

## Global Markets Research

### Daily Market Highlights

#### Key Takeaways

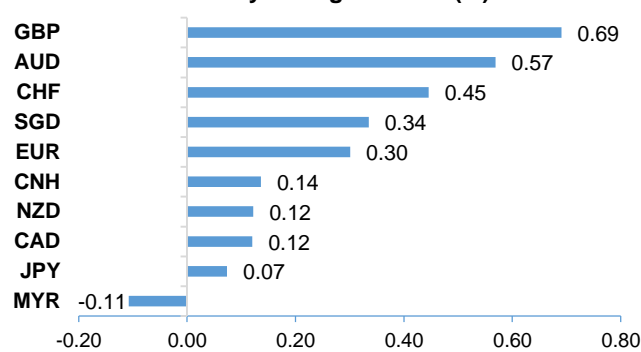
- **US stocks extended gains on Monday**; the Dow Jones (+1.5%), S&P500 (+1.6%) and NASDAQ (+1.9%) all clinched very solid gains, **driven by the surge in financials and energy shares**. This comes after US stocks had steadily declined for four straight consecutive weeks. **Overall treasury yields moved very little** (-0.2 to +1.4bps); 10Y UST yield was held steady at 0.653%. **Gold futures rebounded** by 0.8% to \$1872.8/oz as the **dollar weakened** amid improving risk sentiment. Major currencies strengthened against the greenback, led by the GBP and AUD. **Oil prices rode on the improved sentiment** - Brent gained 1.2% to settle at \$42.43/barrel while WTI added 0.9% at \$40.6/barrel.
- At the hearing at European Parliament, **ECB Chief Christine Lagarde said that the central bank stands ready to adjust all its instrument** as the euro area's economic recovery remains incomplete and uneven. **The last round of Brexit negotiation begins today; focus will also be on the first US presidential debate between Trump and Biden.**
- Data were scanty on Monday - US Dallas Fed Manufacturing Index indicates firmer recovery, **Malaysia exports declined again in August by 2.9% YOY pointing to a bumpy recovery ahead.**
- DXY pulled back on Monday, after the high on 25 September of 94.742. USD closed around 94.2 after coming off. We stay cautious of potential rebounds at current levels and overall **USD outlook** appears still **neutral to bullish** for now.
- **USD/MYR** closed 0.11% higher at 4.1750. We expect the pair to stay **neutral to slightly bullish** for the week ahead in anticipation of a 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.	27,584.06	1.51	-3.34
S&P 500	3,351.60	1.61	3.74
FTSE 100	5,927.93	1.46	-21.41
Hang Seng	23,476.05	1.04	-16.72
KLCI	1,511.66	0.17	-4.85
STI	2,483.01	0.43	-22.96
Dollar Index	94.64	0.31	-2.19
WTI oil (\$/bbl)	40.25	-0.15	-33.51
Brent oil (\$/bbl)	41.92	-0.05	-35.71
Gold (\$/oz)	1,857.80	-0.59	23.10
CPO (RM/tonne)	2,879.50	1.30	-4.83

Source: Bloomberg

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



Source: Bloomberg

#### Overnight Economic Data

US	↑	Malaysia	↓
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#### Up Next

Date	Event	Prior
29/09	EU Economic Confidence (Sep)	87.7
	US Advance Goods Trade Balance (Aug)	-\$79.3b
	US S&P CoreLogic CS 20-City MoM SA	0.00%
30/09	US Conf. Board Consumer Confidence	84.8
	UK GfK Consumer Confidence (Sep)	-27
	JP Industrial Production YoY (Aug P)	--
	JP Retail Sales YoY (Aug)	-2.80%
	NZ ANZ Business Confidence (Sep F)	-26
	CN Manufacturing PMI (Sep)	51
	CN Non-manufacturing PMI (Sep)	55.2
	CH Caixin China PMI Mfg (Sep)	53.1
	UK GDP QoQ (2Q F)	-20.40%
	HK Retail Sales Value YoY (Aug)	-23.10%
	EU CPI Estimate YoY (Sep)	-0.20%
	US MBA Mortgage Applications (25 Sep)	--
	US ADP Employment Change (Sep)	428k
	US GDP Annualized QoQ (2Q T)	-31.70%
	US MNI Chicago PMI (Sep)	51.2
US Pending Home Sales MoM (Aug)	5.90%	

