15 December, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock benchmarks closed out Monday on a mixed note ahead of the unveiling of the bipartisan stimulus bill;** NASDAQ rose 0.5%, propelled by tech stocks while Dow and S&P500 declined 0.6% and 0.4% respectively. This came after **stock markets fell in Europe and saw mixed performances in Asia earlier.** The six states where President Trump contested the elections results cast their electoral ballots for Joe Biden, effectively taking away his already-impossible chance to overturn the elections. **Treasury yields were little changed** (-0.5 to +0.5bps) along the curve; 10Y UST yield was unchanged at 0.896%.

- Gold futures shed 0.5% to $1832/oz alongside a weaker greenback. **GBP led the gains against the USD, strengthening by 0.8% amid bullish Brexit sentiment**. British and European Union negotiators have agreed to continue their negotiations; this offered hopes to reach a trade agreement. Bond yields rose in the UK. This came before announcement that **London will enter stricter lockdown starting Wednesday. Germany also announced a "hard" lockdown, to begin on Wednesday** and will last at least until 10 Jan, as Angela Merkel government seeks to curb the new pandemic wave during the holiday season. On the other hand, the US has administered its first vaccine shots on Monday as the country still register daily new infections of above 100k. **Asian stock futures were mixed as of writing.**

- Data were limited to **Eurozone industrial production** which **rose** 2.1% MOM in October following two months of lacklustre performances. **Japan industrial production also grew** for the fifth straight months by 4% MOM in October.

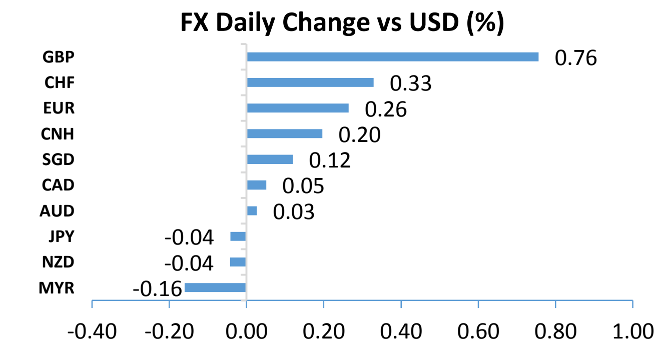
- The dollar index closed 0.3% lower at 90.71 on the back of gains in other majors. The sterling rallied ahead, CHF and EUR picked up modestly while CAD, JPY, AUD and NZD were flat. We maintain a **neutral** outlook on the USD this week, expecting consolidation within a likely range of 90.40 – 91.30 before further move down over the medium term. FOMC meeting and first tier US data will be key watch.

- USD/MYR recovered some losses and closed 0.16% higher at 4.0560. 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.	29,861.55	-0.62	4.64
S&P 500	3,647.49	-0.44	12.90
FTSE 100	6,531.83	-0.23	-13.40
Hang Seng	26,389.52	-0.44	-6.39
KLCI	1,662.74	-1.30	4.66
STI	2,858.14	1.29	-11.32
Dollar Index	90.71	-0.29	-5.89
WTI oil ($/bbl)	46.99	0.90	-23.04
Brent oil ($/bbl)	50.29	0.64	-32.19
Gold (S/oz)	1,832.10	-0.62	15.79
CPO (RM/tonne)	3,667.50	0.56	21.22

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data	
Eurozone ↑	Japan ↑

Up Next

Date	Events	Prior
15/12	AU RBA Minutes of Dec. Policy Meeting	
	CN Industrial Production YoY (Nov)	6.9%
	CN Retail Sales YoY (Nov)	4.3%
	UK ILO Unemployment Rate 3Mths (Oct)	4.8%
	UK Employment Change 3M/3M (Oct)	-164k
	US Empire Manufacturing (Dec)	6.3
	US Industrial Production MoM (Nov)	1.1%
16/12	JP Exports YoY (Nov)	-0.2%
	JP Jibun Bank Japan PMI Mfg (Dec P)	49.0
	JP Jibun Bank Japan PMI Services (Dec P)	47.8
	UK CPI YoY (Nov)	0.7%
	EU Markit Eurozone Manufacturing PMI	53.8
	EU Markit Eurozone Services PMI (Dec P)	--
	UK Markit UK PMI Manufacturing SA (Dec	55.6
	UK Markit/CIPS UK Services PMI (Dec P)	--
	EU Trade Balance SA (Oct)	24.0b
	US Retail Sales Advance MoM (Nov)	0.3%
	US Markit US Manufacturing PMI (Dec P)	56.7
	US Markit US Services PMI (Dec P)	--
	US NAHB Housing Market Index (Dec)	90.0

Source: Bloomberg

Macroeconomics

- ***Eurozone industrial production rose in October prior to new lockdowns:*** Eurozone's industrial production picked up 2.1% MOM in October (Sep: +0.1%) ahead of fresh lockdowns in November, following two months of lacklustre growth, lifted by productions of intermediate goods, energy, capital goods as well as durable goods. Output growth quickened in the bloc's largest economy except for Spain where growth decelerated. This also translates to a smaller 3.8% YOY decline (Sep: -6.3%).

- ***Japan industrial production grew for fifth straight month:*** Final report shows that industrial production rose 4.0% MOM in October, slightly quicker gain than the 3.9% rate observed in September. This marked industrial output's fifth consecutive month of growth since June, a pleasant surprise given previous view that the pace might have slowed down amid virus resurgence. The continuous recovery was supported by production of cars and general machinery. YOY, output continued to fall but at much lower rate (-3% YOY vs -9% YOY).

Forex

MYR (Neutral-to-Bullish)

- USD/MYR recovered some losses and closed 0.15% higher at 4.0560. 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 closed 0.3% lower at 90.71 on the back of gains in other majors. The sterling rallied ahead on Brexit optimism even as London is entering stricter lockdown measures on Wednesday. CHF and EUR picked up modestly while CAD, JPY, AUD and NZD were flat. 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 climbed to an almost yearly high of 1.2172, as Brexit's optimism weighed on the dollar's demand for the first half of the day. The pair then dropped to 1.2135 after Wall Street's opening, with the USD depreciating against most of its major rivals. We view 1.2200 as the key resistance level to watch for now.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD surpassed recent ranges of 1.3320- 1.3300 and traded as high as 1.3432 on Monday. We maintain our neutral stance on the GBP, as there may be a lack of fresh Brexit catalysts to drive the pair further up, not forgetting the stricter lockdown measures taking effect on Wednesday.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY fell as low as 103.56 on Monday on USD weaknes, before climbing to close the day out at 104.40 amid falling equities. 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-to-bullish)

- AUD/USD ended with small 0.03% gain at 0.7535 after zipzagging within 60pips through the day. AUD outlook remains neutral-to-bullish although upside is capped by 0.76 now. Support remains at 0.73. Today's RBA minutes and first tier China data dump may shape Aussie movement.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD traded mostly downwards on Monday, to a low of 1.3317 before climbing to close out the day at 1.3352. This optimism arrives with the fact that the Singapore government announced that the vaccine will be available to the public by end December. 1.34 remains as the key resistance to overcome.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, potential deterioration in Singapore fundamentals

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