

## Global Markets Research

### Daily Market Highlights

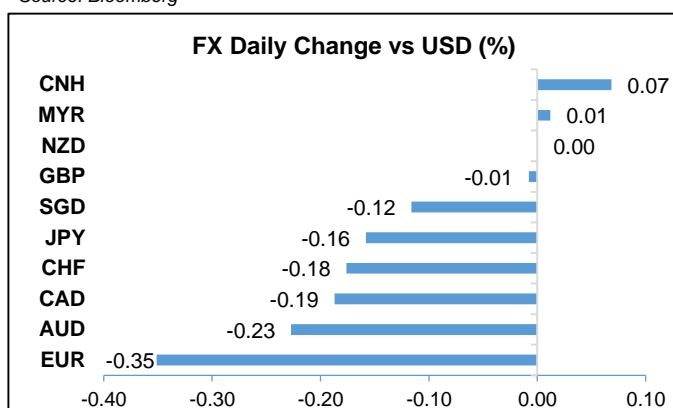
#### Key Takeaways

- US stocks rallied on Friday, but wrapped up a volatile week on a mixed note.** On Friday, the Dow Jones and S&P 500 rose 1.3% and 1.6% while NASDAQ outperformed, notching a 2.3% gain. For the week, the blue chip Dow fell 1.8% and the broader S&P500 lost 0.6%. NASDAQ again was the outlier with its 1.1% weekly increase. **Treasury yields again saw very little changes across the curve;** yields were down by 0.4 to 1.2bps overall. 10Y USY yield fell by 1bp to 0.654%. Gold futures resumed falling (-0.6%) after a brief respite on Thursday; **gold was down by 4.9% for the week as the USD firmed up.** Oil prices held steadily on Friday and ending the week with more than 2% decline. **Brent was down by 2.9% WOW at \$41.92/barrel;** US benchmark WTI retreated 2.1% to \$40.25/barrel.
- Data were scanty on Friday. **US durable goods orders recorded smaller gain** of 0.4% MOM but the core capital orders (a gauge of capex) beat expectation. **Singapore industrial production rebounded strongly in August** driven by semiconductor production and inflated by a low base effect.
- The dollar index recorded another 0.3% rise on Friday which added up to a weekly gain of 1.9%, its largest since early April this year. DXY gained to a high of 94.742 before retracing lower to 94.662. 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, given current momentum and sentiments.
- USD/MYR finished little changed at 4.1705 on Friday as FTSE Russell's decision to retain Malaysia on a watch list for possible exclusion from the WGBI index kept the local unit supported. For the week, USD/MYR gained 1.3% on the back of broad-based USD strength. We expect **USDMYR to stay neutral to slightly bullish** for the week ahead in anticipation of sustained USD strength and domestic political uncertainties. Bullish momentum is picking up and USD/MYR looks set to head towards the upper Bollinger band of 4.1834 if it breaches the 4.18 handle.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,173.96	1.34	-4.78
S&P 500	3,298.46	1.60	2.09
FTSE 100	5,842.67	0.34	-22.54
Hang Seng	23,235.42	-0.32	-17.57
KLCI	1,509.14	0.56	-5.01
STI	2,472.28	0.88	-23.29
Dollar Index	94.64	0.31	-1.81
WTI oil (\$/bbl)	40.25	-0.15	-34.33
Brent oil (\$/bbl)	41.92	-0.05	-36.48
Gold (\$/oz)	1,857.80	-0.59	21.97
CPO (RM/tonne)	2,842.50	-3.10	-6.05

Source: Bloomberg



Source: Bloomberg

#### Overnight Economic Data

US → Singapore ↑

#### Up Next

Date	Event	Prior
28/09	MA Exports YoY (Aug)	3.1%
	US Dallas Fed Manf. Activity (Sep)	8.0
29/09	EC Economic Confidence (Sep)	87.7
	EC Consumer Confidence (Sep F)	-14.7
	US Advance Goods Trade Balance (Aug)	-\$79.3b
	US S&P CoreLogic CS 20-City MoM SA	0.00%
	US Conf. Board Consumer Confidence	84.8

Source: Bloomberg

## Macroeconomics

- **US durable goods orders recorded smaller gain; core capital orders beat expectation:**
  - Durable goods orders rose 0.4% MOM in August (Jul: +11.7%) according to a preliminary report; the gain is smaller than analysts' expectation of +1.5%. This nonetheless marked orders' fourth consecutive month of growth since May, supported by orders of machinery, computers & electronics and primary metals; vehicles and parts (-4%) fell for the first time in four months.
  - Gain in core capital orders meanwhile beat expectations at +1.5% MOM (Jul: +2.8%); a good sign that investment continued to pick up amid the economic recovery.
- **Singapore's industrial production rebounded strongly in August:** Singapore's industrial production surged in August (13.7% YOY and 13.9% MOM). While inflated by base effects, it nonetheless is a positive development for manufacturing. Electronics was supported by semiconductors, computer peripherals. Transport engineering remains weighed down by marine and offshore & aerospace, despite land transport rebounding. The latest print is favourable for our view of recovering economic growth. Our forecast for GDP growth in 3Q is -7.6% YOY, after -13.2% in 2Q.

## Forex

### MYR (Neutral-to-Bearish)

- USD/MYR finished little changed at 4.1705 on Friday as FTSE Russell's decision to retain Malaysia on a watch list for possible exclusion from the WGBI index kept the local unit supported.
- **Factors supporting:** Economic recovery, less dovish MPC
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

### USD (Bullish Outlook over 1 Week Horizon)

- On Friday, DXY gained to a high of 94.742 before retracing lower to 94.662. 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, given current momentum and sentiments.
- **Factors supporting:** Risk aversion, US-China relations
- **Factors against:** Volatility, positive developments from global policymakers, poor US economy, US stimulus

### EUR (Bearish)

- EUR/USD reached a low of 1.1612 but recovered a little to close at 1.1631. 1.16 is 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 endured a volatile day hitting highs above 1.28 before a low of 1.27. Pair rebounded to around 1.2747 at close. 1.2670 is a key support before turning to 1.25. We stay bearish on risk off mood, Brexit and other event risks.
- **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 headed lower on Friday before a rebound to a high of 105.70, before ending the day at 105.58. 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 saw a low of 0.7006 before a rebound to 0.7030 on Friday close. 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, 2<sup>nd</sup> wave of Covid-19 infections, China-Australia relations

### SGD (Bearish)

- USD/SGD reached a high of 1.3795, continuing on the bid tone from the week. Resistance of 100-day MA of around 1.3860 will be keenly watched, given current momentum.
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

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