27 October, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global financial markets were battered down for another session,** as rapid resurgence in Covid-19 cases in the US and Europe as well as protracted stalled stimulus talks in Washington sent chills across the world. Risk assets saw continuous selloffs while demand for safety gained traction. **The Dow plunged 965 points (or 3.4%) at one point** before paring some losses to end the day 2.3% down. The NASDAQ and S&P500 fell more modestly between 1.6-1.9% DOD. **The US treasuries curve bull flattened** further with yields falling 1-5bps across the curve. **The USD bounced back above the 93 handle** for the first time in four days, gaining 0.32% to 93.06, as it gained against the majors.

- On the commodity front, **gold eked out a minor gain** and continued to hover around $1900/oz while **global crude oil prices inched lower** for the 2nd straight day amid dimming stimulus hopes and rising virus cases. **Futures are pointing to lower opening in Asian markets this morning, as risk aversion will likely dominate the broader market for some time**.

- On the data front, **US headline new home sales disappointed but details remained healthy** reaffirming that the housing market remains one of the few bright spots in the US economy. **Regional activity indices were mixed** adding to signs of uneven recovery across different Fed districts. Subindices of the Dallas Fed manufacturing index also showed the labour market remained a weak link that could cloud recovery in the US economy. **Singapore industrial production surged on electronics production. Trade deficit widened in New Zealand as exports fell and imports rose.**

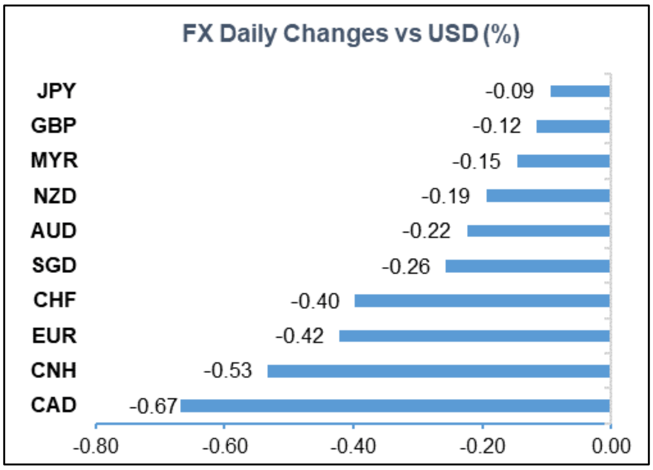
- DXY advanced steadily back above the 93.0 handle on Monday following renewed flight to safety bids as rising Covid-19 cases in the US and Europe as well as dimming stimulus hopes prompted investors to dump risky assets. We continue seeing significant event risk related (election, stimulus) volatility, hence our **neutral to bearish view on USD**. Should market confidence of the US economy weakens, DXY may test the 21 October low of 92.47.

- USD/MYR finished 0.16% higher at 4.1630, marking its 4th straight day of bullish move. The pair breached the 4.16 big figure and held steady at 4.1650 for the larger part of the day. Resumption of USD gains as well as ongoing political uncertainties locally are expected to drive the pair higher to test the 4.1700-4.1760 ranges, hence our **bullish outlook on USDMYR** today. BNM MPC meeting and domestic political noises, 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.	27,685.38	-2.29	-2.99
S&P 500	3,400.97	-1.86	5.27
FTSE 100	5,792.01	-1.16	-23.21
Hang Seng	24,918.78	0.54	-11.60
KLCI	1,494.61	0.00	-5.93
STI	2,523.31	-0.55	-21.71
Dollar Index	93.05	0.30	-3.47
WTI oil ($/bbl)	38.56	-3.24	-36.85
Brent oil ($/bbl)	40.46	-3.14	-38.70
Gold (S/oz)	1,902.70	0.04	24.92
CPO (RM/tonne)	3,052.50	0.13	0.89

