

Global Markets Research

Daily Market Highlights

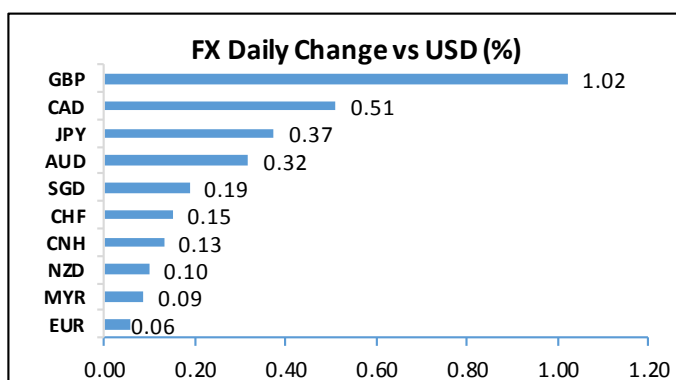
Key Takeaways

- US stock finished higher overnight, supported by stimulus optimism.** The Dow rose 1.1%; the S&P500 and NASDAQ both gain 1.3%, reflecting broad-based gains across all sectors. This comes as markets are betting on lawmakers to approve a combined bipartisan deal worth \$908b ahead of Christmas and before the year ends. **The deal is now separated into two separate bills** - \$748b for funding that garners the most widespread support and another \$160b for more divisive/hard to resolve issues. Meanwhile, vaccine rollout remains underway in the US where daily new cases remain at above 100k. Treasury yields rose alongside higher stocks. Overall yields went up by 0.3 to 2.1bps across the curve; 10Y UST yield gained 1.5bps to 0.908%.
- Gold futures rebounded by 1.3% to \$1852.3/oz** as the dollar weakened further. GBP continued to rally by more than 1%, propelled by bullish Brexit sentiment. **A Brexit deal seems more possible as the 1 Jan deadline approaches;** markets are pinning for a trade deal to be hammered out to prevent a disastrous fallout comes 1 Jan that could see the end of free flows of goods, services and people between the UK and the continent. Oil benchmarks surged on stimulus hope. Brent crude gained 0.9% to \$50.76/barrel while WTI rallied by 1.3% to settle at \$47.62/barrel. **On the local front, Budget 2021 worth RM322.5b was passed at Parliament yesterday,** clearing a final hurdle before being sent to the Upper House or the Senate to be ratified. This is a major victory for PM Muhyiddin Yassin after weeks of uncertainty.
- US industrial production rose 0.4% MOM in November,** boosted by vehicles and parts production, but still remained below pre-pandemic level. **UK job market deteriorated** in October as unemployment rate rose to the highest level since 2016. China's key data met expectations, painting a picture of continuous recovery. **Focus now turns to the final FOMC meeting** of the year as markets are looking for signals or forward guidance on any enhancement or recalibration of the Fed's QE program. Preliminary PMI data, UK CPI and US retail sales are among key data to be released today.
- DXY was down for the second session by 0.3% to 90.47** where the dollar was seen losing out to major currencies. GBP outperformed, CAD and JPY strengthened modestly while CHF and EUR were up only marginally. 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 closed little changed (-0.09%) at 4.0525** on Tuesday. We remain neutral to bullish MYR on the back of extended dollar weakness and ahead of the FOMC meeting. NO change to current view that 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.	30,199.31	1.13	5.82
S&P 500	3,694.62	1.29	14.36
FTSE 100	6,513.32	-0.28	-13.64
Hang Seng	26,207.29	-0.69	-7.03
KLCI	1,674.02	0.68	5.37
STI	2,856.72	-0.05	-11.36
Dollar Index	90.47	-0.26	-6.14
WTI oil (\$/bbl)	47.62	1.34	-22.01
Brent oil (\$/bbl)	50.76	0.93	-23.09
Gold (\$/oz)	1,852.30	1.29	21.61
CPO (RM/tonne)	3,610.00	-1.57	19.32

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	UK	↓
China	↑	Japan	↓

Up Next

Date	Events	Prior
16/12	UK CPI YoY (Nov)	0.7%
	EU Markit Eurozone Manufacturing PMI	53.8
	EU Markit Eurozone Services PMI (Dec P)	41.7
	UK Markit UK PMI Manufacturing SA (Dec)	55.6
	UK Markit/CIPS UK Services PMI (Dec P)	47.6
	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)	58.4
	US NAHB Housing Market Index (Dec)	90.0
17/12	US FOMC Rate Decision	0-0.25%
	NZ GDP SA QoQ (3Q)	-12.2%
	SG Non-oil Domestic Exports YoY (Nov)	-3.1%
	AU Unemployment Rate (Nov)	7.0%
	EC CPI YoY (Nov F)	-0.3%
	UK Bank of England Bank Rate	0.1%
	US Initial Jobless Claims (12 Dec)	853k
	US Housing Starts MoM (Nov)	4.9%

