HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks opened lower and wobbled overnight** after a recent rally, but managed to register some gains at the end of an indecisive session. This came as vaccine news took a back seat and **focus turned to US stimulus news which still lacks concrete development.** The Dow closed 0.2% higher; the S&P500 gained 0.2% to reach a new record while NASDAQ was little changed (-0.05%). **Treasury yields hovered at recent levels** after having risen sharply in the prior day; overall yields moved by -0.2 to 2.3bps. 10Y UST yield was up slightly by 1.2bps to 0.938%.

- **Gold futures extended gain** by 0.7% to $1827/oz as **the dollar weakened further.** The dollar index shed 0.3% to 91.02. Major currencies continued to strengthen against the dollar, led by the AUD and CHF; JPY remained flat while **the GBP retraced vaccine-related gains to close lower on renewed Brexit concerns.** The pound was initially pushed higher by the news that the UK's authorisation of the Pfizer/BioNTech vaccine which could be available as soon as next week, only to find itself dragged down by unoptimistic Brexit development. The EU chief negotiator Michael Barnier said that outcome of the talks remained too close to call.

- **Crude oils rebounded over hope of that OPEC+ could reach agreement over output curb decision.** Brent crude added 1.2% to nearly $47.99/barrel while WTI gained 0.9% to $44.96/barrel. Fed Chair Jerome Powell testified before the House Financial Services Committee echoing his earlier call for additional stimulus. House Democrats questioned and attacked Treasury Secretary Mnuchin's recent decision to allow five Fed lending programmes to expire. **Data were limited to US ADP private payrolls which disappointed** at 307k in November. The Federal Reserve **Beige Book meanwhile reported signs of slower economic activity. Eurozone unemployment rate slipped to 8.4%. Australia GDP growth beat estimate at 3.3% QOQ.**

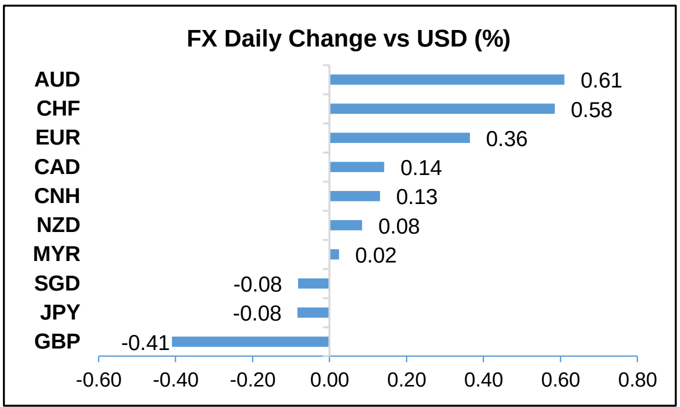
- DXY resumed its downward trend on Wednesday, buoyed by positive vaccine take-up in the UK. DXY was down 0.21% reaching an intraday low of 90.991, closing at 91.12. We remain of the view of a weaker dollar in the coming days, possibly consolidating from stretched levels. End-4Q forecast stands at 91.50.

- USD/MYR was little changed (-0.02%) at 4.0775 on Wednesday. The pair remains below 4.08, indicating weak momentum. The broad-based USD weakness overnight is likely to continue benefitting MYR, pushing the pair lower; however cautious sentiment may keep the pair constrained within recent ranges. We are still **neutral to bullish on MYR** and are maintaining our weekly range of 4.05-4.10.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,883.79	0.20	4.71
S&P 500	3,669.01	0.18	13.56
FTSE 100	6,463.39	1.23	-14.31
Hang Seng	26,532.58	-0.13	-5.88
KLCI	1,598.72	-0.22	0.63
STI	2,810.95	-0.11	-12.78
Dollar Index	91.12	-0.2	-5.5
WTI oil ($/bbl)	45.28	1.64	-25.84
Brent oil ($/bbl)	48.25	1.75	-26.89
Gold ($/oz)	1,831.28	0.88	20.50
CPO (RM/tonne)	3,475.00	-0.79	14.86

