HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US President Donald Trump signed the $2.3trillion funding bill that includes the $900b coronavirus stimulus aids**, averting a federal government shutdown and expiry of jobless benefits for millions of unemployed Americans. Trump had over the weekend refused to sign the bill, demanding Congress to offer $2000 stimulus cheque instead of $600. US stocks had closed modestly higher in the low-volume and short trading session of Thursday ahead of Christmas Day. As of writing, US stock futures jumped in response to the breaking news, same goes to the Asian futures benchmarks.

- Vaccines roll-out begins in Europe on Sunday, focusing on nursing homes in the continent. **The UK and European Union managed to secure an agreement last week to prevent a hard Brexit comes January**. Japan banned entry of foreigners until the end of January amid spiking daily new cases and the discovery of the more contagious Covid-19 strain originated in the UK.

- Economic data were scanty. **China industrial profits growth slowed in November**, due to unfavourable base effect. Meanwhile in Japan, labour market data showed signs of improvement given the lower jobless rate and higher job-to-market ratio. Nonetheless, retail sales fell more than expected in the same month while industrial production was flat as Covid-19 cases spiked in the country.

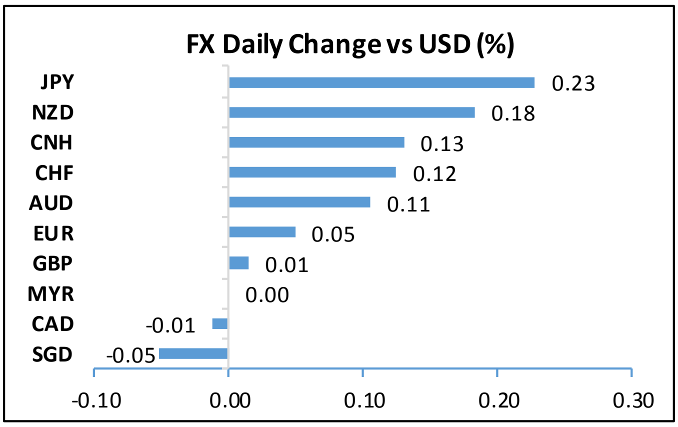
- The US dollar dropped to a daily low of 90.15, the greenback staged a mini recovery during Thursday's American trading session. Reports of a Brexit deal being clinched made it difficult for the USD to attract investors and it fell flat to 90.22 on Friday. **We are neutral on USD this week, expecting the USD to benefit temporarily from the positive stimulus news and the aversion of a shutdown,** but the upside is likely to fade as we move along as the dollar is still expected to remain weak in the medium term.

- USD/MYR closed marginally lower on Thursday at 4.0605, consolidating recent gains ahead of the Christmas long weekend. **Daily outlook is neutral-to-bullish** as market digests news that Trump had signed the funding bill. We still observe a range of 4.04-4.07 this week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,199.87	0.23	5.82
S&P 500	3,703.06	0.35	14.62
FTSE 100	6,502.11	0.10	-13.79
Hang Seng	26,288.37	-0.37	-6.74
KLCI	1,641.89	0.04	3.34
STI	2,837.15	-0.17	-11.97
Dollar Index	90.22	-0.11	-6.39
WTI oil ($/bbl)	48.23	0.23	-21.26
Brent oil ($/bbl)	51.29	0.18	-22.50
Gold (S/oz)	1,879.90	0.28	23.43
CPO (RM/tonne)	3,715.00	1.46	22.79

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data			
China	↓	Japan	→

Up Next

Date	Events	Prior
28/12	MA Exports YoY (Nov)	0.2%
	HK Exports YoY (Nov)	-1.1%
	US Dallas Fed Manf. Activity (Dec)	12.0
29/12	US S&P CoreLogic CS 20-City YoY NSA	6.6%

Source: Bloomberg

Macroeconomics

- ***China industrial profits slowed:*** Industrial profits grew at a much slower pace of 15.5% YOY in November, as hefty declines in the mining sector partially offset gains in the manufacturing and utilities sectors. The pullback in November print (from October's +28.2% YOY) was also skewed by statistical base effect, hence should not be viewed negatively as a dent to the overall still solid recovery in the China economy.

- ***Japan data added to signs of dismal growth outlook:***
  - Jobless rate fell to 2.9% in November from 3.1% in October. The job-to-applicant ratio also painted a more optimistic picture, rising to 1.06 in the same month, from 1.04 prior.
  - Retail sales fell more than expected by 2.0% MOM in November (Oct: +0.5%), translating to a smaller 0.7% YOY gain (Oct: +6.4%), as consumers cut spending amid rising Covid-19 cases.
  - Industrial production fell more than expected by 3.4% YOY in November (Oct: -3.0%), and was flat MOM. All sectors deteriorated, adding to signs of lethargic growth prospect in Japan economy.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR closed marginally lower on Thursday at 4.0605, consolidating recent gains ahead of the Christmas long weekend. Daily outlook is neutral-to-bullish as market digests news that Trump had signed the funding bill. We still observe a range of 4.04-4.07 this week.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, domestic politics, second lockdown.

USD (Neutral over 1-Week Horizon)

- The US dollar dropped to a daily low of 90.15, the greenback staged a mini recovery during Thursday's American trading session. Reports of a Brexit deal being clinched made it difficult for the USD to attract investors and it fell flat to 90.22 on Friday. We are neutral on USD this week, expecting the USD to benefit temporarily from the positive stimulus news and the aversion of a shutdown, but the upside is likely to fade as we move along as the dollar is still expected to remain weak in the medium term.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD peaked at 1.2213 on Thursday's trading session and closed lower at the 1.2191 on Friday. Weakness in the US dollar allowed the pair to climb above 1.2200 during European trading hours but the pair struggled to preserve its bullish momentum during the later stages of the day. We observe a range of 1.2183-1.2208 for now.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD rose as high as 1.3611 as the pair rode on the positive sentiments arising from the Brexit deal that was reported to have been agreed on. The pair retreated to settle in the 1.3550 price zone towards the end of the day and was little changed at 1.3560 on Christmas. The full details of the Brexit deal were published over the long weekend. The UK is up for voting on the trade deal on the 30th of December 2020.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- JPY/USD climbed as high as 103.69 on Thursday, but retreating to 103.43 on Friday. Despite that, we are observing a range of 103.46-103.6 for now as markets digest latest stimulus news
- **Factors supporting**: BOJ policy, risk aversion, dollar weakness
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD rose as high as 0.7606 on Thursday due to broad US dollar weakness and stay at this level on Friday. We observe a range of 0.7589-0.7615 for now as the pair eyes a push back towards yearly highs.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD was slightly up on Christmas day at 1.3296. We keep a neutral-to-bullish stance on the SGD, eyeing board US dollar weakness stemming from the Brexit deal and the entering of its next phase of lockdown measures.
- **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