

Global Markets Research

Daily Market Highlights

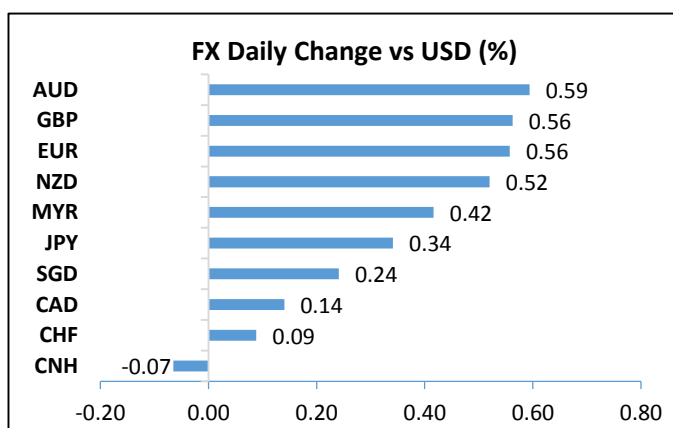
Key Takeaways

- US stocks were boosted by ongoing stimulus optimism overnight, leading all US benchmarks to close at record highs.** The Dow Jones added 149pts or 0.5%, the S&P500 rose 0.6% and NASDAQ outperformed with a 0.8% gain. This was despite a poor jobless claims number that suggested that hiring has indeed cooled. Markets continued to anticipate the passage of roughly \$900b stimulus aids at Capitol Hill ahead of Christmas as headlines surrounding the bipartisan talks were generally favourable. **Treasury yields rose** 0.6 to 2.5bps as investors sold bonds in favour of stocks. 10Y UST yield went up by 1.7bps to 0.933%.
- Gold futures rallied by another 1.7% to \$1887.2/oz alongside a much weaker dollar. Oil prices advanced further, riding on the positive sentiment.** Brent crude gained 0.8% to \$51.50/barrel and WTI rose more than 1.0% to \$48.36/barrel. **The BOE held its benchmark rate unchanged and kept its QE program.** Brexit uncertainties heightened again as new headlines suggest that the UK and EU still cannot resolve their huge differences (particularly on fishing rights) to reach a deal even as the time is running out. UK PM Boris Johnson said that talks were in "serious situation" after his call with EU Commission President Ursula von der Leyen. **Focus turns to the Bank of Japan's policy decision today where the central bank is expected to announce extension of its pandemic lending program** while leaving its main policy lever unchanged.
- US initial jobless claims rose for the second consecutive week to 885k, confirming concerns that hiring activity has eased.** Robust housing starts and building permits data signalled a positive housing market. **Eurozone inflation pulled back; same goes to Japan's key CPI gauge.** UK consumer confidence improved. **Singapore NODX fell** in November. **Data down under were especially upbeat** with Australia reporting positive job data and New Zealand saw its consumer confidence jump sharply.
- The dollar index shed 0.7% to below 90 for the first time since April 2018. The daily loss was also the sharpest since the first week of November this year, as major currencies all strengthened substantially against the greenback, except for the CHF which was held flattish. We are **neutral to bearish USD** in the week ahead, as market activities begin to thin heading into the year-end festive holidays. 89.50-89.00 will be the next immediate target.
- USD/MYR weakened sharply by 0.4% to 4.0340 on Thursday to an oversold level. The sharp fall in broad USD overnight could send the pair down further, potentially breaching 4.03 support and targeting 4.02 next before some likely consolidations ahead of the weekend. Daily MYR outlook remains **neutral-to-bullish**.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,303.37	0.49	6.18
S&P 500	3,722.48	0.58	15.22
FTSE 100	6,551.06	-0.30	-13.14
Hang Seng	26,678.38	0.82	-5.36
KLCI	1,674.35	-0.42	5.39
STI	2,858.02	-0.51	-11.32
Dollar Index	89.82	-0.69	-6.81
WTI oil (\$/bbl)	48.36	1.13	-20.80
Brent oil (\$/bbl)	51.50	0.82	-21.97
Gold (\$/oz)	1,887.20	1.68	23.91
CPO (RM/tonne)	3,632.50	0.29	20.06

