Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks closed on a mixed note overnight in response news story that highlighted Pfizer's raw material supply chain issue in a bid to roll out the Covid-19 vaccine.** Pfizer's shares plunged 3.1% and denied report that it would ship only half of the vaccine this year. Dr Fauci also criticised the UK's speedy approval of the Pfizer vaccine. The Dow Jones rose 0.3% whereas; the S&P500 erased intraday gains and retreated slightly (-0.06%); NASDAQ climbed further by 0.2% to hit another record high.

- **The newly proposed $908b stimulus deal appeared to be gathering steam and supports from both Republicans and Democrats** although Senate Majority Leader Mitch McConnell has yet to endorse it. Treasury yields fell by 1 to 3.3bps on the back of cautious sentiment; 10Y UST yield was down by 3bps to 0.906%. Gold futures picked up for the third session by 0.8% to $1840/oz as the dollar slumped; Brent crude closed nearly 1% higher at $48.71/**barre after OPEC+ reached an agreement to increase oil output by 500k barrels per day in January onwards**, a compromise made following disagreements among a group of members who wanted to cut production instead to boost prices. On the Brexit front, France threatened that it could veto the UK-EU trade deal, pressuring chief negotiator Barnier to not make further concession.

- **Latest services PMI data reflect the impact of fresh lockdowns in Europe** while the industry continues to grow in the US and China. **US initial jobless claims fell last week to 712k**. Eurozone retail sales growth beat estimate while Australia trade data also surpass expectation. Attention now turns to US nonfarm job data tonight and consensus forecast currently stands at 475k.

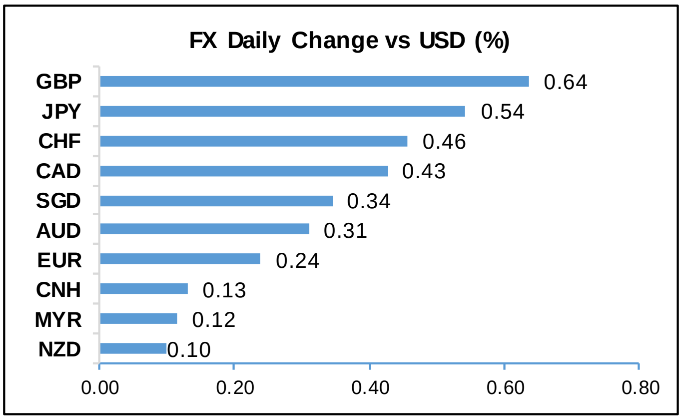
- **The dollar broadly weakened, with DXY overall down by 0.4% on Thursday.** This gave DXY a low of 90.51 before closing at 90.71, bringing the dollar to the lowest level since April 2018, due to positive growth outlook and non-US market investments. Meanwhile, the GBP rebounded and was the top performer, followed by JPY and CAD. 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 slipped 0.1% to 4.0730 on Thursday**. The pair continues to stay below 4.08, indicating weak momentum; the dollar remains on the back foot and this is likely to continue supporting the local unit. However, cautious sentiment ahead of the weekend may keep the pair constrained within recent ranges. We maintained a weekly range of 4.05-4.10 for now. The US nonfarm job report due tonight is expected to shape USD movement in the short term.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,969.52	0.29	5.01
S&P 500	3,666.72	-0.06	13.49
FTSE 100	6,490.27	0.42	-13.95
Hang Seng	26,728.50	0.74	-5.18
KLCI	1,628.26	1.85	2.49
STI	2,822.34	0.41	-12.43
Dollar Index	90.71	-0.44	-5.95
WTI oil ($/bbl)	45.64	0.80	-25.25
Brent oil ($/bbl)	48.71	0.95	-26.20
Gold (S/oz)	1,836.80	0.61	20.85
CPO (RM/tonne)	3,500.00	-0.24	15.68

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↓
UK	↓	Japan	→
China	↑	Hong Kong	↑
Australia	↑	Singapore	→

Up Next

Date	Events	Prior
04/12	AU Retail Sales MoM (Oct)	-1.1%
	SG Retail Sales YoY (Oct)	-10.8%
	US Change in Nonfarm Payrolls (Nov)	638k
	US Unemployment Rate (Nov)	6.9%
	US Trade Balance (Oct)	-$63.9b
	US Factory Orders (Oct)	1.1%
07/12	AU AiG Perf of Services Index (Nov)	51.4
	MA Foreign Reserves (30 Nov)	$104.9b
	SI Foreign Reserves (Nov)	$338.05b
	EC Sentix Investor Confidence (Dec)	-10.0
	CH Exports YoY (Nov)	11.40%
	CH Imports YoY (Nov)	4.70%

