

Global Markets Research

Daily Market Highlights

Key Takeaways

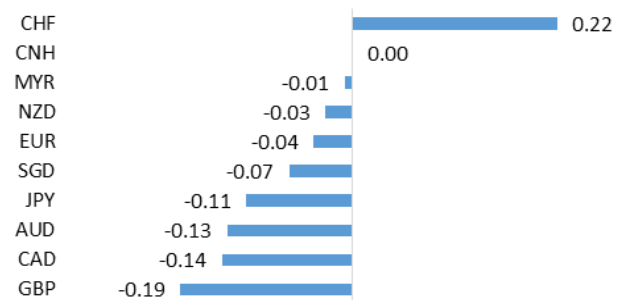
- **US equities continued forging ahead as markets looked past surging new infection cases** that averaged close to 200k daily in the past week **to focus on prospects of a stimulus deal instead.** Both the S&P and Nasdaq saw fresh record highs as the Nasdaq recorded its 10th straight day of gains, its longest winning streak in about a year. **Earlier, European and Asian stocks traded mixed.** US Treasuries traded lower on the front end but higher on the longer end, further flattening the yield curve. This followed a weak 3Y bond auction that attracted a weaker BTC of 2.28x (prior 2.40x) at a high yield of 0.211% (prior 0.250%).
- **Gold futures extended gains,** rising further to \$1871/oz reflecting sustained demand for safety. **The Dollar Index closed higher for a 2nd consecutive day** at 90.95, off its intraday high of 91.02. The greenback advanced against all majors save for the CHF. **The sterling lost ground for the 3rd day in a row** amid volatile trade swinging along Brexit noises. **Global crude oil prices ended the mixed.** Brent crude was flat at \$48.82/barrel, whilst the WTI dipped slightly to \$45.60/ barrel, as markets await development on the stimulus and vaccine front. **Futures showed Asian markets are poised for higher opening this morning,** trailing the rise in US stocks. China CPI/ PPI will be key data to watch today.
- **On the data front, positive Eurozone data offered some much needed reliefs.** Final 3Q GDP confirmed that the Eurozone economy rebounded 12.5% QOQ and contracted at a slower pace of 4.3% YOY spurred by broad-based gains in consumption and investment, while employment turned around in 3Q. ZEW survey also showed expectations for economic growth spiked to a 3-month high in December on vaccine optimism. **Consumers in Australia were also more upbeat but small businesses in the US were concern about new policies by the new Biden administration.** **Japan core machine orders unexpectedly spiked to a 24-year high, but we are sceptical of actual realization into capital investment.**
- DXY grinded up on Tuesday, overall up by 0.19% to a 90.97 a close. The dollar seems to have bottomed out since 4 December, even as stocks headed northwards. We still see some **slight weaknesses** over a 1-week horizon. For the week ahead, focus is on CPI/PPI data. End-4Q forecast stands at 91.50.
- MYR saw steadier trading of circa 125pips between 4.0630 and 4.0755 before closing at 4.0720 yesterday. This reflected a quick return to normalcy after the knee-jerk reaction on Monday post Fitch's announcement where the pair traded wider by 200pips. We are **neutral on USD/MYR today** as the USD will likely continue with its attempts to rebound, hence keeping the pair within current ranges. Technically, momentum indicator has also turned neutral, suggesting some sideway trading before further down move.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,173.88	0.35	5.73
S&P 500	3,702.25	0.28	14.59
FTSE 100	6,558.82	0.05	-13.04
Hang Seng	26,304.56	-0.76	-6.69
KLCI	1,631.70	0.54	2.70
STI	2,825.63	0.00	-12.32
Dollar Index	90.97	0.19	-5.63
WTI oil (\$/bbl)	45.60	-0.35	-25.32
Brent oil (\$/bbl)	48.84	0.10	-26.00
Gold (\$/oz)	1,870.80	0.48	22.83
CPO (RM/tonne)	3,610.00	-0.14	19.32

Source: Bloomberg

Daily FX Chngs vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↓	EU	↑
Japan	↑	Australia	↑

