Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rose on the last day of 2020, closing a tumultuous year out in gains.** On Thursday prior to the New Year, the Dow and S&P500 picked up by around 0.6% while NASDAQ underperformed at +0.1%. For the year, the blue chip Dow rose just over 7%; the broader S&P500 rose 16% and tech-focus NASDAQ notched a massive 44% gain. **Treasury yields fell across the board amid rallies in the stock markets.** 10Y UST yield was down by 9bps to 0.916% at closing, more-than-half lower compared to when the year started (at 1.919%) as the pandemic recession ushered in a new period of low interests.

- **Gold** futures was flat DOD at $1895.1/oz; the precious metal however was a major winner of 2020, **clinching an enormous 24.4% yearly gain** as investors fled to the safe haven assets this year. **The dollar index shed 6.7% in 2020** as the greenback weakened tremendously following a flat 2019 and stronger 2018. Crude oils were major losers, taking hit from dramatic plunge in demand amid a pandemic. **Brent crude lost 21.5% to $51.8/barrel and WTI was also down by 20.5% to $48.52/barrel at the end of the year.**

- On the data front, **US initial jobless claims fell for the second consecutive week, an unexpected surprise. China's official PMIs pulled back in December** but nonetheless are still solid numbers. **Singapore GDP contracted 3.8% YOY in 4Q, better than expected.**

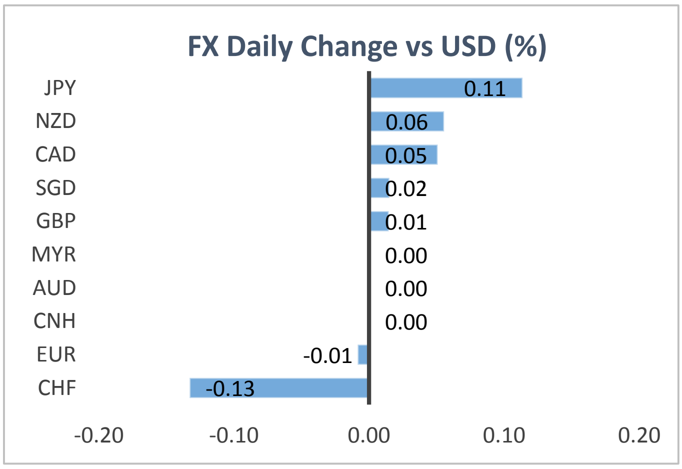
- The DXY encountered a choppy day of trading on the final day of the 2020 calendar year. The DXY climbed as high as 90.05 before slipping to close the day at 89.94. We retain our **bearish stance on USD** given the headline news involving the final amount of the stimulus being in dispute among the various US senators.

- USD/MYR weakened by 0.4% to 4.0205 on Thursday. For the year, the pair shed 1.33% as MYR benefits from the broad-based dollar weakness. **Daily outlook of USD/MYR is neutral to bearish**, as the pair attempts to break below 4.02 big figure. Recent moves have weakened positive momentum and reinforced bearishness in the pair. However, USD/MYR is approaching oversold position signalling possibility of some correction before further move lower.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,606.48	0.65	7.25
S&P 500	3,756.07	0.64	16.26
FTSE 100	6,460.52	-1.45	-11.84
Hang Seng	27,231.13	0.31	-2.96
KLCI	1,627.21	-1.05	4.20
STI	2,843.81	-0.89	-10.20
Dollar Index	89.94	0.29	-6.69
WTI oil ($/bbl)	48.52	0.25	-20.54
Brent oil ($/bbl)	51.80	0.90	-21.52
Gold (S/oz)	1,895.10	0.09	24.42
CPO (RM/tonne)	3,850.00	1.77	26.44

Source: Bloomberg



Source: Bloomberg; 1-Jan closing

Overnight Economic Data			
US	↑	China	↓
Singapore	↑		

Up Next

Date	Events	Prior
04/01	VN Markit Vietnam PMI Mfg (Dec)	49.9
	MA Markit Malaysia PMI Mfg (Dec)	48.4
	JN Jibun Bank Japan PMI Mfg (Dec F)	49.7
	CH Caixin China PMI Mfg (Dec)	54.9
	HK Retail Sales Value YoY (Nov)	-8.80%
	EC Markit Eurozone Manufacturing PMI	55.5
	UK Markit UK PMI Manufacturing SA (Dec	57.3
	SI Purchasing Managers Index (Dec)	50.4
	US Markit US Manufacturing PMI (Dec F)	56.5
	US Construction Spending MoM (Nov)	1.30%
05/01	SI Retail Sales YoY (Nov)	-8.60%
	US ISM Manufacturing (Dec)	57.5

