# Global Markets Research

# Daily Market Highlights

## Key Takeaways

- **US stocks rallied** on Monday as markets reacted **to another positive vaccine news, pushing both the Dow Jones and S&P500 to record highs.** Moderna said that its vaccine was 94.5% effective to immunise individuals against Covid-19 in a large scale trial. Pfizer had reported last week that a vaccine (developed in collaboration with BioNTech) was 90% effective. The Dow Jones added 471pts or 1.6% to 29950.44, a level shy of the 30,000 mark. The S&P500 gained 1.2% while NASDAQ picked up 0.8%.**Treasury yields were little changed across the curve.** Overall yields moved within -0.2 to +1.6bps with very little movements recorded at the front end. 10Y UST yield rose by 1bps to 0.91%.

- **The benchmark gold futures barely changed** (+0.08%) at \$1887.8/oz. **The greenback weakened across the board on upbeat risk sentiment,** pushing the dollar index down by 0.12% to 92.64. NZD and AUD rallied. **Crude oil prices rose sharply** - Brent crude gained 2.4% to \$43.82/barrel and WTI surged by 3.0% to \$41.34/barrel. **Elon Musk's Tesla is set to join the S&P500 on 21 Dec**; shares of the electric car maker jumped as much as 9.8% in after-hours trading. **US stock futures suggest an extended rally tonight; Asian markets are also poised to start on a positive note** as futures gained in Hong Kong and Japan. **Key US data today include retail sales and industrial productions.**

- Data were limited on Monday. US New York Fed Empire State Manufacturing Index disappointed as it fell to the weakest level since August. **China's main indicators all suggest that a solid recovery remains underway.** Japan's industrial output rose for the fourth month.

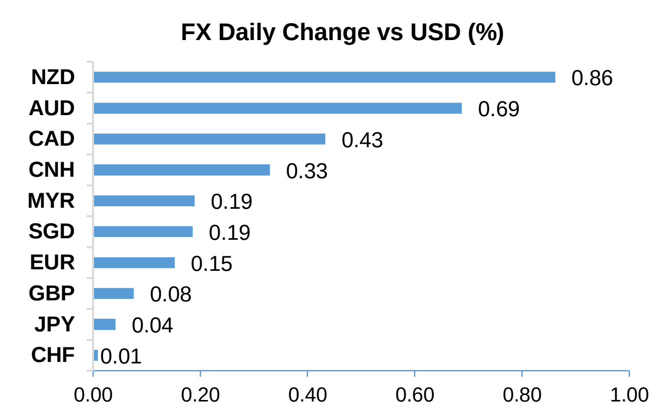
- DXY broadly weakened on Monday from improved risk sentiments. Most currencies gained against the greenback. DXY reached a low of 92.46 in the process, before a rebound. We are **neutral-to-bearish** on the USD for the week ahead, more for EM than G10 FX. However, post-US election risks and Covid-19 still remain. Low of 92.13 eyed before immediate support around 91.70, with a rebound likely to test 93.50 resistance.

- USD/MYR extended its modest decline on Monday, shedding 0.19% to 4.1150. We are **neutral to bullish MYR** this week as improving risk sentiments will likely dampen the bid tone in the greenback despite occasional flips from US presidential transition and pandemic headlines. The latest vaccine news is expected to benefit the local unit today. 4.10 continues to serve as the major support and 4.15 the resistance.

## Market Snapshots

| | Last Price | DoD % | YTD % |
|---|---|---|---|
| Dow Jones Ind. | 29,950.44 | 1.60 | 4.95 |
| S&P 500 | 3,626.91 | 1.16 | 12.26 |
| FTSE 100 | 6,421.29 | 1.66 | -14.86 |
| Hang Seng | 26,381.67 | 0.86 | -6.41 |
| KLCI | 1,599.66 | 0.63 | 0.69 |
| STI | 2,748.00 | 1.35 | -14.73 |
| Dollar Index | 92.64 | -0.12 | -3.89 |
| WTI oil (\$/bbl) | 41.34 | 3.02 | -32.30 |
| Brent oil (\$/bbl) | 43.82 | 2.43 | -33.61 |
| Gold (\$/oz) | 1,887.80 | 0.08 | 23.89 |
| CPO (RM/tonne) | 3,490.00 | 0.75 | 15.35 |

