

Global Markets Research

Daily Market Highlights

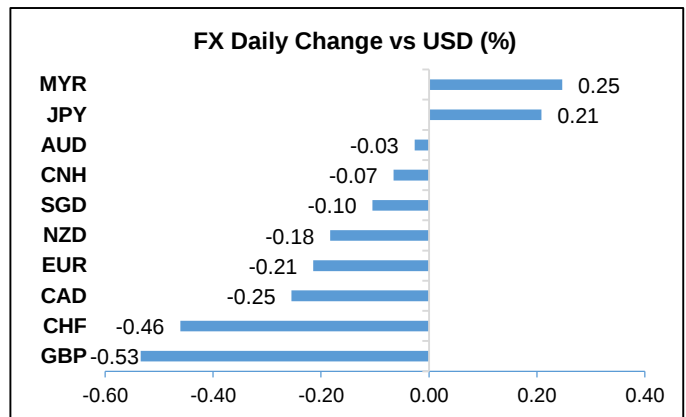
Key Takeaways

- US stocks closed out last week with 0.6-1% weekly losses amid stimulus impasse, poor job data as well as rising Covid-19 cases while virus optimism took a backseat. On Friday, the Dow Jones managed to gain 0.2% mainly thanks to the 13.6% DOD rally in Disney's shares to all-time-high as its Disney+ subscriptions soared to 86mil; the S&P500 and NASDAQ both clocked 0.1 and 0.2% losses. **Treasury yields fell 0.5 to 2.2 bps across the curve on stimulus uncertainty**; 10Y UST yield shed 1bp to 0.896%. **Gold futures snapped two-day losing streak** to add 0.3% to \$1843.6/oz while **the dollar index went up by 0.2% to 90.98, supported by poorer risk sentiment**. Brent crude lost 0.6% to level just shy of \$50/barrel and WTI was down by 0.5% to \$46.57/barrel.
- The sterling strengthened this morning as a Sunday Brexit talks deadline was extended, offering fresh hopes of reaching a deal. US stock futures are higher as well while Asian futures are mixed. **The first batch of Pfizer/BioNTech vaccines is being shipped from Michigan where some Americans would be receiving shots as soon as Monday.**
- US economic data were limited to PPI inflation which slowed in November compared to prior month as well as the University of Michigan **Consumer Sentiment Index that recorded a better reading post-election**. The BOJ's Tankan Survey reported **improved conditions and outlook** for both large manufacturing and non-manufacturing sectors. **New Zealand services PMI weakened below 50**. Malaysia IPI fell marginally by 0.5% YOY.
- The Dollar Index jumped on European session open on Friday, and was seen rallying to an intraday high of 91.04 before narrowing gains to 90.98, up 0.17%. We maintain a **neutral outlook on the USD** this week, expecting consolidation within a likely range of 90.40 – 91.30 before further move down over the medium term. The dollar is currently weakening against most currencies as of writing. FOMC meeting and first tier US data will be key watch in the week ahead.
- USD/MYR closed 0.25% lower at 4.0495 after breaching the all-important 4.05 support on Friday; leading MYR to reverse this year's pandemic losses. MYR's year-to-date gain stood at 1% as of Friday, aligning itself with most of the Asian currencies that have strengthened substantially against the USD this year. We remain **neutral to bullish MYR** on the back of extended dollar weakness; the pair likely trades within a range of 4.03-4.08 this week, with room for further downside.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,046.37	0.16	5.28
S&P 500	3,663.46	-0.13	13.39
FTSE 100	6,546.75	-0.80	-13.20
Hang Seng	26,505.87	0.36	-5.97
KLCI	1,684.58	1.82	6.03
STI	2,821.70	-0.12	-12.45
Dollar Index	90.98	0.17	-5.84
WTI oil (\$/bbl)	46.57	-0.45	-23.73
Brent oil (\$/bbl)	49.97	-0.56	-32.44
Gold (\$/oz)	1,843.60	0.34	16.54
CPO (RM/tonne)	3,620.00	-0.75	19.65

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Japan	↑
New Zealand	↓	Malaysia	↓

Up Next

Date	Events	Prior
14/12	JP Industrial Production MoM (Oct F)	3.8%
	EU Industrial Production SA MoM (Oct)	-0.4%
15/12	AU RBA Minutes of Dec. Policy Meeting ()	
	CN Industrial Production YoY (Nov)	6.9%
	CN Retail Sales YoY (Nov)	4.3%
	CN Fixed Assets Ex Rural YTD YoY (Nov)	1.8%
	UK Jobless Claims Change (Nov)	-29.8k
	UK ILO Unemployment Rate 3Mths (Oct)	4.8%
	UK Employment Change 3M/3M (Oct)	-164k
	US Empire Manufacturing (Dec)	6.3
	US Import Price Index YoY (Nov)	-1.0%
	US Industrial Production MoM (Nov)	1.1%

