HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **U.S. stocks rose on Monday, leading major benchmarks to recovering some losses following their worst week since October.** The Dow Jones rose 229 points, or 0.8%, the S&P 500 edged up by 1.6% and Nasdaq outperformed with 2.5% gain. Meanwhile, the online retail traders that drove up GameStop's shares now shifted their focus to the silver market. Prices of the precious metal soared over 11%, hitting a daily high of 30.09 before settling at $28.80/oz. The dollar index strengthened amid a weaker euro. US yields were higher; 10Y UST yield last traded at 1.08%.

- **Focus is now on President Biden's proposed $1.9trillion stimulus package.** A handful of Republicans met Biden to push for a much smaller $600b package. Meanwhile, Democratic congressional leaders started to lay the groundwork to pass the $1.9 trillion bill with only Democratic votes. The Reserve Bank of Australia is expected to keep its cash rate unchanged at 0.1%. Key economic data is the Eurozone's first estimate of 4Q GDP growth; consensus forecast stands at -1.2% q/q, reflecting the impact of tighter restrictions on the broader Eurozone economy last quarter.

- **On the data front, the US' manufacturing PMI appeared to outperform its peers as both the ISM index** (albeit lower) and Markit PMI (at record high) suggest robust growth. Eurozone and the UK as well as China saw their PMIs retreating but still at above-50 level. Japan's PMI slipped back to contracting area. The US' construction spending also hit an all-time high in December thanks to low interest rates. Eurozone's unemployment rate was steady at 8.3%.

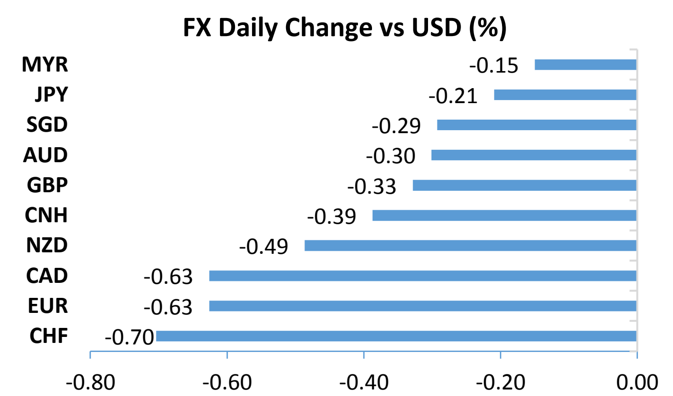
- DXY was up by 0.4% on Monday, closing at 90.98 after a high of 91.06. This came as US yields also turned higher. We are **neutral on the USD** for the week ahead. Focus is on jobless claims and non-farm payrolls data. Market risk aversion may keep the dollar resilient for now, although we do not expect further strong movements near-term. A major swing factor remains on Covid-19 containment efforts on US fundamentals. A break significantly above 91 however, may shift momentum to the upside, with the next range of 92-93.

- USD/MYR closed 0.2% lower at 4.0400 on Friday. MYR gyrated within a tight range of 100pips between 4.04-4.05 last week as the USD strengthened towards 90.90 following renewed recovery concerns as reaffirmed by the Fed. We are **neutral on MYR** this week, potentially eyeing a range of 4.03-4.06, with the USD remaining the biggest influence. Moody's reaffirmation of Malaysia sovereign rating at A3 with a stable outlook which has eliminated another event risk would help support the MYR.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,211.91	0.76	-1.29
S&P 500	3,773.86	1.61	0.47
FTSE 100	6,466.42	0.92	0.09
Hang Seng	28,892.86	2.15	6.10
KLCI	1,566.40	-0.90	-3.74
STI	2,896.32	-0.21	1.85
Dollar Index	90.98	0.44	1.16
WTI oil ($/bbl)	53.55	2.59	10.37
Brent oil ($/bbl)	56.35	0.84	8.78
Gold (S/oz)	1,860.80	0.73	-1.98
CPO (RM/tonne)	3,832.50	4.09	1.17

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	→
UK	↓	Japan	↓
China	↓	Australia	↑
Malaysia	↓	Vietnam	→

Up Next

02/02	AU RBA Cash Rate Target (37288)	0.1%
	UK Nationwide House Px NSA YoY (Jan)	7.3%
	HK Retail Sales Value YoY (Dec)	-4.0%
	EC GDP SA QoQ (4Q A)	12.5%
	SI Purchasing Managers Index (Jan)	50.5
03/02	NZ Pvt Wages Inc Overtime QoQ (4Q)	0.4%
	NZ Employment Change QoQ (4Q)	-0.8%
	NZ Unemployment Rate (4Q)	5.3%
	EC CPI Estimate YoY (Jan)	-0.3%
	US MBA Mortgage Applications (29 Jan)	-4.1%
	US ADP Employment Change (Jan)	-123k
	US ISM Services Index (Jan)	57.2
	Markit Services/Private Sector PMI for US, Eurozone, UK, Japan, China, Hong Kong, Singapore	