Source: Bloomberg

Macroeconomics

- *US industrial production rose in November, but still below pre-pandemic level:*
 - Industrial production rose 0.4% MOM in November, following the downwardly revised 0.9% growth in October, supported by both manufacturing and mining production. Manufacturing rose for the seventh consecutive month by 0.8% MOM, attributed to the robust 5.3% growth in vehicles and parts. Utilities (-4.3%) declined as warmer than usual temperature reduced demand for heating. The industrial production index has now recovered to about 5% below its pre-pandemic level (Feb), after having fallen 16.5% from Feb-April.
 - The New York Fed Empire State Manufacturing Index slipped to 4.9 in December (Nov: 6.3), reflecting weaker new orders. This is in line with overall weaker trend observed in other regional manufacturing gauges. General business outlook for next six months however improved.
- *UK job market weakened in October; more job losses to come:*
 - Unemployment rate rose to 4.8% in the three months of October (Sep: 4.8%), the highest since 2016 but lower than consensus estimate of 5.1%.
 - The economy shed 143k jobs in the same period (Sep: -164k), prior to the expiry of the first job retaining scheme.
 - The renewed program was less generous and the job market might experience more job losses in November onwards. This is reflected in the rise of jobless claims change in November (+64.3k vs -64.1k).
- *China's data within expectations - strong industrial production; consumer spending still lagged; PBOC added more liquidity to market*
 - Industrial production growth met expectation at 7.0% YOY in November (Oct: +6.9%); this also marks IPI's 8th consecutive month of gains since April this year after the economy reopened. YTD, industrial production was 2.3% YOY higher compared to the same period last year as the manufacturing sector regained footing and normalised in August.
 - Retail sales also met consensus estimate, picking up to 5.0% YOY in November (Oct: +4.3%); this was retail sales' fourth straight month of growth, supported by the November's Single Days' Sales annual bonanza. YTD, retail sales are still 4.8% lower, as consumer spending still lagged behind the robust manufacturing sector which has been lifted by the exports market.
 - Fixed investment meanwhile grew 2.6% YOY YTD in November (Oct: +1.8%), pointing to recovering investment.
 - The PBOC added 950b yuan (\$145b) worth of liquidity into the market via the medium-term lending facility, marking its fifth straight month of utilizing the tool to inject liquidity. It has kept its medium-term lending rate unchanged at 2.95% today.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR closed little changed (-0.09%) at 4.0525 on Tuesday. We remain neutral to bullish MYR on the back of extended dollar weakness and ahead of the FOMC meeting. NO change to current view that 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)

- DXY was down for the second session by 0.3% to 90.434 where the dollar was seen losing out to major currencies. The pound continued to rally by more than 1%, propelled by bullish Brexit sentiment. CAD and JPY strengthened modestly while CHF and EUR were up only marginally. 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-to-Bullish)

- EUR/USD fell as low as 1.2125 on Tuesday before picking up steam and closing the day out at 1.2156. The pair saw a choppy day of trading, seesawing between 1.2148-1.2155. Brexit talks continue, although no progress on negotiations has been reported. The pair could accelerate once beyond 1.2177, equaling the year's high.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD saw a positive day of trading, trading mostly sideways before climbing to close out the day at 1.3439. This comes amid a day of fervent speculations with regards to the prospect of an imminent Brexit deal. 1.35 is the next level of psychological resistance to clear. The speculation of a deal being made soon contributed to the lasting upside for the pair.
- **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 104.14, before closing the day out flattish at 103.71 amid a gradual weakening of USD. The pair is currently trading in the 103.60s and is near the monthly low of 103.50. We observe a range of 103.58-103.71 for now.
- **Factors supporting:** BOJ policy, risk aversion, dollar weakness
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD strengthened modestly by 0.3% on the back of broad dollar weakness and higher oil prices. AUD outlook remains neutral-to-bullish although upside is capped by 0.76 now. Support remains at 0.73.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

- **Japan exports fell in November; PMIs still below 50:**

- Exports dropped 4.2% YOY in November, following a minor decline (-0.2%) in October. The fall in shipments was unexpected after months of improvement in Japanese exports; in fact analysts had been projecting for a small 0.4% YOY rebound.
- Imports also fell more than estimated by 11.1% YOY in November (Oct: -13.3%), underscoring weak domestic demand.
- PMI data remained below 50; the preliminary manufacturing PMI rose to 49.7 in November (Oct: 49.0), indicating some improvement while the services PMI slipped to 47.2 (Oct: 47.8), affirming the ongoing weakness in the sector given Covid-19 cases have risen in recent weeks.

- **SGD (Neutral-to-Bullish)**

- USD/SGD climbed as high as 1.3362 before falling downwards towards to close the day at 1.3329. We maintain our neutral-to-bullish stance as the government announced a new segmented travel lane for all countries to enter Singapore. We view 1.34 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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