HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stocks rebounded on Monday, fuelled by vaccine optimism which overshadowed rising number of Covid-19 cases.** Astra Zeneca said that late-stage trials showed that its vaccine was "as much as 90%" effective depending on dosage, becoming the third company to announce positive vaccine development after Pfizer and Moderna. The Dow Jones rose 1.1% while the S&P500 picked up 0.6%. NASDAQ recorded a smaller 0.2% gain. Energy shares were major winner amid higher oil prices, followed by financials and industrial shares.

- **Treasury yields rose** 0.2 to 3.4bps across the curve as risk-on mode prompted some selling of US government bonds. 10Y UST yield was up by nearly 3bps to 0.854%. **Gold futures tanked** nearly 2% to $1835.2/oz as the **dollar strengthened, thanks to upbeat US PMIs. JPY was the major loser as improved risk sentiment dominated market.** Oil prices rallied on vaccine news; Brent crude rose 2.0% to $45.87/barrel and WTI surged by 1.6% to $42.84/barrel. **US President-elect Joe Biden plans to nominate former Fed Chair Janet Yellen as his Treasury Secretary**, becoming the first woman to hold the position if confirmed by the Senate. Yellen was also the first women to lead the Federal Reserve during the Obama Administration.

- US PMIs beat expectations with both manufacturing and services PMI recorded gains that signalled stronger growth. **UK PMIs however were mixed** (manufacturing up while services fell below 50), reflecting the impact of the recent lockdown on the services sector. **Eurozone PMIs meanwhile both declined further**, adding to signs of weak recovery amid fresh restrictions. US Chicago Fed National Activity Index edged higher. **Singapore inflation remained subdued.**

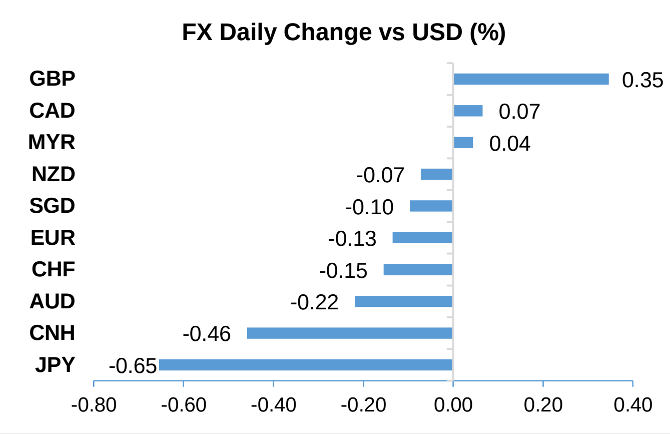
- DXY experienced a sharp gain on Monday, hitting a high of 92.8 after starting on a downward note to a low of 92.02. Overall, DXY was up 0.15% to close 92.53. We stay **neutral-to-bearish on the USD** for the week ahead. However, post-US election risks and Covid-19 still remain. Low of 92.13 eyed before immediate support around 91.70, with a rebound likely to test 93.50 resistance. FOMC minutes and 3Q GDP reading eyed this week.

- USD/MYR was little changed (-0.04%) at 4.0905. The stronger USD could work in favour of USD/MYR today as renewed strength in the greenback overnight poses downside risk to our neutral to bearish view on the pair. However, we suspect gain in USD/MYR would be limited as overall improved sentiment should keep the local unit supported, hence out **neutral** outlook today. We are still eyeing a wide range of 4.05-4.10 this week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,591.27	1.12	3.69
S&P 500	3,577.59	0.56	10.73
FTSE 100	6,333.84	-0.28	-16.02
Hang Seng	26,486.20	0.13	-6.04
KLCI	1,597.48	0.23	0.55
STI	2,848.78	1.27	-11.61
Dollar Index	92.53	0.15	-4.01
WTI oil ($/bbl)	42.84	1.64	-29.77
Brent oil ($/bbl)	45.87	2.02	-30.50
Gold (S/oz)	1,835.20	-1.99	20.49
CPO (RM/tonne)	3,515.00	-2.05	16.18

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↓
UK	→	Singapore	↓

Up Next

Date	Event	Prior
24/11	HK Exports YoY (Oct)	9.1%
	US FHFA House Price Index MoM (Sep)	1.5%
	US S&P CoreLogic CS 20-City YoY NSA	5.18%
	US Conf. Board Consumer Confidence (Nov)	100.9
	US Richmond Fed Manufact. Index (Nov)	29.0
25/11	MA CPI YoY (Oct)	-1.4%
	US MBA Mortgage Applications (20 Nov)	-0.3%
	US Initial Jobless Claims (21 Nov)	742k
	US Advance Goods Trade Balance (Oct)	-$79.4b
	US GDP Annualized QoQ (3Q S)	33.1%
	US Durable Goods Orders (Oct P)	1.9%
	US Cap Goods Orders Nondef Ex Air (Oct)	1.0%
	US Personal Income (Oct)	0.9%
	US Personal Spending (Oct)	1.4%
	US PCE Core Deflator YoY (Oct)	1.5%
	US U. of Mich. Sentiment (Nov F)	77.0
	US New Home Sales MoM (Oct)	-3.5%