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Eurozone	↓
UK	↑	Japan	↓
Singapore	↓	Australia	↑
New Zealand	↑		

Up Next

Date	Events	Prior
18/12	UK Retail Sales Inc Auto Fuel MoM (Nov)	1.2%
	US Leading Index (Nov)	0.7%
	JN BOJ Policy Balance Rate	-0.1%
21/12	CH 1-Year Loan Prime Rate (44531)	3.85%
	HK CPI Composite YoY (Nov)	-0.2%
	US Chicago Fed Nat Activity Index (Nov)	0.83
	EC Consumer Confidence (Dec A)	-17.6

Source: Bloomberg

Macroeconomics

• *BOE stay pat ahead of key Brexit deadline; reaffirmed dovish policy stance:*

- The Bank of England maintained Bank Rate at 0.1% as widely expected, said that existing stance of monetary policy remains appropriate. No change was made to its bond buying programs.
- BOE said that plan for a wide vaccine rollout in the first half of 2021 is likely to reduce the downside risks to the economic outlook but it added that it is less clear how this prospect would affect immediate behaviour of households and businesses. The current restrictions on activity after recent lockdowns are expected to weigh more on activity in 1Q21.
- It added that development in the labour market was difficult to interpret. The extension of government employment scheme is likely to limit significantly near-term rise in unemployment although a substantial further increase is still likely over the next few quarters.
- The outlook for the economy “remains unusually uncertain”. The MPC reaffirmed its readiness to take whatever necessary additional action.

• *885k individuals filed for jobless benefits in US; homebuilding data remained robust:*

- Initial jobless claims came in higher than expected at 885k last week (prior: 862k revised) versus consensus estimate of 818k. This marks its second consecutive week of climb, confirming long-held fear that the job market may cool heading into winter as new restrictions and continuously high virus cases drag on overall economic and hiring activity.
- On the housing front, housing starts picked up modestly by 1.2% MOM in November (Oct: +4.9%), alongside a stronger 6.2% MOM gain in building permits. The larger gain in November permits came after a flattish October, a positive sign for housing starts in the months ahead although there is reason to believe that colder weather and festivities could delay construction works in December.
- The Philly Fed Manufacturing Index fell sharply to 11.1 in December (Nov: 26.3), consistent with other regional manufacturing gauges that reflect softer manufacturing activity.

• *Eurozone inflation retreated in November:* Inflation eased unexpectedly in November as CPI rose by a mere 0.3% MOM (Oct: +0.7%), due to fall in apparel prices which was concurrent with the month's Black Friday Sales. Core CPI inflation also retreated to 1.1% MOM (Oct: +1.5%). Overall this translates to a small 0.3% YOY gain in headline inflation (Oct: +0.7%). This should not be a main concern for the ECB for now.

• *UK consumer confidence improved in December:* The GfK Consumer Confidence Index rose to -26 in December (Nov: -33), better than analyst expectation of -31. Consumers saw better prospect for personal finance in the next 12 months while expecting the economic situation to improve. The end of national lockdown alongside recent vaccine rollout in the UK as well as prospect of a Brexit trade deal may have contributed to better sentiment.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR weakened sharply by 0.4% to 4.0340 on Thursday to an oversold level. The sharp fall in broad USD overnight could send the pair down further, potentially breaching 4.03 support and targeting 4.02 next before some likely consolidations ahead of the weekend.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, domestic politics.

