling off" of retail sales in some areas. Commercial real estate deteriorated and agriculture was mixed. Outlook is generally optimistic but with huge uncertainty. Employment growth remained slow and prices rose modestly.
  - Mortgage applications rose slightly by 0.6% for the week ended 16 Oct (prior: -0.7%), following the small increase in the previous week. Interestingly, applications to purchase homes have now declined for the fourth consecutive weeks; offering some early signs of sluggish demand for mortgages despite low interest rates.

- ***Moderate recovery in UK inflation:*** CPI rose 0.5% YOY in September (Aug: +0.2%) following a 5-year low in the previous month. Core CPI also recovered by adding 1.3% YOY (Aug: +0.9%). On a monthly basis, inflation rose 0.4% MOM in September (Aug: -0.4%). Despite some moderate recovery, headline CPI remained below the BOE's target of 2.0%, reflecting sluggish price pressure and weak spending.

- ***Australia Leading Index signals recovery underway:*** The Westpac-Melbourne Institute Leading Index six-month annualised growth rate rose substantially to -0.48% in September (Aug: -2.28%), indicating that growth momentum continues to show a significant improvement consistent with the Australian economy moving out of recession. Westpac said that RBA minutes "made it quite clear that the Board is preparing to further loosen policy settings". It expects the RBA to cut cash rate to 0.10% (from the current 0.25%) during its next meeting on 3 Nov.

- ***New Zealand Credit Card recorded modest growth in Sep:*** New Zealand credit card spending recorded 1.0% MOM growth in September (Aug: -5.6%), reflecting moderate rebound in consumer spending. This translates to a smaller YOY decline of 9.9% (Aug: -11.8%). Despite the reopening of the economy and relatively well contained outbreak, monthly spending has not recovered back to levels observed seen prior to the pandemic given the absence of tourists and cautious consumer sentiment.

- ***Malaysia sailing into 7th straight month of transitory deflation:*** Malaysia is now in transitory deflation for the 7th straight month, with its headline CPI falling by another 1.4% YOY in September, as a result of extended decreases in transport and utilities costs as well as benign food prices. Core CPI remained positive and hovered at 1.0% YOY in September (Aug: +1.1% YOY) while services inflation also held steady at 1.3% YOY. Headline CPI averaged -1.0% YOY in the first nine months of the year and looks set to hover close to current levels in the next few months before turning positive in March/ April. While the low base effect is expected to lift headline CPI back to the usual 2.0-3.0% levels next year, underlying inflation shall remain very modest and well-contained, in the absence of both supply as well as demand side drivers.

Forex

MYR (Bullish)

- USD/MYR closed 0.19% lower at 4.1430 on Wednesday; the weakness in USD persisted and is posing downside risk to our neutral outlook on USD/MYR this week. We turn slightly bearish on the pair today as the dollar is likely to remain under pressure, likely breaking below 4.14.
- **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 weakened further below 93 on Wednesday, after being as high as 93.7 on Monday open. After the break of the 93 support, we see some momentum for further weaknesses, especially if markets turn more optimistic. Event risk related (election, stimulus) cam trigger some volatility.
- **Factors supporting**: Risk aversion, US-China tensions
- **Factors against**: Volatility, positive developments from global policymakers, US stimulus

EUR (Neutral-to-Bullish)

- EUR/USD reached a high of 1.1881 on Wednesday, helped by dollar weakness. The break of 1.1840 will likely shift attention to 1.19. Pair opened Tuesday slightly down to around 1.1850 levels. 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-Bullish)

- GBP/USD outperformed and surged to a high of 1.3177 on Wednesday, before a slight retreat. This was helped by signs of progress in trade talks with the EU. This leads to our slightly bullish call on the GBP. However, some reversal disappointments may push the pair towards 1.30 again.
- **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 dipped to a low of 104.34 on Wednesday before a slight rebound up by Thursday open. JPY benefited from USD weakness. JPY may also benefit from risk aversion later on.
- **Factors supporting**: BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD rebounded on dollar weakness back above 0.71 big figure. However, Thursday open's trends eroded Wednesday's gains and pushed the pair to 0.71 again. 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, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bullish)

- USD/SGD reached a low of 1.3539 before closing at 1.3544 on Wednesday. Pair however traded in a bid tone on Thursday open close to 1.3560. 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

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