8 January, 2021

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rose for the third session to hit new record highs as investors shrugged off the Capitol Hill riots and focused on the upcoming Democrats' congressional majority which would deliver more stimulus aid** to support a pandemic-battered economy. **Stocks had also finished higher in Europe earlier**. The Dow Jones rose 0.7%, the S&P 500 gained 1.5% while NASDAQ outperformed again with 2.6% rally.

- **Treasury yields rose again** by 1.3-4.4bps across the curve as investors continued to exit the bond markets following Democrats' Georgia win. 10Y UST yield edged up to 1.079% (+4.4bps). **Gold futures recovered slightly** (+0.3%) to $1913.60/oz. **The greenback strengthened across the board**. **Crude oil prices climbed further** following Saudi Arabia's surprise output cut announcement earlier of the week.

- **The Senate has certified Joe Biden's presidential win** after being disrupted by the mobs. Top Democrats in Congress have called on cabinet members to remove President Trump from office (via the US Constitution's 25th amendment) following his incitement of said riots at Capitol Hills that ended with four deaths and threatened to seek another impeachment. Elaine Chao, the Secretary of Transportations is the first cabinet officials to resign from the Administration.

- **US data were uneven with initial jobless claims remaining at elevated levels and ISM services index picking up** despite surging virus. **Trade deficit was the highest in 14 years** on higher demand for imported goods. Meanwhile, **Eurozone retail sales fell sharply** amid new lockdowns; **economic sentiment improved** on vaccine rollout and **HICP inflation was stable.** Japan's household spending posted a surprise gain while Australia reported improved trade data. **Focus turns to tonight's nonfarm payroll job report.** Consensus forecast stood at 50k job gains as of writing, a downward revision following the unexpected ADP job losses (-123k) as well as contraction in ISM services employment gauge.

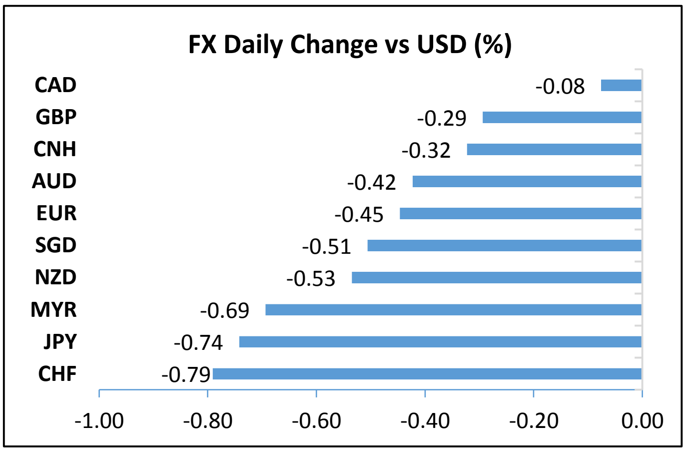
- DXY gained on Thursday by 0.33%, reaching a high of 89.97 and close of 89.82. Event risks still linger from the Capitol incident. We lean towards **further downsides in the USD** in the week ahead, looking at 89 for the DXY. A Democrat sweep in the US Senate election is possibly dollar-negative (bigger stimulus potentially), once near-term event risks dissipates.

- USD/MYR rebounded sharply by 0.7% DOD to 4.0375, correcting from recent losses. The stronger greenback overnight is likely to push the pair up further ahead of the weekend, hence our **bullish view on USD/MYR** today. In the medium term, we are still calling for weaker USD.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,041.13	0.69	1.42
S&P 500	3,803.79	1.48	1.27
FTSE 100	6,856.96	0.22	6.14
Hang Seng	27,548.52	-0.52	1.17
KLCI	1,602.95	0.69	-1.49
STI	2,906.97	1.54	2.22
Dollar Index	89.83	0.33	-0.12
WTI oil ($/bbl)	50.83	0.40	4.76
Brent oil ($/bbl)	54.38	0.15	4.98
Gold (S/oz)	1,913.60	0.26	1.17
CPO (RM/tonne)	3,970.00	1.77	4.80

Source: Bloomberg



Source: Bloomberg

Up Next

Date	Events	Prior
08/01	MA Foreign Reserves (11658)	$105.7b
	EC Unemployment Rate (Nov)	8.40%
	US Change in Nonfarm Payrolls (Dec)	245k
	US Unemployment Rate (Dec)	6.70%
	US Average Hourly Earnings YoY (Dec)	4.40%
11/01	AU Retail Sales MoM (Nov F)	7.00%
	CH PPI YoY (Dec)	-1.50%
	CH CPI YoY (Dec)	-0.50%
	MA Industrial Production YoY (Nov)	-0.50%
	EC Sentix Investor Confidence (Jan)	-2.7

