

Global Markets Research

Daily Market Highlights

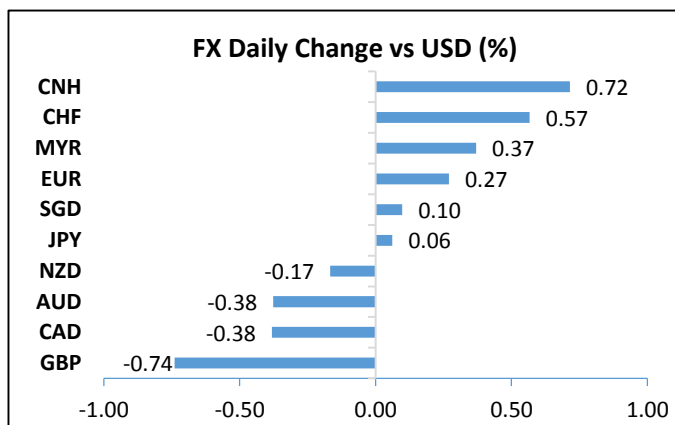
Key Takeaways

- **US stocks tanked on the first trading day of the year** after just setting new record highs before the new year holiday as **coronavirus concerns intensified amid record hospitalisation rate in the US alongside extended lockdowns/tighter restrictions in Europe**. In fact the UK government had just announced this morning a new and stricter lockdown as new daily cases jumped to a nearly 59k on Monday. The Dow Jones shed 1.3% while the S&P500 and NASDAQ both suffered 1.5% losses, driven by broad-based decline across sectors saves for energy. **Treasury yields were little changed** across the curve (-1.1 to +1.1bps); 10Y UST yield was flat at 0.913%.
- **Risk-off sentiments helped support gold and dollar**. Gold futures picked up 2.7% DOD to \$1946.6/oz, returning to above \$1900 level for the first time since early November. The DXY was flattish 89.87 although the broader dollar recorded mixed performances- USD strengthened against GBP, CAD, AUD and NZD but weakened against CHF and EUR. JPY was up little changed. **Crude oil benchmarks slumped on weakened demand outlook**; Brent crude last settled at \$51.09/barrel (-1.4%) and WTI fell to \$47.62/barrel (-1.9%). **Focus is turning towards the Georgia Senate runoff election in the US that would decide which party holds the majority in the Senate**.
- **A slew of manufacturing PMI data continued to paint a mixed picture of the global manufacturing sectors**; Factory gauges picked up sharply in the US as well as the Eurozone and UK, driven by supply chain disruptions. Notably, PMI stabilised in Japan. Expansion meanwhile slowed in China. US construction spending picked up continuously on the back of robust housing demand. Hong Kong retail sales recorded second single-digit decline, a marked improvement compared to months of double-digit falls.
- The DXY encountered a mixed day of trading, as it fell as low as 89.45 before ending the trading session in the 89.76 region. The DXY picked up some steam before the end of the trading session as current US President Trump attempted to overturn the election, and the Georgia Senate runoff began. A move below 89.423 low hit on 4 January may turn attention to psychological support of 89. Maintain **neutral to bearish outlook on USD**.
- USD/MYR hit as low as 3.9955 on Monday before recovering slightly to finish the first 2020 trading session at 4.0055, suffering a daily losses of 0.4%. Pair is now at its lowest level since June 2018, propelled by MYR bulls. It would attempt to breach 4.0 support again, but mixed USD performance overnight could hold the market back. Even so, any recovery or correction is likely to be short term (pair is now oversold), as extended dollar weakness is expected to send the pair lower again. No change to our **neutral to bullish MYR** view.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,223.89	-1.25	-1.25
S&P 500	3,700.65	-1.48	-1.48
FTSE 100	6,571.88	1.72	1.72
Hang Seng	27,472.81	0.89	0.89
KLCI	1,602.57	-1.51	-1.51
STI	2,858.90	0.53	0.53
Dollar Index	89.87	-0.08	-0.08
WTI oil (\$/bbl)	47.62	-1.85	-1.85
Brent oil (\$/bbl)	51.09	-1.37	-1.37
Gold (\$/oz)	1,946.60	2.72	2.61
CPO (RM/tonne)	3,850.00	1.77	27.25

Source: Bloomberg



Source: Bloomberg

Up Next

Date	Events	Prior
05/01	SG Retail Sales YoY (Nov)	-8.60%
	US ISM Manufacturing (Dec)	57.5
06/01	SG Markit Singapore PMI (Dec)	46.7
	HK Markit Hong Kong PMI (Dec)	50.1
	JN Jibun Bank Japan PMI Services (Dec F)	47.2
	CH Caixin China PMI Services (Dec)	57.8
	EC Markit Eurozone Services PMI (Dec F)	47.3
	UK Markit/CIPS UK Services PMI (Dec F)	49.9
	US MBA Mortgage Applications (36892)	0.80%
	US ADP Employment Change (Dec)	307k
	US Markit US Services PMI (Dec F)	55.3
	US Factory Orders (Nov)	1.00%

