Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock benchmarks rebounded on Thursday in response to positive economic data**. The Dow Jones snapped four-day losing streak to add 0.5% while the S&P500 and NASDAQ rallied by more than 1.0%. **However the disappointing earnings from Apple after the market closed alongside Amazon and Facebook's cautious tones on outlook weighed on stock futures this morning.** Treasury yields rose 0.8 to 5.2bps along the curve as investors sold government bonds following better-than-expected GDP data but mainly in anticipation of a Joe Biden victory in next week's General Election. 10Y UST yield made its biggest jump in three weeks (+5.2bps) to 0.823%.

- **Gold futures weakened for the second session by 0.4% to $1868/oz as the dollar advanced further**. The Dollar Index rose 0.59% to 93.96 as investors exited major currencies to enter dollar haven positioning ahead of the election. **Oil prices extended decline** and plunged by more than 3.0% as concerns over deteriorating demand deepened amid fresh lockdowns and stricter measures in Europe. Brent crude settled at $37.65/barrel on Thursday, a five-month low. **China unveiled its 5-year economic plan, pledging to raise domestic demand and open up the economy with huge focus to boost its self-reliance on technology.**

- **Both ECB and BOJ kept their monetary policy unchanged** and reaffirmed their dovish policy stances. On the data front, **US GDP grew at a record annualized pace of 33.1% QOQ** in the third quarter and the latest initial jobless claims fell to 751k. Pending home sales declined for the first time in five months. Elsewhere, **Eurozone economic sentiment was flat while Japan data were generally mixed** (flat retail sales, jobless rate and higher IPI). New Zealand business and consumer sentiment indexes showed improvement.

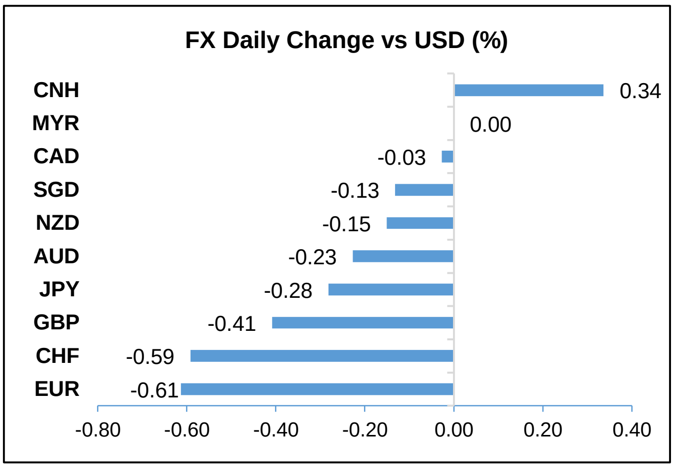
- DXY gained a second consecutive day by 0.59%, up to 93.955 at close. This came mostly against the EUR which was affected by Germany and France lockdowns. We are **bullish** near-term and see significant event risk related (election, stimulus) volatility. Should market confidence of the US economy weakens, DXY may test the 21 October low of 92.47.

- USD/MYR closed 0.3% lower at 4.1545 on Wednesday, snapping a four-day gaining streak. Daily outlook for **USD/MYR is bullish** as markets are likely to sell the local unit and buy USD in anticipation of an eventful week ahead which involves mainly the US election as well as BNM OPR decision and the tabling of Malaysian 2021 Budget on the local front, not to mention several global central bank meetings.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	26,659.11	0.52	-6.59
S&P 500	3,310.11	1.19	2.46
FTSE 100	5,581.75	-0.02	-26.00
Hang Seng	24,586.60	-0.49	-12.78
KLCI	1,495.20	-0.34	-5.89
STI	2,450.68	-1.32	-23.96
Dollar Index	93.96	0.59	-2.53
WTI oil ($/bbl)	36.17	-3.26	-40.76
Brent oil ($/bbl)	37.65	-3.76	-42.95
Gold (S/oz)	1,868.00	-0.44	22.58
CPO (RM/tonne)	3,185.00	1.58	5.27

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Eurozone	→
Japan	→	New Zealand	↑

Up Next

Date	Event	Prior
30/10	HK GDP YoY (3Q A)	-9.00%
	EU Unemployment Rate (Sep)	8.10%
	EU GDP SA QoQ (3Q A)	-11.80%
	EU CPI Estimate YoY (Oct)	-0.30%
	US Personal Income (Sep)	-2.70%
	US Personal Spending (Sep)	1.00%
	US Employment Cost Index (3Q)	0.50%
	US PCE Core Deflator YoY (Sep)	1.60%
	US MNI Chicago PMI (Oct)	62.4
	US U. of Mich. Sentiment (Oct F)	--
31/10	CN Manufacturing PMI (Oct)	51.5
	CN Non-manufacturing PMI (Oct)	55.9

Source: Bloomberg

Macroeconomics

- ***ECB signals recalibration of stimulus program in December, reaffirmed policy stance:***
  - The ECB left its key interest rates unchanged as expected and also kept its stimulus program intact, reaffirming its monetary policy stance.
  - It said that the new staff macroeconomic projections in December "will allow a thorough reassessment of the economic outlook and the balance of risks', opening door for the recalibration of its current program.
  - ECB said that the risks surrounding euro area growth are "clearly tilted to the downside", unchanged from previous statement. Headline inflation is expected to remain negative until early 2021.
  - In a post-meeting press conference, ECB president Christine Lagarde said that recent rise in Covid-19 and the subsequent imposition of stricter measures have led to a "clear deterioration" in the Eurozone's near-term outlook, but it is too early to say that the economy would contract in 4Q. She added that 4Q numbers are expected to be below forecasts.

