

Global Markets Research

Daily Market Highlights

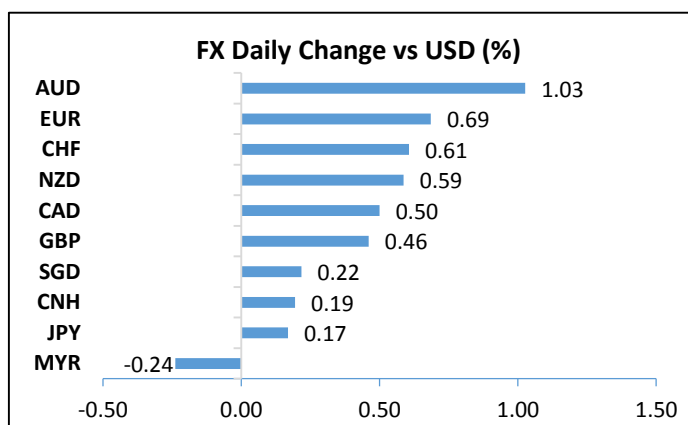
Key Takeaways

- **US stocks rose modestly on Friday to record highs, despite a disappointing job report.** Overall stocks closed out last week with gains, spurred by optimism surrounding President Biden's stimulus program as well as ongoing vaccination in the US while the GameStop retail trading frenzy died down. On Friday, the main US indexes picked up 0.3-0.6% d/d to hit their all-time highs which resulted in a 3.9-6.0% w/w gains. **Equities have also broadly rallied in Europe and Asia as markets turned risk-on over the week.**
- **Longer term US treasury yields continued to increase** on Friday; 10Y UST yield last traded at 1.16% after having risen by nearly 10 bps over the past week. Gold futures swung between gains and losses and finished the week nearly 2.0% lower at \$1810.9/oz. The dollar index shed 0.5% on Friday thanks to a weaker US job data but managed to secure a weekly gain of 0.5%. **Crude oil prices rallied for the past week as falling crude inventory signalled stronger recovery in demand.** Brent crude rose 6.2% w/w to \$59.34/barrel while WTI jumped by 8.9% w/w to \$56.85/barrel, back to their pre-pandemic levels.
- **The US economy added only 49k jobs in December** despite earlier indicators pointing to higher jobs gains. This **reflects job losses in the retail, manufacturing, construction and hospitality sectors** which offset gains in business services jobs. Unemployment rate went down to 6.3%, partially thanks to lower participation rate. **US' trade deficit also ballooned to 12-year high** of \$678.7b for the full year of 2020. **Singapore's retail sales fell 3.6% y/y** in December while **Australia's retail sales recorded a solid 2.5% q/q growth** in 4Q.
- DXY pulled back by 0.53% on Friday after the high of 91.58 seen on 4 February. Lower than expected NFP numbers increased expectations of stimulus, weakening the dollar. We are **neutral-to-bullish** on the USD for the week ahead. For the week ahead, focus is on CPI and initial jobless claims data. The 91.583 high reached on 5 February so far, turns our attention to the 92-93 range.
- USD/MYR hit as high as 4.0765 before closing at 4.0670 on Friday. This marked the pair's fourth consecutive positive session, bringing the week-on-week gain to 0.74%. Surprise USD strength amid US recovery story vis-à-vis other majors spurred by stimulus and vaccine optimism, and reinforced by positive US economic releases, have temporarily shifted FX moves in our view. We are turning **slightly bearish on MYR** in another holiday-shortened week ahead, eyeing a 4.05-4.09 range. The release of Malaysia 4Q GDP will likely see a slightly bigger contraction in the wake of reintroduction of conditional movement control orders during the last quarter of the year.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,148.24	0.30	1.77
S&P 500	3,886.83	0.39	3.48
FTSE 100	6,489.33	-0.22	0.45
Hang Seng	29,288.68	0.60	7.56
KLCI	1,578.63	-0.40	-2.99
STI	2,907.11	0.05	2.23
Dollar Index	91.04	-0.53	1.16
WTI oil (\$/bbl)	56.85	1.10	17.17
Brent oil (\$/bbl)	59.34	0.85	15.64
Gold (\$/oz)	1,810.90	1.23	-4.21
CPO (RM/tonne)	3,785.00	1.61	-0.08

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	↓	Singapore	↓
Australia	↑		

Up Next

08/02	MA Industrial Production YoY (Dec)	-2.20%
	MA Foreign Reserves	\$107.8b
	EC Sentix Investor Confidence (Feb)	1.3
09/02	JN Labor Cash Earnings YoY (Dec)	-1.80%
	AU NAB Business Confidence (Jan)	4
	US NFIB Small Business Optimism (Jan)	95.9

