3 February, 2021

Global Markets Research

Daily Market Highlights

Key Takeaways

- **U.S. stocks rallied overnight as last week's market frenzy fuelled by retail traders fizzled out. Investors turned their focus to corporate earnings, US stimulus package as well as progress of vaccine rollout.** The Dow Jones added 476pts or 1.6% while the S&P 500 picked up 1.4%. NASDAQ gained 1.6%. Stocks have risen in both Asia and Europe earlier. Shares of GameStop plunged another 60% on the same day, while prices of silver also retreated sharply from 8-year high as retail trading volatilities died down. Google's parent Alphabet and Amazon announced better-than-expected 4Q earnings after the market closed. Amazon's founder Jeff Bezos said he would step down as CEO and stay on as executive chairman.

- **Bond yields were higher** by 0.6 to 1.8bps as investors sold bonds amid upbeat market sentiment. The yield on 10Y UST last traded at 1.096%.The dollar index was marginally higher reflecting **mixed USD performances**. Gold futures retreated by 1.6%. Brent and WTI **oil benchmarks jumped** by around 2.0% on tighter inventory; Senate Democrats took the first steps to pass President Biden's $1.9 trillion stimulus bill via a maneuver that would allow them to approve it without Republican votes.

- Earlier, **the RBA left cash rate steady at 0.1% and said would extend QE in mid-April onwards**. On the data front, the **Eurozone economy contracted by 0.7% q/q in 4Q and shrank 6.8% for the full year of 2020**. Hong Kong's retail sales saw steeper fall at year end amid tighter restriction. Singapore's PMI was higher for the second month and New Zealand reported upbeat job data.

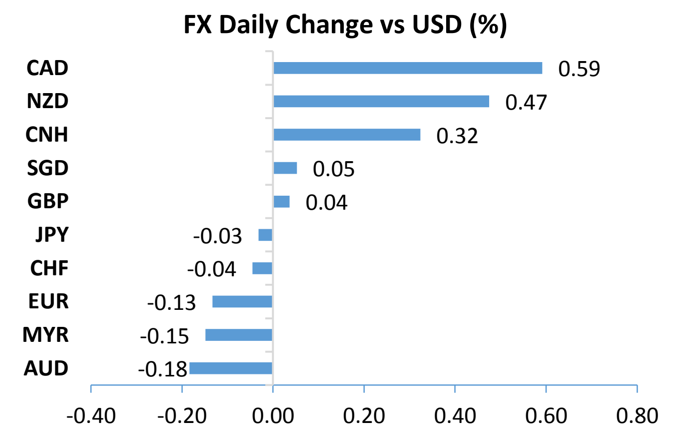
- DXY was stable, up 0.24% on Tuesday, to a close of around 91.20. We are **neutral on the USD** for the week ahead. For the week ahead, focus is on jobless claims and non-farm payrolls data. Market risk aversion may keep the dollar resilient for now, although we do not expect further strong movements 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 rebounded by 0.2% to 4.0460. USD/MYR is likely to continue gyrating within a tight range of 100pips between 4.04-4.05 today. We are **neutral on MYR** this week, potentially eyeing a weekly 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.	30,687.48	1.57	0.26
S&P 500	3,826.31	1.39	1.87
FTSE 100	6,516.65	0.78	0.87
Hang Seng	29,248.70	1.23	7.41
KLCI	1,580.49	0.90	-2.87
STI	2,917.29	0.72	2.58
Dollar Index	91.20	0.24	1.40
WTI oil ($/bbl)	54.76	2.26	12.86
Brent oil ($/bbl)	57.46	1.97	10.93
Gold (S/oz)	1,830.50	-1.63	-3.41
CPO (RM/tonne)	3,895.00	-0.13	2.82

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data			
Eurozone	↓	Hong Kong	↓
New Zealand	↑	Singapore	↑

Up Next

03/02	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	
04/02	NZ ANZ Business Confidence (Feb P)	9.4
	AU Exports MoM (Dec)	3.0%
	AU NAB Business Confidence (4Q)	-10.0
	EC Retail Sales MoM (Dec)	-6.1%
	UK Bank of England Bank Rate (38018)	0.1%
	US Initial Jobless Claims (10959)	--
	US Factory Orders (Dec)	1.0%
	US Durable Goods Orders (Dec F)	0.2%

