27 November, 2020

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stock market was closed for Thanksgiving holiday**. European stocks erased intra-day gains to close slightly lower on Thursday as recent vaccine optimism waned. The pan-European Stoxx Europe 600 fell 0.1% while the French CAC 40 and Germany's DAX were little changed; FTSE 100 in the UK shed 0.4%. **The effectiveness of AstraZeneca's vaccine raised some questions while concerns over distribution continued to dominate headlines with the pandemic remaining out of control in the US and Europe.**

- Bond yields fell in Germany and the UK on the back of cautious sentiment as the US bond market was closed. **The dollar index was flat at 91.99. JPY and CHF strengthened on safe havens bidding while other major currencies were little changed.** GBP weakened modestly. Oil prices retreated from recent rallies; Brent crude shed 1.7% to $47.8/barrel. The selling pressure came as markets turned risk-off and news reports suggest division among OPEC+ members just days ahead of a key meeting. **Futures point to lower openings in Asia; US stocks will resume trading in a shorter session today and futures indicate more down moves.**

- **The 2021 Malaysian Budget was passed at Parliament on Thursday via a voice vote at policy-stage**, granting PM Muhyiddin Yassin a crucial victory. **The risk of the bill being rejected however is still not entirely eliminated as the opposition could still votes against it in subsequent committee stage deliberations.** Economic data were limited. Singapore industrial production which fell 0.9% YOY in October while New Zealand consumer confidence weakened in November.

- DXY stayed in a tight range as levels turn stretched, within an intraday range of 91.172-91.845. 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.

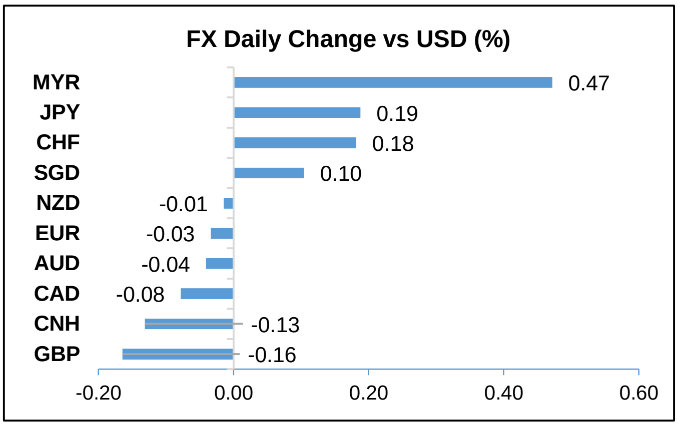
- USD/MYR ticked lower by 0.47% to 4.0680 on Thursday. This came as the broader dollar weakened further and as the Malaysian Parliament passed the 2021 Budget, leading MYR to be the top performer among its Asian peers. Pair has now weakened to levels last seen in January with RSI indicator breaching the oversold threshold. We are **neutral on the pair** today; expecting some consolidation after yesterday's down move and as the week comes to an end.

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	6,362.93	-0.44	-15.64
Hang Seng	26,819.45	0.56	-4.86
KLCI	1,612.11	0.91	1.47
STI	2,857.48	-0.42	-11.34
Dollar Index	91.99	0.00	-4.56
WTI oil ($/bbl)*	45.71	1.78	-25.47
Brent oil ($/bbl)	47.80	-1.67	-27.58
Gold (S/oz)*	1,805.50	0.05	18.63
CPO (RM/tonne)	3,435.00	-0.48	13.53

** Closings for 25 Nov*

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

Singapore ↓	New Zealand ↓

Up Next

Date	Events	Prior
27/11	CN Industrial Profits YoY (Oct)	10.10%
	EU Economic Confidence (Nov)	90.9
	EU Consumer Confidence (Nov F)	--
30/11	JP Industrial Production YoY (Oct P)	-9.00%
	JP Retail Sales YoY (Oct)	-8.70%
	NZ ANZ Business Confidence (Nov F)	-15.6
	CH Manufacturing PMI (Nov)	51.4
	CH Non-manufacturing PMI (Nov)	56.2
	MA Exports YoY (Oct)	13.60%
	US MNI Chicago PMI (Nov)	61.1
	US Pending Home Sales MoM (Oct)	-2.20%
	US Dallas Fed Manf. Activity (Nov)	19.8

Source: Bloomberg

Macroeconomics

- ***New Zealand consumer confidence weakened in November:*** The ANZ Consumer Confidence Index fell by 1.7% to 106.9 in November (Oct: 108.7), reflecting declines in both current conditions and future conditions gauges. This is still below historical average of about 120. ANZ pointed out that the key retail spending indicator remained very week, suggesting that the “sharp overshoot in retail sales seen in 3Q is likely to fade relatively quickly”. This added concerns to overall consumer spending in 4Q especially with the holidays season approaching.

- ***Singapore’s industrial production pulled back after prior strong performances*:** Industrial production fell by 0.9% YOY in October after rising 25.6% in September. We see subdued performances for electronics, dragged by semiconductors and consumer electronics. Biomedical manufacturing cluster (volatile series) also lacked the almost-100% jump seen a month ago while precision engineering stayed strong. We still see positive performances ahead in 4Q and 2021, providing modest support to GDP growth.

Forex

MYR (Neutral)

- USD/MYR ticked lower by 0.47% to 4.0680 on Thursday. This came as the broader dollar weakened further and as the Malaysian Parliament passed the 2021 Budget, leading MYR to be the top performer among its Asian peers. Pair has now weakened to levels last seen in January with RSI indicator breaching the oversold threshold. We are neutral on the pair today; expecting some consolidation after yesterday’s down move and as the week comes to an end.
- **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 stayed in a tight range as levels turn stretched, within an intraday range of 91.172-91.845. 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 came off slightly with a low of 1.1885, closing at 1.1913 on Friday. 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 was slightly lower on Thursday, down by 0.16%. This brought pair to a close of 1.3358 after a low of 1.3322. We see Brexit developments as driving force 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 was slightly up, as markets turn more cautious in tone. Still, pair was within a narrow range of 104.22-104.48. 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 Thursday once again, consolidating after prior gains. Pair stayed within a narrow 0.7354-0.7375 range. 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 consolidated once again on Thursday with slight downward moves. This brought along a low of 1.3382, closing at 1.3388. This came after disappointing industrial production figures. Reaching the YTD low (and our end-2020 forecasts) indicates room for slight SGD strength against the USD in the coming week. We see 1.335 as the psychological support for now.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

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