

Global Markets Research

Daily Market Highlights

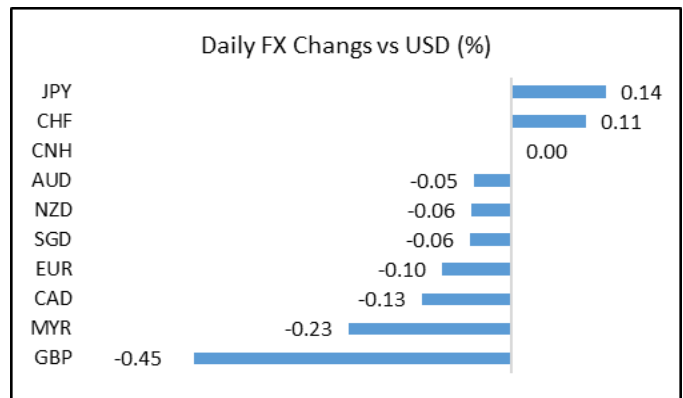
Key Takeaways

- **Equities took a beating and ended mixed across the globe as new infections in the US rose to the realm again, prompting selloff in risk assets and flight to safety bids.** The US has also imposed sanctions on additional 14 China officials but we believe this has had little bearing on the markets. The Dow and S&P 500 retreated while the Nasdaq continued to scale new high. **Treasuries gained on haven bids**, pushing yields lower again amid risk aversion. 10Y UST yield headed back down to 0.92% while the 2s were little changed, bull flattening the curve. **Gold futures resumed its upward climb**, back up to \$1862/oz tracking the return to safe haven bids.
- **The Dollar Index closed higher** at 90.79, but off an intraday high of 91.24. The greenback advanced against all majors save for haven currencies like JPY and CHF. Tracking the pullback in risk sentiments, **Brent crude and WTI also closed lower** by about 1.0%. Brent last settled at \$48.79/barrel, whilst the WTI at \$45.76/barrel. **Asian markets are poised for mixed opening this morning**, futures showed, tracking the mixed performances overnight.
- On the data front, **economic releases were mainly positive. Investor confidence improved in the Eurozone and Australia. China exports jumped** pushing the trade surplus to record levels as imports gain remained more subdued. **In Japan, latest data bag surprised on the upside. 3Q GDP was revised higher to 22.9% QOQ annualized, leading index improved, household spending rebounded although labour earnings sustained declines, and current account surplus widened.** Despite this, the new Prime Minister Suga is set to announce a \$707bn stimulus package today, acknowledging still weak economic fundamentals. **Foreign reserves continued inching higher in Malaysia**, continued providing sufficient buffer to any untoward shocks.
- DXY was slightly up on Monday by 0.1%, with a 90.79 close. 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 climbed 0.23% to 4.0715 on Monday. MYR weakened in response to Fitch rating downgrade news on Malaysia. The pair traded as high as 4.0885 in early session open before normalizing to the 4.07 levels for most part of the day, despite a strengthening USD. We continue to expect a **neutral to bearish bias in USD/MYR** as soon as the knee-jerk reaction wanes. Our year end forecast remains unchanged 4.08.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,069.79	-0.49	5.37
S&P 500	3,691.96	-0.19	14.27
FTSE 100	6,555.39	0.08	-13.09
Hang Seng	26,506.85	-1.23	-5.97
KLCI	1,622.89	0.06	2.15
STI	2,825.51	-0.51	-12.33
Dollar Index	90.79	0.10	-5.81
WTI oil (\$/bbl)	45.76	-1.08	-25.06
Brent oil (\$/bbl)	48.79	-0.93	-26.08
Gold (\$/oz)	1,861.80	1.41	22.37
CPO (RM/tonne)	3,610.00	3.03	19.32

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

Eurozone	↑	China	↑
Japan	↑	Australia	↑
Malaysia	↑		

Up Next

Date	Events	Prior
08/12	EC Employment QoQ (3Q F)	0.90%
	EC ZEW Survey Expectations (Dec)	32.8
	EC GDP SA QoQ (3Q F)	12.60%
09/12	US NFIB Small Business Optimism (Nov)	104
	AU Westpac Consumer Conf Index (Dec)	107.7
	JN Core Machine Orders MoM (Oct)	-4.40%
	CH PPI YoY (Nov)	-2.10%
	CH CPI YoY (Nov)	0.50%
	US MBA Mortgage Applications (04 Dec)	-0.6%

