21 December, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Congressional leaders reached a bipartisan stimulus deal just this morning after clearing a difficult hurdle** on the Federal Reserve's lending power as some Republicans sought to curtail the Fed's lending authority to set up any future emergency lending programs. The $900b relief aid will include a new round of $600 direct stimulus check and additional $300 weekly federal unemployment benefits. US stocks futures were seen picking up as of writing. On Friday, stocks had retreated from record highs as markets awaited news on the deal which was still under negotiation. The Dow Jones and S&P500 fell around 0.4% while NASDAQ was down only slightly (-0.07%). Tesla's shares hit an all-time high ahead of the electric car maker's inclusion into the S&P500.

- Treasury yields saw minor movements across the curve with yields at the front end closed little changed. 10Y UST yield went up by 1.3bps to 0.946%. Gold futures consolidated recent gains at $1885.7/oz after a three-day rally. Oil prices extended winning streak- WTI and Brent crude jumped by 1.5% to S49.1/barrel and $52.26/barrel respectively. **The UK government ordered a new emergency lockdown** in London and Southeast England beginning on Sunday as the authority raced to contain a new viral strain that is significantly more contagious. European countries have also banned flights from the UK. This comes as the UK and EU negotiators still struggle to agree on a Brexit deal less than two weeks away from the withdrawal deadline.

- **Last Friday, the BOJ maintained its main monetary policy levers** and announced extension of its pandemic lending program as widely expected. Data were limited. US Conference Board Leading Index which rose 0.6% in November thanks to the month's better jobless claims data. UK retail sales meanwhile fell 3.8% MOM in November for the first time in seven months as lockdown curtail spending.

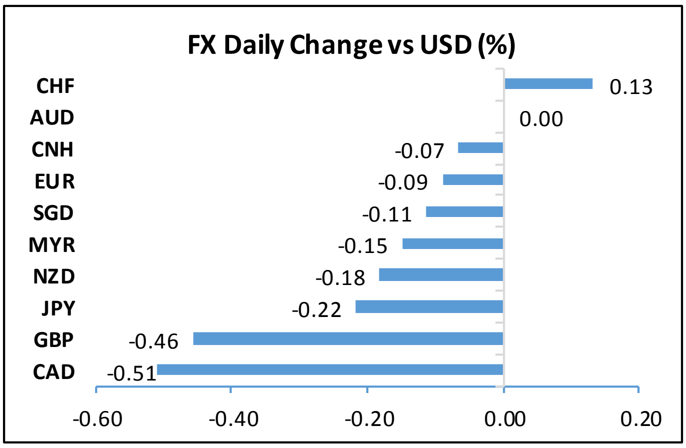
- **The greenback rebounded on Friday after experiencing four days of losses.** DXY picked up 0.2% to just a tad above 90, reflecting weaker CAD, GBP and JPY. EUR was little changed. USD bears will likely persist going into next week as markets scrutinize the last batch of key US data including final reading of 3Q GDP, personal outlay reports, durable goods orders and home sales before the year concludes. Dollar Index is expected to head towards 89.00-89.50 next, after the break below 90.0.

- **USD/MYR recovered slightly by nearly 0.2% to 4.0400 on Friday** ahead of the weekend. We maintain a bullish view on MYR next week as further elimination of event risks after the approval of the 2021 national budget and USD weakness should be MYR positive. A break of the 4.03 support will pave the way for the pair to head towards the 4.00 psychological level.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,179.05	-0.41	5.75
S&P 500	3,709.41	-0.35	14.81
FTSE 100	6,529.18	-0.33	-13.43
Hang Seng	26,498.60	-0.67	-6.00
KLCI	1,652.49	-1.31	4.01
STI	2,848.98	-0.32	-11.60
Dollar Index	90.02	0.22	-6.39
WTI oil ($/bbl)	49.10	1.53	-19.59
Brent oil ($/bbl)	52.26	1.48	-21.92
Gold (S/oz)	1,885.70	-0.08	23.81
CPO (RM/tonne)	3,605.00	-0.77	19.15