Source: Bloomberg

Macroeconomics

- **Slower US PPI inflation but improvement in consumer sentiment:**
 - Producer price index gained 0.1% MOM in November, slowing from the 0.3% growth prior. This reflects smaller gain in prices of food as well as a flat services cost which offset the surge in energy prices. YOY, the index was 0.8% higher compared to the same month last year (Oct: +0.5%). Despite that, overall inflation remained contained.
 - The University of Michigan Consumer Sentiment Index rose to 81.4 in early December (Nov: 76.9), a better-than-expected reading that reflects a familiar post-election optimism. This should help lift some consumer spending heading into the holiday season.
- **Japan Tankan Survey reported improved conditions and outlook:**
 - The Bank of Japan's Tankan Survey reported the Large Manufacturing Index improved to -10 in 4Q (3Q: -27) while the gauge for outlook also rose to -8 (3Q: -17); both readings were better than expected, pointing to improvement in current conditions and expectations for the industry.
 - The Large Non-manufacturing Index also picked up to -5 in 4Q (3Q: -12) and the Outlook index went up to -6 (3Q: -11), offering similar assessment for the services sector.
 - The Large All-Industry Capex Index however fell 1.2% YOY in 4Q (3Q: +1.4%), its first decline since 1Q16, as firms are expecting to cut investments after having raising them for years, suggesting that firms are also wary about next year's outlook.
- **Marginal setback in Malaysia's industrial production:**
 - Industrial production fell again by a marginal 0.5% YOY in October, putting a halt to three months of mild expansion (Sept: +1.0%). The decline was due to slower growth in manufacturing output and bigger contraction in mining production.
 - MOM, overall industrial production continued to gather steam for a 2nd straight month, increasing 1.7% MOM in October (Sept: +0.5%), offering some comfort recovery momentum is still intact
 - In a separate release, manufacturing sales mirrored the same easing growth in IPI, increasing by 2.2% YOY to RM122.0bn in October (Sept: +3.7%). While sales continued to see modest growth, labour market indicators within the manufacturing sector remained weak, reaffirming worries of downside risk to domestic consumption moving forward.
 - Moving forward, we would like to caution against the pace of the recovery as the spike in infection cases and re-imposition of movement restrictions have no doubt hamper sentiments and economic activities. That said, the overall impact would likely be less disastrous as compared to March/ April as most economic sectors are still allowed to operate subject to certain standard operating procedures (SOPs). It is estimated that the daily economic loss is markedly lower at RM0.2-0.3bn compared to RM0.9-1.4bn back then when economic activities were almost entirely grounded.
- **New Zealand services industry weakened in November:** The New Zealand Performance of Services PMI fell to 46.7 in November (Oct 50.8), suggesting contraction of activity in the services industry. BNZ said that the 3-month average for the index was below the neutral threshold of 50, indicating weak momentum after the post lockdown rebound.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR closed 0.25% lower at 4.0495 after breaching the all-important 4.05 support on Friday; leading MYR to reverse this year's pandemic losses. MYR's year-to-date gain stood at 1% as of Friday, aligning itself with most of the Asian currencies that have strengthened substantially against the USD this year. We remain neutral to bullish MYR on the back of extended dollar weakness; the pair likely trades within a range of 4.03-4.08 this week, with room for further downside.
- **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 jumped on European session open on Friday, and was seen rallying to an intraday high of 91.04 before narrowing gains to 90.98, up 0.17%. We maintain a neutral outlook on the USD this week, expecting consolidation within a likely range of 90.40 – 91.30 before further move down over the medium term. 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)

- EUR/USD traded on a softer tone on Friday as expected and closed lower near its intraday low at 1.2112. EUR plunged at European market open following Bank of France Governor Villeroy said the central bank is very vigilant on EUR exchange rate, completely wiped out sustained gains in early Asian session. While we are still bullish EUR over the medium term, we see odds of the pair pulling back to the mid Bollinger band of 1.1987 after recent rally. The pair appears toppish after breaking the 1.2000 psychological level last week and may range-trade before any move higher. 1.2200 serves as a key resistance for now.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD narrowed losses to end lower for a 2nd straight day, by 0.53% to 1.3224, off an intraday low of 1.3135. This marked its weakest level in almost a month as Brexit anxieties continued taking a toll on the sterling. We are neutral on the GBP today, spurred by renewed optimism over a Brexit deal as the Sunday deadline is extended. BOE policy meet, CPI and job data will be key watch this week.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY gained on haven bids, last settled at 104.04, around the level it started the week. JPY outlook is neutral this week, premised on cautious sentiments and a neutral USD. The pair will likely be eyeing a range of 103.70 – 104.50 this week.
- **Factors supporting:** BOJ policy, risk aversion, dollar weakness
- **Factors against:** Weak fundamentals

AUD (Neutral-to-bullish)

- AUD/USD pulled back from an intraday high of 0.7572 and closed little changed at 0.7533, remaining among the best performing G10 currencies. We remain **neutral-to-bullish** on the AUD. The pair will be eyeing 0.7600 next after the break above 0.75. Support remains at 0.73. RBA minutes and China data may have some influences on Aussie movement next week.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD erased all losses in early Asian trading and climbed higher to 1.3368 on Friday. We maintain our neutral-to-bullish stance on the SGD, especially if the US dollar shows weakness. While bullishness in the pair has picked up, 1.34 appears a key resistance to overcome while support remains at 1.33.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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