Source: Bloomberg

Macroeconomics

- ***Uneven US data painted mixed recovery picture:***
  - Initial jobless claims fell slightly to 787k for the week ended 2 Jan, from the revised 790k in the prior week, marking its second week of decline. Despite that, the number of first-time claimers remained at elevated levels and may yet again increase amid the raging pandemic which could see firms or local businesses cut employments.
  - The ISM Non-manufacturing Index unexpectedly rose to 57.2 in December (Nov: 55.9), as growth in business activity alongside higher new orders outweighed the decline in employment. The employment sub-index contracted for the first time in four months, led by job losses in the retail and hospitality businesses.
  - US trade deficit hit a 14-year high of $68.1b in November (Oct: -$63.1b) as imports surged 2.9% MOM ahead of the holiday season, a positive sign for domestic demand. Exports went up by 1.2% MOM. The trade gap with China continued to widen to $30.7b (Oct: $30.1b)

- ***Eurozone retail sales suffered sharp fall amid new lockdowns:***
  - Retail sales fell 6.1% MOM in November (Oct: +1.4%), more than consensus forecast of -3.4%. Sales of all categories of goods at physical stores posted declines as governments across the continents ordered new lockdowns or tighter restrictions to contain surging virus. Only online sales or mail orders managed to pick up albeit at smaller rate of 1.8% MOM (versus 9.1% in the previous month). The extended restrictions are likely to shatter the retail sector further in 1Q21.
  - The European Commission Economic Sentiment Index rose to 90.4 in December (Nov: 87.7), higher than analysts' expectations, reflecting improvement in consumer confidence (-13.9 vs -17.6), and industrial confidence.
  - HICP inflation rose 0.3% MOM in December (Nov: -0.3%), translating to a stable -0.3% YOY rate (Nov: -0.3%); core inflation rate also stabilised at 0.2% YOY (Nov: +0.2%).

- ***Japan's household spending recorded surprise gain:*** Japan's household spending rose by 1.1% YOY in November (Oct: +1.9%), a surprise increase following the sharper gain in the prior month. Analysts had been expecting spending to fall 1%. This likely means more optimistic consumer sentiment compared to previously thought, despite higher covid-19 cases and continuous fall in wages. Having said that, the optimism could be short-lived as the government re-ordered a partial State of Emergency, a negative for household consumption.

- ***Australia reported better trade data:*** Australia trade surplus narrowed to AUD5.02b in November (Oct: AUD 6.58b), reflecting strong import growth (+10% MOM vs 2% prior). Exports also defy expectation by recording a 3% MOM gain (Oct: +4%). The full impact of Chinese tariff on Australian exports is yet to materialize in November data. Even so, the impact is likely not as meaningful as China did not yet slap tariffs on its biggest purchase from Australia – iron ores

Forex

MYR (Neutral to Bearish)

- USD/MYR rebounded sharply by 0.7% DOD to 4.0375, correcting from recent losses. The stronger greenback overnight is likely to push the pair up further ahead of the weekend. In the medium term, we are still calling for weaker USD.
- **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)

- DXY gained on Thursday by 0.33%, reaching a high of 89.97 and close of 89.82. Event risks still linger from the Capitol incident. We lean towards further downsides in the week ahead, looking at 89 for the DXY. A Democrat sweep in the US Senate election is possibly dollar-negative (bigger stimulus potentially), once near-term event risks dissipates.
- **Factors supporting**: Return of risk aversion, Global tensions
- **Factors against**: Ultra-easy Fed policy to continue, economic recovery, vaccination

EUR (Neutral)

- EUR/USD was down on Thursday by 0.45% after hitting a high of 1.2350. Pair touched a low of 1.2245 and close of 1.2272. A breakaway from the previous 1.22-1.23 range may see focus turn to 1.24 big figure.
- **Factors supporting**: Improvement in Eurozone fundamentals
- **Factors against**: Risk aversion, Covid-19 outbreak, ECB introducing further monetary measures

GBP (Neutral)

- GBP/USD was down once again on Thursday, by 0.29% to a close of 1.3568. This came as the dollar gained. We see a 1.3490-1.3704 range, although bias may be on the downside on US event risks in coming days. Covid-19 infections (government said that 1 in 50 in England has the virus) may dampen on any further rallies.
- **Factors supporting**: Rapid increase in vaccination rates
- **Factors against**: Risk aversion, Covid-19 outbreak, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY gained further on Thursday by 0.74%, reaching a high of 103.96 before closing at 103.81. Movements remain driven by dollar. We anticipate a range of around 102.6-104.0 over the coming 5 days. A breakaway from the 102.6 low may shift focus to the next 101.19 support.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals, Covid-19 outbreaks in Japan

AUD (Neutral-to-Bullish)

- AUD/USD retreated after a high of 0.7820 on Wednesday. Thursday saw pair retreat to a close of 0.7769 after a low of 0.7726. We still see focus towards the 0.78-0.80 range, if US event risks come off. We stay bullish and watch for some stabilisation in momentum ahead.
- **Factors supporting**: Fundamentals improve from current levels, export recovery (terms of trade)
- **Factors against**: Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD headed up on Thursday, touching a high of 1.3271 and close of 1.3246. Support at 1.3162. SGD may benefit from Asia FX strength in the coming week, although US event risks may prevent momentum gaining near-term. We stay (cautiously) constructive on the SGD.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, global tensions

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