Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stock market rallied on Friday on upbeat earnings report and continuous vaccine optimism**, pushing the S&P500 (+1.4%) to a record high; the Dow Jones added nearly 400pts (+1.4%) and was just shy of its all-time high in February while NASDAQ rose 1.0%. CISCO reported upbeat earnings while Disney's earnings were not as bad as expected. After a volatile trading week, both S&P500 (+2.2%) and the Dow (+4.1%) closed out the week with gains while NASDAQ was down by 0.6% compared to the prior week.

- Treasury yields rose slightly across the curve by 0.2 to 1.6bps. 10Y UST yield went up by 1.5bps to 0.896%. Gold futures climbed further by 0.7% to $1886.2/oz as the dollar weakened. Oil prices fell for the second session as the EIA cut its 3Q oil demand- Brent crude lost 1.7% to $42.78/barrel while WTI plunged 2.4% to $40.13/barrel. **Asia Pacific nations including China, ASEAN countries, Japan, South Korea as well as Australia and New Zealand signed the world's largest regional free-trade agreement, the Regional Comprehensive Economic Partnership or RECP over the weekend.** New Covid-19 cases in the US continued to top 100k for the 11th consecutive day, hitting a record daily increase of over 190k on Friday.

- US PPI inflation decelerated and consumer sentiment slipped. **Latest 3Q GDP data showed that the economies of Eurozone, Japan, Hong Kong and Malaysia rebounded from the sharp contractions in 2Q**. **China's main economic indicators (industrial production, retail sales and fixed investment) are scheduled for a 10am release today.** Stock futures are pointing to higher openings in Japan and Hong Kong. UK house prices fell this month while New Zealand services PMI recorded improvement.

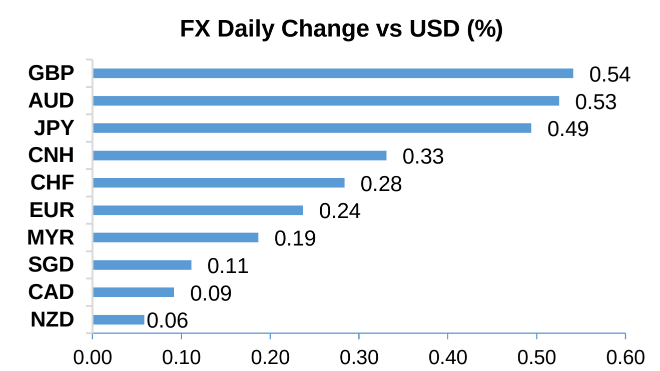
- DXY broadly weakened on Friday, down 0.22% to a close of 92.76. We are **neutral-to-bearish on the USD** for the week ahead, more for EM than G10 FX. We are relying on some market optimism on this, as post-US election risks and Covid-19 still remain. For the week ahead, we focus on retail sales, industrial production and housing data for guidance on economic developments. Low of 92.13 eyed before immediate support around 91.70, with a rebound likely to test 93.50 resistance.

- USD/MYR fell 0.19% to 4.1230 on Friday. We are **neutral to bullish MYR** in the week ahead as improving risk sentiments will likely dampen the bid tone in the greenback despite occasional flips from US presidential transition and pandemic headlines. 4.10 continues to serve as the major support and 4.15 the resistance.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,479.81	1.37	3.30
S&P 500	3,585.15	1.36	10.97
FTSE 100	6,316.39	-0.36	-16.26
Hang Seng	26,156.86	-0.05	-7.21
KLCI	1,589.69	-0.07	0.06
STI	2,711.39	-0.02	-15.87
Dollar Index	92.76	-0.22	-3.87
WTI oil ($/bbl)	40.13	-2.41	-32.66
Brent oil ($/bbl)	42.78	-1.72	-34.88
Gold (S/oz)	1,886.20	0.69	24.02
CPO (RM/tonne)	3,464.00	0.81	14.49

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↓	Eurozone	↑
UK	↓	Japan	↑
Hong Kong	↑	Malaysia	↑
New Zealand	↑		

Up Next

Date	Event	Prior
16/11	CN Industrial Production YoY (Oct)	6.90%
	CN Retail Sales YoY (Oct)	3.30%
	CN Fixed Assets Ex Rural YTD YoY (Oct)	0.80%
	JP Industrial Production MoM (Sep F)	4.00%
	US Empire Manufacturing (Nov)	10.5
17/11	AU RBA Minutes of Nov. Policy Meeting ()	
	SG Non-oil Domestic Exports YoY (Oct)	5.90%
	US Retail Sales Advance MoM (Oct)	1.90%
	US Import Price Index MoM (Oct)	0.30%
	US Industrial Production MoM (Oct)	-0.60%
	US NAHB Housing Market Index (Nov)	85

Source: Bloomberg

Macroeconomics

- ***US producer prices rose; consumer sentiment slipped:***
  - Producer price index rose 0.3% MOM in October (Sep: +0.4%), slightly slower than previous month's. This translates to a YOY gain of 0.5% (Sep: +0.4%), marking its second month of positive reading and adding to some signs of prices recovery in factories after having recording declines for five months.
  - University of Michigan Consumer Sentiment Index fell to 77 in early November, from 81.8 in October, reflecting less favourable economic outlook amid the resurgence of Covid-19 cases in the US.

- ***Eurozone 3Q GDP growth revised lower:***
  - Second reading of 3QGDP growth was slightly lower at 12.6% QOQ, versus 12.7% in the first estimate. YOY, the Eurozone economy contracted by 4.4% YOY (2Q: -14.8%), slightly more than 4.3% decline in the first estimate.
  - For the third quarter, employments rose 0.9% QOQ after shedding 2.9% jobs in 2Q at the start of the pandemic.
  - Trade surplus widened to €24.0b in September (Aug: 21.0b) reflecting 4% MOM exports growth whereas imports saw smaller gain of 2.7% MOM.

