

**Global Markets Research**
**Daily Market Highlights**

## 02-Dec: Omicron fear drove up safe assets

### US stocks sold off as first Omicron case detected in California

### Dollar, treasuries & gold pushed higher amid risk aversion

### US reported a strong set of economic data

- US stocks sold off overnight as the market reacted to negative headlines related to the new Covid-19 variant Omicron. The first Omicron case has been detected in California on a visitor returning from South Africa. South Africa said that the number of Covid-19 cases have recently doubled in the country. The Dow Jones gave up early gains to shed 1.3% or 462pts; similarly, the S&P 500 erased gains and fell by 1.2%; meanwhile the tech-heavy NASDAQ shed 1.8%, making it the worst performer of the day.
- Safe haven assets were pushed higher overnight amid risk-off sentiment. US treasury yields fell by 1 to 5bps where the yield on the benchmark 10Y UST was seen 4bps lower at 1.4%. The dollar index traded little changed (+0.04%) at 96.03 as the strength in JPY (+0.3%) neutralized the broad-based weaknesses in other majors against the USD. The USD strengthened against most G10 currencies amid a rush to safe havens as well as Fed Chair Jerome Powell's hawkish remarks that suggested a quicker conclusion of the Fed's asset tapering process.
- USD/MYR climbed 0.4% higher to 4.2195 on Wednesday. Overnight USD strength fuelled by risk aversion and hawkish Powell remarks may continue to support USD/MYR, pushing the pair back to 4.22-4.23 range.
- Gold prices rallied alongside other safe assets. Futures rebounded by 0.5% to \$1781.60/oz after suffering two straight losses. Oil prices tumbled further as the selloff intensified amid global Covid fear. Brent crude plunged 2.4% to \$68.87/barrel while WTI settled 0.9% lower at \$65.57/barrel. OPEC+ began a two-day talk on Wednesday to decide whether to increase its output as members weighed oil prices volatility, demand outlook against the possibility of new lockdowns across the world to curb the new Covid variant.

#### US reported solid economic data:

- The US ISM manufacturing index rose to 61.1 in November (Oct: 60.8), roughly matching the consensus forecast. The Markit manufacturing PMI was little changed at 58.3 (Nov: 58.4). Both indexes painted a strong picture of solid factory conditions in the US even as the supply chain bottlenecks remained a major challenge facing producers across the country.
- Construction spending rose 0.2% m/m in October while spending in September was revised higher to reflect a smaller contraction (-0.1% m/m vs -0.5% m/m initially estimated). Non-residential spending jumped 0.9% m/m. Private residential spending fell for the second month (-0.5% m/m).
- The US private sector added 534k jobs in November (Oct: +570k) according to the ADP National Employment Report, higher than the consensus forecast of 525k. The positive reading supports the view of continuously solid job growth in the US.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,022.04	-1.34
S&P 500	4,513.04	-1.18
NASDAQ	15,254.05	-1.83
Stoxx 600	470.86	1.71
FTSE 100	7,168.68	1.55
Nikkei 225	27,935.62	0.41
Hang Seng	23,658.92	0.78
Straits Times	3,098.25	1.87
KLCI 30	1,496.93	-1.13
<b>FX</b>		
Dollar Index	96.03	0.04
EUR/USD	1.1320	-0.16
GBP/USD	1.3279	-0.15
USD/JPY	112.78	-0.34
AUD/USD	0.7105	-0.31
USD/CNH	6.3721	0.08
USD/MYR	4.2195	0.37
USD/SGD	1.3652	-0.03
<b>Commodities</b>		
WTI (\$/bbl)	65.57	-0.92
Brent (\$/bbl)	68.87	-2.41
Gold (\$/oz)	1,781.60	0.45

Source: Bloomberg, HLBB Global Markets Research

- The Federal Reserve released its last Beige Book of the year and reported that the US economy grew at a modest to moderate pace in most Fed districts during October and early November.

#### PMI readings largely positive in other key economies:

- The Eurozone's Markit manufacturing PMI was little changed at 58.4 in November (Oct: 58.3) while the UK factory gauge rose slightly to 58.1 (Oct: 57.8), indicating solid operating conditions.
- In Asia, Japan's manufacturing PMI edged up to 54.5 in November (Oct: 53.2) as factory activity improved following the lifting of the National State of Emergency measures.
- China's Caixin Markit manufacturing PMI slipped below the neutral threshold, to 49.9 in November (Oct: 50.6); the modest decline reflects softer operating conditions in China's small private companies and was in contrast with the official manufacturing PMI (rose from 49.2 to 50.1).
- In South East Asia, Vietnam's PMI was little changed (52.2 vs 52.1 prior); the same goes to Malaysia (52.3 vs 52.2 prior). Thailand's PMI slipped a little to 50.6 (Oct: 50.9) while Indonesia's PMI slipped to 53.9, down from the strong pace of 57.2 in the previous month.

#### Australian economy shrank 1.9% in 3Q:

- The Australian economy contracted less than expected in the third quarter of 2021. GDP shrank by 1.9% q/q in 3Q, versus the expectations of -2.7% q/q, dragged down by the decline in household consumption as the country endured multiple lockdowns to curb the Covid-19 Delta variant. In 2Q, the economy had grown by 0.7% q/q. On a y/y basis, GDP expanded by 3.9% in 3Q (2Q: +9.5%) thanks to the low base effect from last year.

#### House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	95-97	94.50	95.00	95.50	96.50
EUR/USD	1.12-1.14	1.15	1.14	1.14	1.13
GBP/USD	1.32-1.34	1.35	1.35	1.34	1.33
AUD/USD	0.70-0.72	0.72	0.71	0.71	0.70
USD/JPY	112-115	112	113	114	115
USD/MYR	4.20-4.25	4.15	4.15	4.15	4.15
USD/SGD	1.36-1.38	1.35	1.34	1.33	1.34

  

Policy Rate %	Current	4Q-21	1Q-22	2Q-22	3Q-22
Fed	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10	0.25
RBA	0.10	0.10	0.10	0.10	0.10
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	1.75

Source: HLBB Global Markets Research

#### Up Next

Date	Events	Prior
02/12	AU Exports MoM (Oct)	-6%
	AU Home Loans Value MoM (Oct)	-1.4%
	EZ Unemployment Rate (Oct)	7.4%
	SG Purchasing Managers Index (Nov)	50.8
	US Initial Jobless Claims (27 Nov)	199k
03/12	HK Markit Hong Kong PMI (Nov)	50.8
	JP Jibun Bank Japan PMI Services (Nov F)	50.7
	CN Caixin China PMI Services (Nov)	53.8
	SG Retail Sales YoY (Oct)	6.6%
	EZ Markit Eurozone Services PMI (Nov F)	54.6

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UK Markit/CIPS UK Services PMI (Nov F)	59.1
EZ Retail Sales MoM (Oct)	-0.30%
US Change in Nonfarm Payrolls (Nov)	531k
US Unemployment Rate (Nov)	4.6%
US Average Hourly Earnings YoY (Nov)	4.9%
US Markit US Services PMI (Nov F)	58.7
US ISM Services Index (Nov)	66.7
US Factory Orders (Oct)	0.2%

Source: Bloomberg

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