

Global Markets Research

Daily Market Highlights

Key Takeaways

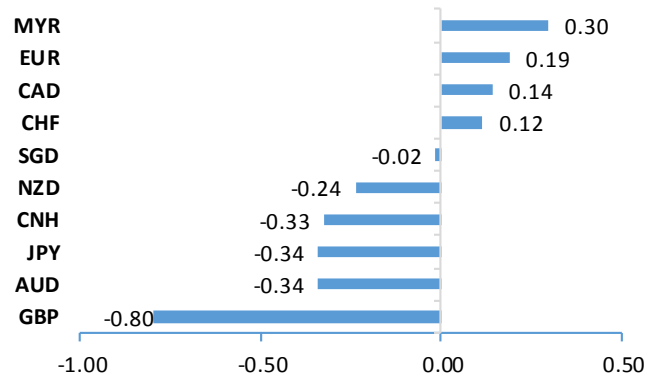
- US stocks rallied to close at record highs after President Trump signed the government funding bill which includes the \$900b coronavirus stimulus package, averting a federal government shut down. The \$600 stimulus check as well as the \$300 additional/enhanced jobless benefit are also expected to help support consumer spending amid slowing US economy, evident in weaker data recently. The S&P500 gained 0.9% while the Dow and NASDAQ both picked up around 0.7%, led by tech and consumer discretionary shares.
- Treasury yields came off intraday highs, erasing stimulus-related gains to close the day on a flat note. Yield on benchmark 10Y treasuries hit an intraday high of 0.96 before retreating to 0.92%, unchanged from the prior session. Gold futures edged down slightly lower (-1%) to \$1878/oz, Crude oil prices extended losses from prior week amid upcoming new supply from OPEC+ and lingering worry over demand. Brent crude lost 0.7% to \$50.95/barrel while WTI plunged by more than 1% to \$47.62/barrel. Futures were up in Hong Kong and Japan as of writing, as Asian stocks are expected to track higher US equities overnight.
- US Economic data was limited to US Dallas Fed Manufacturing Index which inched lower in December amid poorer six-month outlook. Hong Kong exports growth (+5.6%) beat expectations, driven by shipments to China. Malaysia exports also recorded continuous growth (+4.3%).
- The USD had a mixed day of trading, spiking as high as 90.35 before eventually closing the day out at 90.34. We are neutral to bearish on USD for now as the USD is expected to benefit temporarily from the positive stimulus news but the upside is likely to fade as we move along given that the greenback is still projected to remain weak in the medium term. We observe a range of 89.98-90.378 for now.
- USD/MYR fell 0.3% to 4.0485 on Monday, marking its sharpest fall in just over a month as MYR benefitted from a firmer sentiment. Daily outlook is neutral amid mixed USD performance overnight. We still observe a range of 4.04-4.07 this week, reflecting our neutral to-bearish outlook on USD. The USD is expected to benefit temporarily from the positive stimulus news but the upside is likely to fade as we move along given that the greenback is still projected to remain weak in the medium term

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,403.97	0.68	6.54
S&P 500	3,735.36	0.87	15.62
FTSE 100	6,502.11	0.10	-13.79
Hang Seng	26,314.63	-0.27	-6.65
KLCI	1,643.90	0.17	3.47
STI	2,840.14	-0.07	-11.87
Dollar Index	90.34	0.13	-6.28
WTI oil (\$/bbl)	47.62	-1.26	-22.01
Brent oil (\$/bbl)	50.86	-0.84	-22.94
Gold (\$/oz)	1,877.20	-0.14	23.25
CPO (RM/tonne)	3,839.50	3.73	23.95

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↓	Hong Kong	↑
Malaysia	↑		

Up Next

Date	Events	Prior
29/12	US S&P CoreLogic CS 20-City YoY (Oct)	6.57%
30/12	US Advance Goods Trade Balance (Nov)	-\$80.3b
	US MNI Chicago PMI (Dec)	58.2
	US Pending Home Sales MoM (Nov)	-1.10%