Source: Bloomberg

Macroeconomics

- **Manufacturing PMIs continued to paint mixed picture of global manufacturing industry:**
 - US Markit Manufacturing PMI surged to 57.1 in December (Nov: 56.7) to mark its steepest upturn since Sep-14, driven by sharp gains in output and new orders and also severe supply chain disruption that resulted from Covid-19 pandemic.
 - Eurozone Markit Manufacturing PMI increased to 55.2 in December (Nov: 53.8), driven by booming demand for German goods which drove most of the increase in Eurozone production. Improvement in the Netherlands and Ireland also reflects a temporary spike in UK demand ahead of Brexit.
 - UK CIPS/Markit Manufacturing PMI rose to a three-year high of 57.5 in December (Nov: 55.6), reflecting Brexit related frontloading that led to major supply disruption issues.
 - Japan Jibun Bank manufacturing PMI rose to 50.0 in December (Nov: 49.0), ending its 19-month contracting streak and indicating that the operating condition at Japan's factories stabilized at the end of the year. This was boosted by increased productions after nearly two years of consistent declines.
 - China Caixin Manufacturing PMI slipped to 53.0 in December (Nov: 54.9) as manufacturing growth eased from recent high. This is in line with the official NBS gauge for the sector, but nonetheless still a solid number.
 - Singapore official PMI edged up slightly to 50.5 in December (Nov: 50.4), suggesting little change in operating condition.
 - Malaysia Markit PMI picked up to 49.1 in December (Nov: 48.4), still at contractionary state.
 - Vietnam Markit PMI rebounded to 51.7 in December (Nov: 49.9) after a recent pull-back in November.
- **US construction spending rose in November:** Construction spending picked up 0.9% MOM in November, following an upwardly revised gain of 1.6% in the previous month. The continuous growth was driven by higher spending in residential construction as developers raced to meet robust housing demand in the US.
- **Hong Kong retail sector continued to show improvement:** Retail sales value fell 4% YOY in November (Oct: -8.7%), much better than analysts' expectation of -7.4%. This marked the index' second month of single-digit contraction rate; suggesting extended improvement in the troubled retail sector amid economic stabilization. The improvement reflects double-digit growth rate of consumer durable goods sales after falling sharply for two straight months. Retail sales are likely to see further improvement heading into January ahead of the lunar new year celebration in February.

Forex

MYR (Neutral to Bullish)

- USD/MYR hit as low as 3.9955 on Monday before recovering slightly to finish the first 2020 trading session at 4.0055, suffering a daily losses of 0.4%. Pair is now at its lowest level since June 2018, propelled by MYR bulls. It would attempt to breach 4.0 support again, but mixed USD performance overnight could hold the market back. Even so, any recovery or correction is likely to be short term (pair is now oversold), as extended dollar weakness is expected to send the pair lower again.
- **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 mixed day of trading, as it fell as low as 89.45 before ending the trading session in the 89.76 region. The DXY picked up some steam before the end of the trading session as current US President Trump attempted to overturn the election, and the Georgia Senate runoff began. A move below 89.423 low hit on 4 January may turn attention to psychological support of 89.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD hit a high around the 1.23 big figure on Monday, before closing at a slight gain at 1.2248. The pair surged during the early trading session due to the broad US dollar weakness but concerns came in as UK was set to announce its national lockdown. 1.2350 is still the next resistance level to overcome.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD traded mostly downwards on Monday, after a high of 1.3696. It collapsed to end the session at 1.3571. The Pound slumped against the US dollar after UK Prime Minister Boris Johnson announced a third national lockdown. We change our stance to neutral, as the lockdown can further delay the economic recovery.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY dropped as low as 102.74 on Monday before recovering from earlier losses to close the day at 103.13. The pair fell to its lowest since March 2020 amid the environment of persistent dollar weakness. We remain neutral on the pair as Japan announced stricter rules around the Tokyo region.
- **Factors supporting:** BOJ policy, risk aversion
- **Factors against:** Weak fundamentals, New restrictive measures

AUD (Neutral-to-Bullish)

- AUD/USD traded as high as 0.7739 before suffering late losses to close at 0.7665. The pair suffered its heaviest losses in two weeks as global fears from the Covid-19 mutation ran rampant. We view a range of 0.7600-0.7740 for now.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy

SGD (Neutral-to-Bullish)

- USD/SGD traded as low as 1.3163 before recovering from earlier losses to close at 1.3206. We maintain our bullish take on the currency as Singapore announced that there are enough vaccinations for the whole population. 1.3160 is the immediate big support to break.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, trade war, US-China

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

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