*Source: Bloomberg*




*Source: Bloomberg*

## Overnight Economic Data

| | | | |
|---|---|---|---|
| US | ↓ | Japan | ↑ |
| China | ↑ | Singapore | ↓ |

## Up Next

| Date | Event | Prior |
|---|---|---|
| 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 |
| 18/11 | AU Westpac Leading Index MoM (Oct) | 0.22% |
| | JP Exports YoY (Oct) | -4.90% |
| | AU Wage Price Index YoY (3Q) | 1.80% |
| | UK CPI YoY (Oct) | 0.50% |
| | EU CPI YoY (Oct F) | -0.30% |
| | US MBA Mortgage Applications (13 Nov) | -- |
| | US Building Permits MoM (Oct) | 4.70% |
| | US Housing Starts MoM (Oct) | 1.90% |

*Source: Bloomberg*

# Macroeconomics

- ***New York Fed manufacturing PMI disappointed:*** The New York Fed Empire State Manufacturing Index fell to 6.3 in November, from 10.5 in October. This is against analysts' forecast of a gain towards 13.5 and reflects slower gain in New York's manufacturing industry. This is the index's weakest reading since August.

- ***Steady recovery in China:***
  - China's retail sales expanded 4.3% YOY in Oct (Sep: +3.3%), reflecting broad-based spending in most consumer items. There was a slight dip in surveyed jobless rate (5.3% vs. 5.4%) which positive for consumer spending.
  - Industrial production stayed at 6.9% YOY in Oct where growth remains manufacturing led. Strong performances were noted in machineries, autos, general equipment, commodities (rubber, metals). There were drags in railways/ships/others.
  - Fixed asset investments grew 1.8% YOY YTD in October (Sep: 0.8%).
  - China kept 1-year medium term lending rate at 2.95% and there is little impetus to change monetary policy stance.

- ***Japan industrial production continued to recover:*** Japan industrial production rose 3.9% MOM in September (Aug: +1%), marking its fourth month of consecutive growth since June after the economy emerged from national lockdown. YOY, output was still 9.0% lower (Aug: -13.8%) but a tad better than the double-digit decline recorded in the previous five months.

- ***Decline in Singapore NODX dragged by base effect:*** Singapore non-oil domestic exports fell 3.1% YOY for October, after prior expansion of 5.8% in September. This was dampened by base effects. Electronics exports fell 0.4% YOY after a 21.4% increase, weighed down by ICs. Non-electronics exports contracted 3.9% YOY from petrochemicals drag. Despite this result, we still see some support from this in the coming months, helped by favourable demand for Singapore's major export items.

# Forex

### MYR (Neutral-to-Bullish)

- USD/MYR extended its modest decline on Monday, shedding 0.19% to 4.1150. We are neutral to bullish MYR this week as improving risk sentiments will likely dampen the bid tone in the greenback despite occasional flips from US presidential transition and pandemic headlines. The latest vaccine news is expected to benefit the local unit today. 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 Monday from improved risk sentiments. Most currencies gained against the greenback. DXY reached a low of 92.46 in the process, before a rebound. We are **neutral-to-bearish** on the USD for the week ahead, more for EM than G10 FX. However, post-US election risks and Covid-19 still remain. 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)

- The EUR recovery has continued, reaching a high of 1.1869 (EUR/USD) 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. Resistance at 9 November high of 1.1920.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

### GBP (Neutral-to-Bearish)

- GBP/USD was helped by dollar weakness with a small 0.08% gain on Monday. This meant a high of 1.3243. We are **neutral-to-bearish** on the GBP. We eye 1.3 support for now. Brexit negotiations remain slow as the deadline of a trade deal nears (transition period ends 31 December). Resistance at 1.3278.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

### JPY (Neutral-to-Bullish)

- USD/JPY moved southwards to a close of 104.58. Tuesday open saw offered tone downwards with a low of 104.46. 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.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

### AUD (Neutral)

- AUD/USD saw some fresh gains on Monday, up 0.69%. Pair reached a high of 0.7327, although momentum was muted on Tuesday open. We are **neutral** on the AUD eyeing a range of 0.71-0.735 for the week ahead. Focus is likely on RBA minutes and employment.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

### SGD (Neutral-to-Bullish)

- USD/SGD saw some modest downward moves on Monday, touching a low of 1.3444. Pair opened roughly flat on Tuesday open as Singapore NODX fell on a YOY basis. 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.
- **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