Hong Leong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock ended the last day of November lower overnight**. The Dow Jones fell 0.9%; the S&P500 lost 0.5% whereas the NASDAQ was little changed (-0.06%). **Nonetheless, stocks closed out November on a strong note,** propelled by vaccine optimism and Biden's election victory and the subsequent transition-related news; **The Dow had it best month (+11.8% MOM) since January 1987.** Treasury yields moved less than 1bp across the curve (-0.5bp to +0.5bp); 10Y UST yield was steady at 0.841%.

- **Gold futures extended decline** by 0.4% to $1774.3/oz while **the dollar rebounded**. The dollar index added 0.09% to 91.87; key currencies weakened against the dollar saves for the sterling which was flat. **Crude oils tumbled** for more than 1.0% leaving Brent crude at $47.59/barrel and WTI at $45.07/barrel. The OPEC+ meeting scheduled for Monday was delayed by two days as members could not agree on oil output in unofficial meetings. **Key events today include the RBA's policy decision and Fed Chair Jerome Powell's testimony before Congress. A series of PMI data are also due to be released.**

- On the data front, **US regional manufacturing PMIs weakened** in November and **pending home sales unexpectedly fell** for the second month. **Japan jobless rate continued to increase. China official PMIs continued to edge higher,** affirming ongoing economic recovery. **Australia manufacturing PMIs weakened.**

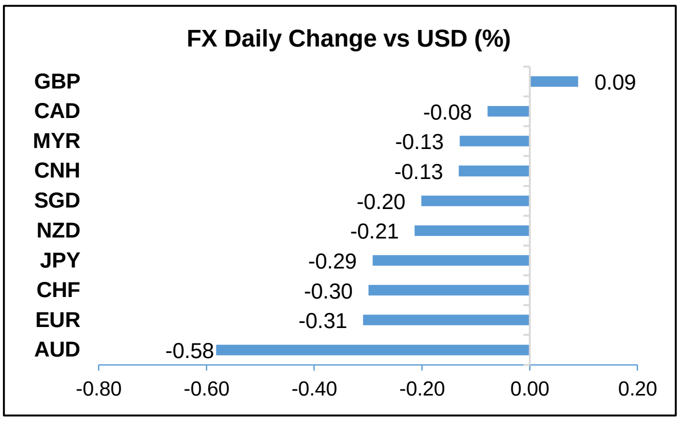
- The DXY rebounded slightly by 0.09% on Monday. This brought DXY to a close of 91.87 after an intraday low of 91.51. After moving down for much of November, there may be some **consolidation in the USD** before further move towards the mid-91 levels. For the week ahead, focus is on ISM and non-farm payrolls data.

- USD/MYR closed 0.13% higher at 4.0740 on Monday amid renewed USD strength. Stronger USD overnight could push the pair higher, aiming 4.08 level. This poses downside risk to our **neutral to bullish outlook on MYR** this week. We maintain a weekly range of 4.05-4.10 for now.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,638.64	-0.91	3.86
S&P 500	3,621.63	-0.46	12.10
FTSE 100	6,266.19	-1.59	-16.92
Hang Seng	26,341.49	-2.06	-6.56
KLCI	1,562.71	-2.79	-1.64
STI	2,805.95	-1.75	-12.94
Dollar Index	91.87	0.09	-4.69
WTI oil ($/bbl)	45.34	-0.42	-25.75
Brent oil ($/bbl)	47.59	-1.22	-27.45
Gold ($/oz)	1,775.70	-0.35	16.64
CPO (RM/tonne)	3,445.00	0.45	13.87

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↓	China	↑
Japan	→	Australia	↓

Up Next

Date	Events	Prior
01/12	VN Markit Vietnam PMI Mfg (Nov)	51.8
	MA Markit Malaysia PMI Mfg (Nov)	48.5
	JN Jibun Bank Japan PMI Mfg (Nov F)	48.3
	CH Caixin China PMI Mfg (Nov)	53.6
	AU RBA Cash Rate Target (01 Dec)	0.1%
	HK Retail Sales Value YoY (Oct)	-12.9%
	EC Markit Eurozone Manufacturing PMI (Nov F)	53.6
	UK Markit UK PMI Manufacturing SA (Nov F)	55.2
	EC CPI Estimate YoY (Nov)	-0.30%
	US Markit US Manufacturing PMI (Nov F)	56.7
	US ISM Manufacturing (Nov)	59.3
	US Construction Spending MoM (Oct)	0.3%
02/12	AU Home Loans Value MoM (Oct)	5.9%
	AU GDP SA QoQ (3Q)	-7.0%
	EC Unemployment Rate (Oct)	8.3%
	US MBA Mortgage Applications (27 Nov)	3.9%
	US ADP Employment Change (Nov)	365k

