

Global Markets Research

Daily Market Highlights

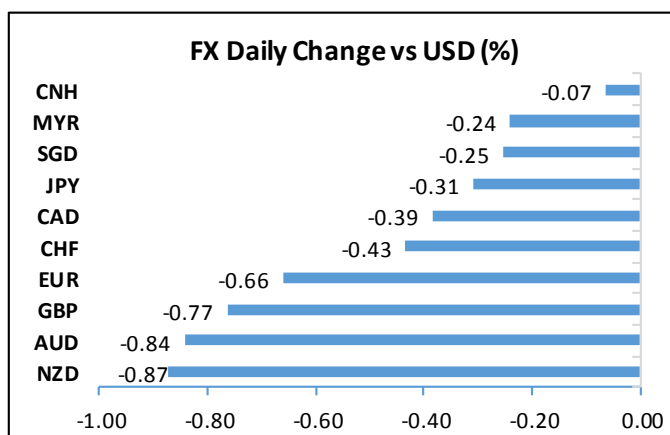
Key Takeaways

- **US stocks closed on a mixed note overnight as coronavirus concern overshadowed the Congressional approval of the much-anticipated \$900b relief bill in the US.** A new and more contagious Covid-19 strain had prompted many countries to ban flights from the UK and there are rising concerns that the strain may have reached some other countries and would trigger stricter lockdowns worldwide, effectively hampering the ongoing economic recovery. The Dow Jones fell 200pts or 0.7% while the S&P500 was 0.2% lower; NASDAQ however managed to clinch a 0.5% gain as tech shares rose.
- **Treasury yields fell across the board by 0.8 to 2.5bps amid cautious sentiment;** 10Y UST yields 0.916%, down by nearly 2bps. Gold futures ended another session in red (-0.7%) at \$1866.6/oz while the dollar rose sharply. **The selling pressure surrounding crude oils intensified as demand for oils are expected to be battered by travel restrictions;** Brent crude was down sharply by 2.2% to below \$50/barrel and WTI fell 1.5% to \$47.02/barrel.
- **US data were mixed.** 3Q GDP growth was revised higher to 33.4% QOQ while the **Conference Board Consumer Confidence Index reflects a fall in US consumer sentiment amid virus resurgence.** Existing home sales meanwhile fell for the first time in six months. Elsewhere, UK 3Q GDP growth was also higher to 16% QOQ. Malaysia foreign reserves rose to \$105.7b in mid-December.
- **The DXY surged by 0.7% to 90.635 as the greenback strengthened substantially against all major rivals** in response to the stimulus approval. We observe a range of 90.06-90.72 for now, retaining our neutral stance given the positive sentiment of the stimulus bill that has been growing in recent weeks.
- **USD/MYR picked up modestly by 0.2% to 4.0610.** No change to current view that 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 still work against MYR's favour today. Pair is targeting 4.07 after having crossing 4.06 yesterday; we observe a range of 4.04-4.07 today.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,015.51	-0.67	5.18
S&P 500	3,687.26	-0.21	14.13
FTSE 100	6,453.16	0.57	-14.44
Hang Seng	26,119.25	-0.71	-7.34
KLCI	1,631.92	-0.97	2.72
STI	2,827.32	-0.67	-12.27
Dollar Index	90.65	0.68	-5.95
WTI oil (\$/bbl)	47.02	-1.51	-23.19
Brent oil (\$/bbl)	50.08	-1.63	-24.12
Gold (\$/oz)	1,866.60	-0.67	22.55
CPO (RM/tonne)	3,647.50	-0.03	20.56

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	UK	↑
Malaysia	↑		

Up Next

Date	Events	Prior
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%
24/12	SI Industrial Production SA MoM (Nov)	-19.0%
	US Initial Jobless Claims (43800)	885k
	US Durable Goods Orders (Nov P)	1.3%

Source: Bloomberg

Macroeconomics

- **US GDP growth revised higher; existing home sales fell for the first time in six months:**
 - 3Q annualised GDP growth was revised higher to 33.4% QOQ in the third estimate, from 33.1% initially (2Q: -31.4%), reflecting upward revision to personal consumption and nonresidential fixed investment. This translates to 2.8% YOY contraction in 3Q (2Q: -9%).
 - The Conference Board Consumer confidence Index fell to 88.6 in December, from the downwardly revised 92.9 in November, reflecting a sharp fall in consumers' assessment of current condition (-15.6pts) amid a resurgence of Covid-19 infections. The expectations index rose around 3pts, indicating that consumers were moderately more optimistic over short-term outlook.
 - Existing home sales fell more than expected by 2.5% MOM in November (Oct: +4.4%), ending the gaining streak that started in June as rising prices and low supply may have put a dent on demand last month.
 - The Richmond Fed Manufacturing Index rose to 19 in December (Nov: 15), suggesting improvement in manufacturing activity.
- **UK 3Q GDP growth revised higher; but new lockdowns may send economy back to downturn:**
 - Final report shows that UK 3Q GDP growth was revised higher to 16% QOQ, from the initial estimate of 15.5%. This followed the record 18.8% QOQ contraction in the second quarter when the impact of the pandemic was the deepest on the economy.
 - The rebound in 3Q was driven by household consumption and investment while net exports dragged on growth. YOY, GDP was still 8.6% lower compared to the same quarter in 2019 (2Q: -20.8%).
 - The recovery may be partially reversed in 4Q after new waves of Covid-19 infections prompted the UK government to order a national lockdown in November, followed by another regional lockdown this week as authority struggled to contain a new Covid-19 strain.
- **Higher Malaysia's foreign reserves:** BNM reported that foreign reserves rose to \$105.7b as at 15 Dec, from \$105.3b prior. This is sufficient to finance 8.8 months of retained imports and is 1.2 times short-term external debt.

Forex

MYR (Neutral)

- USD/MYR picked up modestly by 0.2% to 4.0610. No change to current view that 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 still work against MYR's favour today. Pair is targeting 4.07 after having crossing 4.06 yesterday; we observe a range of 4.04-4.07 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 surged by 0.7% to 90.635 as the greenback strengthened substantially against all major rivals in response to the stimulus approval. We observe a range of 90.06-90.72 for now, retaining our neutral stance given the positive sentiment of the stimulus bill that has been growing in recent weeks.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD traded as high as 1.2253 before suffering a late setback to the trading session and closing at 1.2163. The pair changed course during US trading hours as the dollar surged. We maintain our stance on the currency as we wait for the Brexit negotiations to come to an agreement.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD kept bouncing off the 1.3300 mark on Tuesday and ended the day at 1.3361 despite Brexit and virus concerns. The UK has proposed an improvised deal on the fishing terms to the European Union which was a major talking point in the discussions as both sides could not reach an agreement prior.
- **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 choppy day of trading on Tuesday and dropped as low as 103.29 before recovering earlier losses to close out the trading session at 103.64. The pair proceeded to stabilize in between the 103.60s and 103.70s and closed Tuesday with gains of around 0.3%.
- **Factors supporting:** BOJ policy, risk aversion, dollar weakness
- **Factors against:** Weak fundamentals

AUD (Neutral)

- AUD/USD traded mostly downwards in the Tuesday trading session before closing at 0.7523. The pair stays depressed around the 0.7520 mark after making the heaviest losses in two months. We change our stance to a neutral one on the back of Brexit, headlines including China and the recent rally of the US dollar.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD traded as high as 1.3375 before suffering late losses to close the day at 1.3359. We maintain our neutral to bullish stance as Singapore is about to enter phase 3 of its re-opening plan after the Christmas break and the vaccine distribution is about to commence. 1.339 is the key resistance to overcome.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.