Source: Bloomberg

Macroeconomics

- ***Latest PMIs reflect mixed recovery outlook amid fresh lockdowns:***
  - The preliminary US Markit Manufacturing PMI rose sharply to 56.7 in November (Oct: 53.4), adding to signs of stronger manufacturing sector growth. The services PMI also concurrently went up to 57.7 (Oct: 56.9); both readings are encouraging and reflect strengthening of demand according to IHS Markit.
  - Eurozone preliminary Markit Manufacturing PMI edged lower to 53.6 in November (Oct: 54.8), indicating slower expansion of factory activity. Notably, the services PMI fell sharply to 41.3 (Oct: 46.9), marking its third consecutive month at sub-50 levels as fresh lockdowns weighed further on an already weak services industry.
  - UK preliminary Markit/CIPS Manufacturing PMI unexpectedly rose to 55.2 in November (Oct: 53.7) while the services PMI fell from the expansion level to 45.8 (Oct: 51.4); this shows that the lockdown has impacted the services sector severely while factories remained open.

- ***Chicago Fed National Activity Index points faster growth:*** The Chicago Fed National Activity Index rose substantially to +0.83 in October (Sep: +0.32), suggesting increased economic growth. This reflects positive contributions from production-related, employment-related indicators as well as the sales, orders, and inventories category.

- ***Subdued inflation in Singapore:*** Consumer price index fell more than expected by 0.4% MOM in October (Sep: +0.3%), translating to a 0.2% YOY contraction (Sep: 0%). Consensus forecast was for CPI to stay unchanged. This reflects continuous declines in prices of clothing & footwear, healthcare and education. Transport prices also fell following the positive reading in the prior month. Cost of recreation & culture recorded larger fall. The MAS core inflation was down to -0.2% YOY (Sep: -0.1%); overall inflation remained subdued.

Forex

MYR (Neutral)

- USD/MYR was little changed (-0.04%) at 4.0905. The stronger USD could work in favour of USD/MYR today as renewed strength in the greenback overnight poses downside risk to our neutral to bearish view on the pair. However, we suspect gain in USD/MYR would be limited as overall improved sentiment should keep the local unit supported. We are still eyeing a wide range of 4.05-4.10 this week.
- **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)

- DXY experienced a sharp gain on Monday, hitting a high of 92.8 after starting on a downward note to a low of 92.02. Overall, DXY was up 0.15% to close 92.53. We stay **neutral-to-bearish on the USD** for the week ahead. However, post-US election risks and Covid-19 still remain. Low of 92.13 eyed before immediate support around 91.70, with a rebound likely to test 93.50 resistance. FOMC minutes and 3Q GDP reading eyed this week.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus, buoyant sentiments

EUR (Neutral)

- EUR/USD reached a high of 1.1906 on Monday but fell sharply alongside dollar strength to a low of 1.18. This brought EUR/USD slightly down for Monday. Looking ahead, we expect event risks and poor fundamentals to continue cap upside on the EUR near-term. Resistance at 9 November high of 1.1920.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD touched a high of 1.3398 but soon saw gains tapering off to a close of 1.3246. Still, GBP outperformed other G10 currencies on Monday. Buoyant sentiment helped GBP, as EU and UK negotiators turn to review clauses in a bid to unlock Brexit deal.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral-to-Bullish)

- USD/JPY experienced a sharp bounce up above 104 to close at 104.52. This came after hitting a low of 103.69. Newswire Sankei has reported that Japan may be considering a third supplementary budget of more than JPY 20trn for FY2020. For JPY, gains are still possible if dollar weakens, eyeing the low of 103.18 hit on 6 November.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD has stayed within a narrow range (mostly 0.725-0.735) for the past two weeks, with pair slightly down on Monday. We see possibility of modest gains to around 0.735 resistance. Trade tensions between Australia and China may weigh against further gains above 0.74.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD was slightly up on Monday, on some brief dollar strength. This prevented the pair from making further inroads on hitting the 18 November low of 1.3401. Singapore's upward GDP revision for 3Q initially helped pair reach an intraday low of 1.3404. We are **neutral-to-bullish** on the SGD for the following week, with resistance at 1.3500 and support at 1.3400.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

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