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data	
US ↑	UK ↓

Up Next

Date	Events	Prior
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
22/12	MA Foreign Reserves (15 Dec)	$105.3b
	UK GDP QoQ (3Q F)	15.5%
	US GDP Annualized QoQ (3Q T)	33.1%
	US Conf. Board Consumer Confidence	96.1
	US Existing Home Sales MoM (Nov)	4.3%
	US Richmond Fed Manufact. Index (Dec)	15.0

Source: Bloomberg

Macroeconomics

- ***BOJ extended special lending scheme to support financing; said will review tools to hit inflation target:***
  - The Bank of Japan maintained its main policy lever unchanged and moved to extend the program to buy additional commercial papers and corporate bonds by six months until the end of Sep 2021. It also extended the special pandemic lending scheme by six months as widely expected.
  - BOJ said that Japan economy has picked up but the pace of improvement is expected to be only moderate. It would closely monitor the impact of the pandemic and will not hesitate to take additional easing measures.
  - It concluded its statement by adding that it would "conduct an assessment for further effective and sustainable monetary easing", meaning that it would review new tools as well as fine-tune current ones in a multi-year effort to hit its 2% inflation goal. The central bank's main inflation gauge, CPI ex fresh food has stayed below 1% since 2015 and has only just recorded its sharpest fall of 0.9% YOY in a decade last month.
- ***US leading index rose in November:*** The Conference Board Leading Index rose 0.6% MOM in November (Oct: +0.8%), thanks to the improvement in the jobless claims data in that particular month, alongside gain in the ISM new orders as well as building permits and higher stock prices.
- ***UK retail sales snapped winning streak amid fresh lockdown:*** UK retail sales fell 3.8% MOM in November (Oct: +1.3%), slightly less than consensus estimate of -4.2% MOM. The latest print cut short the 6-month gaining streak started since May as the government orders a second national lockdown to curb the pandemic. Sales of most categories of goods declined except for sales at foods stores and household goods stores. Online sales also fell following a recent surge.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR recovered slightly by nearly 0.2% to 4.0400 on Friday ahead of the weekend. We maintain a bullish view on MYR next week as further elimination of event risks after the approval of the 2021 national budget and USD weakness should be MYR positive. A break of the 4.03 support will pave the way for the pair to head towards the 4.00 psychological level.
- **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)

- The greenback rebounded on Friday after experiencing four days of losses. DXY picked up 0.2% to just a tad above 90, reflecting weaker CAD, GBP and JPY. EUR was little changed. USD bears will likely persist going into next week as markets scrutinize the last batch of key US data including final reading of 3Q GDP, personal outlay reports, durable goods orders and home sales before the year concludes. Dollar Index is expected to head towards 89.00-89.50 next, after the break below 90.0.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral-to-Bullish)

- EUR/USD consolidated gains on Friday after a week-long rally. It has rallied past 1.22 and is expected to head towards the 1.23 handle next. However we note that positive momentum has further softened, signaling odds of some consolidation before further upmove.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD had a choppy day of trading on Friday, suffering further losses after stepping back from May 2018 top. The pair pullback from the multi-month top while nearing 1.3400 as an agreement on Brexit is most likely not to be granted in this calendar year. GBP looks set to remain neutral to bullish, potentially breaching 1.3600 soon amid a weakening USD outlook and if Brexit talks show more encouraging progress. Support remains at 1.3240.
- **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 higher on Friday. The break below 103.70 has strengthened JPY bulls in our view, eyeing 102.40 followed by 101.00 next. BOJ's final meet today suggesting some form of QE extension while positive, will unlikely move markets. The pair will remain largely USD- and sentiments-driven next week, hence our bullish view on JPY.
- **Factors supporting**: BOJ policy, risk aversion, dollar weakness
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD was flat on Friday and was seen pulling back this morning. The pair remains overbought and we would not be surprised by a technical correction after recent rally.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD snapped losing streak on Friday. SGD remains neutral to bullish and we eye 1.3200 as the next target to break, followed by 1.3100.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, potential deterioration in Singapore fundamentals

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