Source: Bloomberg

Macroeconomics

- ***US manufacturing PMI outperformed peers in January:***
  - The US ISM Manufacturing Index retreated to 58.7 in January, after the recent high of 60.5 in December as new orders, new exports orders and production growth eased. Employment and prices gained further. The Markit Manufacturing PMI for the US meanwhile surged to a record high of 59.2 in the same month (Dec: 57.1), adding to signs of strong manufacturing sector. Supply chain constraints however remained a continuous issue.
  - The Eurozone Markit Manufacturing PMI was lower at 54.8 in January, from 55.2 in December, still a relatively solid reading
  - The UK Markit/CIPS Manufacturing PMI slipped to 54.1 in January, easing from 57.5 in December when manufacturers rushed to fulfil Brexit-related demand.
  - Japan Jibun Bank Manufacturing PMI fell back to the contracting territory of 49.8 in January, from the neutral 50.0 reading prior, in line with the poorer industrial production data.
  - China Caixin Manufacturing PMI inched lower to 51.5 in January (Dec: 53.0), suggesting slower manufacturing growth at the start of the year ahead of the lunar new year in mid-February.
  - Australia AiG Performance of Manufacturing Index surged to 55.3 in January (Dec: 52.1) as the sector recovered further with the pandemic coming under controlled.
  - Vietnam Markit Manufacturing PMI was relatively stable at 51.3 in January (Dec: 51.7), suggesting modest gain in manufacturing activity.
  - Malaysia Markit Manufacturing PMI fell to 48.9 in January (Dec: 49.1), pointing to deteriorating manufacturing condition amid the imposition of the Movement Control Order.

- ***US construction spending hit record high:*** Construction spending in the US rose 1.0% m/m to $1.49 trillion in December the highest level of the data's history. November's reading was also revised higher to show a 1.1% m/m growth. Historically low mortgages rates alongside pandemic driven suburban shifts helped propelled construction spending as developers raced to fulfil demand in an inventory-lean market. Construction spending rose 5.7% y/y in December and the full-year growth came in at 4.7%.

- ***Eurozone unemployment rate:*** The Eurozone's unemployment rate was unchanged at 8.3% in December (Nov: 8.3%) despite the fact that most countries in the bloc were fighting the latest pandemic wave and the largest economies such as Germany and France imposed stricter restrictions. The impact of this sectoral lockdown on unemployment was not as severe compared to the early days of the pandemic.

- ***New Zealand recorded trade surplus in 2020; consumer turned more upbeat on economy:***
  - New Zealand trade surplus narrowed to NZD2.94b in the 12 months to 31 Dec, down from the revised NZD3.3b in the 12 months to November. This compares to a deficit of NZD4.47b at end-2019, largely because of the fall in imports in the pandemic year.
  - The ANZ Consumer Confidence Index rose 1.6% m/m to 113.8 in January (Dec: 112.0). This marked its second consecutive monthly increase as consumers turned more upbeat over economic outlook at the start of the year. This was reflected in their better assessments of the economy 1 and 5 years ahead, family finance 1 year ahead and the climate to buy major household items.

Forex

MYR (Neutral)

- USD/MYR closed 0.2% lower at 4.0400 on Friday. MYR gyrated within a tight range of 100pips between 4.04-4.05 last week as the USD strengthened towards 90.90 following renewed recovery concerns as reaffirmed by the Fed. We are neutral on MYR this week, potentially eyeing a range of 4.03-4.06, with the USD remaining the biggest influence. Moody's reaffirmation of Malaysia sovereign rating at A3 with a stable outlook which has eliminated another event risk would help support the MYR.

USD (Neutral Outlook over 1 Week Horizon)

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EUR (Neutral)

- EUR/USD fell by 0.6%, breaking a low of 1.2056 before a close of 1.2060. We stay **neutral** on the EUR, as market attention focuses on fundamentals. Focus is likely on CPI and retail sales data the following week, alongside ECB's economic bulletin. However, a break of the 1.2000 big figure will likely turn momentum on the downside towards a 1.1800-1.1900 range.

GBP (Neutral)

- GBP/USD was slightly down on Friday, closing at 1.3663 after a move 0.3% lower. We are **neutral** on the GBP. Anticipate weekly range of 1.3600-1.3800. Focus is on Covid-19 situation and Bank of England policy decision on 4 February. Markets currently anticipate no changes to its stance, although any talk of negative interest rates may weaken the pound. Support at 1.3580.

JPY (Neutral-to-Bearish)

- USD/JPY moved up by another 0.24% on Friday, bringing the pair to a close of 104.93. We turn **neutral-to-bearish** on the JPY for the coming week, after technicals show momentum for JPY weakness. Bank of Japan debated whether to have bigger yield moves ahead of the March review, which may weaken the JPY if it exceeds expectations. Watch supports of 103.50 and 102.59, with resistance around 105.30.

AUD (Bearish)

- AUD/USD was down by 0.3% on Monday, reaching a close of 0.7621. We are **bearish** on the AUD for the week ahead, mainly concerned about correction from prior rallies and risk aversion. Focus will likely be on a 0.7600-0.7800 range near term, with a break below to turn attention on the next support at 0.7400. For the week ahead, focus is on RBA, where it is expected to maintain its policy stance.

SGD (Neutral)

- USD/SGD moved higher to 1.3329 close after range movements on Friday. With USD/SGD hovering around the 1.33 big figure, we are neutral and see weekly range movements between 1.3200-1.3400. A break of this range will likely signal at momentum either way. Key focus for the week is Singapore PMI, where we expect continued expansion for manufacturing.

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