

Global Markets Research

Daily Market Highlights

Key Takeaways

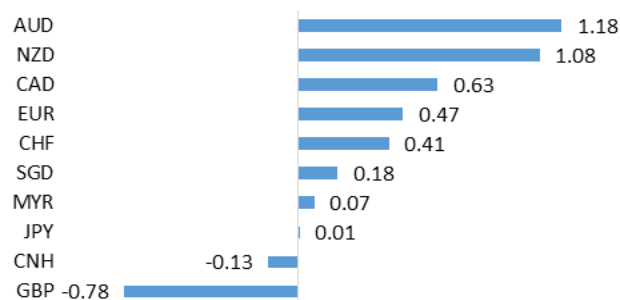
- The Dow and S&P declined for the 2nd consecutive day as the bigger than expected increase in initial jobless claims to 853k reignited concerns over further fallout from the pandemic, prompting investors to dump riskier assets for safety bids instead. However, the Nasdaq managed to stage a rebound as tech shares recouped some losses from Wednesday's decline. Earlier, European and Asian stocks ended mixed. US Treasuries saw renewed climb amid market jitters. Overall yields shifted lower by 0-2bps across the curve with the 10Y note little changed at 0.93%.
- Gold futures traded weaker during most part of the day taking the brunt of stimulus impasse. The spike post release of the disappointing jobless claims number proved shortlived, as lack of progress in stimulus talks was quick to take center stage again, leading prices to end flat at \$1837/oz, its lowest in a week. Global crude oil prices rallied nearly 3.0%. Brent crude breached above the \$50/ barrel for the first time since March, while WTI was seen settling at \$46.97/ barrel.
- In the FX space, it was a rather eventful day. The Dollar Index fell to a 4-day low at 90.78. The EUR bounced back above 1.21 closing 0.47% stronger as the ECB expanded and extended its QE programme. The sterling came under selling pressure as PM Boris Johnson warned of a no deal Brexit. Futures showed Asian markets are poised for a mixed start this morning, as markets digest the weaker US job data and stimulus stalemate.
- The Dollar Index fell to a 4-day low at 90.78, below the 91.0 handle again following a rally in the EUR as ECB expanded and extended its QE programme. We expect the USD to consolidate within the 90-91 handle in the week ahead before further move down. FOMC meeting and first tier US data will be key watch.
- USD/MYR traded mostly sideways on Thursday, within a tight 4.0570-4.0675 range before closing marginally lower by 0.07% at 4.0595. Resiliency in the MYR remains prevalent despite a firming USD. We maintain our neutral outlook on USD/MYR, likely staying within the 4.05-4.07 handles ahead of the weekend.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,999.26	-0.23	5.12
S&P 500	3,668.10	-0.13	13.54
FTSE 100	6,599.76	0.54	-12.50
Hang Seng	26,410.59	-0.35	-6.31
KLCI	1,654.39	0.48	4.13
STI	2,824.96	-0.64	-12.35
Dollar Index	90.82	-0.29	-5.77
WTI oil (\$/bbl)	46.78	2.77	-23.39
Brent oil (\$/bbl)	50.25	2.84	-32.24
Gold (\$/oz)	1,837.40	-0.06	16.43
CPO (RM/tonne)	3,620.00	-0.75	19.65

Source: Bloomberg

Daily FX Chngs vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↓	UK	→
New Zealand	↑		

Up Next

Date	Events	Prior
11/12	MA Industrial Production YoY (Oct)	0.2%
	US PPI Final Demand YoY (Nov)	0.50%
	US U. of Mich. Sentiment (Dec P)	76.9
14/12	NZ Performance Services Index (Nov)	51.4
	JN Tankan Large Mfg Index (4Q)	-27.0
	JN Tankan Large Non-Mfg Index (4Q)	-12.0
	JN Industrial Production MoM (Oct F)	3.8%
	JN Industrial Production YoY (Oct F)	-3.2%
	EC Industrial Production SA MoM (Oct)	-0.4%