USD (Neutral-to-Bearish Outlook over 1 Week Horizon)

- The USD saw further selloff, pushing the Dollar Index down below the 90.0 key level at 89.82, down 0.69% on the day amid a surge in risk sentiments. Stocks rallied to records shrugging off the stimulus deadlock and bigger than expected increase in initial jobless claims. AUD and EUR led in the broad rally in G10s. We are **neutral to bearish** USD in the week ahead, as market activities begin to thin heading into the year-end festive holidays. 89.50-89.00 will be the next immediate target.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, vaccine, potential US stimulus, buoyant sentiments

EUR (Neutral-to-Bullish)

- EUR/USD peaked at 1.2270, its highest since 2018 amid continuous selloff in the US dollar following the dovish US Federal Reserve. We continue to maintain our neutral to bullish stance whilst waiting on the US coronavirus-relief package. The recent technical break may open the door for a continuation higher still.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD climbed to as high as 1.3624 on Thursday after U.K. Prime Minister Boris Johnson mentioned that a deal would not be struck with the EU unless terms can be reached regarding key issues including fishing quotas. The pair came off the day high towards the end of the day as mixed headlines among which stating that trade talks might go on until after Christmas.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY closed Thursday with losses of 0.34%, dropping from around the 103.40s to its lowest level since March 2020 and momentarily below 103.00. The focus is on the BOJ and its stance on the monetary policy setting. We look at a range of 103.10 – 103.30 as of now.
- **Factors supporting:** BOJ policy, risk aversion, dollar weakness
- **Factors against:** Weak fundamentals

AUD (Neutral-to-bullish)

- AUD/USD rallied to a fresh 2.5-year high, ended the day 0.67% lower at 0.7622, just slightly off its intraday high of 0.7640, buoyed by USD weakness and a risk-on environment. AUD outlook remains neutral-to-bullish. A break of the 0.76 resistance is leading the pair towards 0.7730 next. Support at the 0.7350-0.7380 region.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

- **Japan price pressure weakened sharply in November:** CPI-ex-fresh food, the BOJ's main inflation gauge fell sharply by 0.9% YOY in November (Oct: -0.7%), extending the index' losing streak to four-month long. The steep decline was the largest recorded in a decade, heightening concerns that the economic recovery is losing momentum amid rising coronavirus cases. The country has been recording 1,000 to more than 3,000 daily cases since early November.
- **Singapore NODX fell YOY in November:** Non-oil domestic exports rose 3.8% MOM in November (Oct: -5.4%), fell short of consensus estimate of a stronger 8.7% growth. The rebound had come after two consecutive months of MOM decline which translates to 4.9% YOY contraction (Oct: -3.1%). Exports of electronic products fell for the second month by 3.8% YOY (Oct: -0.5%). In the non-electronic sector, shipments of pharmaceuticals, total chemicals and petrochemicals all recorded sharper fall. The sharp fall in exports to China (-18.4% YOY) as well as that to the European Union (-24.6%) dragged on overall NODX.
- **Australia reported upbeat job data:**
 - The Australia economy added 90k jobs in November (Oct: +180.4k), more than double of analysts' expectation of 40k job gains. This reflects 84.2k increases in full-time jobs and a smaller 5.8k gains in part-time jobs.
 - Unemployment rate fell to 6.8%, from 7.0% despite higher participation rate (66.1% vs 65.8%) that indicates expansion of the labour force. This added to a series of upbeat data that reflects positive outlook for recovery following the containment of the virus.
- **New Zealand consumer confidence jumped; annual trade surplus at record high:**
 - The ANZ Consumer Confidence Index jumped 4.8% MOM in December (Nov: -1.7%) following a recent decline, reflecting sharp gain in confidence that stemmed from consumers' better economic expectations in the medium and longer term. This is evident in the 7pt-jump in the "buy major household item" gauge. Consumers' outlook over the economy 1-year ahead also turned much less pessimistic (-6 vs -18).
 - Annual trade surplus also widened to another record high; trade balance in the 12 months to November went up to NZD 3.26b, from NZD2.22b prior mainly because imports fell sharply by 12% while exports rose 0.6%.

SGD (Neutral-to-Bullish)

- USD/SGD traded mostly downwards on Thursday and closed the day at 1.3260. The pair is likely neutral to bullish, within a range of 1.32-1.33 for now, given signs of continuous weakness in the USD.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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