Global Markets Research
Daily Market Highlights

08-Dec: Relief rally boosted stocks, yields & oils

Positive Omicron headlines drove up equities, UST yields and oil prices
RBA kept policy intact but signalled tapering in QE; AUD strengthened
US and China reported positive trade data

- US stocks rallied overnight, extending from Monday's gain amid a relief that the recently discovered Omicron variant is unlikely to trigger a worldwide lockdown and another economic setback. British pharmaceutical giant GSK said that its antibody-based treatment (a partnering product with US biotech firm Vir) is effective on treating the Omicron variant. The Dow Jones and S&P 500 rose 1.4% and 2.1% respectively while tech-heavy NASDAQ jumped by 3.0%. Earlier, stocks had also risen in both Europe and Asia.

- Treasury yields advanced further on Tuesday, picking up 2-6bps, spurred by the positive Omicron headlines and continuous expectations that the Fed would quicken its QE tapering pace; the yield on the benchmark 10Y UST gained 4bps to 1.47%.

- The dollar saw another session of mixed performances against its G10 counterparts. USD strengthened modestly against EUR, GBP, JPY but weakened sharply against the commodity-linked currencies as oil prices rallied. AUD was the biggest gainer among the G10 group, rising nearly 1.0% after the RBA's latest statement signals potential tapering to its QE program in February next year.

- USD/MYR closed virtually unchanged at 4.2325 on Tuesday. We remain neutral-to-bullish outlook 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 space, gold futures rose 0.3% to $1782.6/oz amid a mixed USD trajectory. Crude oil prices recovered further as uncertainties surrounding the Omicron variant eased. Brent crude climbed 3.2% to $75.44/barrel while the US WTI ticked up by 3.7% to $72.05/barrel, partially attributed to the roughly 3.1million-barrel draw in inventory reported by the American Petroleum Institute (API).

US trade deficit narrowed as exports surged in October:

- The US trade deficit narrowed to $67.1b in October, from the record high of $81.4b in September, driven by the sharp increase in exports (+8.1% m/m) to an all-time high level ($223.6b). Imports on the other hand, posted only a modest gain of 0.9% m/m, albeit also at a record level ($290.7b). The surge in overseas shipments is a good sign of easing supply chain constraints and suggests that net exports are expected to have less negative impact on the country's 4Q GDP growth this year.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,719.43	1.40
S&P 500	4,686.75	2.07
NASDAQ	15,686.92	3.03
Stoxx 600	480.18	2.45
FTSE 100	7,339.90	1.49
Nikkei 225	28,455.60	1.89
Hang Seng	23,983.66	2.72
Straits Times	3,134.66	0.59
KLCI 30	1,497.97	0.98
FX		
Dollar Index	96.37	0.04
EUR/USD	1.1267	-0.16
GBP/USD	1.3244	-0.15
USD/JPY	113.60	0.11
AUD/USD	0.7119	0.98
USD/CNH	6.3640	-0.17
USD/MYR	4.2325	-0.01
USD/SGD	1.3664	-0.17
Commodities		
WTI ($/bbl)	72.05	3.68
Brent ($/bbl)	75.44	3.23
Gold ($/oz)	1,782.60	0.29

Source: Bloomberg, HLBB Global Markets Research

ECB's 3Q growth unrevised; German investor sentiment weakened:

- The Eurozone's 3Q GDP growth was unrevised at 2.2% q/q (2Q: +2.2%) in the final reading, reflecting sharp growth in household spending (+4.1% q/q) which offset a small decline in investment. Compared to the same quarter last year, the region's economy expanded by 3.9% y/y (1Q: +14.4%).
- Germany's ZEW Survey report weakening confidence levels. The expectations index slipped to 29.9 in December (Nov: 31.7) as investors turned slightly less optimistic over growth outlook. The current situation index turned negative at -7.4 (Nov: 12.5) as German authorities strive to contain its worst Covid-19 wave.

Japan's 3Q GDP contracted 0.9%:

- The Japanese economy contracted more than initially estimated in the third quarter as the latest reading of 3Q GDP growth was revised lower to -0.9% q/q, from -0.8% in the earlier estimate. This followed a 0.5% q/q growth in the second quarter.
- In 3Q, private consumption fell 1.3% q/q alongside the 2.3% q/q decline in non-residential business spending. In terms of contributions, both components shaved 0.7ppts and 0.4ppts from the headline index while net exports had zero contribution. Compared to the same quarter last year, GDP shrank 3.6% y/y, following the 2% y/y growth prior.

China's trade remained resilient:

- China's exports rose 22.0% y/y in November (Oct: +27.1%) to a record high of $326b; the solid export growth reflects strong underlying demand for Chinese goods globally and partially attributed to seasonal factors.
- Imports rose at an even faster pace, surging by 31.7% y/y (Oct: +20.6%), also to a fresh high of $254b in the same month. This was driven by higher purchase of coal, copper ore and natural gas compared to a year ago. Compared to the previous month, imports of all key commodities recorded gains, a positive sign of economic recovery.

RBA kept policy status quo, outlined three considerations for bond tapering in February:

- The RBA kept its monetary policy unchanged, by maintaining the cash rate at 0.1% and the weekly asset purchase pace at AUD4b "until at least mid- February 2022". It said that the Australian economy is recovering from the Delta variant setback, household consumption is rebounding and business investment outlook has improved. The emergence of the Omicron variant is not expected to derail recovery.
- The RBA's assessment in terms of its economic goals was rather cautious; it mentioned that wages growth has picked up but at the aggregate level, has only returned to the relatively low rates prevailing before the pandemic. "Inflation has increased, but, in underlying terms, is still low, at 2.1%". It expects a further but only gradual pick-up in underlying inflation, reaching 2.5% in 2023.
- RBA said that decision regarding the asset purchase program (to be made in February) will be guided by the same three considerations, namely "the actions of other central banks; how the Australian bond market is functioning; and, most importantly, the actual and expected progress towards the goals of full employment and inflation consistent with the target".
- It concluded with its accommodative monetary policy stance. "The Board will not increase the cash rate until actual inflation is sustainably within the 2-3% target range", which is likely to take some time and the RBA board is prepared to be patient.

Malaysia's foreign reserves rose to $116.7b:

- Malaysia's foreign reserves rose to $116.7b as at 30 November (Oct: $116.5b), sufficient to finance 8 months of retained imports and is 1.3 times short-term external debt.

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
08/12	US MBA Mortgage Applications (03 Dec)	-7.2%
	US JOLTS Job Openings (Oct)	10438k
09/12	UK RICS House Price Balance (Nov)	70%
	CN CPI YoY (Nov)	1.5%
	CN PPI YoY (Nov)	13.5%
	JP Machine Tool Orders YoY (Nov P)	81.5%
	US Initial Jobless Claims (04 Dec)	222k

Source: Bloomberg

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