HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks climbed again overnight** following small losses in the previous session. **Renewed stimulus hope and vaccine optimism fuelled the rally,** sending the S&P500 (+1.1%) and NASDAQ (+1.3%) to fresh records; the blue-chip Dow Jones Industrial **Average was up by 0.6% to level shy of its recent 30,000 all-time high. A bipartisan group of U.S. Senators and House of Representative lawmakers unveiled a $908b stimulus relief package in a bid to end the current impasse**. Investors sold bonds, in favour of stocks. Treasury yields rose 1.8 to 10.3bps across the curve; 10Y UST yield went up by nearly 9bps to 0.928%, closing above 0.90% for the first time since mid-Nov.

- **Gold futures rallied** by 2.2% to $1813.9/oz as the dollar weakened. The dollar index was down by 0.7% to 91.19 as **the greenback fell substantially against major rivals.** EUR and CHF led the gain, strengthening by 1.0-1.2%; the JPY was unchanged. **Crude oils extended decline amid uncertainty over OPEC+ talks.** Brent crude lost 0.7% to $47.25/barrel while WTI plunged more than 2.0% to $44.40/barrel. **Fed Chair Jerome Powell testified alongside Treasury Secretary Steven Mnuchin** before the Senate Banking Committee. **Both called for additional stimulus. Pfizer and Moderna have now requested authorisation over their respective vaccine in Europe,** EU officials said would work through Christmas to review the trial data according to WSJ. **The RBA had earlier kept cash rate unchanged at 0.10%.**

- **PMI data showed mixed signals across the global manufacturing industry.** US construction spending gained more than expected; Eurozone inflation remained at negative. Hong Kong retail sales continued to fall but by smaller magnitude.

- The DXY saw massive decline in US trading session, touching a low of 91.16 before closing at 91.19, losing 0.74% on the day following positive stimulus news amounting $908b, as well as Powell and Mnuchin's call for additional stimulus during their Congressional testimony. The overnight down move has strengthened the negative momentum in Dollar Index, reinforcing our **bearish** view on the USD. Up next on the data front is ADP employment tonight, a precursor to Friday's nonfarm payroll.

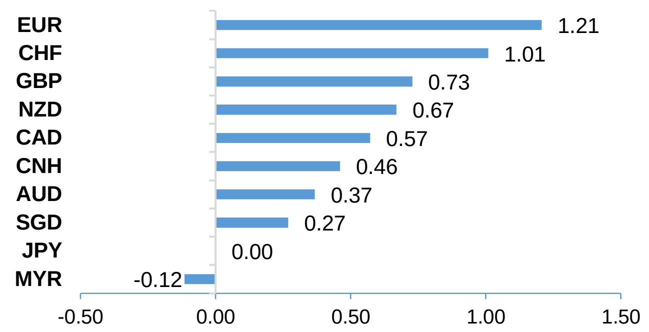
- USD/MYR climbed slightly higher by 0.12% to 4.0785 following a temporary dollar resurgence. The pair remained below 4.08, indicating weak momentum. The broad-based USD weakness overnight looks set to benefit MYR, likely pushing the pair lower today, hence our **neutral to bullish MYR** outlook. We maintain a weekly range of 4.05-4.10 for now.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,823.92	0.63	4.50
S&P 500	3,662.45	1.13	13.36
FTSE 100	6,384.73	1.89	-15.35
Hang Seng	26,567.68	0.86	-5.75
KLCI	1,602.26	2.53	0.85
STI	2,814.12	0.29	-12.68
Dollar Index	91.19	-0.74	-5.40
WTI oil ($/bbl)	44.40	-2.07	-27.04
Brent oil ($/bbl)	47.25	-0.71	-28.41
Gold (S/oz)	1,813.90	2.15	19.09
CPO (RM/tonne)	3,445.00	0.45	13.87

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	→	Eurozone	↓
UK	↑	Japan	↓
China	↑	Hong Kong	↑
Vietnam	↓	Malaysia	↓

Up Next

Date	Events	Prior
02/12	AU Home Loans Value MoM (Oct)	5.9%
	AU GDP SA QoQ (3Q)	-7.0%
	US ADP Employment Change (Nov)	365k
03/12	US U.S. Federal Reserve Releases Beige	
	HK Markit Hong Kong PMI (Nov)	49.8
	SG Markit Singapore PMI (Nov)	48.6
	AU Exports MoM (Oct)	4%
	JP Jibun Bank Japan PMI Services (Nov F)	46.7
	CN Caixin China PMI Services (Nov)	56.8
	EU Markit Eurozone Services PMI (Nov F)	41.3
	UK Markit/CIPS UK Services PMI (Nov F)	45.8
	EU Retail Sales MoM (Oct)	-2.00%
	SG Purchasing Managers Index (Nov)	50.5
	US Initial Jobless Claims (28 Nov)	778k
	US Markit US Services PMI (Nov F)	57.7
	US ISM Services Index (Nov)	56.6

