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.

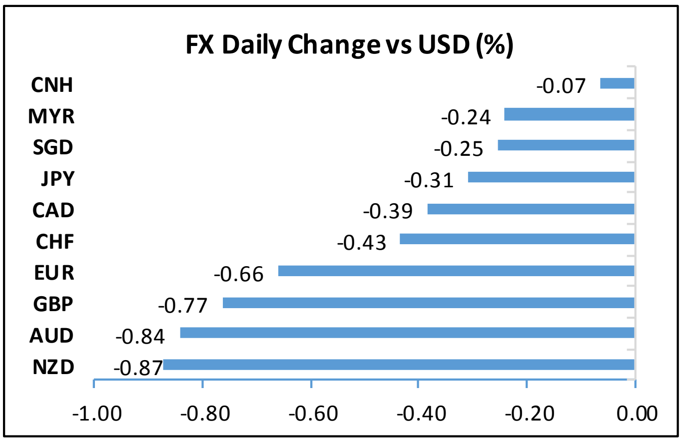
- **The DXY surged by 0.7% to 90.635 as the greenback strengthened substantially against all major rivals** in response to the stimulus approval. We observe a range of 90.06-90.72 for now, retaining our neutral stance given the positive sentiment of the stimulus bill that has been growing in recent weeks.

- **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 (S/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

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