Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock benchmarks retreated from record high overnight after recent rally ahead of Thanksgiving holiday.** The Dow Jones fell 0.6% from the 30,000 mark, while the S&P500 slipped nearly 0.2%. NASDAQ meanwhile managed to post a 0.5% gain. This comes as a series of **US economic data painted a mixed picture of the economy** with rising initial jobless claims affirming concerns over slower job growth. **The pandemic is still raging across the country, reporting 136k new cases on Wednesday.** Meanwhile, the latest **FOMC meeting minutes revealed that the Fed intended to enhance its QE program.**

- **Treasury yields were mixed** (-0.2 to +1.8bps) across the curve as cautious sentiment took hold of markets. 10Y UST yield was flat (+0.2bps) at 0.882%. Gold futures held steady (+0.05%) at $1805.50/oz as the **dollar weakened further**. The dollar index was down by 0.25% to 91.99. Major currencies strengthened against USD except for JPY and CAD which were little changed. **Oil prices extended rallies** by 1.6-1.8% to 8-month highs; Brent crude closed at $48.61/barrel and WTI settled at $45.71/barrel.

- US data were mixed as mentioned earlier – **initial jobless claims rose to 778k last week. Personal spending rose for sixth month but personal income fell. Core PCE inflation stayed subdued.** University of Michigan Consumer Sentiment Index reflects less optimistic outlook. The second estimate left the **3Q GDP growth unrevised at an annualised 33.1% QOQ.** Goods trade deficits widened thanks to a rebound in imports while both durable goods orders and core capital orders beat expectations. New home sales fell slightly but still at elevated levels. Elsewhere, **New Zealand annual trade surplus was the highest since July 1992, reflecting sharp drop in imports. Malaysia CPI fell 1.5% YOY and is on track for a 1.0% annual decline.**

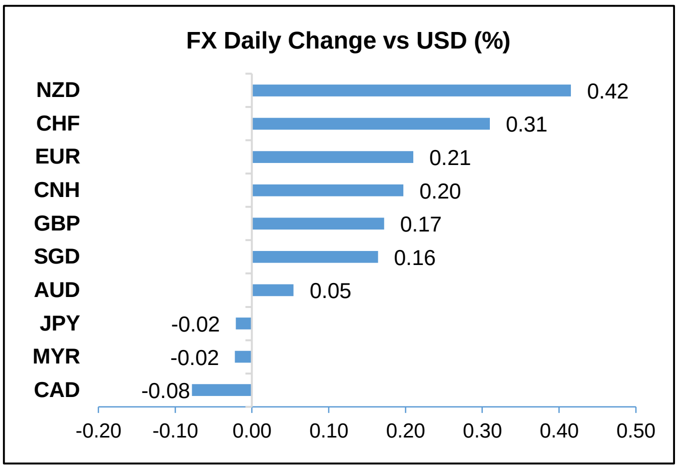
- DXY continued to weaken even as US stocks experienced some profit taking. Overall, DXY was down 0.25%, to a close of 91.99, hitting a low of 91.928 in the process. We stay **neutral-to-bearish on the USD** for the week ahead. Post-US-election risks are fading, although Covid-19 remains a strong threat to the US economy. Immediate support around 91.70, with a rebound likely to test 92.50 resistance first.

- USD/MYR was little changed at 4.0870 on Wednesday. We remain **neutral to bearish on USD/MYR** on the back on broad dollar weakness. There is still room for the pair to move lower, with potentials to break the 4.08 key support today especially in the event of an affirmative Budget vote. Our weekly expected range is 4.05-4.10.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,872.47	-0.58	4.67
S&P 500	3,629.65	-0.16	12.35
FTSE 100	6,391.09	-0.64	-15.26
Hang Seng	26,669.75	0.31	-5.39
KLCI	1,597.58	1.22	0.56
STI	2,869.55	-0.76	-10.96
Dollar Index	91.99	-0.25	-4.56
WTI oil ($/bbl)	45.71	1.78	-25.47
Brent oil ($/bbl)	48.61	1.57	-26.35
Gold (S/oz)	1,805.50	0.05	18.66
CPO (RM/tonne)	3,451.50	0.31	14.08

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Malaysia	↓

Up Next

Date	Event	Prior
26/11	SG Industrial Production YoY (Oct)	24.2%
27/11	NZ ANZ Consumer Confidence Index (Nov)	108.7
	CN Industrial Profits YoY (Oct)	10.1%
	EU Economic Confidence (Nov)	90.9
	EU Consumer Confidence (Nov F)	-17.6

Source: Bloomberg

Macroeconomics

- ***Federal Reserve signaled intention to alter bond buying program:***
  - The latest FOMC minutes revealed that the Federal Reserve prepared to announce revised guidance on its asset purchase program as soon as the next meeting in December.
  - It says that "many participants judged that the Committee might want to enhance its guidance for asset purchases fairly soon", indicating the Fed is set to enhance its current packages of bond buying program. A few officials however were hesitant to make such changes citing considerable uncertainty about the economic outlook.
  - Immediate adjustments to the pace and composition of asset purchases were not necessary but officials "recognized that circumstances could shift to warrant such adjustments".
  - "Participants saw the ongoing careful consideration of potential next steps for enhancing the Committee's guidance for its asset purchases as appropriate".

