30 September, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks retreated overnight ahead of the first presidential debate between Trump and Biden.** This comes despite **House Speaker Nancy Pelosi unveiled a new stimulus bill worth $2.2trillion.** Negotiation is expected to resume after Pelosi spoke with Treasury Secretary Steven Mnuchin, **but outlook for an approved relief package still appears dim**. The Dow Jones and S&P500 were both down by 0.5% while NASDAQ lost 0.3%. Financials and tech shares led the losses, retracing some gains in the previous session.

- Treasury yields were steady overall with little changes; 10Y UST yield barely changed at 0.65%. **The rebound in gold futures extended for the second session,** the bullion added 1.2% to $1894.3/barrel as the dollar weakened further. **Oil prices sharply fell as markets turned cautious over the uncertain outlook for oil demand;** API reported a draw in 831k barrel crude inventory, but gasoline stocks rose by 1.6mil barrel.

- **US data were generally positive** with surging consumer confidence as well as higher house prices; international trade of goods posted growth albeit at slower rates. **Eurozone economic confidence also improved markedly. Vietnam GDP showed growth recover further to 2.6% in 3Q;** other indicators showed positive signs of further recovery. **Japan industrial production and retail sales recorded growth. Data trove today** is full of top-tiered releases. Among them **are China NBS PMIs, US and UK revised GDP estimates and US ADP private payrolls.**

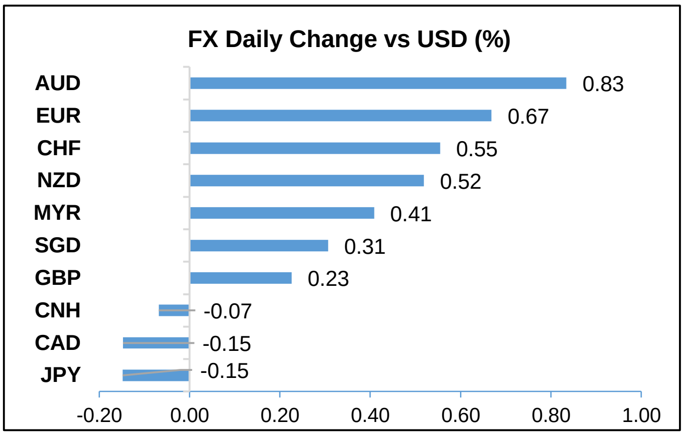
- In the FX market, the DXY slipped by 0.41% to 93.87 despite upbeat consumer confidence; Major currencies strengthened against the greenback, led by the rally in AUD and EUR; GBP was up slightly while JPY slipped, a sign of firmer risk sentiment. We still see increased volatility possibly leading to some dollar strength, despite recent **risks to our near-term bullish USD view**.

- USD/MYR pulled back by 0.41% to 4.1580 on Tuesday amid broad-based dollar weakness. The weakness in the USD looks likely to linger for now, posing downside risk to our neutral and bullish outlook for USD/MYR this week. **Daily USDMYR outlook is neutral to bearish** for now after the down move in broad USD overnight

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	27,452.66	-0.48	-3.80
S&P 500	3,335.47	-0.48	3.24
FTSE 100	5,897.50	-0.51	-21.81
Hang Seng	23,275.53	-0.85	-17.43
KLCI	1,503.90	-0.51	-5.34
STI	2,471.61	-0.46	-23.31
Dollar Index	93.89	-0.41	-2.65
WTI oil ($/bbl)	39.29	-3.23	-35.65
Brent oil ($/bbl)	41.03	-3.30	-38.18
Gold (S/oz)	1,894.30	1.15	24.29
CPO (RM/tonne)	2,918.50	1.35	-3.54

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↑
Japan	↑	Vietnam	↑

Up Next

Date	Event	Prior
30/09	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%
01/10	AU AiG Perf of Mfg Index (Sep)	49.3
	JP Tankan Large Mfg Outlook (3Q)	-27
	JP Tankan Large All Industry Capex (3Q)	3.20%