Up Next

Date	Events	Prior
09/12	CH PPI YoY (Nov)	-2.10%
	CH CPI YoY (Nov)	0.50%
	US MBA Mortgage Applications (04 Dec)	-0.6%
10/12	NZ Card Spending Retail MoM (Nov)	8.80%
	JN BSI Large Manufacturing QoQ (4Q)	0.1
	UK RICS House Price Balance (Nov)	68%
	UK Monthly GDP (MoM) (Oct)	1.10%
	UK Industrial Production MoM (Oct)	0.50%
	UK Visible Trade Balance GBP/Mn (Oct)	-£9348m
	EC ECB Deposit Facility Rate (10 Dec)	-0.50%
	US CPI YoY (Nov)	1.20%
	US Initial Jobless Claims (05 Dec)	712k

Source: Bloomberg

Macroeconomics

- **US small business confidence fell the most in seven months:** NFIB reveals confidence among small businesses fell more than expected to 101.4 in November (Oct: 104.0). This marked the index's biggest pullback in seven months, primarily as expectations for a better economy in the next six months plunged 19 points, amid concerns over a Biden victory on small businesses.
- **Upbeat Eurozone data offered some reliefs:** Final reading of 3Q GDP confirmed that the Eurozone economy expanded 12.5% QOQ and contracted 4.3% YOY (prelim +12.6% QOQ and -4.4% YOY), rebounding nicely from 2Q's 11.8% QOQ and 14.8% YOY decline, thanks to broad-based rebound in consumption and investment. Adding on to the positivity was ZEW surveys that jumped higher to 54.4 in December (Nov: 32.8) spurred by vaccine hopes, and a slightly quicker than initially estimated turnaround in employment (+1.0% vs 2Q: -3.0%).
- **Jump in Japan core machine orders may be just a blip:** Core machine orders bounced back more than expected to increase 17.1% MOM in October (Sept: -4.4% MOM), its best gain in 24 years. This was led by a marked pick-up in the manufacturing sector while the non-manufacturing sector saw weaker growth. This may be just a blip and may not translate into a spike in capital spending given the weak outlook domestically and abroad.
- **Australia consumer confidence:** Westpac consumer confidence rose to 112.0 in December (Nov: 107.7), its 4th straight month of improvement. Consumers were turning more optimistic on current condition and future economic outlook but turned more pessimistic about family finances for the first time in four months.

Forex

MYR (Neutral)

- MYR saw steadier trading of circa 125pips between 4.0630 and 4.0755 before closing at 4.0720 yesterday. This reflected a quick return to normalcy after the knee-jerk reaction on Monday post Fitch's announcement where the pair traded wider by 200pips. We are neutral on USD/MYR today as the USD will likely continue with its attempts to rebound, hence keeping the pair within current ranges. Technically, momentum indicator has also turned neutral, suggesting some sideways trading before further down move.
- **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 grinded up on Tuesday, overall up by 0.19% to a 90.97 a close. The dollar seems to have bottomed out since 4 December, even as stocks headed northwards. We still see some slight weaknesses over a 1-week horizon. 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 had a mixed day of trading on Tuesday and dropped as low as 1.2105 before closing the day at 1.2112. We continue to watch 1.22 as the next psychological hurdle to clear. Support is at 1.20 for any reversal in trends. This comes ahead of the Thursday deadline of ECB delivering their easing package.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD stabilized most of Tuesday but dropped to 1.3301 before picking up to close at 1.3359. The pair is down for a consecutive third day, with numbers seesawing amid contradictory Brexit headlines. Psychological resistance is at 1.3550. Risk reversal may arise should negotiations between the UK and EU fall through.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral-to-Bullish)

- JPY slightly weakened against the dollar on Tuesday, bringing USD/JPY higher above 104 after a weekly bottom of 103.67 on 3 December. A range is emerging at 103.7-104.5. This came as Japan's Prime Minister announced a USD 700bn stimulus package and Japanese investors looked abroad for opportunities.
- **Factors supporting:** BOJ policy, risk aversion
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD continued to come off gradually on Tuesday, after the high of 0.7453 on Monday. This brought pair around 0.741 at close. 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 stayed within a narrow range of Tuesday slightly up to 1.3375 on close. This came as news broke of setback in a restart in cruise operations in Singapore, with a possible Covid-19 case. 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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