6 December 2021

Global Markets Research

Daily Market Highlights

06-Dec: Disappointing nonfarm payrolls

US stocks closed out last week with losses

Oil prices plunged for sixth consecutive week

US NFP missed forecast at 210k, ISM services index hit record high

- US stocks closed out the week on a negative note after having recorded losses on Friday. The Dow Jones fell 0.2%. The S&P 500 lost 0.8% while tech-heavy NASDAQ shed a whopping 1.9% amid a large selloff in technology shares. Concerns over the highly transmissible Omicron variant, surging inflation as well as the weaker than expected NFP job growth had weighed on the equity market. On a week-on-week basis, all three benchmarks suffered losses ranging from 0.9 to 2.6% with NASDAQ being the worst performer.

- Treasury yields plunged on Friday on disappointing NFP payroll data which increased by a mere 210k in November. The yield on the benchmark 10Y UST dropped the most (-10bps d/d) to 1.34% and was 13bps w/w lower compared to the previous week.

- In the FX market, the dollar traded on a mixed note against the G10 basket where the safe haven currencies (CHF, JPY) were seen strengthening while the commodity-linked currencies weakened. AUD was the major loser among the G10, suffering 1.3% d/d losses. Meanwhile, gold prices rebounded by 1.2% to $1782/oz as USD strength waned.

- USD/MYR closed little changed at 4.2310 on Friday, matching our earlier expectation for a stabilisation ahead of the weekend. On a week-on-week basis, the pair fell 0.2%, snapping a four-week gaining streak.

- In the week ahead, we remain neutral-to-bullish on USD/MYR, as broad risk aversion in the markets will likely continue to buoy USD strength, keeping demand for risks at bay. We expect the pair to maintain a weekly range of 4.20-4.25, with 4.25 serving as a key psychological resistance.

- Oil benchmarks were mixed on Friday. US WTI fell 0.4% to $66.26/barrel while Brent crude rose 0.3% to $69.88/barrel. Last week marked oil's sixth consecutive weekly losses since late October as the Omicron variant spurred a major selloff while traders weighed conflicting headlines such as major countries tapping into their respective oil reserves and OPEC retaining its plan to hike output.

US added fewer jobs that expected; unemployment rate plunged:

- The US economy added 210k jobs in November, sharply missing the forecast of 550k. Jobs in the previous two months were revised to reflect an upward net revision of 82k. The Bureau of Labour Statistics said that notable job gains occurred in professional & business services, transportation & warehousing, construction, as well as manufacturing. Employment in retail trade declined.
- The unemployment rate (which is of a separate Household Survey), however, fell sharply to 4.2% in November (Oct: 4.6%) despite the rise in participation rate from

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,580.08	-0.17
S&P 500	4,538.43	-0.84
NASDAQ	15,085.47	-1.92
Stoxx 600	462.77	-0.57
FTSE 100	7,122.32	-0.10
Nikkei 225	28,029.57	1.00
Hang Seng	23,766.69	-0.09
Straits Times	3,101.93	0.32
KLCI 30	1,501.74	0.32
FX		
Dollar Index	96.12	-0.04
EUR/USD	1.1315	0.12
GBP/USD	1.3236	-0.52
USD/JPY	112.80	-0.27
AUD/USD	0.7001	-1.31
USD/CNH	6.3748	0.03
USD/MYR	4.2310	-0.03
USD/SGD	1.3717	0.17
Commodities		
WTI ($/bbl)	66.26	-0.36
Brent ($/bbl)	69.88	0.30
Gold ($/oz)	1,782.00	1.21

Source: Bloomberg, HLBB Global Markets Research

61.6% to 61.8%. The average hourly earnings rose 0.3% m/m (Oct: +0.4%) and 4.8% y/y (Oct: +4.8%).

- Despite the miss in headline NFP, the overall report suggests that the US job market remained on a solid footing and the Fed's plan to taper its asset purchase program is unlikely to be deterred nor affected by November's reading.

Other US data came in strong:

- The ISM services PMI smashed expectations in November, hitting a record high of 69.1, compared to the consensus estimate of 65.0. In October, the reading was at 66.7. The survey points to strong business growth in the services industry heading into the holiday seasons, consistent with the continuous strengthening of the US labour market.
- The separately released Markit services PMI for the US slipped to 58.0 in November, slightly down from 58.7 prior. Nonetheless, the survey indicates solid activity expansion.
- The US headline factory orders rose 1.0% m/m in October, beating the consensus forecast of 0.5% growth. Moreover, orders in September were revised higher to reflect a 0.5% gain (from 0.2% initially estimated). The durable goods orders were dragged down by decline in the volatile aircraft segment. The continuous rise in the core capital orders (+0.7% m/m) indicates strong equipment spending and healthy capex in the US.

Services PMIs indicate solid expansion in UK, Eurozone and Japan:

- In Europe, services industry growth continued to hold up steadily as PMI readings stayed well above the neutral threshold of 50.0. The Eurozone's Markit services PMI picked up to 55.9 in November (Oct: 54.6). The UK's Markit services PMI fell modestly to 58.5 (Oct: 59.1).
- Japan's services PMI rose to 53.0 in November (Oct: 50.7) as the sector experienced great improvement in operating conditions following the lifting of the National State of Emergency measures.
- China's Caixin services PMI slipped to 52.1 in November (Oct: 53.8), indicating softer expansion. Neighbouring Hong Kong's whole economy PMI ticked up to 52.6 (Oct: 50.8).
- Singapore's Markit whole economy PMI was little changed at 52.0 (Oct: 52.3) indicating stabilising economic conditions.

Eurozone's retail sales rebounded in October:

- Retail sales rose 0.2% m/m in October (Sep: -0.4%), slightly below analysts' forecast of 0.3%. Sales rose in October, following a modest decline in the previous month. Online sales, sales of fuel and non-food products helped drive the sector growth and are expected to pick up further heading into the holidays.

Singapore's retail sales held up in October:

- Singapore's retail sales picked up 0.7% m/m in October, better than the expected decline of 3.0%. The modest increase in sales came after a September's surge of 6.1% m/m during which consumers splurged on new mobile phones. In October, sales continued to rise in the computer & telecommunication equipment segment as well as furniture & household equipment, recreational goods and watches & jewellery. Sales at supermarkets & hypermarkets as well as convenience stores also picked up. Motor vehicles sales meanwhile fell 8.8% m/m after two months of gaining streak. On a y/y basis, retail sales rose 7.5%, after the 6.8% gain in the previous month.

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	1.31-1.33	1.35	1.35	1.34	1.33

AUD/USD	0.69-0.72	0.72	0.71	0.71	0.70
USD/JPY	112-114	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
06/12	EZ Sentix Investor Confidence (Dec)	18.3
07/12	JP Labor Cash Earnings YoY (Oct)	0.2%
	JP Household Spending YoY (Oct)	-1.9%
	AU RBA Cash Rate Target (07 Dec)	0.1%
	MA Foreign Reserves (30 Nov)	$116.5b
	EZ GDP SA QoQ (3Q F)	2.20%
	EZ ZEW Survey Expectations (Dec)	25.9
	US Trade Balance (Oct)	-$80.9b
	CN Exports YoY (Nov)	27.1%

Source: Bloomberg

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