Source: Bloomberg

Macroeconomics

- **ECB extends QE programmes; risks tilted to the downside although less pronounced:**
 - ECB kept all key interest rates unchanged as expected.
 - Key was that the ECB increased its bond buying by €500bn to €1850bn under the Pandemic Emergency Purchase Programme (PEPP), and also extended it for another 9 months to March-2022. The Targeted Long-Term Refinancing Operations (TLTRO) programme will also be extended by 12 months to June-2022. The central bank also raised lending allowance from 50% to 55% of eligible lending, and extended looser collateral requirements until Jun-2022.
 - With regards to its macro projection, this year's GDP was revised from -8.0% to -7.3% but next year's growth forecast downgraded from +5.0% to +3.9%. Inflation forecast for this year was tweaked marginally lower from 0.3% to 0.2% while next year's was kept unchanged at 1.0%, significantly below the ECB target of close to 2.0%.
 - President Lagarde said risks are tilted to the downside (but less pronounced), although recent vaccine news is encouraging.
- **Bigger than expected increase in US initial jobless claims and CPI:**
 - US CPI rose more than expected by 0.2% MOM in November (Oct: 0.0% MOM), translating into sustained YOY increase of 1.2%. Core CPI also saw similar increase of 0.2% MOM and 1.6% YOY, reflecting increase in underlying price pressure. Despite the slight uptick in price pressure, CPI remains below the Fed's target of around 2%, supporting the case for extended accommodative policy stance.
 - Initial jobless claims increased 853k for the week ended 5-Dec (prior 716k revised), way above consensus estimate of 725k while continuous claims also jumped to 5757k, heightening concerns of a softening job market.
- **UK data painted a less sanguine growth picture:**
 - Monthly GDP showed growth moderated sharply to 0.4% MOM in October (Sept: +1.1%). 3-month rolling growth also tapered off to 10.2% MOM (prior: +15.5%), as resurging virus cases prompted some restrictive measures and impeded businesses.
 - Industrial production unexpectedly picked up to increase 1.3% MOM in October (Sept: +0.5%) driven by a 1.7% MOM spike in manufacturing production. YOY, production continued contracting albeit at slower rate (-5.5% vs -6.3% YOY).
 - Construction output registered slower growth of 1.0% MOM in October (Sept: +2.9%), in line with recent signs of slowing housing market. YOY, output remained contractionary (-7.5% vs -10.0%).
 - Index of services tapered off more than expected to +0.2% MOM in October (Sept: +1.0%).
 - Visible trade deficit widened more than expected to £12.0bn in October (Sept: -£9.3bn), marking its biggest deficit since Apr-19 dragged by a 5.9% MOM decline in exports while imports increased 2.8% MOM.
- **New Zealand manufacturing PMI ticked higher:** BusinessNZ PMI manufacturing picked up to 55.3 in December, while November reading was revised higher from 51.7 to 52.4, pointing to strong expansion in the manufacturing sector. Gains were led by production (+3.4pts) and new orders (+4.8pts).

Forex

MYR (Neutral)

- USD/MYR traded mostly sideways on Thursday, within a tight 4.0570-4.0675 range before closing marginally lower by 0.07% at 4.0595. Resiliency in the MYR remains prevalent despite a firming USD. We maintain our neutral outlook on USD/MYR, likely staying within the 4.05-4.07 handles ahead of the weekend.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, domestic politics, second lockdown.

USD (Neutral Outlook over 1 Week Horizon)

- The Dollar Index fell to a 4-day low at 90.78, below the 91.0 handle again following a rally in the EUR as ECB expanded and extended its QE programme. We expect the USD to consolidate within the 90-91 handle in the week ahead before further move down. FOMC meeting and first tier US data will be key watch.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral-to-Bullish)

- EUR/USD traded at a weekly high of 1.2152 near its closing, bolstered by the European Central Bank (ECB) decision to expand and extend their quantitative easing programmes. We are neutral-to-bullish on EUR/USD due to positive sentiments surrounding the ECB action. The pair appears toppish after breaking the 1.2000 psychological level last week and may rangetrade before any move higher.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD had a choppy day of trading and fell as low as 1.3256. Intense talks in London with regards to Brexit has not produced any positive outcome, with uncertainty remaining high. Next level of psychological resistance to clear is at 1.35 as we look forward to hearing Brexit terms being released. Warning by PM Boris Johnson of a no deal Brexit is expected to be negative for GBP but USD weakness will likely keep the pair supported.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY traded at a weekly high of 104.58 on Thursday, before closing the day out flattish at 104.39. We observe a range of 103.70 – 104.50 for now.
- **Factors supporting:** BOJ policy, risk aversion, dollar weakness
- **Factors against:** Weak fundamentals

AUD (Neutral)

- AUD/USD saw a steady climb on Thursday, closing near its day high of 0.7540 at 0.7535, up 1.18% on the day, and firming holding on as the best performing G10 currency for the 2nd straight day, spurred by sustained risk appetite as markets remained overall hopeful of a vaccine-induced recovery. The pair appears toppish at current level and is in slight overbought position. We are neutral on Aussie today expecting some technical consolidation and risk aversion in markets.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD climbed to a high of 1.3395 and dipped as low as 1.3348 on Thursday. We maintain our neutral-to-bullish stance on the SGD, especially if the US dollar shows weakness. We view 1.33 as the next psychological barrier to clear. A pullback above 1.3410 may signal some upsides for USD/SGD.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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