- ***Initial jobless claims rose for second week; consumer spending rose for sixth straight month but income fell:***
  - Initial jobless claims unexpectedly rose for the second straight week to 778k for the week ended 21 Nov (prior: 748k), another signs of slower job growth.
  - The latest Personal Outlay Report said that US consumer spending rose 0.5% MOM in October (Sep: +1.2%), marking its sixth back-to-back monthly growth.
  - Personal income however fell 0.7% MOM (Sep: +0.7%), reflecting fall in government's additional jobless benefits.
  - The same report shows core PCE price index was unchanged MOM and gained 1.4% YOY (Sep: +1.6%) as consumer inflation remained weak.
  - University of Michigan Consumer Sentiment Index slipped to 76.9 in November (Oct: 81.8); the weaker optimism stemmed from less optimistic growth outlook following the imposition of new restrictions to contain surging virus in the US.
  - Second estimate showed that third quarter GDP growth was unrevised at annualized 33.1% QOQ (2Q: -31.4%).

- ***Higher goods imports widened trade deficit; durable goods orders beat estimate:***
  - Goods trade deficit widened to $80.3b in October (Sep: -$79.4b) reflecting a rebound in exports (+2.2% vs 0%) and slower exports growth (+2.8% vs +3.2%).
  - Durable goods orders beat expectations, increasing by 1.3% MOM in October alongside a revised growth of 2.1% in September, pointing to robust manufacturing demand.
  - Growth of core capital orders, a gauge of business spending also surprised on the upside at 0.7% MOM while previous month's gain was also revised substantially higher (Sep: +1.9%).
  - New home sales snapped a four-month winning streak, recording a small 0.3% MOM decline in October (Sep: +0.1%) to an annualised pace of 999k units, nonetheless still a very high level.
  - The MBA mortgage applications rebounded by 3.9% for the week ended 20 Nov (prior: -0.3%) after having declined slightly for the two previous weeks.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR was little changed at 4.0870 on Wednesday. We remain neutral to bearish on USD/MYR on the back on broad dollar weakness. There is still room for the pair to move lower, with potentials to break the 4.08 key support today especially in the event of an affirmative Budget vote. Our weekly expected range is 4.05-4.10.
- **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 continued to weaken even as US stocks experienced some profit taking. Overall, DXY was down 0.25%, to a close of 91.99, hitting a low of 91.928 in the process. We stay **neutral-to-bearish on the USD** for the week ahead. Post-US-election risks are fading, although Covid-19 remains a strong threat to the US economy. Immediate support around 91.70, with a rebound likely to test 92.50 resistance first.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD rose by 0.21% to a close of 1.1917, hitting resistance with a 1.1930 high on Wednesday. Looking ahead, we expect event risks and poor fundamentals to cap upside on the EUR near-term. After the resistance at 9 November high of 1.1920 was briefly broken, attention will likely turn towards 1.20.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD stayed elevated with a 1.3398 high on Wednesday, before closing at 1.3380 on Wednesday. No Brexit developments did not dampen bid tone, although we see some consolidation ahead. Resistance around 1.3482.
- **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 stayed horizontal moving, underperforming G10 currencies. Pair stayed within a narrow 104.26-104.60 range, closing at 104.46. We see risk of range movements for now, in the absence of risk aversion. For JPY, gains are still possible if dollar weakens, eyeing the low of 103.18 hit on 6 November.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD was flat on Wednesday, consolidating after prior gains. Pair stayed within 0.7325-0.7373 range intraday, closing at 0.7365. While we maintain view of potential gains for AUD, trade tensions between Australia and China may weigh against significant gains above a 0.74 resistance.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD hit 1.34 on Wednesday, reaching a low of 1.3392 before a close at 1.3402. This comes after dollar weakness. Reaching the YTD low (and our end-2020 forecasts) indicates room for slight SGD strength against the USD in the coming week. Industrial production data (if buoyant) may remain supportive of the SGD, and we see 1.335 as the psychological support for now.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

- ***New Zealand annual trade surplus at 28-year high:***
  - New Zealand annual trade surplus hit 28-year high at NZD2.19b in October (Sep: 1.65b), reflecting 10% decline in imports to NZD58b in the 12 months to October. This was driven in part by restrictions on international and domestic travel imposed in March according to StatNZ.
  - In the same period, exports rose 1.2% to NZD60b as annual exports for key goods such as dairy products and fruit are higher compared to a year ago.

- ***Malaysia experienced extended decline in prices:***
  - Headline Consumer Price Index (CPI) continued to see negative print for the 8th straight month in October, falling 1.5% YOY (Sept: -1.4% YOY), as extended declines in transport (-10.2% YOY) and utilities (-3.0% YOY) prices remained a drag in the wake of lingering weakness in global crude oil prices and electricity tariff discounts.
  - YTD October, headline CPI averaged -1.1% YOY and we expect the CPI reading to continue hover close to current levels in the remaining two months of the year before settling the year at an average -1.0%.
  - While official forecast shows a rebound in headline CPI back to the usual 2.0-3.0% next year, our estimate shows CPI will likely undershoot the 2.0% level amid still soft global crude oil prices, and in the absence of both supply as well as demand side factors.

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