23 November, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks retreated on Friday**, closing the volatile week on mixed note. The Dow Jones fell 0.8% DOD, the S&P500 lost 0.7% and NASDAQ recorded smaller loss of 0.4%. For the week, the Dow and S&P500 were down by around 0.7% WOW while NASDAQ managed to register 0.2% gain. **Vaccine news continued to dominate headlines** as Pfizer had asked the FDA to grant authorisation for the emergency use of its 95% effective vaccine. The US reported more than 195k new cases on Friday and another 177k and 121k on Saturday and Sunday. **President Trump's attempt to overturn the election in key states foundered. He hasn't yet conceded the election.**

- **Treasury yields fell slightly** by 0.4 to 2.6bps across the curve. 10Y UST yield was little changed (-0.5bps) at 0.824%.Gold futures snapped losing streak to add 0.6% at $1872.4/oz despite a stronger dollar. Oil prices continued to swing between gains and losses; Brent crude gained 1.7% to $44.96/barrel while WTI climbed nearly 1.0% to $42.15/barrel.

- On the data front, both manufacturing and services **PMIs for Japan edged lower in November**, adding to signs of weakening economy. **Eurozone consumer confidence slipped** in the same month as pandemic worsened. **UK retail sales beat expectation** in October. Hong Kong CPI inflation was still negative in October but recorded smaller decline. Malaysia's foreign reserves rose in mid-November. **Singapore registered a narrower contraction of 5.8% YOY in 3Q** following phased reopening of the economy. MTI has also narrowed its full year GDP projection to -6.0 to -6.5% (prior -5.0% to -7.0%) and expects growth to grow between 4.0-6.0% in 2021. YTD 3Q, the Singapore economy contracted 6.5% YOY.

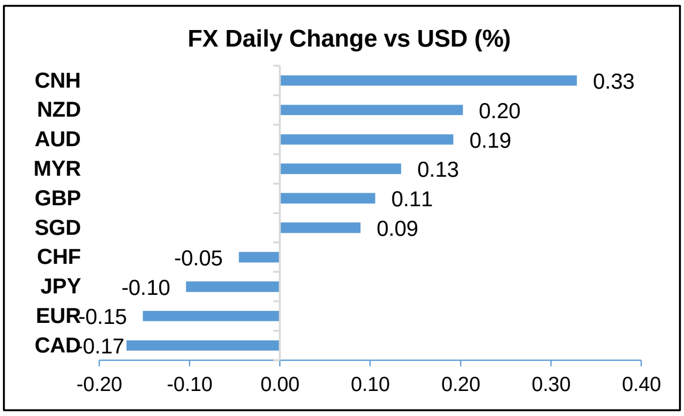
- DXY snapped its six-day losing streak on Friday and the swings were evidently less volatile at around 200pips (prior: ~500pips) within 92.21-92.43. The Dollar Index closed 0.11% higher at 92.39, its first gain in seven days, on the back of losses in all G10s save for the NZD, AUD and GBP. We stay **neutral-to-bearish on the USD** for the week ahead. 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. FOMC minutes and 3Q GDP reading eyed this week.

- USD/MYR fell 0.13% to 4.0925 on Friday. For the week, the pair lost 0.7%, its third consecutive weekly losses. We expect **USD/MYR to stay neutral to bearish** in the week ahead, expecting extended USD bears barring any negative news flows. Vaccine and stimulus optimism and potentially positive US data will likely overshadow surging virus cases. The pair is expected to test the 4.08 handle again; a break below would pave the way towards 4.05. We are eyeing a range of 4.05-4.10 this week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,263.48	-0.75	2.54
S&P 500	3,557.54	-0.68	10.11
FTSE 100	6,351.45	0.27	-15.79
Hang Seng	26,451.54	0.36	-6.17
KLCI	1,593.75	0.64	0.31
STI	2,813.01	1.30	-12.72
Dollar Index	92.39	0.11	-4.15
WTI oil ($/bbl)	42.15	0.98	-30.97
Brent oil ($/bbl)	44.96	1.72	-31.88
Gold (S/oz)	1,872.40	0.59	22.93
CPO (RM/tonne)	3,580.00	2.21	18.33

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

Eurozone	↓	UK	↑
Japan	↓	Hong Kong	↑
Malaysia	↑		

Up Next

Date	Event	Prior
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 P)	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
24/11	HK Exports YoY (Oct)	9.10%
	US FHFA House Price Index MoM (Sep)	1.50%
	US S&P CoreLogic CS 20-City YoY NSA	5.18%
	US Conf. Board Consumer Confidence	100.9
	US Richmond Fed Manufact. Index (Nov)	29

Source: Bloomberg

Macroeconomics

- ***Japan PMIs continued to lose steam in November:***
  - The preliminary Jibun Bank Manufacturing PMI edged slightly lower to 48.3 in November (Oct: 48.7), adding to weakening signs in the manufacturing industry.
  - The services PMI fell to 46.7 in the same month (Oct: 47.7), pointing to continuous contraction in the services industry. This comes as Covid-19 cases surged in Japan in November with daily new cases ranging from 1000 to a new record 2580 over the weekend.

