

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

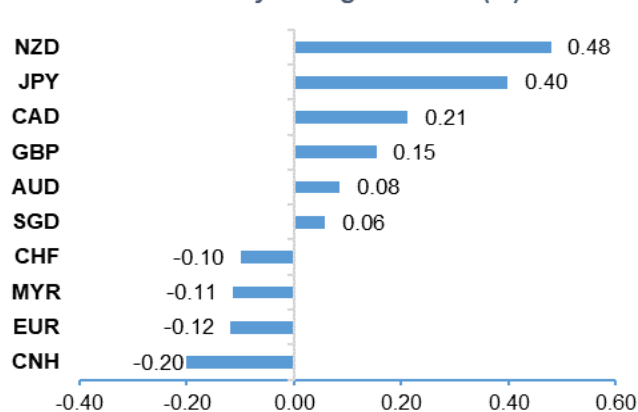
- Risk-off sentiments took the helm** in global financial markets on **dimming hope that a US stimulus deal could be concluded** before the general election next week. **Disappointing corporate earnings added insult to injury.** We saw another session of selloffs in risk assets and flight to safety bids across the world. **Major US and European stock indices ended in the red** while the Asian markets traded a tad more mixed earlier. **Global bonds rallied** pushing yields down 3-5bps in the process. **The VIX index has also jumped 21% to 33.35** from last Friday's level.
- The Dow saw more modest losses** of 0.8% compared to a day ago (-2.3%). The NASDAQ and S&P500 also narrowed declines to 0.3-0.4%, from the 1.6-1.9% decline on Monday. **Bull flattening in the US treasuries curve continued.** Benchmark yields fell up to 4bps on the long end of the curve with the 10s shedding about 3bps to 0.77%, back below the 0.80% level for the first time in five days. **Advance in the USD failed to sustain, slipping 0.11% to 92.94 on Tuesday.** The USD weakened the most against the NZD and JPY. On the commodity front, **gold continued to see minor advances**, while **global crude oil prices rose for the first time in three days** driven by storm (Zeta) disruption on the Gulf of Mexico facilities. A report released later showing an increase in US crude stockpiles however pared some gains in oil. **Futures are pointing to another day of lower opening in Asian markets this morning, as risk aversion will likely dominate the broader market still.**
- On the data front, **economic releases were a mixed bag.** Both **durable goods orders and core orders in the US surprised on the upside** pointing to healthy underlying demand and inventory rebuilding. **Richmond Fed manufacturing also rose to a 2-year high** spurred by new orders. **US house prices were nonetheless mixed and consumers were less confident** on concerns over jobs and income prospects. **Industrial profits grew more slowly in China while Hong Kong exports rose for the first time since February.**
- DXY u-turned twice stronger on Tuesday, but overall weakened by 0.11% to 92.94. This came despite some EUR weakness. 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 extended its climb higher by 0.11% to 4.1675, marking its 5<sup>th</sup> straight day of advances to its highest in four weeks amid cautious market sentiments and a firmer greenback. We are of the view that the pair is on track to test the 4.1700-4.1760 ranges, hence our continuous **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.	27,463.19	-0.80	-3.77
S&P 500	3,390.68	-0.30	4.95
FTSE 100	5,728.99	-1.09	-24.04
Hang Seng	24,787.19	-0.53	-12.07
KLCI	1,500.35	0.38	-5.56
STI	2,512.87	-0.41	-22.03
Dollar Index	92.94	-0.11	-3.58
WTI oil (\$/bbl)	39.57	2.62	-35.19
Brent oil (\$/bbl)	41.20	1.83	-37.58
Gold (\$/oz)	1,908.80	0.32	25.32
CPO (RM/tonne)	3,134.00	2.67	3.59

Source: Bloomberg

#### FX Daily Changes vs USD (%)



Source: Bloomberg

#### Overnight Economic Data

US	→	China	↓
Hong Kong	↑		

#### Up Next

Date	Event	Prior
28/10	AU CPI YoY (3Q)	-0.30%
	MA Exports YoY (Sep)	-2.90%
	US MBA Mortgage Applications (23 Oct)	-0.60%
29/10	US Advance Goods Trade Balance (Sep)	-\$82.9b
	JP Retail Sales YoY (Sep)	-1.90%
	JP Dept. Store, Supermarket Sales YoY	-3.20%
	ŊZ ANZ Business Confidence (Oct F)	-14.5
	EU Economic Confidence (Oct)	91.1
	EU Consumer Confidence (Oct F)	-15.5
	US Initial Jobless Claims (24 Oct)	787k
	US GDP Annualized QoQ (3Q A)	-31.40%
	US Core PCE QoQ (3Q A)	-0.80%
	EU ECB Deposit Facility Rate (29 Oct)	-0.50%
US Pending Home Sales MoM (Sep)	8.80%	
JP BOJ Policy Balance Rate (29 Oct)	-0.10%	

