

Global Markets Research

Daily Market Highlights

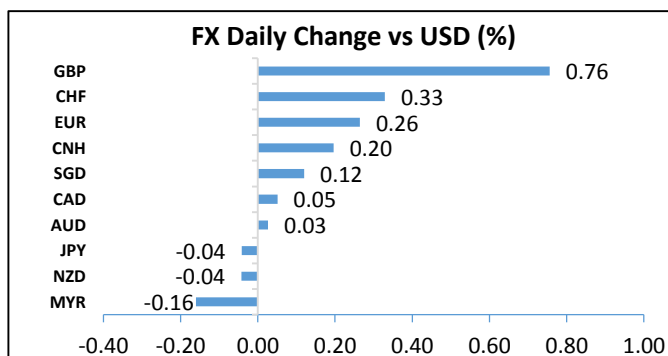
Key Takeaways

- 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 (\$/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%
	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
16/12	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 weakness, 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

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.