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Global Markets Research

Daily Market Highlights

07-Dec: Sharp rise in yields, oil prices

US equities rebounded as Omicron symptoms appear milder

Treasury yields rose on easing risk aversion, quicker Fed tapering

Oil prices surged around 5% as Saudi Arabia raised official selling price to Asia

- US stocks rose sharply to start a new week, spurred by positive sentiments that the Covid-19 Omicron variant may elicit milder symptoms than previously thought thus easing recent concerns of a global lockdown. The Dow Jones outperformed with a 1.9% gain overnight, followed by the S&P 500 which gained 1.2%. NASDAQ rose 0.9%. Stocks had earlier gone up in Europe but ticked lower in Asia.
- Treasury yields rose overnight, nearly offsetting the steep decline last Friday. Yields picked up 4-10bps along the curve; the yield on the benchmark 10Y UST rose 9bps to 1.43% after having plummeted by 10bps in the previous session. The Omicron-related relief alongside growing expectations that the Fed may conclude its asset tapering quicker and pave the way for an earlier rate hike next year drove the selloff in treasuries.
- The dollar recorded mixed performances against its G10 peers. USD rose against the safe havens CHF and JPY as well as EUR but weakened against GBP and commodity-linked currencies amid higher oil prices. The dollar index rose 0.2% to 96.29.
- USD/MYR traded on a flat note on Monday, closing little changed at 4.2325. We remain neutral-to-bullish on USD/MYR this week, 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.
- In the commodity market, gold futures slipped 0.3% to \$1777.50/oz. Oil benchmarks posted hefty gains after Saudi Arabia raised its official selling price of crude oil for its Asian customers, brushing off previous uncertainties that the Omicron variant may lead to a sharply lower demand for oil. Brent crude jumped by a whopping 4.6% to \$73.08/barrel while WTI rebounded by 4.9% to \$69.49/barrel.
- China's PBOC said that it would begin to cut its reserve requirement ratio (RRR) on 15 December by 50bps, resulting in a release of 1.2 trillion yuan into the financial system, but insisted that the move would not alter its prudent monetary policy stance.

Eurozone investor confidence fell in December:

- The Sentix Investor Confidence Index fell to 13.5 in December, from 18.3 previously in November. This is slightly better than the expected reading of 12.5. The weaker print this month reflects investors' assessment over the current situation index (which plunged to 13.3, from 23.5 prior) amid the resurgence of Covid-19 wave in the region as well as the uncertainties over the Omicron variant. The expectations index which measures the outlook held relatively steady at 13.8 (vs 13.3 prior).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,227.03	1.87
S&P 500	4,591.67	1.17
NASDAQ	15,225.15	0.93
Stoxx 600	468.71	1.28
FTSE 100	7,232.28	1.54
Nikkei 225	27,927.37	-0.36
Hang Seng	23,349.38	-1.76
Straits Times	3,116.32	0.46
KLCI 30	1,483.45	-1.22
FX		
Dollar Index	96.29	0.18
EUR/USD	1.1285	-0.27
GBP/USD	1.3264	0.21
USD/JPY	113.48	0.60
AUD/USD	0.7050	0.70
USD/CNH	6.3748	0.00
USD/MYR	4.2325	0.04
USD/SGD	1.3687	-0.22
Commodities		
WTI (\$/bbl)	69.49	4.87
Brent (\$/bbl)	73.08	4.58
Gold (\$/oz)	1,777.50	-0.25

Source: Bloomberg, HLBB Global Markets Research

Japan's consumer spending returned as restrictions eased:

- Japan's household spending rose 3.4% m/m in October (Sep: +5.0%) as spending rebounded following the lifting of the National State of Emergency measures amid the sharp decline in new Covid-19 cases in the country. New daily infections in Japan have fallen tremendously since October, going as low as two-digit this month, which helped ease the public's cautiousness. Compared to last year, household spending was 0.6% y/y lower (Sep: -1.9%).
- In a separately released report, cash earnings rose 0.4% m/m in October after the 1.7% plunge in September. On a y/y basis, earnings growth held steadily at 0.2% as the large bonus payment (+14.9%) in that month offset the 0.2% y/y fall in regular earnings.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DX	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
07/12	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%
08/12	JP GDP SA QoQ (3Q F)	-0.8%
	US MBA Mortgage Applications (03 Dec)	-7.2%
	US JOLTS Job Openings (Oct)	10438k

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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