Source: Bloomberg

Macroeconomics

- ***Services PMIs reflect new virus waves and impacts of lockdown in key economies:***
  - US ISM Non-manufacturing index edged lower to 55.9 in November (Oct: 56.6) while the Markit Services PMI rose to 58.4 (Oct: 56.9); both reading reflects ongoing growth in the services although the former suggests some pull-back in expansion.
  - Eurozone Markit Services PMI fell sharply to 41.7 in November (Oct: 46.9), as the services sector was impacted by new restrictions and lockdowns.
  - UK Markit/CIPS Services PMI fell below 50 to 47.6 in November (Oct: 51.4), following the second nationwide lockdown to contain the virus.
  - Jibun Bank Services PMI was little changed at 47.8 in November (Oct: 47.7), indicating that services sector activity continued to contract since Feb this year.
  - China Caixin Services PMI rose to 57.8 in November (Oct: 56.8), in line with the official gauges.
  - Hong Kong Markit PMI went up to 50.1 in November (Oct: 49.8), a significant improvement that marked its first above 50 reading since Feb-18. This is in line with recent data that Hong Kong economy is moving towards stabilisation after sharp downturn.
  - Singapore Markit PMI fell to 46.7 in November (Oct: 48.6), suggesting deterioration in the private sector economy. However, the official PMI was little changed at 50.4 (Oct: 50.5).

- ***US Initial jobless claims fell last week:*** Initial jobless claims fell to 712k for the week ended 28 Nov (prior: 787k) after having risen for the previous two weeks, dampening some concerns of slower job growth. Unsurprisingly continuous claims continued to fall to 5.52mil as at 21 Nov (prior: 6.09mil) as users gradually exhaust their 26-week program. The additional pandemic jobless benefits meanwhile climbed further to 4.56mil as at 13 Nov (prior: 4.51mil) implying that many remained out of work.

- ***Eurozone retail sales beat expectation:*** Retail sales beat estimate, recording 1.5% MOM growth in October (Sep: -1.7%), driven by broad-based increase across most categories of goods as holiday shopping kicked off early. Analysts had forecasted retail sales to grow 0.7%. Online sales gained a solid 6.1% after the recent decline. Overall sales translate to an upbeat 4.3% YOY gain (Sep: +2.5%).

- ***Australia new home loans rose for fifth month; trade surplus widened:***
  - Australia home loan approval value fell short of expectation, registering a mere 0.7% MOM gain in October (Sep: +5.9%) but nonetheless hitting a record high. This comes after home loans rose for the previous four months, confirming the robust state of the housing sectors.
  - Trade surplus widened to AUD7.46b in October (Sep: AUD5.82b) thanks to sharper exports growth (+5% MOM); imports rose by merely 1%.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR slipped 0.1% to 4.0730 on Thursday. The pair continues to stay below 4.08, indicating weak momentum; the dollar remains on the back foot and this is likely to continue supporting the local unit. However, cautious sentiment ahead of the weekend may keep the pair constrained within recent ranges. We maintained a weekly range of 4.05-4.10 for now. The US nonfarm job report due tonight is expected to shape USD movement in the short term.
- **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 dollar broadly weakened, with DXY overall down by 0.4% on Thursday. This gave DXY a low of 90.51 before closing at 90.71, bringing the dollar to the lowest level since April 2018, due to positive growth outlook and non-US market investments 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
- **Factors against**: US election result, potential US stimulus

EUR (Neutral-to-Bullish)

- EUR/USD rose once again, hinting at momentum on the upside. Pair touched a high of 1.2175 before closing at 1.2144 at close. We now turn constructive on the EUR on current momentum on dollar weakness, watching for 1.22 big figure before further possible moves upsides.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD surged once again, hitting a 1.35 high before some profit taking brought a close to 1.345. GBP/USD has been outperforming in line with our bullish call, with the 0.64% increase DOD. We still see 1.35 in sight and some upsides is possible after Thursday's high.
- **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 came off on Thursday, brought down by dollar weakness. JPY strengthened by 0.56%, with USD/JPY hitting a low of 103.67 before a close of 103.84. With such momentum, we turn slightly bullish on the yen, with 103.5 support in sight, and resistance for reversal at 104.73.
- **Factors supporting**: BOJ policy
- **Factors against**: Weak fundamentals, risk sentiments

AUD (Neutral-to-Bullish)

- AUD/USD gained on Thursday, up 0.31%. This brought pair to 0.7439 close after a high of 0.745. Current resistance levels of 0.745 and next 0.75 are in sight. Only a reversal back to 0.725 will signal at some reversal of momentum. This comes as export and retail sales data outperformed expectations.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD hit the 1.335 support on Thursday, with a low of 1.3323 intraday. A close of 1.3345 now brings attention to big figure of 1.33. We stay constructive of further downward moves for the pair, given dollar weakness. This comes as Singapore manufacturing PMI stayed positive at 50.4 in November, from 50.5 a month ago.
- **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