Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks ended higher overnight following a choppy session**; main indexes gained 0.2-0.4%, as tech shares rebounded. This comes after **jobless claims data again point to a softening job market**, but some optimism stemmed from headlines that the **Democrats are crafting a new $2.2trillion stimulus package.** Treasury yields fell were little changed along the curve; 10Y UST yield was flattish at 0.67%. Gold futures recovered some recent losses, picking up 0.5% to $1868.9/oz. This was alongside a steady dollar. Brent futures rose for the third session (+0.4%) to $41.94/barrel; US benchmark WTI outperformed with a 0.9% gain, settling at $40.31/barrel. **FTSE Russell retained Malaysia on its watchlist for possible exclusion from the World Government Bond Index with the next review in Mar-2021. China will be included in the index.**

- Data remained scanty. **US initial jobless claims held steady** at 870k last week while continuous claims recorded smaller decline, confirming slower job growth. **The housing sector remained a bright spot** as new homes sales beat expectations at 1mil annual pace. **Kansas City Fed manufacturing index slipped** to 11. Other than that, **Hong Kong exports fell for the sixth month** by 2.3% YOY.

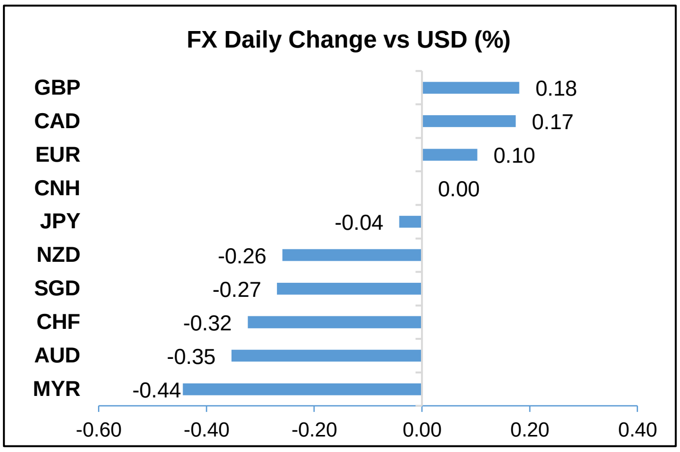
- DXY have consolidated on Thursday, with a high of 94.59 before dipping to c. 94.30 level at close. We are technically **bullish on USD** due to strong momentum on the upside. Sentiments have turned for the worse and we may be heading into a bumpy ride next few months. A partial rebound towards 96 is not implausible.

- USD/MYR closed 0.44% higher at 4.1710 on Thursday, marking its fourth consecutive day of gain. **Outlook for USD/MYR is neutral to bearish** today as FTSE Russell's decision is likely to keep the local unit supported and help reverse some of MYR's recent losses, especially after the greenback has held steady overnight amid slightly better risk sentiment while the initial uncertainty over local politics have also appeared to have abated somewhat.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,815.44	0.20	-6.04
S&P 500	3,246.59	0.30	0.49
FTSE 100	5,822.78	-1.30	-22.80
Hang Seng	23,311.07	-1.82	-17.31
KLCI	1,500.80	0.29	-5.54
STI	2,450.82	-1.22	-23.95
Dollar Index	94.35	-0.04	-2.11
WTI oil ($/bbl)	40.31	0.95	-34.23
Brent oil ($/bbl)	41.94	0.41	-36.45
Gold (S/oz)	1,868.90	0.45	22.38
CPO (RM/tonne)	2,933.00	-0.66	-3.06

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	➔	Hong Kong	↓

Up Next

Date	Event	Prior
25/09	SG Industrial Production YoY (Aug)	-8.4%
	US Durable Goods Orders (Aug P)	11.4%
	US Cap Goods Orders Nondef Ex Air (Aug	1.9%
28/09	MA Exports YoY (Aug)	3.1%
	US Dallas Fed Manf. Activity (Sep)	8.0

Source: Bloomberg

Macroeconomics

- ***US jobless claims data point to slow job growth, new home sales highest since 2006:***
  - Initial jobless claims amounted to 870k for the week ended 19 Sep (prior: 866k); new claims has now holding at 860k to 880k for the fourth consecutive week, while continuous claims also recorded smaller print compared to the prior week (fell to 12.58mil as of 12 Sep vs 12.75mil prior) confirming that job growth has waned.
  - New home sales beat expectation to record 4.8% MOM gain in August (Jul: +14.7%), marking its fourth month of back-to-back increase. Analysts had been expecting sales to decline by 1.2%. This brought sales to an annual pace of 1mil, its highest since 2006.
  - Kansas City Fed Manufacturing Index slipped to 11 in Sep (Aug: 14), indicating weaker expansion in the manufacturing industry.
- ***Hong Kong exports fell in August:*** Hong Kong exports fell 2.3% YOY in August (Jul: -3%), extending its declining streak to a full six-month. Exports to China was 1.4% YOY lower compared to the same month last year whereas exports to the US, Japan, Germany and Singapore also declined. The fall in exports was not surprising as the global economy continued to struggle to recover from the pandemic shock.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR closed 0.44% higher at 4.1710 on Thursday, marking its fourth consecutive day of gain. Outlook for USD/MYR is neutral to bearish today as FTSE Russell's decision is likely to keep the local unit supported and help reverse some of MYR's recent losses.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, US-China relations, domestic politics, imposition of second lockdown

USD (Bullish Outlook over 1 Week Horizon)

- DXY have consolidated on Thursday, with a high of 94.59 before dipping to c. 94.30 level at close. We are technically bullish on USD due to strong momentum on the upside. Sentiments have turned for the worse and we may be heading into a bumpy ride next few months. A partial rebound towards 96 is not implausible.
- **Factors supporting**: Risk aversion, US-China relations
- **Factors against**: Volatility, positive developments from global policymakers, poor US economy, US stimulus

EUR (Bearish)

- EUR/USD hit a low of 1.1627 on Thursday but rebounded to c.1.1670 level by Friday open. A break of our previously stated support of 1.1738 is now technically pointing towards a reversal of prior upward movements. 1.16 now the focus and if that breaks, attention is on 1.14 – very much below current levels.
- **Factors supporting**: USD weakness, Europe economic recovery
- **Factors against**: Risk aversion, Faltering fundamentals

GBP (Bearish)

- GBP/USD continues to head lower since the high of 1.3482. on 1 September. The pair rebounded slightly on Thursday, back to c.1.2750 level. 1.2670 is a key support before turning to 1.25. In our view, GBP may be vulnerable towards risk off mood in markets. Brexit and other event risks remain as brakes.
- **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 remained steady staying around 105.40 on Thursday. Near-term we may still see JPY resilience compared to other G10 currencies, and a relatively solid resistance of 106.
- **Factors supporting**: New prime minister's directives, BOJ policy, USD weakness
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Bearish)

- AUD/USD stabilised after a downward trend seen since 21 September. Pair is staying around 0.7050 level by Friday open. A break away of the 0.70 support (also 100-day MA) can bring AUD/USD lower towards the 0.6773 200-day MA. Risk off mood is unfavourable for AUD at this stage.
- **Factors supporting**: Resilient economy, USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Bearish)

- USD/SGD touched the 50-day MA on 23 September, now triggering our shift towards a bearish call. Pair reached a high of 1.3783 but is now staying around 1.3750 and awaiting further market movements. Resistance of 100- and 200- day MA of around 1.3850 will be keenly watched.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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