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Eurozone	↑
Australia	↑		

Up Next

Date	Events	Prior
03/12	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%
	US Initial Jobless Claims (28 Nov)	778k
	US Markit US Services PMI (Nov F)	57.7
	US ISM Services Index (Nov)	56.6
04/12	AU Retail Sales MoM (Oct)	-1.10%
	UK Markit/CIPS UK Construction PMI (Nov)	53.1
	SG Retail Sales YoY (Oct)	-10.80%
	US Change in Nonfarm Payrolls (Nov)	638k
	US Unemployment Rate (Nov)	6.90%
	US Trade Balance (Oct)	-$63.9b
	US Factory Orders (Oct)	1.10%

Source: Bloomberg

Macroeconomics

- ***US job growth slowed; Fed Beige Book reported signs of slower growth:***
  - The US private sector added fewer jobs than expected as the ADP headline private payrolls came in at 307k in November (Oct: +404k revised). Consensus forecast stood at 440k. Services sector added 276k jobs while manufacturing employments rose by 31k. The latest print is ADP jobs' second consecutive month of smaller gain.
  - MBA mortgage applications fell 0.6% last week (prior: +3.9%) after a recent surge mainly because of the fall in the refinancing segment. Applications to purchase houses rose sharply by 9.0%, marking its third successive increase.
  - The Federal Reserve published its last Beige Book of the year, reporting that nation-wide economic expansion being "modest or moderate". However, four districts reported little or no growth while some saw slower activity in early November as COVID-19 cases surged. Overall firms' outlooks remained positive but optimism has waned, citing concerns over the recent pandemic wave, new restrictions, looming expirations of unemployment benefits as well as moratorium on evictions and foreclosures.

- ***Eurozone unemployment rate fell to 8.4%:*** Unemployment rate fell to 8.4% in October, from the revised 8.5% in September; the small changes in jobless rate reflects the role played by the short-term work schemes which has thus far prevented massive unemployment, despite weak recovery outlook in general.

- ***Australia GDP growth came in better than expected:***
  - Australia real GDP expanded by 3.3% QOQ in the third quarter, partially recovering from the 7.0% contraction in the second quarter. This was better than analysts' estimate of a 2.5% growth.
  - 3Q rebound was driven by household consumption which contributed 4 ppts to the headline figure; private capital formation made no contribution (0 ppts) after subtracting from the headline numbers for three straight quarters, adding to signs of weak investment.
  - The recovery translates to a smaller YOY contraction of 3.8% (2Q: -6.4%), compared to estimate of -4.4% YOY.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR was little changed (-0.02%) at 4.0775 on Wednesday. The pair remains below 4.08, indicating weak momentum. The broad-based USD weakness overnight is likely to continue benefitting MYR, pushing the pair lower; however cautious sentiment may keep the pair constrained within recent ranges. 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)

- DXY resumed its downward trend on Wednesday, buoyed by positive vaccine take-up in the UK. DXY was down 0.21% reaching an intraday low of 90.991, closing at 91.118. We remain of the view of a weaker dollar in the coming days, possibly consolidating from stretched levels. End-4Q forecast stands at 91.50.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD reached another new high above 1.21 big figure after smashing 1.20 a day earlier. Pair was last consolidating around 1.21+ after a high of 1.2119, from Tuesday's close of 1.2071. This is above our 4Q forecast of 1.20, reaching our 1Q-21 forecast of 1.22. We stay neutral on a 1.2000-1.2150 range after prior rallies.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD pulled back after prior rallies and the high of 1.3441. This brought pair to a low of 1.3288 and close of 1.3365. Brexit developments may help pull pair towards 1.34-1.35 range once again, although a disappointment may trigger a drop to 1.3260.
- **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 Wednesday, hitting a high of 104.75 before dipping to around 104.50 at close. We still see a range of 103.6-104.8, 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 surged to a high of 0.7420 on Wednesday before closing nearby, and Thursday open sees some consolidation around 0.74 big figure. This came after GDP was stronger than expected in 3Q, as RBA stays pat. We see some consolidation ahead as potential upside to 0.755 (1Q-21 forecast) remains.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD was choppy with a wide 1.3363-1.3418 range. Pair was overall 0.08% up for Wednesday. At stretched levels, we see some consolidation, with immediate support of 1.3350 keenly watched on a psychological point of view. PMI numbers will likely be important on clues.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my