

Global Markets Research

Daily Market Highlights

Key Takeaways

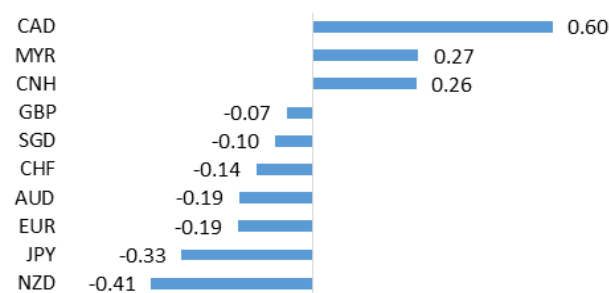
- **US stocks hit fresh record high as markets began focusing on 2021 recovery prospects.** Key benchmark US stock indices all closed at fresh record highs on Friday, as investors looked past disappointing headline NFP numbers and a WSJ news reiterating vaccine supply chain constraints that Pfizer and BioNTech would only be able to fulfil half its expected vaccine shipment this year. The weak headline NFP somewhat stirred expectations for a stronger case for stimulus aids, and investors chose to focus on the not too bad underlying job details such as easing jobless rate and pick-up in wage growth. Expectations that more publicly available vaccines in 2021 would revive mobility and spur economic growth were also in investor's radar.
- **Treasury yields jumped** by up to 8bps steepening the curve amid a rally in risk. 10Y UST yield rose 8bps to 0.97%. **Gold futures ended only marginally lower** for the first time in four days at \$1836/oz despite the risk rally, a sign of still cautious market sentiments. **The Dollar Index ended little changed** at 90.70, only down marginally on the day amid gains in the CAD and losses in other majors. **Brent crude closed more than 1.0% higher** at \$49.25/barrel, continued building on recovering growth story and a deal by OPEC+ to increase oil output by 500k barrels per day from January onwards. **Asian markets look set to open higher this morning on positive sentiments, and we expect vaccine and US stimulus talks, and to a lesser extent Brexit negotiation, to continue shaping market movement this week.**
- On the data front, **US nonfarm job data hugely disappointed at 245k in November, underscoring slowing recovery in the job market**, due to much lower job gains in the private sector and a decline in the government sector. **On a more positive note, jobless rate moderated to 6.7% (prior 6.9%) as expected while the average hourly earnings surprised on the upside at +0.3% MOM (prior +0.1%), leaving the YOY gain unchanged at +4.4%.** In separate releases, factory orders and durable goods orders added to sign of sluggish demand outlook. Elsewhere, **Australia retail sales and services improved** following the reopening of Victoria while **Singapore saw continuous albeit smaller decline in retail sales.**
- The dollar was stabilising on Friday, after staying close to YTD lows of 90.476 that was hit on the same day. This came as non-farm payrolls disappointed in November. Average hourly earnings was positive at 0.3% MOM. We are **neutral-to-bearish** on the USD for the week ahead. Focus is on CPI/PPI data. End-4Q forecast stands at 91.50.
- USD/MYR further slipped by 0.21% to 4.0620 on Friday. The pair made a decisive move down by another big figure to the 4.06 handle on Friday, its lowest in over 10 months. USD weakness has reinforced bearishness in the pair but news on a sovereign rating downgrade by Fitch from A- to BBB+ after Friday market closure may pose some knee-jerk **downward pressure on the MYR** today, potentially heading back to the 4.07-4.08 ranges.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,218.26	0.83	5.89
S&P 500	3,699.12	0.88	14.50
FTSE 100	6,550.23	0.92	-13.16
Hang Seng	26,835.92	0.40	-4.80
KLCI	1,621.85	-0.39	2.08
STI	2,839.89	0.62	-11.88
Dollar Index	90.70	-0.01	-5.90
WTI oil (\$/bbl)	46.26	1.36	-24.24
Brent oil (\$/bbl)	49.25	1.11	-25.38
Gold (\$/oz)	1,835.90	-0.05	20.54
CPO (RM/tonne)	3,500.00	-0.24	15.68

Source: Bloomberg

Daily FX Changes vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↓	Australia	↑
Singapore	↓		

Up Next

Date	Events	Prior
07/12	MA Foreign Reserves (30 Nov)	\$104.9b
	EC Sentix Investor Confidence (Dec)	-10.0
	CH Exports YoY (Nov)	11.40%
	CH Imports YoY (Nov)	4.70%
	JP Leading Index (Oct)	92.5
08/12	JP Household Spending YoY (Oct)	-10.20%
	JP Labor Cash Earnings YoY (Oct)	-0.90%
	JP GDP SA QoQ (3Q F)	5.00%
	AU NAB Business Confidence (Nov)	5
	EC Employment QoQ (3Q F)	0.90%
	EC ZEW Survey Expectations (Dec)	32.8
	EC GDP SA QoQ (3Q F)	12.60%
	US NFIB Small Business Optimism (Nov)	104