- ***Bank of Japan kept policy unchanged and cut outlook:***
  - The BOJ left its monetary policy unchanged as widely expected. The policy balance rate was kept at -0.1% and the 10-year JGB yield target remains at around 0%. Np change was made to its asset purchases program as well.
  - The central bank cut its median real GDP growth forecast for fiscal year 2020 to -5.5% (from -4.7% in July); for fiscal year 2021, growth was revised upwards to +3.6% (from +3.3%).
  - Inflation is expected to remain subdued; with 2020 CPI ex-fresh food forecast moving down to -0.6% YOY (versus -0.5% in July). It expects CPI inflation to go back to positive in 2021 (+0.4%) but well below its target of 2%.
  - BOJ expects economic improvement to be moderate as vigilance against Covid-19 continues; it also reaffirms its readiness to act if necessary.

- ***US 3Q GDP rebounded at record pace; initial jobless claims fell:***
  - Advance estimate shows that real GDP rose at a record annualized rate of 33.1% QOQ in 3Q, rebounding from the trough of -31.4% in 2Q as the economy emerged from the lockdown and reopened. This is better than analysts' expectation of 32% growth.
  - Initial jobless claims came in at 751k for the week ended 24 Oct (prior: 791k), extending its declining trend. Continuing claims also fell to 7.76mil as at 17 Oct (prior: 8.47mil), partly reflecting claimers' gradual exhaustion of their 26-week program.
  - Pending home sales, a key gauge that tracks contract activity in the existing homes segment fell 2.2% MOM in September (Aug: +8.8%), its first decline in five months. Analysts had been expecting a growth of 2.7%. The retreat in pending home sales came after the recent decline in new home sales as well, pointing to some potential slowdown in the existing homes market in the months ahead.

- ***Eurozone economic confidence not improving as Covid-19 cases rose:*** The European Commission Economic Sentiment Index was unchanged at 90.9 in October (Sep: 90.9). The zero improvement in sentiment reflects concerns over the recent rise in Covid-19 cases across Europe that has triggered authorities to re-impose containment measures.

Forex

MYR (Bearish)

- USD/MYR closed 0.3% lower at 4.1545 on Wednesday, snapping a four-day gaining streak. Daily outlook for USD/MYR is bullish as markets are likely to sell the local unit and buy USD in anticipation of an eventful week ahead which involves mainly the US election as well as BNM OPR decision and the tabling of 2021 Malaysian budget on the local front, not to mention several global central bank meetings.
- **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 gained a second consecutive day by 0.59%, up to 93.955 at close. This came mostly against the EUR which was affected by Germany and France lockdowns. We are bullish near-term and 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**: Positive developments from global policymakers, US stimulus

EUR (Neutral-to-Bearish)

- Faltering fundamentals caused EUR/USD to weaken to a low to 1.1650, closing at 1.1674. After touching the 1.1650 support, another move will likely see 1.16 as a psychological support. Some risk aversion poses downside risks for the EUR, particularly from the Covid-19 wave in Europe.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bearish)

- GBP was adversely affected by a stronger dollar and weaker EUR, hitting a low of 1.2881 and a close of 1.293. Brexit and US event risks poses as downside risks, turning our view towards bearishness. Some market risk aversion has the potential to test a 1.28 support.
- **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 rebounded on Thursday from dollar strength. Pair reached an intraday high of 104.73 before a slight retreat to 104.61. We see a range of 104-105 in play for now.
- **Factors supporting**: BOJ policy
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD fell towards the 0.70 support, despite holding up at 0.7029 at close. AUD stayed on the retreat past few days on risk aversion and dollar strength. A break away of the 0.70 support can bring AUD/USD lower towards the c.0.68 200-day MA.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, China-Australia relations, RBA policy

SGD (Neutral-to-Bearish)

- USD/SGD have seen some resilience despite a resurgent dollar, helped by some CNH strength. It went up by 0.13%, experiencing lower movements compared to other currencies. While we turn bearish, we see potential SGD resilience on stabilising domestic fundamentals. If CNH rebounds, it may also spill over to some SGD strength. 1.37 immediate resistance for the pair.
- **Factors supporting**: Fed vs. MAS policy, economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

- ***Mixed Japan data reflects struggling economic recovery:***
  - Retail sales was flat in September (-0.1% vs +4.6% prior) following the rebound in August, highlighting cautious consumer spending behaviour. Compared to the same month last year, retail sales were still 8.7% lower (Aug: -1.9%), marking its seventh consecutive month of YOY decline.
  - Jobless rate was unchanged at 3.0% in September (Aug: 3.0%) when analysts had expected to increase to 3.1%. The separately released job-to-applicant ratio continued to trend down to 1.03 in the same month (Aug: 1.04); both total job applicants and job offers pulled back further as the pandemic suppressed job growth.
  - Industrial production beat expectation with 4.0% MOM growth in September (Aug: +1.0%); consensus forecast was at 3.0% MOM. This marked output fourth consecutive month of gain since June and helped offsetting the concerns over the sluggish growth in the services sector. On a YOY basis, industrial production is still 9.0% lower, nonetheless a marked improvement after recording double-digit decline for five straight months.

- ***Substantial improvement in New Zealand confidence:***
  - The ANZ Business Confidence Index rose to -15.7 in October, from -28.5 in September to indicate a marked improvement of sentiment in the business community. The sub-index for business outlook picked up to the positive territory of 4.7 (Sep: -5.4). ANZ said that businesses remained upbeat and key indicators were holding up.
  - The ANZ Consumer Confidence jumped to a 10-month high of 108.7 in October (Sep: 100), reflecting the positive condition and outlook for the housing market. Consumers saw their finances improving in the year ahead (albeit still at negative level) while the indicator that gauges the willingness to spend on a major item picked up considerably.

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