Source: Bloomberg

Macroeconomics

- US economy added fewer jobs than expected:**
 Nonfarm payrolls rose a mere 49k in January, a big disappointment compared to analysts' forecast of 105k. Moreover, new payrolls for the previous two months were also revised downwards collectively by 159k (Fewer job gains in November and more job losses in December).
 - In January, the manufacturing (-10k) and construction (-3k) sectors reported job losses. The overall services sector saw a mere job gains, as the sharp gain in professional and business services (+90k) were offset by losses in Leisure and hospitality, retail trade as well as transportation and warehousing. The modest pace of job growth added to signs of slower than expected job revivals in the US.
 - Unemployment rate meanwhile fell considerably to 6.3% in the same month (prior: 6.7%), partially reflecting lower labour force participation rate.
 - A separate report meanwhile showed that US trade deficit narrowed to \$66.6b in December (Nov: -\$69.0b), thanks to faster exports growth (+3.4% m/m), compared to 1.5% gain in imports. The annual trade deficit for full year of 2020 amounted to a 12-year high of \$678.7b, from \$576.9b in 2019.
- Singapore's retail sales performances reflect distorted spending habits during a pandemic:**
 - Retail sales contracted 3.6% y/y in December, worse than the 1.9% decrease in November. However, high base effects were responsible for deflated numbers. We note that these were slightly below our forecast of -2.7% y/y and consensus expectations of -2.2%.
 - Demand for motor vehicle sales also stayed constructive (amid rising COE premiums), rising 3.3% y/y and overall a fifth consecutive month of expansion. Ex-motor vehicles, retail sales decreased 4.5% y/y from a drop of 2.8% a month ago.
 - The outlook for the coming months will likely stay relatively subdued. Levels are likely to improve only gradually, and in an uneven fashion. Still, the Lunar New Year festival is a near-term upside opportunity for retail sales growth. Improvements in the labour market outlook should also be slightly supportive of retail sales growth. Lower base effects (due to subdued economic activity levels in the circuit breaker period in April to June 2020) will likely help growth numbers look better by 2Q-2021.
- Australia retail sales recorded solid 4Q growth:** Australia's retail sales fell 4.1% m/m in December, its first decline since September. This followed the sharp 7.1% jump in November. In 4Q, retail sales rose 2.5% q/q, better than analysts' expectation of 1.9% growth (3Q: +6.5%). The continuous growth reflects solid consumer spending after the restrictions in Victoria State was lifted. This is likely to extend into 1Q considering the fact that the pandemic is well contained (the country is reporting single-digit daily cases for now).

Forex

MYR (Neutral-to-Bearish)

- USD/MYR hit as high as 4.0765 before closing at 4.0670 on Friday. This marked the pair's fourth consecutive positive session, bringing the week-on-week gain to 0.74%. Surprise USD strength amid US recovery story vis-à-vis other majors spurred by stimulus and vaccine optimism, and reinforced by positive US economic releases, have temporarily shifted FX moves in our view. We are turning slightly bearish on MYR in another holiday-shortened week ahead, eyeing a 4.05-4.09 range. The release of Malaysia 4Q GDP will likely see a slightly bigger contraction in the wake of reintroduction of conditional movement control orders during the last quarter of the year.

USD (Neutral-to-Bullish Outlook over 1 Week Horizon)

- DXY pulled back by 0.53% on Friday after the high of 91.58 seen on 4 February. Lower than expected NFP numbers increased expectations of stimulus, weakening the dollar. We are **neutral-to-bullish** on the USD for the week ahead. For the week ahead, focus is on CPI and initial jobless claims data. The 91.583 high reached on 5 February so far, turns our attention to the 92-93 range.

EUR (Neutral-to-Bearish)

- EUR/USD rebounded to above 1.2000, closing at 1.2056 for the week. We are **neutral-to-bearish** on the EUR, as positioning stays with the dollar. A break of 1.2000 support now shifts our attention to a 1.1800-1.1900 range, after EUR/USD closed at 1.1964 on Thursday. Industrial production will likely be the data focus for the coming week, with markets expecting subdued growth figure.

GBP (Neutral)

- GBP/USD rebounded on Friday after Thursday's weakness, closing at 1.3735 from the previous day's close of 1.3672. We are **neutral** on the GBP. Anticipate weekly range of 1.3600-1.3800. Leading vaccination rates and falling Covid-19 infection rates are helping with a strong pound for now, but there is an absence of further drivers. A reopening of the economy can help support against downside risks. 4Q GDP is released on 12 February.

JPY (Neutral-to-Bearish)

- USD/JPY registered a small gain of 0.14% on Friday, closing at 105.39. We are **neutral-to-bearish** on the JPY for the coming week, as technicals show momentum for JPY weakness. We now look towards a range of 106.00-107.00 should dollar strength persists. Current account for December is the pick of the Japanese economic calendar the coming week.

AUD (Bearish)

- AUD/USD rallied by more than 1.0% on Friday, closing at 0.7678 showing a recovery after a low of 0.7564 hit on 2 February. We are **bearish** on the AUD for the week ahead, mainly concerned about correction from prior rallies and risk aversion. Focus will likely be on a 0.7400-0.7600 range near term.

SGD (Neutral-to-Bearish)

- USD/SGD took a breather from climbing, slightly down by 0.22% d/d to a close of 1.3346. We are **neutral-to-bearish** on the SGD. With pair now touching a YTD high of 1.3383 on 4 February, moving away from the 1.33 big figure previously, we see scope for the pair to test the 1.3450 resistance. Only a retreat back to 1.3300 will signal a reversal of prior momentum upwards.

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