

Global Markets Research

Daily Market Highlights

Key Takeaways

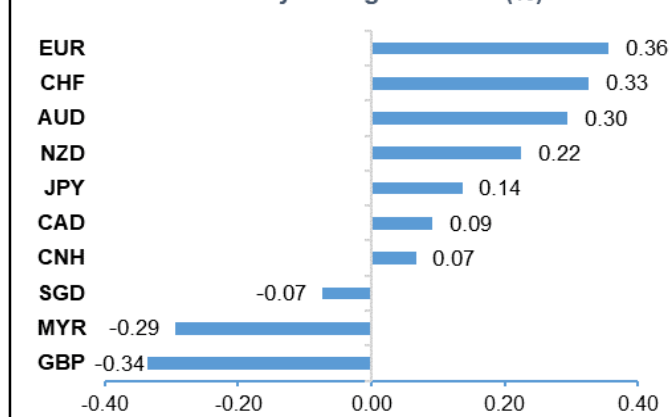
- **Global financial markets traded mixed amid protracted anxiety over a yet to be concluded stimulus deal and fresh record daily Covid-19 cases in the US.** Sentiments further tinted by disappointing corporate earnings that in one way or another reflects the less sanguine macro backdrop.
- The Dow ended lower while the S&P and NASDAQ advanced. **The US treasuries curve bull flattened** with 10Y and 30Y yields falling between 1-4bps while the 2s and 5s were flat. **The USD fell** 0.20% to 92.77, but was seen trading slightly higher this morning. However, it remains below the 93 big figure for the 4th straight day. European markets threaded more positively earlier while Asian markets were mixed. **Futures are pointing to muted opening in Asian markets this morning** amid stimulus talks and fresh daily new virus cases in the US.
- **Data focus was on PMI which reaffirmed uneven recovery, both** geographically and sectoral wise across the major economies. Both PMI manufacturing and services indices in the US edged back up to its best levels since early 2019 while those of the UK softened. EU saw faster growth in manufacturing but sharper contraction in services. Japan manufacturing and services activities both remained contractionary.
- DXY weakened on Friday to 92.77 at close, after a high of 93.126. However, dollar broke higher on Monday open. We see significant event risk related (election, stimulus) volatility. Should market confidence of the US economy weakens, DXY may test the 21 October low of 92.47, hence our **neutral to bearish outlook on the USD.**
- USD/MYR finished 0.29% higher at 4.1565 on Friday. The pair spiked in afternoon trading session to as high as 4.1650 (highest in 4 weeks) following some political noises on the Prime Minister's proposal for a state of emergency for the nation which was later rebutted by the King on Sunday. We turn **slightly bullish on USDMYR today** amid a rebound in the USD this morning and continuous political uncertainties. BNM MPC meeting and domestic political development, in addition to US stimulus talks and upcoming election jitters will remain the key influences for the pair in the near term.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,335.57	-0.10	-0.71
S&P 500	3,465.39	0.34	7.26
FTSE 100	5,860.28	1.29	-22.30
Hang Seng	24,918.78	0.54	-11.60
KLCI	1,494.64	-0.28	-5.92
STI	2,537.39	0.36	-21.27
Dollar Index	92.77	-0.20	-3.72
WTI oil (\$/bbl)	39.85	-1.94	-35.03
Brent oil (\$/bbl)	41.77	-1.63	-37.79
Gold (\$/oz)	1,902.00	0.05	24.45
CPO (RM/tonne)	3,032.50	-0.12	0.23

Source: Bloomberg

FX Daily Changes vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑ Eurozone	→
UK	→ Japan	→
Singapore	↑	

Up Next

Date	Event	Prior
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
27/10	NZ Trade Balance 12 Mth YTD NZD (Sep)	1340m
	CN Industrial Profits YoY (Sep)	19.1%
	HK Exports YoY (Sep)	-2.3%
	US Durable Goods Orders (Sep P)	0.5%
	US Cap Goods Orders Nondef Ex Air (Sep)	1.9%
	US FHFA House Price Index MoM (Aug)	1.0%
	US S&P CoreLogic CS 20-City MoM SA	0.55%
	US Conf. Board Consumer Confidence	101.8
US Richmond Fed Manufact. Index (Oct)	21.0	

