

Global Markets Research

Daily Market Highlights

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21-Oct: Market Hopes Rose on Stimulus

- US stocks rebounded as hopes of US stimulus deal rose again
- AUD and NZD weakened further from expectations of Australia interest rate cuts
- US housing starts and building permits were strong, confirming robust homebuilding activities

Market Pulse

US stocks rebounded on Tuesday as some renewed hope for the US stimulus emerged. According to the Wall Street Journal, House Speaker Nancy Pelosi said that the White House needs to reach a deal with the Democrats by the end of Tuesday if the government wants to pass another pandemic aid bill ahead of the 3 November election. The White House’s offer has now gone up to USD 1.88 trillion while Pelosi is reported to be pushing for USD 2.2 trillion.

The Dow added 113pts or 0.4%, the S&P500 rose 0.5% while NASDAQ picked up 0.3%. Gains were broad-based across all sectors, saves for a small decline in consumer staples. Treasury yields were flat at the shorter end of the curve while the longer end picked up by 1.7 to 3.2bps. 10Y UST yield closed at 0.786%. Oil prices rebounded from recent losses.

The dollar index fell by 0.4% to 93.067, marking its third back-to-back daily decline. AUD and NZD weakened against the dollar, from potential central bank easing. CAD, EUR and CHF strengthened while JPY and GBP were flat. Gold futures edged up for the second session by 0.2% to \$1910.4/oz as the saw mixed performances against major currencies.

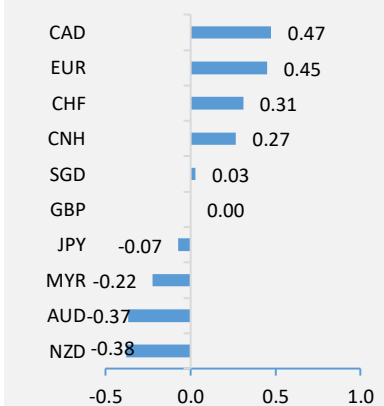
US housing starts rose 1.9% MOM in September (Aug: -6.7%) to a seasonally adjusted annual rate of 1.42mn units. Building permits meanwhile beat expectation with 5.2% MOM gain (Aug: -0.5%) to a seasonally adjusted annual rate of 1.55mn units. These confirmed robust homebuilding activities in the US.

The Reserve Bank of Australia’s latest meeting minutes disclosed that policy makers discussed the options of “reducing the targets for the cash rate and the 3-year yield towards zero, without going negative”. On the nature of its forward guidance, RBA decided to place more weight on “actual” rather than forecasted inflation. “Addressing the high rate of unemployment” was also stated as an important national priority. The shift in forward guidance would best be announced in a Governor speech (15 October) rather than a post-meeting statement.

Key Market Metrics

	Last Price	DoD %	YTD %
Dow Jones Ind.	28,308.79	0.40	-0.80
S&P 500	3,443.12	0.47	6.57
FTSE 100	5,889.22	0.08	-21.92
Hang Seng	24,569.54	0.11	-12.84
KLCI	1,510.97	-0.47	-4.90
STI	2,528.64	-0.59	-21.54
Dollar Index	93.07	-0.4	-3.5
WTI oil (\$/bbl)	41.46	1.5	-32.10
Brent oil (\$/bbl)	43.16	1.27	-35.08
Gold (\$/oz)	1,906.95	0.15	26.16

Daily FX Changes vs. USD (%)



Source: Bloomberg, HL Bank

Up Next

Event	Prior
AU Westpac Leading Index MoM (Sep)	0.48%
NZ Credit Card Spending MoM (Sep)	-5.80%
MA CPI YoY (Sep)	-1.40%
UK CPI YoY (Sep)	0.20%
US MBA Mortgage Applications (16 Oct)	--

Source: Bloomberg

Currency Highlights

USD (Neutral Outlook over 1 Week Horizon)

- DXY weakened on Tuesday, down to just above 93. DXY was as high as 93.7 on Monday open. We see a range mostly within 93.0-94.7 for now, given event risk related (election, stimulus) volatility. US data may move the dollar if event risks fail to materialise.
- **Factors supporting:** Risk aversion, US-China tensions
- **Factors against:** Volatility, positive developments from global policymakers, US stimulus

EUR (Neutral)

