

Global Markets Research

Daily Market Highlights

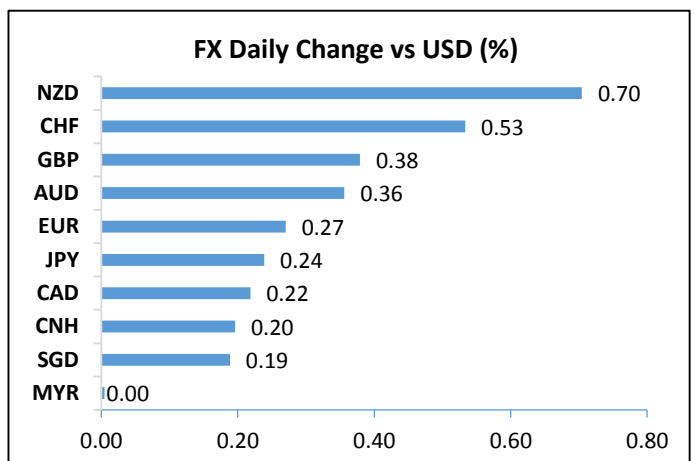
Key Takeaways

- US stocks reversed early session gains to end the day lower, as selling loomed after the Senate rejected a proposal to increase stimulus check from \$600 to \$2000, dimming optimism of a stimulus-aided recovery. The Dow and S&P500 lost 0.2% while the Nasdaq fell 0.3%. Stocks rose in the European and Asian markets earlier on stimulus hopes, but is set for lower opening today following renewed stimulus speed bump. This will likely overshadow positive Brexit development where the EU government has formally approved a post-Brexit trade agreement with the UK that is expected to take effect on 1 January, avoiding a last minute no-deal hard Brexit. UK gilts and the sterling rallied.
- US treasuries narrowed losses as stocks came under selling pressure and the 7Y debt sale attracted decent demand. Overall yields close only 1-2bps higher across the curve. 10Y note yields ended about 1bp up at 0.94% while the 2s were little changed at 0.125%, bear steepening the curve.
- On the commodity front, gold rangetraded before ending the day slightly higher. Crude oil prices rebounded with decent gains after a report showed lower crude inventories in the US. Brent crude hovered at \$51/barrel while WTI at \$48/barrel.
- Data calendar was super light and only limited to US house price index that surprised on the upside. S&P CaseShiller house price index picked up more than expected to increase 7.95% YOY in October (Sept: +6.64% revised). This marked its biggest gain since Jun-14, as low mortgage rates and demand for housing spurred gains in house prices, reaffirming strength in the US housing market.
- In the FX space, the Dollar Index slumped along with US treasuries as investors dumped haven assets. DXY plunged to an intraday low of 89.85 before regaining some lost ground to close just shy of 90.0. We stay **slightly bearish on the greenback** from current trend, anticipating some movements below the 90 mark.
- USDMYR pulled back from an intraday high of 4.0550 to end flat at 4.0485, its day-low amid positive market sentiments. **Daily USDMYR outlook is neutral to bearish** taking cue from USD weakness overnight. Dented stimulus optimism would likely keep sentiments soft and limit USD weakness, hence keeping USDMYR within our weekly range of 4.04-4.07.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,335.67	-0.22	6.30
S&P 500	3,727.04	-0.22	15.36
FTSE 100	6,602.65	1.55	-12.46
Hang Seng	26,568.49	0.96	-5.75
KLCI	1,634.99	-0.54	2.91
STI	2,848.14	0.28	-11.63
Dollar Index	89.99	-0.38	-6.63
WTI oil (\$/bbl)	48.00	0.80	-21.39
Brent oil (\$/bbl)	51.09	0.45	-22.59
Gold (\$/oz)	1,879.70	0.13	23.58
CPO (RM/tonne)	3,787.50	0.84	25.19

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US

Up Next

Date	Events	Prior
30/12	US Advance Goods Trade Balance	-\$80.3b
	US MNI Chicago PMI (Dec)	58.2
	US Pending Home Sales MoM (Nov)	-1.1%
31/12	CH Manufacturing PMI (Dec)	52.1
	CH Non-manufacturing PMI (Dec)	56.4
	US Initial Jobless Claims (26 Dec)	803k

Source: Bloomberg

Macroeconomics

- **US House Price Index surprised on the upside:** S&P CaseShiller house price index picked up more than expected to increase 7.95% YOY in October (Sept: +6.64% revised). This marked its biggest gain since Jun-14, as low mortgage rates and demand for housing spurred gains in house prices, reaffirming strength in the US housing market.

Forex

MYR (Neutral to Bullish)

- USDMYR pulled back from an intraday high of 4.0550 to end flat at 4.0485, its day-low amid positive market sentiments. Daily USDMYR outlook is neutral to bearish taking cue from USD weakness overnight. Dented stimulus optimism would likely keep sentiments soft and limit USD weakness, hence keeping USDMYR within our weekly range of 4.04-4.07.
- **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 slumped along with US treasuries as investors dumped haven assets. DXY plunged to an intraday low of 89.85 before regaining some lost ground to close just shy of 90.0. We stay slightly bearish on USD from current trend, anticipating some movements below the 90 mark.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, potential US stimulus, buoyant sentiments

EUR (Neutral-to-Bullish)

- EUR/USD traded as high as 1.2275 before suffering a late setback to the trading session and closing at 1.2249. This was partly helped by dollar weakness. We maintain our stance on the currency as we wait for the Brexit negotiations to come to an agreement.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD grinded up above 1.3450 on 29 December, helped by dollar weakness. The UK has proposed an improvised deal on the fishing terms to the European Union which was a major talking point in the discussions as both sides could not reach an agreement prior.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY had a choppy day of trading on Tuesday and dropped as low as 103.46 before recovering earlier losses to close out the trading session at 103.58. The pair closed Tuesday with gains of around 0.24%. We continue to see a range of 103.4-104.0 for the pair.
- **Factors supporting:** BOJ policy, risk aversion
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD traded mostly upwards in the Tuesday trading session before closing at 0.7606. In the process, it touched a high of 0.7625. We stay neutral-to-bullish on a depressed dollar although watching out for risk aversion that may trigger some correction.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD came off on Tuesday, reaching a low of 1.3270 and a close of 1.3273. We maintain our neutral to bullish stance as Singapore is about to enter phase 3 of its re-opening plan after the Christmas break and the vaccine distribution is about to commence. We watch for 1.32 as immediate big figure to break.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, trade war, US-China

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