

Global Markets Research

Daily Market Highlights

Key Takeaways

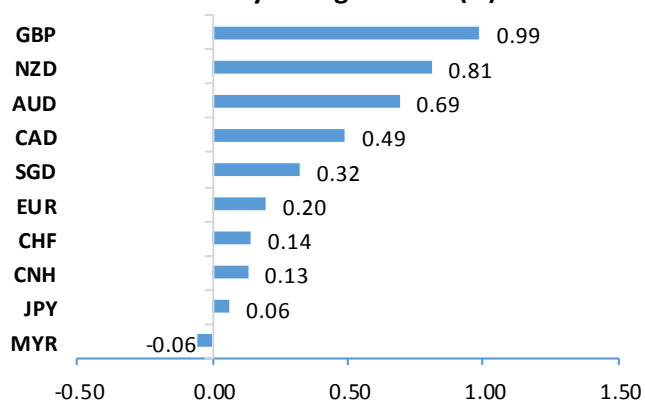
- US stocks had another mixed session overnight ahead of Christmas.** The Dow Jones rose 0.4% while the S&P500 was little changed; tech-heavy NASDAQ fell 0.3%. This comes as data pointed to slowing US economy while markets generally shrugged off President Trump's threat to reject the bipartisan stimulus bill. Stocks had risen in Europe and Asia earlier. **The UK and European Union are expected to reach an agreement after making compromise on the prickly issue of fishing rights;** meanwhile the UK government extended lockdown to more areas as daily new cases topped 39k on Wednesday, a new record high.
- Investors exited safe havens assets over an upcoming Brexit deal, leaving treasury yields higher by 0.4 to 3.3bps.** 10Y UST yields around 0.94% (up by nearly 3bps). **Yields jumped in the UK where yield on the 10Y British gilt was seen surging by 10bps.** Gold futures snapped losing streak, recovering 0.4% from prior sessions' losses, closing at \$1874.7/oz as the dollar weakened. Crude oil prices rebounded from the recent setback on Brexit news alongside reported fall in US crude pile; Both Brent crude and US WTI rallied by more than 2% to \$51.2/barrel and \$48.12/barrel respectively.
- US economic data were a mixed bag with personal spending and income both declined alongside falling new home sales.** The core PCE inflation remained steady. Initial jobless claims retreated last week but still remained above 800k. Gains in durable goods orders and core capital orders offered some positive signs on domestic demand but nonetheless the rate of growth had slowed. The improvement in consumer sentiment was largely a diverging expectation among Democrats and Republicans. Elsewhere, both Malaysia and Singapore continued to record negative inflation readings.
- US economic data and Brexit optimism.** GBP jumped 1% alongside stronger NZD, AUD and CAD. EUR and CHF were up modestly while JPY was flat. We observe a range of 90.156-90.666 for now with a neutral stance given that the positivity arising from the stimulus bill is slightly dampened by the rising cases of coronavirus and Brexit.
- USD/MYR was marginally higher at 4.0635 on Wednesday, consolidating recent gains.** Daily outlook is neutral to bearish as the pair may catch up with weaker greenback overnight amid renewed Brexit optimism and poorer US data. The rebound in oil prices is also beneficial to MYR. We still observe a range of 4.04-4.07 today ahead of a long weekend.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,129.83	0.38	5.58
S&P 500	3,690.01	0.07	14.21
FTSE 100	6,495.75	0.66	-13.88
Hang Seng	26,343.10	0.86	-6.55
KLCI	1,647.50	0.95	3.70
STI	2,833.40	0.22	-12.08
Dollar Index	90.41	-0.27	-6.20
WTI oil (\$/bbl)	48.12	2.34	-21.44
Brent oil (\$/bbl)	51.20	2.24	-22.42
Gold (\$/oz)	1,874.70	0.43	23.08
CPO (RM/tonne)	3,660.00	0.25	20.97

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	→	Singapore	↓
Malaysia	↓		

Up Next

Date	Events	Prior
24/12	SI Industrial Production SA MoM (Nov)	-19.0%
25/12	JN Jobless Rate (Nov)	3.1%
	JN Job-To-Applicant Ratio (Nov)	1.04
	JN Retail Sales YoY (Nov)	6.4%