Source: Bloomberg

Macroeconomics

- **PMI data showed continued geographical and sectoral divergence:**
 - Preliminary reading showed PMI manufacturing in the US rose less than expected to 53.3 in October (Sept: 53.2) while the services reading staged a surprised pick-up to 56.0 (Sept: 54.6). Both indices remained expansionary for the 4th straight month reaffirming recovery remains forthcoming albeit at varying momentum.
 - Eurozone PMI manufacturing staged a surprised pick up to 54.4 in October (Sept: 53.7) while a similar gauge showed services activities eased more than expected to 46.2 in October (Sept: 48.0). Manufacturing activities expanded for the 4th straight month while services contracted for the second month in a row as renewed spike in virus cases dented demand for services.
 - UK PMI manufacturing and services both softened for a second straight month due to pullback in new orders/ business, signalling moderating recovery momentum. PMI manufacturing tapered off less than expected to 53.3 in October (Sept: 54.1), while PMI services pulled back more than expected to 52.3 during the same month (Aug: 56.1).
 - Japan Jibun Bank Manufacturing PMI edged up only slightly to 48.0 in October (Sep: 47.7) while the services PMI retreated to 46.6 (Sep: 46.9), implying little changes in both sectors that are struggling to recover in a pandemic.
- **UK retail sales surprised on the upside:** UK retail sales unexpectedly picked up with a 1.5% MOM gain in September (Aug: +0.9% revised), while sales ex-auto fuel also tracked a similar jump to 1.6% MOM (Aug: +0.6%). This was primarily driven by home improvement products and food sales while spending on other discretionary items remained weak. Labour market weakness coupled with Brexit uncertainties will likely undermine the recovery traction in retail sales going forward.
- **Singapore CPI registered first non-negative reading since March:** Singapore headline inflation surpassed expectations, clocking in 0.0% YOY in September (Aug: -0.4% YOY). The decline in core inflation narrowed to -0.1% YOY from -0.3% a month ago. Transport inflation was the main driver for the headline print, up 0.5% YOY vs. -1.5% a month ago (sign of rising COE prices). Higher MOM inflation was also observed in household durables and services (0.7% YOY), education (-0.3%), miscellaneous goods and services (1.4%).

Forex

MYR (Neutral to Bearish)

- USD/MYR finished 0.29% higher at 4.1565 on Friday. The pair spiked in afternoon trading session to as high as 4.1650 (highest in 4 weeks) following some political noises on the Prime Minister's proposal for a state of emergency for the nation which was later rebutted by the King on Sunday. We turn **slightly bullish on USDMYR today** amid a rebound in the USD this morning and continuous political uncertainties.
- **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 on Friday to 92.77 at close, after a high of 93.126. However, dollar broke higher on Monday open. We see significant event risk related (election, stimulus) volatility. Should market confidence of the US economy weakens, DXY may test the 21 October low of 92.47.
- **Factors supporting:** Risk aversion, US-China tensions
- **Factors against:** Volatility, positive developments from global policymakers, US stimulus

EUR (Neutral-to-Bullish)

- EUR/USD surged to as high as 1.1880 on Friday, before a slight dip to around 1.1850 by Monday open. We see a wide range of 1.1650-1.1900. Markets have priced in recently weakening US fundamentals vs. Eurozone. However, some risk aversion poses downside risks for the EUR.
- **Factors supporting:** USD weakness
- **Factors against:** Risk aversion, Faltering fundamentals

GBP (Neutral-to-Bullish)

- GBP/USD came off slightly on Friday, with a low of 1.3019 before a slight rebound. We see some potential from dollar weakness. We anticipate a range of 1.3000-1.3177 for now. However, some reversal disappointments may push the pair towards a support of 1.2933 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 had a volatile Friday, staying in a range despite a slight dip to a close of 104.71. Some global volatility has the potential to break USD/JPY below 104.34, after previous break of 105. Otherwise, pair may mostly trade within 104.5-106.0 range. Bank of Japan policy decision in focus for the coming week, alongside September economic data releases.
- **Factors supporting:** BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD reached a high of 0.7158 but retreated thereafter, opening the week around 0.713 level. 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. For the week ahead, focus is on Australia's CPI prints.
- **Factors supporting:** USD weakness
- **Factors against:** Risk aversion, China-Australia relations, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD inched up to a high of 1.3599 on Friday, before dipping to around 1.3580 on Monday open. We see some potential SGD strength (to 1.3530) on stabilising domestic fundamentals. Strengthening CNH may also spill over to some SGD strength.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

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