- EUR/USD headed higher, helped by dollar weakness. Pair reached an intraday high of 1.1841 before a slight retreat. Going forward, we see a wide range of 1.165-1.184. Another break of 1.184 will likely shift attention to 1.19. If 1.1612 support is broken, expect a move much lower. Markit PMI data will likely be keenly watched on Friday.
- **Factors supporting:** USD weakness, Europe economic recovery
- **Factors against:** Risk aversion, Faltering fundamentals

GBP (Neutral-to-Bearish)

- GBP/USD stayed relatively range bound around 1.294 on Tuesday. We stay slightly bearish on the GBP on event risks (Brexit) and sentiments. 1.2850 a key support before turning to 1.275. We do not expect a return to 1.30 for now, due to domestic Covid outbreak.
- **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 reached a high of 105.75 on Tuesday, but came off thereafter to sub-105.5 levels. Some global volatility has the

potential to break USD/JPY below 105. Otherwise, pair may mostly trade within 105-106 range.

- **Factors supporting:** BOJ policy, USD weakness
- **Factors against:** Weak fundamentals, risk sentiments

AUD (Neutral-to-Bearish)

- AUD/USD touched a low of 0.7021 on Tuesday, although now opening Wednesday around 0.7060 levels. This can be partly attributed to dovish comments from RBA, which increased expectations of a rate cut. We fear some risk aversion may weaken AUD. A break away of the 0.70 support can bring AUD/USD lower towards the c.0.68 200-day MA.
- **Factors supporting:** Resilient economy, USD weakness
- **Factors against:** Risk aversion, 2nd wave of Covid-19 infections, China-Australia relations

SGD (Neutral-to-Bullish)

- USD/SGD continued a downward trend seen since 15 October, although only modestly moving lower to 1.3560 on Wednesday open. The recent trend may see a slowly strengthening SGD moving towards 1.35 big figure. Immediate resistance at 1.3624 high on 15 October
- **Factors supporting:** Fed vs. MAS policy, economic recovery, USD weakness
- **Factors against:** Risk aversion, trade war, US-China

MYR (Neutral)

- USD/MYR retraced Monday's losses, adding 0.2% back to 4.1510 on Tuesday. We remain neutral on USD/MYR this week, expecting the pair to trade at circa 4.14-4.15; within a potentially wide range of 4.13-4.17 given that USD is subject to volatility amid stimulus talks uncertainties and ahead of the US election (3 Nov) which is just around the corner.
- **Factors supporting:** Economic recovery
- **Factors against:** Risk aversion, domestic politics

FX Forecasts

FX	4Q-20	1Q-21	2Q-21	3Q-21
DXY	89.0	88.0	87.0	89.0
USD/CAD	1.31	1.30	1.29	1.31
EUR/USD	1.23	1.24	1.25	1.22
GBP/USD	1.29	1.30	1.31	1.29
USD/CHF	0.88	0.87	0.86	0.88
AUD/USD	0.75	0.76	0.77	0.75
NZD/USD	0.69	0.70	0.71	0.69
USD/JPY	103	102	101	103
USD/MYR	4.13	4.10	4.08	4.10
USD/SGD	1.34	1.33	1.32	1.34
USD/CNH	6.80	6.75	6.70	6.80

Policy Rate (%)	4Q-20	1Q-21	2Q-21	3Q-21
Fed	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50
BOC	0.25	0.25	0.25	0.25
ECB	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10
SNB	-0.75	-0.75	-0.75	-0.75
RBA	0.25	0.25	0.25	0.25
RBNZ	0.25	0.25	0.25	0.25
BOJ	-0.10	-0.10	-0.10	-0.10
BNM	1.50	1.50	1.50	1.50
MAS	Hold	-	Hold	-
PBOC	Hold	Hold	Hold	Hold

Technical Support / Resistance Levels

	S2	S1	Prev. Close	R1	R2
USD/CAD	1.2994	1.3037	1.3114	1.3300	1.3500
EUR/USD	1.1400	1.1600	1.1832	1.2000	1.2100
GBP/USD	1.2670	1.2800	1.2959	1.3100	1.3250
USD/CHF	0.8936	0.9000	0.9066	0.9300	0.9350
AUD/USD	0.6920	0.7000	0.7059	0.7300	0.7414
NZD/USD	0.6400	0.6510	0.6588	0.6720	0.6858
USD/JPY	103.50	104.19	105.45	106.95	108.00
USD/MYR	4.1000	4.1340	4.1435	4.1932	4.2100
USD/SGD	1.3482	1.3525	1.3562	1.3787	1.3850
USD/CNH	6.6300	6.6500	6.6585	6.7000	6.7600

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