Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks closed higher overnight as investors continued to eye a stimulus deal in Washington** as House Speaker Nancy Pelosi said that a deal was "just about there", offering investors hope that a deal could be near. The prospect to pass an aid package bill prior to Nov 3 elections however seemed unlikely. **Markets were also supported by positive US data that confirmed ongoing economic recovery.** The Dow Jones and S&P500 gained 0.5% respectively while NASDAQ was up slightly by 0.2%.

- **Treasury yields extended upward climb** on the back of more upbeat sentiment. Overall yields rose 0.6 to 4.2bps along the curve. 10Y UST yield climbed 4bps to multi-month high of 0.856%. **Gold futures meanwhile retreated sharply** by 1.2% to $1901.1/oz, snapping a three-day winning streak. This came as **the dollar rebounded on positive US data**; DXY added 0.3% to just below 93; **GBP was the major loser, retracing gains from the most recent Brexit rally. Oil benchmarks rebounded on stimulus hope;** Brent crude recouped some recent losses and added 1.8% to $42.46/barrel; US WTI edged up by 1.5% to $40.64/barrel.

- On the data front, **US initial jobless claims were better than expected at 787k last week** while existing home sales surged to near-15 year high. Leading Index and Kansas City Fed Manufacturing gauge also signaled continued growth. Elsewhere, **Eurozone and UK consumer sentiment turned poorer;** Japan core CPI fell for second month; Hong Kong CPI fell sharply as government provided aid on rentals; New Zealand CPI inflation slowed while Malaysia foreign reserves continued to rise. **Focus today turns to US presidential debate; preliminary PMI data for Japan, UK, Eurozone and the US will also be keenly watched.**

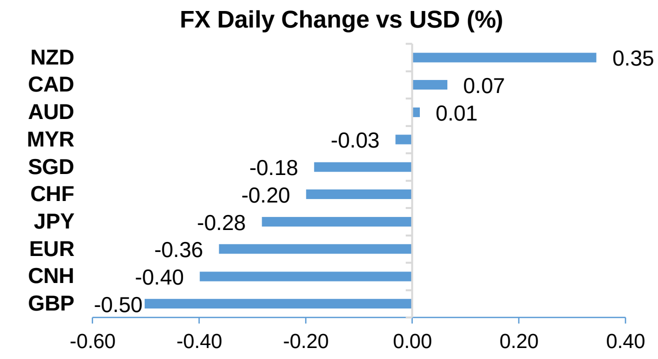
- DXY rebounded after the low of 92.47 seen on Wednesday, inching up to 93.0 by Friday open. After the previous break of the 93 support, we see some momentum for **further weaknesses**, especially if markets turn more optimistic. Event risk related (election, stimulus) can still trigger some volatility.

- USD/MYR finished little changed at 4.1445 on Thursday; The USD had rebounded overnight on the back of strong US data. we are **neutral to bullish** on the pair today ahead of the weekend as markets eye stimulus talks and US presidential debate; USD is still subject to volatility and ahead of the US election (3 Nov) which is just around the corner.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,363.66	0.54	-0.61
S&P 500	3,453.49	0.52	6.89
FTSE 100	5,785.65	0.16	-23.29
Hang Seng	24,786.13	0.13	-12.07
KLCI	1,498.80	0.43	-5.66
STI	2,528.41	0.11	-21.55
Dollar Index	92.95	0.37	-3.57
WTI oil ($/bbl)	40.64	1.52	-33.72
Brent oil ($/bbl)	42.46	1.75	-35.67
Gold (S/oz)	1,901.10	-1.22	24.82
CPO (RM/tonne)	3,030.00	2.50	0.15

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↓
UK	↓	Japan	↓
Hong Kong	↓	New Zealand	↓
Malaysia	↑		

Up Next

Date	Event	Prior
23/10	JP Jibun Bank Japan PMI Mfg (Oct P)	47.7
	JP Jibun Bank Japan PMI Services (Oct P)	46.9
	SG CPI YoY (Sep)	-0.4%
	UK Retail Sales Inc Auto Fuel MoM (Sep)	0.8%
	EU Markit Eurozone Manufacturing PMI	53.7
	EU Markit Eurozone Services PMI (Oct P)	48.0
	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
26/10	SG Industrial Production YoY (Sep)	13.7%
	US Chicago Fed Nat Activity Index (Sep)	0.79
	US New Home Sales MoM (Sep)	4.8%
	US Dallas Fed Manf. Activity (Oct)	13.6

Source: Bloomberg

Macroeconomics

- ***US initial jobless claims fell to 787k; existing home sales highest in nearly 15 years:***
  - Initial jobless claims came in better-than-expected at 787k for the week ended 17 Oct (prior: 842k). Consensus forecast stood at 870k. Lower number of new first-time claims offered some positive signals on the economy, nonetheless, overall job growth remained slow. Continuing claims fell to 8.37mil as at 10 Oct (prior: 9.4mil); the ongoing decline reflects claimers' gradual exhaustion of their 26-week program.
  - Existing home sales surged by 9.4% MOM in September (Aug: +2.0%) to a seasonally adjusted annual pace of 6.54mil, its highest since mid-2006. Analysts were expecting sales to grow 5.0%. September print was the latest to join a series of robust housing market data, as low interest rates continue to drive housing demand in the US.
  - The Conference Board Leading Index rose 0.7% MOM in September (Aug: +1.4%), its smallest gain in five months since the economy reopened in May, signaling more sluggish growth ahead. Growth was driven by smaller positive contribution from jobless claims while stock/equity prices and core capital orders were negative contributors.
  - Kansas City Fed Manufacturing Index rose to 13 in September (Aug: 11), indicating growth in the manufacturing sector.