- ***Eurozone consumer confidence slipped in November:*** The European Commission's advance Consumer Confidence Index slipped for the second month to -17.6 in November (Oct: -15.5) as consumers turned gloomier over economic outlook in response to the recent surge in Covid-19 cases. The concerns over worsening pandemic situation in winter months also contributed to this uneasiness.

- ***UK retail sales beat expectations:*** Retail sales volume in UK beat estimate with a 1.2% MOM gain in October (Sep: +1.4%), marking its sixth straight months of growth. YOY, sales were 5.8% higher compared to the same month last year. This reflects early holiday shopping heading into winter as consumers expect the pandemic to potentially worsen in the colder months to come. Excluding sales of auto-fuel, retail sales also grew a commendable 1.3% MOM (Sep: +1.5%). Online sales surged 6.4% MOM after months of declines; sales of household goods stores also recorded impressive gain of 3.2%.

- ***Smaller decline in Hong Kong CPI:*** Hong Kong consumer price index fell 0.2% YOY in October, a smaller decline compared to consensus estimate of -1.6%. CPI had fallen by 2.2% YOY in the September. This marked headline CPI's fourth consecutive month of negative reading. The smaller contraction reflects the gain in public rent (+5.0% vs -92.5% prior) following the one-off housing aid provided by the government in September. Underlying CPI which excludes government one-off measures rose 0.4% YOY (Sep: +0.5%). Overall inflation remained subdued.

- ***Malaysia international reserves rose in mid-Nov:*** Bank Negara Malaysia said that international reserves rose to $104.9b as at 13 Nov (prior: $104.6b). This was sufficient to finance 8.6 months of retained imports and was 1.2 times short-term external debt.

- ***Singapore 3Q GDP revised upwards:***
  - The final reading of Singapore 3Q GDP growth was revised up to 9.2% QOQ, from the initial estimate of 7.9%. The reading however fell short of consensus forecast of 9.5% growth. In 2Q, GDP had contracted by 13.2% QOQ. This translates into a smaller YOY contraction of 5.8%, versus -7.0% YOY in the first estimate (2Q: -13.3%) as the pandemic came under control in 3Q.
  - Manufacturing rebounded strongly by 10.0% YOY (2Q: -0.8%) while construction still recorded double-digit decline (-46.6% vs -60.0%). Output in the services sector continued to fall 8.4% YOY (2Q: -13.4%). Finance & insurance as well as information & communications managed to record growth as the rest of the segments saw continuous contractions in output.
  - The MTI said that weak external demand conditions and ongoing global travel restrictions are expected to continue to weigh on trade-related services activity. 2020's growth forecast is narrowed to -6.5 to -6.0% (prior: -7.0 to -5.0%). Recovery is expected to be gradual in 2021 and the Singapore economy is projected to grow by 4.0-6.0% next year.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR fell 0.13% to 4.0925 on Friday. For the week, the pair lost 0.7%, its third consecutive weekly losses. We expect the pair to stay neutral to bearish in the week ahead, expecting extended USD bears barring any negative news flows. Vaccine and stimulus optimism and potentially positive US data will likely overshadow surging virus cases. The pair is expected to test the 4.08 handle again; a break below would pave the way towards 4.05. We are eyeing a range of 4.05-4.10 this week.
- **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 snapped its six-day losing streak on Friday and the swings were evidently less volatile at around 200pips (prior: ~500pips) within 92.21-92.43. The Dollar Index closed 0.11% higher at 92.39, its first gain in seven days, on the back of losses in all G10s save for the NZD, AUD and GBP. We stay **neutral-to-bearish on the USD** for the week ahead. 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. FOMC minutes and 3Q GDP reading eyed this week.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD fell again on Friday to close at 1.1857, coming off its intraday high of 1.1891. We noticed the pair has been trading interchangeably between small gains and losses in the past week, a sign of weak momentum. We expect event risks and poor fundamentals to continue 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 regained lost ground and advanced 0.11% to 1.3275, spurred by surprisingly upbeat UK retail sales data. This overshadowed comments from European Commission on lack of progress on post-Brexit trade accord. We remain **neutral** on the GBP, expecting the pair to swing by Brexit headlines 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 saw more muted trading before ending Friday 0.10% higher at 103.86, still below the 104 handle. The JPY remains **neutral to slightly bullish** 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 managed to rebound back above the 0.73 big figure, emerging as the second best performing currency vs the USD on Friday, +0.19% to 0.7302. 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 saw more marginal pullback again, by 0.09% DOD to 1.3435 as at Friday's close amid better risk sentiments in Asian trading. 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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