Source: Bloomberg

Macroeconomics

- *Personal spending, jobless claims and new home sales data suggest slowing US economy:*
 - Personal spending fell more than expected by 0.4% MOM in November (Oct: +0.3%), snapping a six-month gaining streak that started in May. Personal income also plummeted 1.1% MOM (Oct: -0.6%) as the stimulus effect faded heading into year-end. Core PCE inflation was steady at 1.4% YOY, confirming the lack of price pressure.
 - Initial jobless claims came in lower at 803k last week, down from the revised 892k prior; nonetheless the above-800k reading is still considered high and suggests slower US job growth.
 - The University of Michigan Consumer Sentiment Index improved to 80.7 in December (Nov: 76.9) despite ongoing surge in Covid-19 infections, reflecting a “large and rapid partisan shift” with surveyed Democrats becoming much more positive and Republicans much more negative.
 - Durable goods orders rose for the seventh consecutive month by 0.9% MOM in November (Oct: +1.8%), beating analysts’ estimate, boosted by orders of vehicles and parts, and was consistent with the recent increase in industrial productions. Core capital orders fell short of expectation but managed to record a 0.4% MOM growth (Oct: +1.6%), its smallest gain in seven months as businesses scaled back on investment towards the year end.
 - New home sales plummeted by 11% MOM in November, following the downwardly revised 2.1% decline in October. Analysts had been expecting only a minor 0.5% drop. November reading marked new home sales’ fourth consecutive month of decline, suggesting that housing demand is cooling in response to Covid-19 resurgence and amid expectations of slowing economy.
- *Singapore's inflation stayed negative in November:*
 - Singapore’s headline and core inflation fell at a slower pace at -0.1% YOY in November, from -0.2% in October.
 - Services inflation up to -0.2% from -0.5% prior, from outpatient services fees and recreation/cultural services costs. Food inflation inched up to 1.8% from 1.7% prior, as non-cooked food and restaurant prices increased.
 - Utilities also saw smaller drop (-6.8% from -7.2%), as rebates ceased. Accommodation (0.3%) and private transport (-1.3%) inflation were unchanged.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR was marginally higher at 4.0635 on Wednesday, consolidating recent gains. Daily outlook is neutral to bearish as the pair may catch up with weaker greenback overnight amid renewed Brexit optimism and poorer US data. The rebound in oil prices is also beneficial to MYR. We still observe a range of 4.04-4.07 today ahead of a long weekend.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, domestic politics, second lockdown.

USD (Neutral over 1-Week Horizon)

- The USD edged lower during Wednesday’s trading session as USD pivoted lower and unwound some of its recent gains. We observe a range of 90.156-90.666 for now with a neutral stance given that the positivity arousing from the stimulus bill is slightly dampened by the rising cases of coronavirus and Brexit.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD climbed to as high as 1.2206 during Wednesday but cooled off a bit to end the day at 1.2187. We believe that the pair will trade in the 1.2200 level, mimicking trades in recent times. We maintain our neutral stance as Europe faces uncertain Covid-19 risks with preliminary data suggesting that the UK variant of the virus is present in the country
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD traded upwards on Wednesday, rising to a high of 1.3510 and closing the day at 1.3493. Reports have emerged that the UK and the EU have reached an agreement on a post-Brexit trade deal and are in the process of finalizing the legal text to present to EU members. The transition deadline is on the 31st of December.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY traded around the 103.60 region most of Wednesday, spiking as high as 103.71 before closing the day at 103.57. The overall positive tone of Wall Street and higher US treasury yields provided support. We observe a range of 103.52-103.6 for now.
- **Factors supporting:** BOJ policy, risk aversion, dollar weakness
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD traded mostly upwards on Wednesday to close the day at 0.7575. The pair was boosted by softer dollar conditions and favorable risk appetites.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

- **Sharper fall in Malaysia's November CPI:**

- Headline inflation continued to see negative print for the 9th straight month in November, falling 1.7% YOY (Oct: -1.5 YOY), matching our expectations. This reflects extended and more pronounced declines in transport (-11.1%) and utilities (-3.3%) amid weak global crude oil prices and government's electricity tariff discounts.
- Similar to the prior month, headline inflation remained in negative territory, while core CPI showed that underlying inflation remained positive albeit moderating further for the third month from 0.8% YOY in October to 0.7% YOY in November.
- Headline CPI still averaged -1.1% YOY in YTD November and we expect CPI reading to continue hover close to current levels in the last month of 2020 before settling the year at an average -1.2%.
- No change to our estimate that CPI will likely undershoot the 2% level on the back of soft global crude oil prices and in the absence of both supply and demand side factor. This compares to more optimistic official forecasts that expect a rebound in headline CPI back to the usual 2.0-3.0% levels next year.

SGD (Neutral-to-Bullish)

- USD/SGD traded mostly downwards on Wednesday to close the day out at 1.3316. The pair is neutral to bullish, within a range of 1.3298-1.3321, given signs of continuous weakness in the USD. Key resistance to overcome is at 1.3410.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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