Source: Bloomberg

Macroeconomics

- **Mixed US job data and slower growth in factory orders:**
 - US nonfarm job data hugely disappointed at 245k in November, underscoring slowing recovery in the job market. This was sharply below consensus estimate of 460k and the downwardly revised 610k for October, due to much lower job gains in the private sector and a decline in the government sector. Labour force participation rate also surprisingly pulled back 0.2ppt to 61.5%, remaining way below pre-pandemic levels of c.63.0%. On a more positive note, jobless rate moderated to 6.7% (prior 6.9%) as expected while the average hourly earnings surprised on the upside at +0.3% MOM (prior +0.1%), leaving the YOY gain unchanged at +4.4%.
 - Factory orders growth moderated less than expected by 1.0% MOM in October (Sept: +1.3% revised) while orders ex-transportation picked up to +1.0% MOM (Sept: +0.9% revised). The slower gain was due to smaller increases in capital and durable goods orders, a sign of weaker demand outlook. In a separate report, the final reading of durable goods orders printed a smaller increase of 1.3% MOM in October (Sept: +2.1%), adding to signs of sluggish outlook.
 - Trade deficit widened marginally to \$63.1bn in October (Sept: -\$62.1bn revised), hovering near its worst deficit in 14 years, as slower exports gain (+2.2% vs +2.4% MOM) was weighed down by faster pick up in imports growth (+2.1% vs +0.6% MOM). Both goods and services deficit widened. Travel restrictions continued to dent travel balances (-58.9% YOY and -5.8% MOM).
- **Improvement in Australia retail sales and AiG services index:**
 - Retail sales rebounded with a 1.4% MOM increase in October (Sept: -1.1% MOM), snapping the declines in the last two months, as the reopening of Victoria spurred improvement in all segments from food to restaurants and departmental stores.
 - In line with this, AiG services index climbed higher to 52.9 in November (Oct: 51.4), its best in a year spurred by gains in sales (+5.2ppt) and employment (+3.3ppt). This more than offset the decline in new orders (-1.0ppt) and stocks (-6.0ppt).
- **Extended decline in Singapore retail sales:** Retail sales fell by 8.6% YOY in October (Sept: -10.8%), reflecting a steadier trend despite the continuous decline. The rebound in computer and telecommunications was smaller than what we expected, despite new product launches while motor vehicle sales picked up. We expect some pickups at year-end (December), but further gains may be more difficult unless the world economy and employment conditions improve more.

Forex

MYR (Bearish)

- USD/MYR further slipped by 0.21% to 4.0620 on Friday. The pair made a decisive move down by another big figure to the 4.06 handle on Friday, its lowest in over 10 months. USD weakness has reinforced bearishness in the pair but news on a sovereign rating downgrade by Fitch after Friday market closure may pose some knee-jerk downward pressure on the MYR today, potentially heading back to the 4.07-4.08 ranges. Hence, we are bearish on the MYR today.
- **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 was stabilising on Friday, after staying close to YTD lows of 90.476 that was hit on the same day. This came as non-farm payrolls disappointed in November. Average hourly earnings was positive at 0.3% MOM. We are **neutral-to-bearish** on the USD for the week ahead. Focus is on CPI/PPI data. 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-to-Bullish)

- EUR/USD came off 0.19% on Friday, down to a close of 1.2121 after a low of 1.211. Monday open sees continued stability. We are **neutral-to-bullish** on EUR/USD for the coming week. This comes after strong momentum weighing against prior views of some consolidation. We watch 1.22 as the next hurdle psychologically to clear. Support is at 1.20 for any reversal in trends. Week ahead focus is on the European Central Bank Meeting, on 10 December.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD was slightly down on Monday open (close to 1.34) on Brexit concerns, after some stability on Friday. We are **neutral-to-bullish** on the GBP, due to the positive risk sentiment bias. Psychological resistance is at 1.3514, the 1Y high. A pullback below 1.329 may signal at a reversal in trend. Focus is on Monthly GDP released on 10 December.
- **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 low of 103.74 before a close of 104.17 on Friday. We are **neutral-to-bullish** on the JPY for the coming week, in an environment of dollar weakness. Support at 103.18.
- **Factors supporting:** BOJ policy, risk aversion
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD came off on Friday to a 0.7425 close, and opened Monday with slight bid tone. We are **neutral-to-bullish** on the AUD for the week ahead. Pair is looking to test the 0.75 big figure later on. Support around 0.73. Focus will likely be on trade-related news and on the Covid-19 situation domestically, alongside dollar trends.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD opened Monday with some reversals downwards (around or below 1.335) after some rebound on Friday (close of 1.3358). A close of 1.3345 now brings attention to big figure of 1.33. We stay constructive of further downward moves for the pair. Although positive recovery news is priced in, markets continue to watch for investment opportunities which is usually bearish for the dollar. We see 1.33 as the next psychological barrier, with only a pullback above 1.341 signalling at some upsides for USD/SGD.
- **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

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