Source: Bloomberg

Macroeconomics

- *RBA left cash rate unchanged, extended QE:*
  - The RBA maintained the cash rate at a record low of 0.1%, matching the market's expectations. It also left its three-year bond yield target unchanged at 0.10%.However it decided to purchase an additional AUD100b worth of Australian government bonds from mid-April this year. The current program will expire in mid-April.
  - It expressed optimism over Australia's growth outlook, saying that the economic recovery is well under way and has been stronger than was earlier expected. This was underpinned by "Australia's success on the health front and the very significant fiscal and monetary support".
  - GDP is expected to grow by 3.5% over both 2021 and 2022 and is now expected to return to its end-2019 level by mid-2021. Unemployment rate to be around 6% at the end of this year and 5.5% at the end of 2022. Inflation is expected to be 1.25% over 2021 and 1.5% over 2022.
  - It does not expect the conditions to raise cash rate to be met until 2024 earliest.

- *Eurozone economy shrank 0.7% q/q in 4Q, less than expected:*
  - The Euro area economy contracted 0.7% q/q in the fourth quarter of 2020, according to preliminary estimates while 3Q GDP growth was revised slightly lower to 12.4%. This was better than the consensus estimate of -0.9%.
  - On a yearly basis, real GDP contracted by 5.1% y/y (3Q: -4.3%) which translates to a full-year contraction of 6.8% for 2020.
  - The near-term outlook remains challenging in the bloc amid lockdowns and tighter restrictions and also the fact that it fell behind the US and UK in vaccination rollout.

- *Hong Kong's retail sales battered by recent virus waves:* Retail sales fell 13.2% y/y in December (Nov: -4.1%), its worst reading in four months. Despite December being the holiday season, the government tightened restrictions to contain a new wave of Covid-19 virus, leading the retail sector to take a beating after recent months' improvement. January might see some rebound in sales as consumers shopped for the Lunar New Year (mid-Feb).

- *Singapore PMI rose further in January*: Singapore's official Purchasing Manager Index was slightly higher at 50.7 in January, compared to 50.5 prior. This marked its second month of increase and was driven by new orders as well as new exports orders, another sign of improving manufacturing conditions. The electronic sector sub-index however fell a little to 51.0 (Dec: 51.2)

- *New Zealand reported better-than-expected job data*:
  - New Zealand's unemployment rate fell sharply to 4.9% in the fourth quarter of 2020, from 5.3% prior. This came as a surprise for analysts who had forecasted a higher rate of 5.6%. Employment rose for 0.6% q/q (3Q: -0.7%), marking the rise in employment for the first time since 1Q.
  - The increase in full-time jobs and considerable fall in part-time jobs reflect upbeat hiring sentiment and hence economic outlook. New Zealand has been successful in containing the pandemic, steering the economy out of a downturn.

Forex

MYR (Neutral)

- USD/MYR rebounded by 0.2% to 4.0460. USD/MYR is likely to continue gyrating within a tight range of 100pips between 4.04-4.05 today. We are neutral on MYR this week, potentially eyeing a weekly 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 over 1-Week Horizon)

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EUR (Neutral-to-Bearish)

- EUR/USD was slightly down by 0.13% to 1.2044 on Tuesday, after a low of 1.2012. Eurozone 4Q GDP was slightly better-than-expected, although showing a slide from 3Q. We turn neutral-to-bearish on the EUR, as market attention focuses on fundamentals. 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 up, closing at 1.3668 on Tuesday. 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 was slightly up close to the 105 big figure on Tuesday, after an intraday range of 104.83-105.17. We are neutral-to-bearish on the JPY for the coming week, due to technicals showing 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 almost 0.2% on Tuesday, hovering close to 0.7600. This came after RBA stayed pat on policy rates. We are bearish on the AUD for the week ahead, mainly concerned about correction from prior rallies and risk aversion. A break below 0.7600 may turn attention to the next support at 0.7400.

SGD (Neutral)

- USD/SGD moved lower by a slight 0.05% to 1.3322 close on Tuesday. 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. Singapore's January PMI improved to 50.7 from 50.5 a month ago, as electronics PMI softened to 51.0 from 51.2 prior.

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