- ***Eurozone consumer confidence turned grimmer as Covid-19 cases rose:*** The preliminary reading of the European Commission Consumer Confidence Index slipped to -15.5 in October (Sep: -13.9). Consumer sentiment turned grimmer this month as rising Covid-19 cases in Europe spurred renewed concerns over an already poor recovery prospect.

- ***UK consumer sentiment worsened in Oct:*** UK GfK Consumer Confidence plunged further to -31 in October (Sep: -25), below consensus forecast of -28. This marks the index's seventh consecutive month of double-digit reading. The deterioration of consumer sentiment reflects the rising cases of COvid-19 in the UK as well as the high uncertainty surrounding Brexit talks given the deadline (31 Dec 2020) for transition is approaching.

- ***Japan CPI fell for second month:*** Japan headline CPI was flat in September (Aug: +0.2%) while the closely watched core CPI (excluding fresh food) fell 0.3% YOY (Aug: -0.4%). This marks core inflation's second consecutive negative reading after staying unchanged for two months. Prices had now falling or either staying flat since April this year when the government declared nationwide emergency to contain the pandemic. Inflation remains way below the BOJ's 2.0% target, the struggle to climb back to positive territory is already immense, let alone achieving the central bank's goal.

- ***Hong Kong inflation fell 2.2% in September:*** Hong Kong consumer price inflation came in unexpectedly low at -2.2% YOY in September (Aug: -0.4%). Analysts' median forecast was for a minor 0.3% YOY decline. This reflects the 5.3% YOY fall in housing cost thanks to government's aid on public rent under the third round of anti-epidemic fund measures (announced in mid-Sep) which more than offset the surge in food prices. Prices of other key goods such as clothing and footwear as well as durable goods continued to fall, reflecting poor demand. The core CPI which removes the effect of government's one-off relieve measures rose 0.5% YOY (Aug: +0.1%).

Forex

MYR (Neutral to Bearish)

- USD/MYR finished little changed at 4.1445 on Thursday; The USD had rebounded overnight on the back of strong US data. we are neutral to bullish on the pair today ahead of the weekend as markets eye stimulus talks and US presidential debate; USD is still subject to volatility 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-to-Bearish Outlook over 1 Week Horizon)

- DXY rebounded after the low of 92.47 seen on Wednesday, inching up to 93 by Friday open. After the previous break of the 93 support, we see some momentum for further weaknesses, especially if markets turn more optimistic. Event risk related (election, stimulus) can still 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 dipped sharply on Friday open to below 1.18 after a high of 1.1881 on 21 October, dipping on Thursday. The previous break of 1.1840 will likely shift attention to 1.19. Markit PMI data will likely be keenly watched today.
- **Factors supporting**: USD weakness
- **Factors against**: Risk aversion, Faltering fundamentals

GBP (Neutral-to-Bullish)

- GBP/USD came off slightly on Thursday and Friday open, down to around 1.3067 at the time of writing. The high of 1.3177 on 22 October 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 traded in a bid since Thursday up towards the 105 big figure. This came after the low of 104.34 seen on 21 October. Going forward, JPY may 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 a little on Thursday, back to a high of 0.7139 on Friday open. However, pair looked to have reversed course after the high. 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**: USD weakness
- **Factors against**: Risk aversion, China-Australia relations, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD traded in a bid tone on Thursday, after the low of 1.3534 on 22 October. On Friday open, pair reached 1.3574 at the time of writing. We anticipate some volatility. A downward move 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

- ***New Zealand CPI disappointed:*** New Zealand consumer price inflation fell short of expectation, recording a 0.7% QOQ gain in 3Q (2Q: -0.5%). Consensus forecast was for a 0.9% rebound from the sharp fall in 2Q during the lockdown. This translates to a YOY inflation growth of 1.4% (2Q: +1.5%), also below expectation of 1.7% gain and the slowest since 1Q18, indicating subdued price pressure amid cautious consumer spending and sentiment.

- ***Malaysia foreign reserves:*** Malaysia international reserves continued to increase in mid-October according to BNM. Reserves climbed further to \$105.2b as of 15 Oct, its highest since mid-June 2018 (prior: \$105.0b), sufficient to finance 8.4months of retained imports and is 1.1 times short-term external debt.

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