Source: Bloomberg

Macroeconomics

- **Eurozone investors turned less pessimistic:** Sentix investor confidence improved more than expected to -2.7 in December (Nov: -10.0), its best reading since the outbreak of the pandemic despite staying negative. This came on the back of an increase in expectations as investors turned more optimistic on the outlook six months ahead, which was driven by positive vaccine development, in our view.
- **Japan data points to further recovery:**
 - Preliminary leading index surprised on the upside at 93.8 in October while September's reading was upwardly revised to 93.3. Coincident index also saw similar trend, picking up more than expected to 89.7 from an upwardly revised 84.8 in September. This fifth consecutive month of increase signalled improving outlook of the Japanese economy ahead.
 - Final reading of 3Q GDP showed the Japanese economy rebounded more than initially estimated to 22.9% QOQ annualized (prelim: 21.4% and 2Q: -28.8%), driven by gains in private consumption. Business spending continued to contract albeit at slower rate.
 - Household spending rebounded but at a less than expected pace of 1.9% YOY in October (Sept: -10.2%) while labour cash earnings sustained a 0.8% YOY decline (Sept: -0.9%), suggesting consumer spending will be struggling to improve in the near term.
 - Current account surplus widened more than expected to ¥2.14 trillion in October (Sept: ¥1.66 trillion), underpinned by higher surpluses in trade balance and smaller deficits in the income account.
- **China exports jumped on year end demand:** Exports growth quickened more than expected to 21.1% YOY in November after an increase of 11.4% a month ago. This marked its fastest gain since Feb-2018. Import growth was more restrained at 4.5% YOY in contrast, little changed from 4.7% previously. China's trade surplus widened to USD 75.4bn in November (Oct: USD 58.4bn), a record high. China's robust exports indicate recovery in the global economy whilst more muted imports growth may be a sign of more benign domestic demand.
- **Australia business confidence spiked:** NAB business confidence climbed higher to 12 in November (Oct: 3 revised from 5), its best in 2.5 years, while business conditions also jumped to a reading of 9 (Oct: 2 revised from 1). This was driven by spikes in trading and profitability, which added 10ppt each. The employment subindex meanwhile stayed flat at -5.
- **Malaysia foreign reserves:** Foreign reserves continued inching higher to \$105.3bn as at end-November (13-Nov: \$104.9bn), sufficient to finance 8.6 months of retained imports and is 1.2x short term external debt. This shall continue to provide some reliefs on Malaysia's ability to weather external shocks.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR climbed 0.23% to 4.0715 on Monday. MYR weakened in response to Fitch rating downgrade news on Malaysia. The pair traded as high as 4.0885 in early session open before normalizing to the 4.07 levels for most part of the day, despite a strengthening USD. We continue to expect a neutral to bearish bias in USD/MYR as soon as the knee-jerk reaction wanes. Our year end forecast remains unchanged 4.08.
- **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 was slightly up on Monday by 0.1%, with a 90.79 close. 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 slightly on Monday but rebounded against a 1.2079 now to close at 1.2109. 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 psychological hurdle to clear. Support is at 1.20 for any reversals in trends. Week ahead focus is on the European Central Meeting, on 10 December.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD fell further on the earlier part of Monday and Tuesday open, after some stability on Friday. Pair is now around 1.3350 after a low of 1.3225 on Monday. 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.
- **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 grinded lower on Monday, down to 104.05 close after a relatively narrow range of 103.92-104.31. 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 recovered from some volatility on Monday, staying roughly flat for the day and closing at 0.7421. We are **neutral-to-bullish** on the AUD for the week ahead. We see a range of 0.73-0.75. 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 steadily grinded up on Monday, reaching a high of 1.3399 before closing at 1.3366. We are slightly constructive on the SGD, especially if dollar weakens. 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

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