Source: Bloomberg

## Macroeconomics

- **US Dallas Fed Index added signs to firmer recovery:** The Dallas Fed Manufacturing Index rose to 13.6 in September (Aug: 8), driven by higher production, new orders, capex and prices paid. This reflects firmer recovery in Texas' manufacturing industry.
- **Malaysia exports fell again in August implying patchy recovery going forward:** Exports snapped a two-month of increases and fell 2.9% YOY to RM79.1bn in August (Jul: +3.1% YOY) while imports extended its decline for the 6th consecutive month, down by 6.5% YOY to RM65.9bn (Jul: -8.7% YOY). The came in weaker than our expectation for a small positive print, which was premised on the low base seen in last August. The bigger MOM decline in exports (-14.5%) vs imports (-2.2%) substantially narrowed trade surplus to RM13.2bn, almost halved from July's RM25.2bn, its lowest in three months. The surprised decline in August exports following growth in the last two months reaffirmed our belief that the recovery path remains highly uneven. Our long-held view that the recovery momentum may not be able to sustain after the pent-up demand and catch-up activities dissipate remains highly probable taking cue from recent trajectory in high frequency data. We have seen the V-shape rebound but chances are growth will likely plateau from here. The pace of recovery is also expected to be derailed by resurging Covid-19 cases with the services sector and consumer spending taking the biggest brunt. We are maintaining our full year 2020 real GDP growth projection at -4.9% for now pending more clarity on the breadth and sustainability of the recovery.

## Forex

### MYR (Neutral-to-Bearish)

- USD/MYR closed 0.1% higher at 4.1750. We expect the pair to stay neutral to slightly bullish for the week ahead in anticipation of a sustained USD strength and domestic political uncertainties.
- **Factors supporting:** Economic recovery, less dovish MPC
- **Factors against:** Risk aversion, US-China relations, domestic politics, imposition of second lockdown

### USD (Neutral-to-Bullish Outlook over 1 Week Horizon)

- DXY pulled back on Monday, after the high on 25 September of 94.742. USD closed around 94.2 after coming off. We stay cautious of potential rebounds at current levels.
- **Factors supporting:** Risk aversion, US-China relations
- **Factors against:** Volatility, positive developments from global policymakers, poor US economy, US stimulus

### EUR (Neutral-to-Bearish)

- EUR/USD held above our stated support level of 1.16. Pair rebounded to around 1.168 on Monday. If 1.16 breaks, attention is on 1.14 – very much below current levels. Conversely, improving risk sentiment may turn attention to 1.175 “first” resistance
- **Factors supporting:** Europe economic recovery
- **Factors against:** Risk aversion, Faltering fundamentals

### GBP (Neutral-to-Bearish)

- GBP/USD rebounded to a high of 1.2930 on Monday, although now hovering around 1.2870. This was helped by improving risk sentiment. Returning concerns may still test near-term support of 1.27. We do not expect a return to 1.30 for now, due to domestic Covid outbreak. This is unless there is a breakthrough in Brexit talks, which expectations are building.
- **Factors supporting:** Breakthrough in news
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

### JPY (Neutral-to-Bullish)

- USD/JPY stayed relatively range bound on Monday, around 105.3-105.7 range. 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
- **Factors against:** Weak fundamentals, risk sentiments

### AUD (Neutral-to-Bearish)

- AUD/USD rebounded on Monday, still below 0.71 after a low of 0.7006 on 25 September. 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. 0.716 is immediate resistance.
- **Factors supporting:** Resilient economy
- **Factors against:** Risk aversion, 2<sup>nd</sup> wave of Covid-19 infections, China-Australia relations

### SGD (Neutral-to-Bearish)

- USD/SGD dipped to around 1.3710 after reaching a high of 1.3795 on 25 September. MAS on hold will likely maintain SGD resilience. Fears of a move higher to 100-day MA of around 1.386 has abated for now. Immediate support around 1.3650.
- **Factors supporting:** Fed vs. MAS policy, economic recovery
- **Factors against:** Risk aversion, trade war, US-China

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)**DISCLAIMER**

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