Source: Bloomberg

Macroeconomics

- ***Manufacturing sector PMIs showed mixed signals:***
  - The US ISM Manufacturing Index went down to 57.5 in November (Oct: 59.3) while the Markit PMI rose sharply to 56.7 (Oct: 53.4); nonetheless both indexes indicate ongoing expansion in US factory activity.
  - Eurozone Markit Manufacturing PMI slipped to 53.8 in November (Oct: 54.8), indicating weaker manufacturing growth.
  - UK Markit Manufacturing PMI inched up to 55.6 in November (Oct: 53.7), as factory activity was not impacted by the lockdown
  - Japan Jibun Bank Manufacturing PMI went up a little to 49.0 in November (Oct: 48.7), reaffirming ongoing manufacturing weakness.
  - China Caixin Manufacturing PMI rose to 54.9 in November (Oct: 53.6), the sharpest improvement in conditions since November 2010.
  - Malaysia Markit Manufacturing PMI was little changed at 48.4 in November (Oct: 48.5), its fourth successive month at sub-50 levels.
  - Vietnam Markit Manufacturing PMI slipped to 49.9 in November (Oct: 51.8), retreating from recent expansion.

- ***US construction spending rose in October:*** Construction spending beat expectation in October, recording 1.3% MOM growth. However, the 0.3% MOM growth in September was revised down to -0.5% MOM. October saw continuous increase in private residential spending (+2.9%) since June as developers raced to meet the robust housing demand. Overall data were consistent with the positive signs offered by other housing-related indicator.

- ***Eurozone inflation remained negative:*** The HICP inflation rate fell 0.3% MOM in November (Oct: +0.2%), its first monthly negative print in three months. This translates to -0.3% YOY (Oct: -0.3%), marking its fourth consecutive month below 0% as deflationary pressure continued to build up in the euro area economy that reflects weak domestic demand.

- ***Hong Kong retail sales recorded smaller decline:*** Retail sales fell less than expected by 8.8% YOY in October (Sep: -12.9%), marking its first single-digit decline since June last year, adding to signs of stabilisation of the economy. Having said that, the city is now experiencing its fourth wave of Covid-19 surge, potentially hampering retail spending yet again.

- ***RBA kept cash rate unchanged and maintained policy stance:***
  - RBA kept cash rate and the 3-year government bond yield target unchanged at 0.1% as widely expected; it also maintained its current monetary stimulus program. It said that economic recovery is under way and "recent data have generally been better than expected", but the recovery is expected to be uneven.
  - GDP is expected to grow by around 5.0% next year and 4.0% over 2022. Unemployment rate is forecast to decline next year, but only slowly, and still to be around 6.0% at the end of 2022. Underlying inflation is projected to be 1.0% in 2021 and 1.5% in 2022.
  - The RBA made no change to its policy stance and guidance. It repeated that it would not "increase the cash rate until actual inflation is sustainably within the 2 to 3% target range".
  - For this to happen, wages growth need to be materially higher and there needs to be significant gains in employment and a return to tight labour market.
  - RBA is thus not expecting to raise cash rate for at least 3 years.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR climbed slightly higher by 0.12% to 4.0785 following a temporary dollar resurgence. The pair remained below 4.08, indicating weak momentum. The broad-based USD weakness overnight looks set to benefit MYR, likely pushing the pair lower today. 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 saw massive decline in US trading session, touching a low of 91.16 before closing at 91.19, losing 0.74% on the day following positive stimulus news amounting $908b, as well as Powell and Mnuchin's call for additional stimulus during their Congressional testimony. The overnight down move has strengthened the negative momentum in Dollar Index, reinforcing our bearish view on the USD. Up next on the data front is ADP employment tonight, a precursor to Friday's nonfarm payroll.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD rallied and closed near its intraday high of 1.2077. EUR led gains in the majors by strengthening 1.21% DOD to 1.2071 at close. We suspect some consolidation could be in the works following yesterday's sharp move even though positive momentum indicators have built up, potentially sending the pair higher to 1.2090 and 1.2140.n
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD rallied the most in a week, gaining 0.73% to 1.3420 spurred by Brexit deal optimism. The pair is seen hovering at 1.3428 at time of writing, off from a high of 1.3441 yesterday. We stay slightly constructive on the GBP, due to the positive risk sentiment bias. Next resistance at 1.3490 and support at 1.3315.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY rangetraded on Tuesday before ending flat at 104.33. We remain neutral on the pair for now, eyeing 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 traded little change post RBA decision that offered no change to policy stance but rallied in US trading session following USD weakness, closing 0.37% higher at 0.7371. Today's GDP data 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 slipped 0.27% to 1.3380 at close from an intraday high of 1.3418, helped by a weaker USD. We see 1.3350 as the next psychological barrier, with only a pullback above 1.3420 signalling at some upsides for USD/SGD.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

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