- ***UK house prices fell in November:*** The Rightmove House Price Index fell 0.5% MOM in November (Oct: +1.1%) after a strong gain in the prior month as owners sought to complete deals to benefit from a temporary tax cut according to Bloomberg. YOY, the index was still 6.3% higher (Oct: +5.5%), reflecting still-robust growth in the housing market.

- ***Better-than-expected rebound in Japan's economy:***
  - Preliminary reading showed that Japan real GDP expanded by 5% QOQ in the third quarter, following the 7.9% contraction in 2Q. This was better than analysts' forecast of 4.4% growth.
  - On an annualized basis, real GDP rose 21.4% QOQ, the fastest since 1968 after the record contraction prior (-28.8%). On a YOY basis, real GDP was still 5.8% lower compared to the same quarter last year (2Q: -8.2%).
  - Household & government consumption as well as net exports drove 3Q's recovery whereas fixed capital formation was a negative contributor.

- ***Silver Lining Emerges in Hong Kong***:
  - Final report confirmed that Hong Kong economy contracted at a smaller rate in the third quarter, indicating that the pace of recession has slowed down concurrent with the recovery in Mainland China.
  - 3Q real GDP posted a 2.8% growth on a seasonally adjusted QOQ basis for the first time since 1Q19, smaller than initial estimate of 3.0%. This translates to a more modest 3.5% YOY contraction (1Q: -9.0%), versus -3.4% in the advance report.
  - Goods exports made a positive contribution of 6.2ppts to headline GDP as the international trade sector turned around in September in response to the robust recovery in China. Goods exports posted its first YOY growth since 3Q18 at 3.9% (2Q: -2.2%) driven by higher exports to China which remained the largest buyer of Hong Kong goods.
  - Hong Kong's near–to-medium term outlook has now improved substantially based on the latest local indicators as well as those of China's, barring from any surge in infections that would trigger stricter social distancing measures. The official forecast for 2020 was revised to -6.1% for 2020 from – 6 to -8% prior.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR fell 0.19% to 4.1230 on Friday. We are neutral to bullish MYR in the week ahead as improving risk sentiments will likely dampen the bid tone in the greenback despite occasional flips from US presidential transition and pandemic headlines. 4.10 continues to serve as the major support and 4.15 the resistance.
- **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 broadly weakened on Friday, down 0.22% to a close of 92.76. We are **neutral-to-bearish** on the USD for the week ahead, more for EM than G10 FX. We are relying on some market optimism on this, as post-US election risks and Covid-19 still remain. For the week ahead, we focus on retail sales, industrial production and housing data for guidance on economic developments. Low of 92.13 eyed before immediate support around 91.70, with a rebound likely to test 93.50 resistance.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus

EUR (Neutral)

- EUR/USD rose for the third consecutive session, hitting a 1.1837 high in the process. We are **neutral** on EUR/USD for the coming week. Event risks and poor fundamentals may weigh on the EUR near-term. For the week ahead, watch CPI and current account data.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bearish)

- GBP/USD outperformed with a strong 0.54% rebound on Friday, helped by dollar weakness. We are **neutral-to-bearish** on the GBP. We eye 1.30 support for now. Brexit negotiations remain slow as the deadline of a trade deal nears (transition period ends 31 December).
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral-to-Bullish)

- On Friday, JPY strengthened by 0.49% against the USD in an environment of dollar weakness. This brought USD/JPY to a close of 104.63. We are **neutral-to-bullish** on the JPY, mostly on event risks and market concerns. Watch 104 support. Dollar strength may bring pair towards above 105 levels. GDP, CPI and industrial production data are our key focus ahead.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral)

- AUD took back Thursday losses on Friday, gaining 0.53%. This gave AUD/USD an intraday high of 0.7294 and a close of 0.7224. We are **neutral** on the AUD for the week ahead. We see a range of 0.7100-0.7350 for the week ahead. Regarding data, focus is likely on RBA minutes and employment.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

- ***Stronger than expected rebound in Malaysia 3Q GDP**:*
  - The Malaysian economy rebounded strongly in 3Q20, registering a much smaller contraction of 2.7% YOY (2Q: -17.1% YOY) spurred by a hefty turnaround in net exports and encouraging improvement in domestic demand.
  - This came in better than market consensus estimate of -4.0% and our expectation for a 5.7% decline. On a QOQ basis, economic activities bounced back strongly by 18.2%, after falling 16.5% in 2Q20.
  - Despite encouraging recovery as confirmed by today's report, we are revising our full year GDP projection to between -5.3% to -5.8% (YTD: -6.4% YOY), foreseeing a derail in the recovery momentum in 4Q in the wake of another round of virus outbreak since the end of September that has prompted the reintroduction of CMCO.
  - We however expect the economic impact to be less severe this time around compared to the daily loss of RM0.9-1.5bn during last March/ April. While our base case do not expect further OPR cut by BNM, we believe the door is not completely close for a move should downside risks materialize.

- ***New Zealand Services PMI rose in October:*** The Performance of Services Index rose to 51.4 in October (Sep: 50.4), marking its second month of improvement, indicating that the industry is expanding. This reflects recovery in the services sector after the restrictions in Auckland was lifted. The index however remained below its historical average of 54.

SGD (Neutral-to-Bullish)

- USD/SGD strengthened by 0.11% on Friday, down to a low of 1.3473. We are **neutral-to-bullish** on the SGD for the following week. We see 1.3582 as the resistance for the week, with 1.3410 the support barrier. For the week ahead, non-oil domestic export data are likely to show stability from previous month and depressed by base effects.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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