Source: Bloomberg

## Macroeconomics

- **US durable goods order beat expectations; mixed house prices; less upbeat consumers:**
  - US durable goods orders unexpectedly picked up to increase 1.9% MOM in September (consensus: +0.5%; Aug: +0.4% MOM revised) while core orders ex aircraft and defence equipment also surpassed expectations at +1.0% MOM (Aug: +2.1% MOM revised). The pick-up in durable goods orders suggests healthy underlying demand that is expected to lead to inventory rebuilding.
  - US FHFA house prices index grew at a record pace of 1.5% MOM in August (consensus: +0.7%; Jul: +1.1% revised), as prices quickened in six out of nine of regions.
  - On the contrary, US S&P CaseShiller house price index showed the increase in house prices tapered off to 0.47% MOM in August (consensus: 0.50%; Jul: +0.75% revised) but quickened on a YOY basis to 5.71% (Aug: +4.78%), adding to signs the housing market remains a bright spot in the US economy.
  - US Conference Board showed consumer confidence turned less upbeat in October due to concerns over jobs and income. The index eased to 100.9 in October (consensus: 102.0; Sept: 101.3 revised) as the expectation index slipped below 100 to 98.4 (Sept: 102.9). Meanwhile, confidence on current situation jumped above to 104.6 (Sept: 98.9).
  - US Richmond Fed manufacturing index unexpectedly ticked up to a 2-year high of 29 in October (consensus: 18; Sept: 21). New orders and shipment all improved underpinning continuous recovery. The employment subindex was mixed with steady number of employees but higher wages.
- **Slower growth in China industrial profits:** Industrial profits in China grew at a slower pace of 10.1% YOY in September (Aug: +19.1% YOY), marking its 2<sup>nd</sup> straight month of moderation. However, we believe growth in the China economy is still forthcoming as profits have continued to increase on a MOM basis for the 2<sup>nd</sup> month in a row. On top of that, the decline in profits continued to narrow steadily from 38.3% YOY in YTD February to 2.4% YTD September, as the broader manufacturing and utilities industries reported profits, offsetting sustained double-digit declines in mining.
- **Hong Kong exports surprised on the upside:** Exports grew for the first time since February, and by a more than expected 9.1% YOY in September (consensus: +0.2%; Aug: -2.3% YOY), thanks to turnaround in exports to China and the US as the two nations saw decent growth after economy reopening. Imports also staged a surprised rebound to increase 3.4% YOY during the month (consensus: -1.9%; Aug: -5.7% YOY), offering some reprieve for the illing Hong Kong economy.

## Forex

### MYR (Bearish)

- USD/MYR extended its climb higher by 0.11% to 4.1675, marking its 5<sup>th</sup> straight day of advances to its highest in four weeks amid cautious market sentiments and a firmer greenback. We are of the view that the pair is on track to test the 4.1700-4.1760 ranges, hence our continuous **bullish outlook on USDMYR**.
- **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 u-turned twice stronger on Tuesday, but overall weakened by 0.11% to 92.94. This came despite some EUR weakness. 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 slipped late Tuesday to 1.1766 at last look after being as high as 1.1840 on Tuesday. This came after EUR/USD moved to the upper half of our view of 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, particularly from the Covid-19 wave in Europe. ECB stance will likely be key for the near-term direction of EUR.
- **Factors supporting:** USD weakness
- **Factors against:** Risk aversion, Faltering fundamentals

### GBP (Neutral-to-Bullish)

- GBP/USD gave up prior gains to a high of 1.3080, back towards close to 1.3030 on Wednesday open. We anticipate a range of 1.3000-1.3177 for now. However, some 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 came off on Tuesday, reaching a low of 104.39 before a slight rebound. This was from some market risk-off moves. 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, alongside September economic data releases.
- **Factors supporting:** BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

### AUD (Neutral-to-Bearish)

- AUD/USD was choppy on Tuesday amid market volatility, hovering around a range of 0.7116-0.7147. 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 attempted to move lower twice but rebounded upwards to close at 1.3606, after a low of 1.3580. 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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