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Singapore	↑
New Zealand	↓		

Up Next

Date	Event	Prior
27/10	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 (Oct)	101.8
	US Richmond Fed Manufact. Index (Oct)	21.0
28/10	AU CPI YoY (3Q)	-0.30%
	MA Exports YoY (Sep)	-2.90%
	US MBA Mortgage Applications (23 Oct)	--
	US Advance Goods Trade Balance (Sep)	-$82.9b

Source: Bloomberg

Macroeconomics

- ***US new home sales fell but details still point to a decent housing market:*** New home sales unexpectedly fell for the first time in five months, by 3.5% MOM in September (Aug: +3.0% revised). This did little to dent the few bright spots in the US economy as overall sales at 959k units remained near a 13-year high while supply was at a 16-year low at 3.6 months, and way below the average of 6.0 months in the first four months of the year before the onset of the pandemic.

- ***Mixed regional activities in the US reaffirming uneven recovery:*** Chicago Fed national activity index surprised on the downside printing only 0.27 in September (vs consensus 0.73 and August 1.11 revised). This marked its 4th consecutive pullback from June's high post reopening, a sign the recovery is losing steam. On the contrary, Dallas Fed manufacturing activity unexpectedly rose to 19.8 in October (vs consensus 13.5 and September 13.6), its highest in nearly two years. While the region outlook on production, capacity utilization, and new orders all showed improvement, the labour market remains the weak link and this could cast further doubt to the sustainability of overall recovery in the US economy going forward.

- ***Singapore industrial production continued to pick up:*** Singapore's industrial production surged 24.2% YOY in September, from 15.4% in August. This looks broadly supported (esp. electronics), with transport engineering and general manufacturing still the main drags. Biomedical manufacturing rebounded, almost doubling – but always a volatile series. We also noted some pullbacks in precision engineering. This latest reading signals some positive support for industrials and economic activity.

- ***New Zealand trade deficit widened on lower exports and higher imports:*** Trade deficit widened to NZD1017m as expected in September (Aug: -NZD282m revised) following a 9.2% MOM decline in exports and a 7.0% MOM surge in imports. Exports to all major markets including China, Australia, Europe and the US fell amid slower global demand. However, YTD September, the country registered a trade surplus of NZD1710m (YTD Aug: NZD1417m revised), a fresh record high in six years.

Forex

MYR (Bearish)

- USD/MYR finished 0.16% higher at 4.1630, marking its bullish move for the 4th consecutive day. The pair broke the 4.16 big figure and held steady at 4.1650 for the larger part of the day. Resumption of USD gains as well as ongoing political uncertainties locally are expected to drive the pair higher to test the 4.1700-4.1760 ranges, hence our bullish outlook on USDMYR today.
- **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 advanced steadily back above the 93.0 handle on Monday following renewed flight to safety bids as rising Covid-19 cases in the US and Europe as well as dimming stimulus hopes prompted investors to dump risky assets. We continue seeing 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)

- EUR/USD lost ground through Asian to European and US trading sessions tracking the rebound in the USD. EUR weakened 0.42% DOD vs the USD at 1.1810 at close, having trading within a range of 1.1803-1.1861 yesterday. Renewed risk aversion in the markets may pose downside risks to the EUR today.
- **Factors supporting**: USD weakness
- **Factors against**: Risk aversion, Faltering fundamentals

GBP (Neutral-to-Bearish)

- GBP/USD fell 0.12% to 1.3024 after briefly breaking below the 1.30 key level in intraday trading. A firmer USD and Brexit uncertainties will likely keep the sterling within a range of 1.3000-1.3177 still. However, we caution a break of 1.3000 that 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 closed slightly higher at 104.84 yesterday. 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 had a volatile day but was still seen trading within 0.7103-0.7146 before settling the day 0.22% lower at 0.7123 at close. The return of risk aversion is expected to push the pair to test the 0.71 handle and further out the 0.70 support, after which AUD/USD could head 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)

- USD/SGD inched up for a 3rd straight day, last settling 0.26% higher at 1.3614 on Monday. While we believe the SGD is well supported by improving fundamentals and CNH, we suspect the SGD will not be able to fight the broader risk-off market sentiments, hence limiting SGD gains today.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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