Source: Bloomberg

Macroeconomics

- **Dallas Fed Index slipped in December:** The Dallas Fed Manufacturing Index was lower at 9.7 in December, versus 12.0 in November, reflecting poorer business outlook six months ahead, despite sharp gains in current productions and new orders. This is largely in line with the recent retreats in regional manufacturing gauges in the US, signaling potentially slower manufacturing activity across the country in the coming months.
- **Hong Kong's November exports rebounded, driven by China:**
 - Hong Kong exports growth beat expectation at 5.6% YOY in November (Oct: -1.1%), driven by rebound in shipment of goods to China (+8%), following a minor decline in the prior month, proving that economic recovery in China remained solid.
 - Exports to the US (+1.5%) as well as Japan (+1.5%) also recovered from previous falls.
 - Imports also rose more than expected by 5.1% YOY (Oct: +0.6%) after a flat month, adding to a series of indicators that suggest a stabilizing economy in Hong Kong.
- **Malaysia exports recorded continuous growth in November:**
 - Exports continued to register a positive reading for the 3rd straight month, increasing 4.3% YOY to RM84.4bn in November (Oct: +0.2% YOY), better than market consensus estimate but below ours.
 - Exports to China and Singapore picked up steam, whilst that to the US saw sustained gain, but mitigated by extended declines in exports to neighbouring ASEAN. Gains were led by manufacturing and agriculture exports, as mining goods continued to see declining exports.
 - Judging from recent global development, we maintain our view for subdued exports outlook in the near term. Resurging infection cases would have been somewhat cushioned by vaccine rollouts albeit still at its early stages.
 - We maintain our view that net exports arising from continuous weakness in imports will be the key growth catalyst in driving recovery in the Malaysian economy spilling over from 3Q to 4Q. This should cushion the fallout from the domestic front arising from reintroduction of movement restriction measures started in October amid the third wave of virus outbreak in the country. No change to our full year GDP projection of -6.0%.

Forex

MYR (Neutral)

- USD/MYR fell 0.3% to 4.0485 on Monday, marking its sharpest fall in just over a month as MYR benefitted from a firmer sentiment. Daily outlook is neutral amid mixed USD performance overnight. We still observe a range of 4.04-4.07 this week, reflecting our neutral to bearish outlook on USD. The USD is expected to benefit temporarily from the positive stimulus news but the upside is likely to fade as we move along given that the greenback is still projected to remain weak in the medium term.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, domestic politics, second lockdown.

USD (Neutral-to-Bearish over 1-Week Horizon)

- The USD had a mixed day of trading, spiking as high as 90.35 before eventually closing the day out at 90.34. We are neutral to bearish on USD for now as the USD is expected to benefit temporarily from the positive stimulus news but the upside is likely to fade as we move along given that the greenback is still projected to remain weak in the medium term. We observe a range of 89.98-90.378 for now.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral-to-Bullish)

- EUR/USD traded as high as 1.2249 on Monday before suffering a late setback to close the day at 1.2216. The EUR remains the best performing G10 currency since the start of the week, trading higher by roughly 0.2% at present. We turn slightly bullish as mass Covid-19 vaccinations programs began to take place. However, momentum looks relatively muted.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD fell sharply late-Monday as the pair closed at 1.3452, indicating a 0.7% fall. Market participants have flagged concerns that the post-Brexit trade arrangements will slow down trade. We observe a range of 1.335-1.355 as of now. We see some stability during this quieter period, with potential for slight gains.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY closed at a 12-day high of 103.81, as the pair closes in on 104.00. The pair spent the morning moving sideways near the 103.50 before edging higher during the European trading hours as the stimulus news spurred on more positive risk sentiments.
- **Factors supporting:** BOJ policy, risk aversion, dollar weakness
- **Factors against:** Weak fundamentals

AUD (Neutral)

- AUD/USD traded as high as 0.7620 on Monday before suffering a late setback to end the day at 0.7579. While the stimulus boosted risk appetites, the Aussie-China tussle and reemergence of Covid-19 cases in some states have erased some of the positive sentiments. We see a range of 0.746-0.764.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD traded mostly upwards on Monday to close the day out at 1.3298. Tuesday open sees that trend reversing downwards. We are slightly constructive on SGD (USD/SGD range of 1.3289-1.3312), as Covid-19 vaccinations are to be administered on the 30th of December onwards. 1.3410 is the key resistance to overcome for a reversal.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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