

Global Markets Research

Daily Market Highlights

Key Takeaways

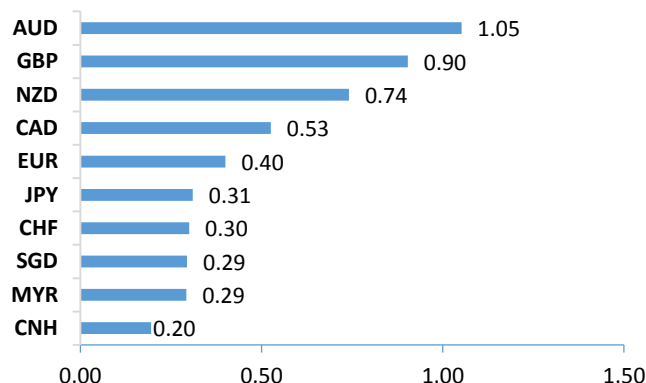
- **US stocks continued testing new highs as vaccine optimism outweighed stimulus snag.** The Dow advanced to a fresh record close in yesterday's trading while the S&P500 and NASDAQ also traded near their record high levels. Markets chose to focus more on positive vaccine news, outweighing dimming hopes for bigger stimulus aid check, and to a certain extent, continued spikes in infection cases and news report on side-effects and ineffectiveness of the vaccination.
- **In other developments, the EU and China reached a breakthrough agreement on the political level in allowing further opening of the China markets** that includes among others, auto and telecommunications, **to EU investors**, a pact it has been negotiating since 2013. **The UK Parliament has also approved** two major agenda. First, **the Brexit deal** with a wide margin (521 vs 73) without much resistance; **and second, the emergency use of AstraZeneca vaccine** starting next Monday. This, coupled with the existing use of Pfizer vaccine, is expected to vaccinate 2m people a week.
- **EUR and GBP rallied pass key levels on the positive news and USD weakness.** EUR is trading above the key 1.23 handle and the sterling above 1.36 this morning at time of writing, both at its highest levels in 2½ years. The Dollar Index was battered down below 90.0 again, last settling at 89.68 near its intraday low of 89.56.
- **US treasuries reversed course and gained** on a tinge of uneasiness in the markets. Overall yields fell between 1-2bps, bull flattening the curve again. 2-year note yields were flat at 0.12% while the 10s ended the day at 0.92% (-1bp). **Commodities registered gains overall.** Gold climbed and closed out the day higher by 0.73% at \$1893/oz. Crude oil prices extended gains for a 2nd straight day with minor gains, leaving Brent crude near \$51/barrel and WTI around \$48/barrel.
- The US dollar continued its downward decline on Wednesday, trading as low as 89.56 before closing the day at 89.68. We remain slightly bearish on the pair as the ongoing push for bigger stimulus checks are running out of steam. **USD outlook remains neutral to bearish** and is expected to stay below the 90.0 mark.
- USDMYR failed to sustain its higher opening, closing Wednesday 0.29% lower at 4.0365, near its intraday low of 4.0345 amid persistent USD weakness in the wake of stimulus and vaccine jitters. We expect continued **MYR gains** on the back of a bearish USD, potentially leading to an annual gain of circa. 1.4%, from 4.09 last December.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,409.56	0.24	6.56
S&P 500	3,732.04	0.13	15.52
FTSE 100	6,555.82	-0.71	-13.08
Hang Seng	27,147.11	2.18	-3.70
KLCI	1,644.41	0.58	3.50
STI	2,869.22	0.74	-10.97
Dollar Index	89.68	-0.35	-6.96
WTI oil (\$/bbl)	48.40	0.83	-20.73
Brent oil (\$/bbl)	51.34	0.49	-21.77
Gold (\$/oz)	1,893.40	0.73	24.68
CPO (RM/tonne)	3,850.00	1.77	27.25

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US



Up Next

Date	Events	Prior
31/12	CH Manufacturing PMI (Dec)	52.1
	CH Non-manufacturing PMI (Dec)	56.4
	US Initial Jobless Claims (26 Dec)	803k
4/01	SG GDP YOY (4Q A)	-5.8%
	JP Jibun Bank PMI manufacturing (Dec F)	49.7
	MY Markit PMI manufacturing (Dec)	48.4
	CH Caixin PMI manufacturing (Dec)	54.9
	HK retail sales value YOY (Dec)	-8.8%
	EU Markit PMI manufacturing (Dec F)	55.5
	UK Markit PMI manufacturing (Dec F)	57.3
	UK mortgage approvals (Nov)	97.5
	SG PMI (Dec)	50.4
	US Markit PMI manufacturing (Dec F)	56.5
	US construction spending MOM (Nov)	1.3%

Source: Bloomberg

Macroeconomics

- **US data remained a mixed bag:**
 - US MNI Chicago PMI picked up to 59.5 in December (Nov: 58.2), beating consensus estimate for a decline to 56.0. Production and business barometers all expanded at faster pace, offsetting slower expansion in new orders and continued contraction in employment, a sign of prevailing weakness in the labour market.
 - Pending home sales disappointed, unexpectedly deepening its decline to 2.6% MOM in November (Oct: -0.9% MOM revised; consensus 0.0%), dragged by low inventories levels and rising house prices.
 - Advance goods trade balance hit a fresh record high deficit of \$84.8bn in November (Oct: -\$80.4bn revised). This came on the back of a larger 2.6% MOM increase in imports spurred by demand for consumer goods, while exports rose at a slower pace of 0.8% MOM.

Forex

MYR (Neutral to Bullish)

- USDMYR failed to sustain its higher opening, closing Wednesday 0.29% lower at 4.0365, near its intraday low of 4.0345 amid persistent USD weakness in the wake of stimulus and vaccine jitters. We expect continued MYR gains on the back of a bearish USD, potentially leading to an annual gain of circa. 1.4%, from 4.09 last December.
- **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 US dollar continued its downward decline on Wednesday, trading as low as 89.56 before closing the day at 89.68. We remain slightly bearish on the pair as the ongoing push for bigger stimulus checks are running out of steam. USD outlook remains neutral to bearish and is expected to stay below the 90.0 mark.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, potential US stimulus, buoyant sentiments

EUR (Neutral-to-Bullish)

- EUR/USD continue its upward trend, closing at a 2½ -year high of 1.2298. Speculative interest kept selling the greenback heading into the year end. We maintain a bullish stance on the pair, anticipating further advance amid USD weakness.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD had a positive day of trading, closing the trading session at a high of 1.3625. The pair rose to its highest in 2½ years, shored up by a last minute Parliament approval of a Brexit deal. Positive sentiments are reinforced by the approval of another Covid-19 vaccine.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY suffered a late setback, dropping to an intraday low of 102.96 before recovering slightly to end the day at 103.19. The pair was affected by the delayed US stimulus talks and rising coronavirus concerns. We observe a range of 102.80-103.40 for now.
- **Factors supporting:** BOJ policy, risk aversion
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD traded mostly upwards on Wednesday to close the session out at 0.7686. We maintain our bullish stance on the pair amid broader US dollar weakness and mixed updates from China. The next psychological level to break will be 0.7720.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD had a choppy day of trading, reaching as high as 1.3274 and going as low as 1.3223 before finally settling at 1.3234 to round off the day. We maintain our stance on the pair as vaccination distribution has started on the Wednesday. 1.3290 is the key resistance to overcome for a reversal.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, trade war, US-China

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