Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock rose on Friday in a shorter trading session** during the annual Black Friday sales that kick starts the holiday shopping season. Amid low trading volume, both the S&P500 (+0.2%) and NASDAQ (+0.9%) closed at new record highs while the Dow added edged up slightly by 0.1%, just below the 30,000 mark. **All benchmarks closed out last week with 1.5-2.5% gain thanks to vaccine optimism and positive Biden transition news that eliminated much of the political uncertainties.** Improving risk sentiment pushed safe havens lower last week. **Gold prices fell** 1.3% DOD to below $1800/oz, bringing the weekly losses to a whopping 4.8% WOW, its third consecutive week of decline.

- **Brent crude rose** 0.8% to $48.18/barrel, adding up to a more-than-7% weekly gain; the benchmark had now picked up for fourth straight week since November. **In an unofficial meeting on Sunday, members of OPEC+ failed to agree on a decision whether to delay hiking oil output scheduled in January next year.** This was ahead of Monday's official meeting. Stock futures point to positive starts for the Asian markets. Aside from the OPEC+ meeting, **other key events this week include RBA's policy decision and US Fed Chair Jerome Powell's testimony before Congress.**

- **Looking at economic data, it was very much a mixed bag.** Eurozone economic sentiment slipped in November. Japan industrial output and retail sales recorded growth while China industrial profit soared. New Zealand business sentiment improved substantially. Malaysia saw marginal gain in exports while Vietnam trade data came in solid.

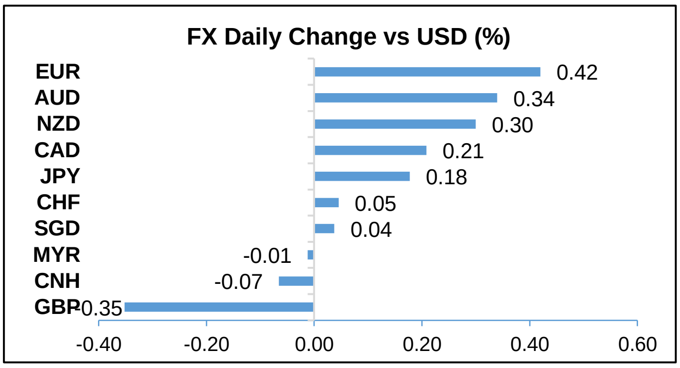
- The dollar weakened on Friday, continuing a trend for most of November. DXY fell by 0.22% to close 91.79, reaching a low of 91.76 in the process. The DXY experienced a back-to-back weekly loss and was down by nearly 0.7% WOW. We are **neutral-to-bearish on the USD** for the week ahead, more for EM than G10 FX. For the week ahead, focus is on ISM and non-farm payrolls data.

- USD/MYR was little changed (+0.01%) at 4.0685 on Friday. For the week, the pair continued to edge down by 0.6%, marking its fourth straight week of weakening. The approval of the 2021 Budget at policy level at Parliament last week pushed USD/MYR down two big figures to 4.06, from the 4.08-4.09 levels in recent days. We remain **neutral to bullish MYR**, expecting extended USD bears amid continued improvement in risk appetite. Maintaining a range of 4.05-4.10 for this week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	29,910.37	0.13	4.81
S&P 500	3,638.35	0.24	12.62
FTSE 100	6,367.58	0.07	-15.58
Hang Seng	26,894.68	0.28	-4.59
KLCI	1,607.59	-0.28	1.19
STI	2,855.82	-0.06	-11.39
Dollar Index	91.79	-0.22	-4.77
WTI oil ($/bbl)	45.53	-0.39	-25.47
Brent oil ($/bbl)	48.18	0.79	-27.00
Gold (S/oz)	1,781.90	-1.31	16.99
CPO (RM/tonne)	3,425.00	-0.29	13.20

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

Eurozone	↓	Japan	↑
China	↑	New Zealand	↑
Malaysia	↓	Vietnam	→

Up Next

Date	Events	Prior
30/11	CH Manufacturing PMI (Nov)	51.4
	CH Non-manufacturing PMI (Nov)	56.2
	US MNI Chicago PMI (Nov)	61.1
	US Pending Home Sales MoM (Oct)	-2.2%
	US Dallas Fed Manf. Activity (Nov)	19.8
01/12	AU AiG Perf of Mfg Index (Nov)	56.3
	JN Jobless Rate (Oct)	3.0%
	VN Markit Vietnam PMI Mfg (Nov)	51.8
	MA Markit Malaysia PMI Mfg (Nov)	48.5
	JN Jibun Bank Japan PMI Mfg (Nov F)	48.3
	CH Caixin China PMI Mfg (Nov)	53.6
	AU RBA Cash Rate Target (01 Dec)	0.1%
	HK Retail Sales Value YoY (Oct)	-12.9%
	EC Markit Eurozone Manufacturing PMI (Nov F)	53.6
	UK Markit UK PMI Manufacturing SA (Nov F)	55.2
	EC CPI Estimate YoY (Nov)	-0.30%
	US Markit US Manufacturing PMI (Nov F)	56.7
	US ISM Manufacturing (Nov)	59.3
	US Construction Spending MoM (Oct)	0.3%

Source: Bloomberg

Macroeconomics

- ***European sentiment turned gloomier in November:*** European Commission Economic Sentiment Index fell to 87.6 in November (Oct: 91.1), reflecting weaker sentiment across the services, industrial and consumer confidence levels. This was unsurprising considering the fact that the resurgence of Covid-19 on the continent led governments to re-impose fresh lockdowns, dampening an already weak sentiment ahead of the holiday's season.

