22 December, 2020

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks generally slipped on Monday, tracking the losses in European equities earlier amid fresh economic concerns triggered by travel bans** in Europe, Canada and Hong Kong that halt flights from the UK. The S&P500 fell 0.4% and NASDAQ was 0.1% lower although the Dow managed to recover from early low to close 0.1% higher. Stocks sold off in Europe as the UK ordered an emergency lockdown to curb a very contagious strain of Covid-19. The FTSE 100 lost 1.7% while the pan-European STOXX Europe 600 shed a whopping 2.3%

- **The US Congress is set to vote on a year-end spending package that include a roughly $900b stimulus aid bill on Monday as the government's current funding had expired at Sunday.** Treasury yields were little changed across the curve with the shorter end moving less than 1bp. 10Y UST yield was down by 0.8bps to 0.938%. Gold futures fell 0.4% to $1887.6/oz as the dollar strength extended amid stimulus optimism. **Oil prices plummeted as demand is set to be battered by the new travel bans**; Both Brent crude and WTI fell 2.6-2.8% to $50.80/barrel and $47.74/barrel respectively. US President-elect Joe Biden received the Pfizer-BioNTech Covid-19 vaccine alongside his wife at a public event to encourage currently eligible Americans to take the shots.

- Data were limited on Monday. **The Chicago Fed National Activity Index slipped to +0.27 in November**, indicating slower growth. Eurozone consumer confidence improved in early December, possibly on vaccine optimism. Hong Kong CPI inflation steadied in November.

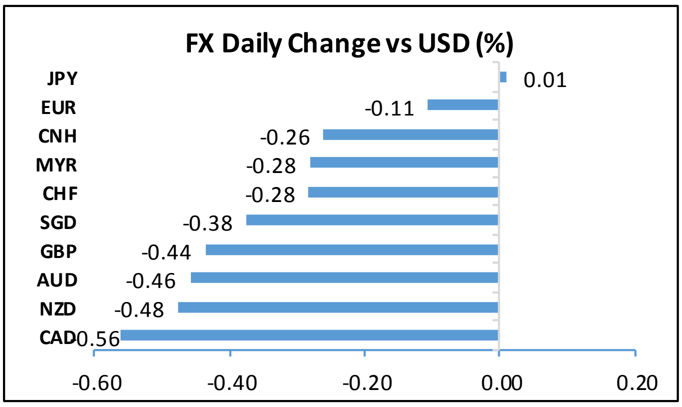
- **The DXY rose to an intraday high of 90.99 boosted by the US$900bn stimulus package but fell to 90.04 at closing** as the fears of the new coronavirus strain emerged. Major currencies weakened against the greenback where losses were led by the commodity pairs alongside sharp fall in crude oil prices. We view a range of 89.92-91.02 for now.

- **USD/MYR closed 0.3% higher at 4.0510 on Tuesday as the broader dollar strengthened**. The renewed USD strength resulting from US stimulus news is posing downside risk on our neutral-to-bullish outlook on MYR this week. This, alongside sharp fall in oil prices could work against MYR's favour today. Pair has now returned above 4.05 and could potentially observe a range of 4.05-4.06 today.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,216.45	0.12	5.88
S&P 500	3,694.92	-0.39	14.37
FTSE 100	6,416.32	-1.73	-14.93
Hang Seng	26,306.68	-0.72	-6.68
KLCI	1,647.89	-0.28	3.72
STI	2,846.52	-0.09	-11.68
Dollar Index	90.04	0.03	-6.43
WTI oil ($/bbl)	47.74	-2.77	-21.81
Brent oil ($/bbl)	50.91	-2.58	-22.86
Gold (S/oz)	1,879.20	-0.34	23.58
CPO (RM/tonne)	3,645.00	1.12	20.48

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data			
US	↓	Eurozone	↑
Hong Kong	→		

Up Next

Date	Events	Prior
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
23/12	MA CPI YoY (Nov)	-1.5%
	SI CPI YoY (Nov)	-0.2%
	US MBA Mortgage Applications (43435)	1.1%
	US Personal Income (Nov)	-0.7%
	US Personal Spending (Nov)	0.5%
	US PCE Core Deflator YoY (Nov)	1.4%
	US FHFA House Price Index MoM (Oct)	1.7%
	US U. of Mich. Sentiment (Dec F)	81.4
	US New Home Sales MoM (Nov)	-0.3%

Source: Bloomberg

Macroeconomics

- ***US growth likely had slowed in November:*** The Chicago Fed National Activity Index slipped to +0.27 in November, from +1.01 in October, led by slower growth in employment and production related indicators. This suggests US economic growth to be slower but still slightly above-average.

- ***Eurozone consumer sentiment improved in early December:*** The preliminary European Commission Consumer Confidence Index rose to -13.9 in December (Nov: -17.6), better than analysts' expectation. This suggests some improvement in consumer sentiment in the holiday season, possibly because of vaccine optimism, even experts had warned that the winter ahead is expected to be tough.

- ***Hong Kong consumer inflation steadied in November:*** CPI inflation was steady at -0.2% YOY in November (Oct: -0.2%); underlying inflation which stripped off government's one-off relief measures eased slightly to 0.3% YOY (Oct: +0.4%). Prices of food, housing recorded consistent increases while prices of clothing & footwear, durable goods and transports continued to fall. There is an absence of price pressure overall in the economy.

Forex

MYR (Neutral)

- USD/MYR closed 0.3% higher at 4.0510 on Tuesday as the broader dollar strengthened. The renewed USD strength resulting from US stimulus news is posing downside risk on our neutral-to-bullish outlook on MYR this week. This, alongside sharp fall in oil prices could work against MYR's favour today. Pair has now returned above 4.05 and could potentially observe a range of 4.05-4.06 today.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, domestic politics, second lockdown.

USD (Neutral over 1-Week Horizon)

- The DXY rose to an intraday high of 90.99 boosted by the US$900bn stimulus package but fell to 90.04 at closing as the fears of the new coronavirus strain emerged. We view a range of 89.92-91.02 for now.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD fell by 0.3% on Monday, trading as low as 1.2134 before picking up some steam to close the trading session at 1.2244. The Euro struggled on Monday following the release of flash Consumer Confidence data, which fell by -13.9. We employ a neutral stance on the pair as several key economies have re-entered national lockdowns.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD traded mostly downwards on Monday to an intraday low of 1.3204 and recovered some losses towards to the end of the trading session to end at 1.3464. The Pound was the worst performing G10 currency on the day as reports of a new Covid-19 strain emerges alongside the deadline of an impending no-deal Brexit looms about.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY had a positive day of trading, climbing to a high of 103.83 before ending the day at 103.32. The pair came off the earlier high as strength in the US dollar ebbed away. We view a range of 103.30-103.35 for now.
- **Factors supporting**: BOJ policy, risk aversion, dollar weakness
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD fell to an intraday low of 0.7466 but crawled back to end the day at 0.7587 despite lingering market anxiety. The pair still traded with losses of around 1.0% on the day. We maintain our neutral to bullish stance on the pair with a weaker US dollar in play and employment figures beating expectations in the month of November.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD traded mostly upwards on Monday, climbing to a high of 1.3403 before coming down slightly to end the day at 1.3325. We maintain our neutral to bullish stance on the pair given the weakness in the US dollar. We observe a range of 1.3315-1.334 for now. **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, potential deterioration in Singapore fundamentals

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