Source: Bloomberg

Macroeconomics

- ***US recorded fewer jobless claims:***
  - Initial jobless claims fell to 787k for the week ended 26 December (prior: 806k revised), marking its second consecutive decline after picking up in the first two weeks of December. The surprise fall in first-time claimers offered some comforts but the number of claims remained elevated, highlighting the difficulties for the labour market to rehire workers.
  - The fall in continuous claims (from 5.32 mil to 5.22mil as of 19 Dec) and the enhanced pandemic claims (from 4.79mil to 4.77mil as of 11 Dec) are also positive signs.

- ***China's PMIs pulled back a little in December:***
  - China's PMIs pulled back from November numbers, in line with our expectations. The Composite PMI was down to 55.1 from 55.7, still a strong number, and it continues to outperform other G10 economies in the economic rebound.
  - The Manufacturing PMI came in at 51.9 in December (Nov: 52.1) Output (54.2), new orders (53.6), imports (50.4) were all slightly down compared to a month ago. Input prices are high (68.0), indicating that reflation is under way. Output prices also improved to 58.9 from 56.5. Employment improved by 0.1 to 49.6. Large and medium enterprises (52.7) remained in heathier shape compared to small enterprises (48.8).
  - The Non-manufacturing PMI also came off to 55.7 from 56.4 prior, suggesting a slower but still solid growth.

- ***Better-than-expected Singapore's GDP performance:***
  - Singapore's GDP performance was better than expected with a 3.8% YOY contraction in 4Q, from 5.6% in 3Q. The result reflects the stability Singapore managed to achieve in 4Q even as the economy remained in Phase 2 of reopening.
  - Covid-19 cases were well contained enabling economic activities to improve from the previous quarter. Manufacturing saw its stellar performance taper off a little in 4Q. However, it remains a key pillar of support for the economy.
  - We stay optimistic that manufacturing will stay supportive in 2021. Construction rebounded strongly from 3Q, even though it remains more than a quarter off a year's levels. We anticipate some bottlenecks ahead, still hampering a positive YOY growth figure.
  - However, we should still see progressive improvements in the coming quarters. Services sectors saw some improvements in 4Q. The diverse sectors in services will likely benefit from Phase 3 of the reopening. However, some worst-hit sectors will stay depressed from the collapse in travel and tourism activity globally and the continued outbreaks worldwide.

Forex

MYR (Neutral to Bullish)

- USD/MYR weakened by 0.4% to 4.0205 on Thursday. For the year, the pair shed 1.33% as MYR benefits from the broad-based dollar weakness. Daily outlook of the pair is neutral to bearish, as the pair attempts to break below 4.02 big figure. Recent moves have weakened positive momentum and reinforced bearishness in the pair. However, USD/MYR is approaching oversold position signalling possibility of some correction before further move lower.
- **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 DXY encountered a choppy day of trading on the final day of the 2020 calendar year. The DXY climbed as high as 90.05 before slipping to close the day at 89.94. We retain our bearish stance given the headline news involving the final amount of the stimulus being in dispute among the various US senators.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD traded mostly sideways on Thursday, trading as high as 1.2307 before closing at 1.2216. The pair ended the week with modest gains, easing off the profit taking high of 1.2307 earlier on in the trading session. We view 1.2350 as the next resistance level to overcome.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD traded mostly upwards on Thursday, peaking at 1.3678 before suffering some minor late setbacks to end the day at 1.3670. We retain our slightly bullish stance on the back of cautious optimism stemming from a Brexit deal package.
- **Factors supporting**: Breakthrough in news, USD weakness
- **Factors against**: Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY traded mostly downwards on Thursday, from a high of 103.32 in early trading session before seeing losses to end the day at 103.25. The demand for the greenback likely remains subdued suggesting room for down move in the pair.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD traded mostly upwards in the Thursday trading session before closing at 0.7694. We maintain our neutral to bullish stance among Covid-19 vaccinations, increasing odds of the US Covid-19 stimulus and rallying equities.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD encountered a choppy day of trading on Thursday, peaking at 1.3243 before ending the day at 1.3221. We maintain our neutral to bullish stance as Singapore commences its vaccine distribution program, targeting health care workers first. We watch for 1.3200 as the immediate big figure to break.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, trade war, US-China

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