Source: Bloomberg

Macroeconomics

- ***US pending home sales fell; manufacturing gauges pulled back:***
  - The MNI Chicago PMI fell to 58.2 in November (Oct: 61.1), still a robust reading but nonetheless signalling a weaker expansion in factory activity.
  - The Dallas Fed Manufacturing Activity Index slipped to 12 in November (Oct: 19.8) due to a broad-based retreat in company outlook, orders as well as production.
  - Pending home sales, an index that tracked real estate contracts activity in the US unexpectedly fell 1.1% MOM in October (Sep: -2%), marking its second consecutive monthly decline. This offered some signals that sales of existing homes could see some drag in the coming months.

- ***Japan jobless rate highest since May-17:***
  - Jobless rate rose to 3.1% in October (Sep: 3.0%), the highest level since May-17. Compared to the same month last year, jobless rate was at 2.4%. This reflects the impact of the pandemic on the job market.
  - The job-to-applicant ratio however went up slightly to 1.04 in the same month (Sep: 1.03). New job offers however fell 5.8% MOM after two successive months of increases.

- ***China's PMIs strengthened in November:***
  - The official NBS Manufacturing PMI was up to 52.1 in November (Oct: 51.4), supported by output, new orders, purchases, input price and business expectation.
  - The non-manufacturing PMI, a gauge of services sector also improved slightly to 56.4 in November (Oct: 56.2). Both readings continued to affirm expectations that the Chinese economy remains at the forefront of economic recovery with the pandemic well contained in the country.

- ***Australia PMIs weakened in November:***
  - Australia manufacturing sector experienced some pull-back in expansion last month as the AiG Performance of Manufacturing Index fell to 52.1 in November (Oct: 56.3).
  - The Markit Australia PMI for manufacturing also edged lower to 55.8 in the same month (Oct: 56.1).

Forex

MYR (Neutral-to-Bullish)

- USD/MYR closed 0.13% higher at 4.0740 on Monday amid renewed USD strength. Stronger USD overnight could push the pair higher, aiming 4.08 level. This poses downside risk to our neutral to bullish outlook on MYR this week. We maintain a weekly range of 4.05-4.10 for now.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, domestic politics, second lockdown.

USD (Neutral-to-Bearish Outlook over 1 Week Horizon)

- The DXY rebounded slightly by 0.09% on Monday. This brought DXY to a close of 91.87 after an intraday low of 91.51. After moving down for much of November, there may be some consolidation before further move towards the mid-91 levels. For the week ahead, focus is on ISM and non-farm payrolls data.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD came off on Monday, experiencing a 0.3% downward move. This brought EUR/USD to a close of 1.1927 after hitting a high of 1.2003 intraday. Attention is on slight gains towards 1.2000, although we see some resistance there. Support is close to 1.1800 to signal some reversal of momentum to the downside.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD was slightly up on Monday, recovering after prior losses. This bought GBP/USD to a high of 1.3385 on Monday, before a dip to 1.3323 at close. We stay slightly constructive on the GBP, due to the positive risk sentiment bias. We eye immediate resistance of 1.34. A pullback can potentially move GBP/USD down to 1.3120.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY went higher on Monday, touching a high of 104.41 before a close of 104.31. We see a range of 103.6-104.6, whereby a breakaway from the range will likely signal at some momentum either way.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD fell by 0.58% overall on Monday after an intraday hitting a high of 0.7407. Pair may look to examine the 0.75 big figure later on. RBA announces policy decision today, followed by GDP data tomorrow. This may shape some AUD movements, alongside retail sales and trade data later the week.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD went up by 0.20% after touching an intraday low of 1.3369 on Monday. We see 1.3350 as the next psychological barrier, with only a pullback above 1.3420 signalling at some upsides for USD/SGD. For the week ahead, PMI numbers are likely to stay expansionary for November, albeit with some pullbacks from stabilisation.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

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