Source: Bloomberg

Macroeconomics

- ***US consumer confidence jumped; goods trade deficit widened:***
  - The Conference Consumer Confidence Index beat expectations in September, rising sharply to 101.8 (Aug: 86.3), its first above-100 reading in six months; both present situation and expectations indexes surged, pointing to upbeat consumer sentiment amid economic recovery and ahead of the election.
  - Preliminary report shows that US goods trade deficit widened to $82.9b in August (Jul: -$80.1b). This reflects larger gain in imports (+3.1%) relative to that of exports (+2.8%) although both imports and exports growths have slowed dramatically from July's more-than-10% rebounds. Looking at details, exports of industrial supplies as well as foods, feeds & beverages were holding up. On the other hand, imports of consumer goods recorded a steady growth as well, a positive sign for domestic demand.
  - The S&P CoreLogic Case Schiller Index for 20 US cities rose 0.6% MOM in July (Jun: 0%) as house prices picked up in July amid solid housing demand. YOY, the gain in the index accelerated to nearly 4% (Jun: +3.5%). The headline national index also recorded larger increase (+4.8% vs +4.4%).

- ***Eurozone economic sentiment improved for fifth straight month***: The European Commission Economic Sentiment Index rose to 91.1 in September (Aug: 87.5), marking its fifth straight month of climb. This reflects some improvements in consumer confidence as well as better sentiment in the industrial and services sector, although all sub-indexes remained at negative levels. Despite recent advancement, the headline index remained well below its pre-pandemic levels of above 100. Higher covid-19 cases in Europe could jeopardise overall recovery in sentiment as well.

- ***Japan industrial production, retail sales were up in August:***
  - Industrial production rose for the third month in August, albeit at a much slower rate of 1.7% MOM (July: +8.7%). This translates to a smaller YOY decline of 13.3% in August (Jul: -15.5%) as output still remained well below that of the same period last year.
  - Retail sales on the other hand registered a solid 4.6% MOM growth in August (Jul: -3.4%), offering some respite. This comes after sales briefly fell in July following the sharp rebound in June.

- ***Vietnam economy rebounded in 3Q; other indicators suggests recovery is underway:***
  - Vietnam GDP growth sprang back to 2.6% YOY in the third quarter of 2020, from 0.4% YOY in 2Q, confirming views that the economy has recovered swiftly from the temporary pandemic shock.
  - Exports surged by 18.0% YOY in September (Aug: +2.5%), marking its third consecutive month of advancement and its largest increase in 2.5 years.
  - Industrial production managed to score a 3.8% YOY gain in September (Aug: -0.6%) following the minor decline earlier, supported by continuous growth in manufacturing.
  - Retail sales rose 0.7% YOY for the first nine months of 2020, its first positive reading six months and CPI pulled back to 2.98% YOY in September (Aug: +3.2%) thanks to smaller gain in food prices.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR pulled back by 0.41% to 4.1580 on Tuesday amid broad-based dollar weakness. The weakness in the USD looks likely to linger for now, posing downside risk to our neutral and bullish outlook for USD/MYR this week. Daily USDMYR outlook is neutral to bearish for now after the down move in broad USD overnight
- **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-Bullish Outlook over 1 Week Horizon)

- DXY came off once again as the EUR and other currencies saw some resurgence. DXY closed at 93.89 after the high of 94.742 on 25 September. This came despite market risk aversion on US equity market. We still see increased volatility possibly leading to some dollar strength, despite recent risks to our near-term view.
- **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 rebounded a second consecutive day to around 1.174 levels after the 25 September low of 1.1612. We maintain a view of volatility, affected by dollar movements.
- **Factors supporting**: USD weakness, Europe economic recovery
- **Factors against**: Risk aversion, Faltering fundamentals

GBP (Neutral-to-Bearish)

- GBP/USD was subdued on Tuesday, staying around 1.28-1.29. We do not expect a return to 1.30 for now, due to domestic Covid outbreak, unless there is a breakthrough in Brexit talks, which expectations are building.
- **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 inched up a little now at about 105.67 after starting Tuesday around 105.50 level. 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 (Neutral-to-Bearish)

- AUD/USD headed higher again, to around 0.7140 after the 25 September low of 0.7006. We maintain a view of some volatility near term, although upward momentum above 0.7182 may trigger a neutral-to-bullish call.
- **Factors supporting**: Resilient economy, USD weakness
- **Factors against**: Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bearish)

- USD/SGD fell below 1.37 on Tuesday. This continued a 2-3-day streak after the high of 1.3795. Immediate support around 1.365. USD/SGD may stay volatile, although downside risks are building.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against**: Risk aversion, trade war, US-China

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