- ***Japan factory output rose for fifth month; retail sales rebounded:***
  - Industrial production rose for the fifth straight month by 3.8% MOM in October (Sep: +3.9%), translating to smaller annual fall of -3.2% YOY (Sep: -9%). The steady pace in factory output growth despite rising Covid-19 cases offered assurance that economic recovery had managed to carry on.
  - Retail sales rose 0.4% MOM in October (Sep: -0.1%), pushing the YOY change to 6.4% growth (Sep: -8.7%). This was driven by sales at department stores and supermarkets as sales at convenience stores continued to fall.

- ***China industrial profits grew for sixth straight months:*** China industrial profits surged by 28.2% YOY in October (Sep: +10.1%), its strongest growth yet in the six-month gaining streak beginning in May when the economy reopened. This finally pushed the YTD change in profits to a positive growth of 0.7% YOY (Sep: -2.4% YOY YTD, driven by the recent upturn in the manufacturing sector (+4.2%).

- ***New Zealand business confidence highest since 2017:*** The ANZ Business Confidence Index improved to -6.9 in November (Oct:-15.7), its best reading since Sep-17 to reflect a much less gloomier business sentiment. This comes as New Zealand recently ended the lockdown in Auckland City and on the back of upbeat vaccine optimism as well as strong housing market.

- ***Malaysia saw marginal gains in exports:*** Exports posted a minute 0.2% YOY gain to RM91.1bn in October (Sept: +13.6% YOY to RM88.9bn), but still better than our expectation for a small contraction. However, the decline in imports stayed extended for an 8th straight month, down 6.0% YOY to RM68.9bn (Sept: -3.6% YOY to RM67.0bn), keeping the trade surplus at a fresh record high at RM22.1bn in October (Sept: RM22.0bn). We expect overall exports outlook to remain soft going forward. Continuous albeit uneven recovery in the global economy will likely be dented to some extent by the resurging infections in some major economies. Continuous decline in imports will nonetheless keep trade surplus elevated, helping support economic growth.

- ***Vietnam exports recorded slower but still solid growth; import growth strongest since Feb:***
  - Exports growth came in at a solid 8.8% YOY in November (Oct: +9.9%) though falling short of consensus forecast of 11.0% gain.
  - Imports meanwhile beat expectation to gain 13.4% YOY (Oct: +10.1%), its largest increase since February this year, adding to signs of a pickup in demand.
  - Consumer Price Index rose 1.5% YOY in November (Oct: +2.5%), easing from the surge in prices in the prior months.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR was little changed (+0.01%) at 4.0685 on Friday. For the week, the pair continued to edge down by 0.6%, marking its fourth straight week of weakening. The approval of the 2021 Budget at policy level at Parliament last week pushed USD/MYR down two big figures to 4.06, from the 4.08-4.09 levels in recent days. We remain neutral to bullish MYR, expecting extended USD bears amid continued improvement in risk appetite. Maintaining a range of 4.05-4.10 for 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)

- The dollar weakened on Friday, continuing a trend for most of November. DXY fell by 0.22% to close 91.79, reaching a low of 91.76 in the process. We are **neutral-to-bearish** on the USD for the week ahead, more for EM than G10 FX. For the week ahead, focus is on ISM and non-farm payrolls data.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus, buoyant sentiments

EUR (Neutral)

- EUR/USD headed upwards on Friday, closing at 1.1963 with 1.2000 in sight. Event risks and poor fundamentals may weigh on the EUR near-term. Attention is on slight gains towards 1.2000, although we see some resistance there. Support is close to 1.1800 to signal some reversal of momentum to the downside.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD underperformed on Friday and fell by 0.35%, despite EUR being up on the same day. This brought GBP down to 1.3289 low on Friday before a close of 1.3311. We turn **neutral-to-bullish** on the GBP, due to the positive risk sentiment bias. We eye immediate resistance of 1.34 before attention turns to the 1.35 area. A pullback can potentially move GBP/USD down to 1.3120.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY registered modest gains on Friday, with an intraday low of 103.91. We turn **neutral** on the JPY for the coming week, from soft momentum compared to other G10 peers. We see a range of 103.6-104.6, whereby a breakaway from the range will likely signal at some momentum either way. For the week ahead, watch industrial production, retail sales and labour market data.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD was 0.34% up on Friday, hitting a high of 0.7399 in the process. With 0.74 in sight, pair may look to examine the 0.75 big figure later on. RBA announces policy decision on 1 December, followed by GDP data on 2 December. This may shape some AUD movements, alongside retail sales and trade data later the week.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD was roughly flat around 1.3380 on Friday, closing at 1.3383. We see 1.3350 as the next psychological barrier, with only a pullback above 1.3420 signalling at some upsides for USD/SGD. For the week ahead, PMI numbers are likely to stay expansionary for November, albeit with some pullbacks from stabilisation.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

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